

WESTERN ASSET MANAGEMENT COMPANY Form ADV Part 2A Brochure

December 15, 2021

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This brochure provides information about the qualifications and business practices of Western Asset Management Company and its supervised affiliates ("Western Asset"). If you have any questions about the contents of this brochure, please contact us at (626) 844-9400 in the United States or at the global office numbers listed herein. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Western Asset is available at our website, www.westernasset.com or the SEC's website at www.adviserinfo.sec.gov. An investment adviser's registration with the SEC does not imply a certain level of skill or training.



Item 2. Material Changes

No material changes have been made to this brochure since the last annual update dated June 25, 2021.

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Item 4. Advisory Business

Western Asset is a leading global fixed-income investment manager committed to delivering long-term results through active management for 50 years. Owned by Franklin Resources, Inc. (Franklin Resources), Western Asset operates with investment independence from its parent and is comprised of a total of six legal entities that operate as part of Western Asset. The information contained in this brochure covers the US (Pasadena and New York), London, Singapore and Tokyo offices. Each of these legal entities is a SEC-registered investment adviser and each reflects the Firm's overall business approach. Our active investment approach combines the market knowledge of long tenured portfolio managers with the research of a specialized group of sectors and portfolio analysts and the rigor of a dedicated risk management team. Unless specifically noted, references to "Western Asset" and "Firm" represent the SEC-registered entities listed below.

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Western Asset encompasses two other legal entities: Western Asset Management Company Distribuidora de Titulos e Valores Mobiliarios Limitada based in São Paulo, Brazil and Western Asset Management Company Pty Ltd based in Melbourne, Australia. These entities are not covered in this brochure, however certain information about these legal entities is found below. Additionally, Western Asset Management Company Pte. Ltd operates and manages a marketing and service office as a division of Legg Mason in Hong Kong and Western Asset Management Company Limited operates a separate office in Zürich, Switzerland to service the Firm's European relationships.

History

Western Asset's parent company, Legg Mason, Inc. ("Legg Mason"), was acquired by Franklin Resources in a transaction that closed on July 31, 2020. In the transaction, Franklin Resources purchased 100% of the outstanding equity of Legg Mason and, as a result, indirectly acquired 100% of Legg Mason's ownership interest in Western Asset. Western Asset continues to operate as separate a legal entity as part of the Franklin Resources organization and to provide discretionary investment management and advisory services to clients, as described in this brochure.

Western Asset Management Company, LLC was founded in Los Angeles, California in October 1971 by United California Bank (which later became First Interstate) before relocating to Pasadena, California, where it is currently headquartered.

In December 1986, Western Asset was acquired by Legg Mason, Inc., a NYSE-listed, independent asset management firm based in Baltimore, Maryland. Western Asset operates as an autonomous investment management company. Western Asset has entered into a revenue-sharing agreement with Legg Mason that allows Western Asset to retain control over a substantial percentage of its revenues. On May 2, 2018, Western Asset converted from a California corporation to a California limited liability company.

In February 1996, in order to broaden Western Asset's non-US dollar capabilities, Legg Mason acquired Lehman Brothers Global Asset Management, based in London, and renamed it Western Asset Management Company Limited. It is authorized and regulated by the Financial Conduct Authority. Western Asset Management Company Limited opened an office in Zürich in January 2019.

In September 2000, Western Asset Management Company Pte. Ltd. (previously known as Legg Mason Asset Management (Asia) Pte. Ltd.) was established in Singapore. In December 2003, the office was expanded when Legg Mason acquired Rothschild Asset Management (Singapore) Limited and merged it into the existing Singapore operation. The Singapore office, Reg. No. 200007692R, is a holder of a Capital Markets Services Licence for fund management and regulated by the Monetary Authority of Singapore.

In December 2005, in order to further enhance Western Asset's capabilities and global presence, Legg Mason acquired a substantial part of Citigroup's asset management business in exchange for its brokerage and capital markets business. As part of this transaction, the Firm gained new offices in Hong Kong, Melbourne, New York, São Paulo and Tokyo, as well as related staff and assets.

Supervised Affiliates of Western Asset

As noted above, Western Asset is comprised of a number of supervised affiliates. Below are the dates these entities were established or came under Western Asset's management:

Entity	Jurisdiction	Date
Western Asset Management Company, LLC	United States	1971
Western Asset Management Company Limited	United Kingdom	1986
Western Asset Management Company PTE. LTD.	Singapore	2000
Western Asset Management Company LTD	Japan	2005
Western Asset Management Company PTY LTD	Australia	2005
Western Asset Management Company DTVM Limitada	Brazil	2005

As of September 30, 2021, Western Asset's global offices listed above managed approximately \$483.5 billion in total AUM and have 759 employees.

The Pasadena office is generally responsible for managing US fixed-income mandates, including the related portions of Western Asset's broader portfolios and servicing the Firm's US relationships. It undertakes all types of investment-related activities including investment management, research and analysis, securities settlement, and client service. The Pasadena office is also the Firm's headquarters.

The New York office is primarily responsible for the Firm's liquidity and municipal products. It undertakes all types of investment-related activities including investment management, research and analysis, securities settlement, and client service.

The London office is generally responsible for managing global and non-U.S. dollar fixed-income mandates, including the related portions of Western Asset's broader portfolios, as well as servicing these relationships. It undertakes all types of investment related activities including investment management, research and analysis, securities settlement, and client service. In February 2019, the London office established a presence in Zürich, Switzerland to enhance the Firm's client service and marketing presence in Europe.

The Singapore office is dedicated to managing Asian (excluding Japan) fixed-income mandates, and providing input and analysis for the Asian portions of Western Asset's broader portfolios, as well as servicing these relationships. It undertakes all types of investment-related activities including investment management, research and analysis, securities settlement, and client service.

The Tokyo office is responsible for managing Japanese fixed-income mandates, including the related portions of Western Asset's broader portfolios. It also services Japanese clients investing in non-Japanese investments managed by other offices. It undertakes all types of investment-related activities including investment management, research and analysis, securities settlement, and client service.

The Melbourne office is responsible for managing Australian and New Zealand fixed-income mandates, including the related portions of Western Asset's broader portfolios, and servicing the Firm's Australian relationships. It undertakes all types of investment related activities including investment management, research and analysis, securities settlement, and client service.

The São Paulo office is responsible for managing Brazilian fixed-income mandates, including the related portions of Western Asset's broader portfolios, and servicing the Firm's Brazilian relationships. Unlike other offices, it also manages equity and balanced accounts. It undertakes all types of investment-related activities including investment management, research and analysis, securities settlement, and client service.

Products and Services

Western Asset provides investment management and advisory services for a broad range of fixed income portfolios, including broad market portfolios and more specialized and tailored portfolios. It does not manage equity portfolios except in limited circumstances, although certain types of instruments which may be considered to have equity characteristics, such as preferred stock and convertible instruments, are commonly found in certain fixed income investment portfolios that we manage. Western Asset's principal investment strategies are as follows:

Asia Local Currency Debt	Total Return Unconstrained
Asia USD Debt	UK Credit
China Local Currency Debt	US Agency MBS
Credit Opportunities	US Agency MBS Plus
Currency Alpha	US Bank Loan
Emerging Markets Corporate	US Core
Emerging Markets Diversified	US Core Constrained
ESG Global Aggregate	US Core Plus
Euro Aggregate	US ESG Core Plus
Global Aggregate	US Enhanced Liquidity
Global Credit	US High Yield
Global High Yield	US High Quality High Yield
Global Inflation-Linked	US Intermediate
Global Multi-Sector	US Intermediate Plus
Global Sovereign	US Investment Grade Credit
Global Sovereign ^Q	US Investment Grade Credit Plus
Global Term Premium	US Investment Grade Intermediate Credit Plus
Global Total Return	US Short Duration
India Core Local Currency	US Short Duration Constrained
Japan Core	US Long Credit
Macro Opportunities	US Long Credit Plus
Multi-Asset Credit	US Long Duration Plus
New Zealand Core	US Liquidity
Short Duration High Income	US Municipal Intermediate
Short Duration High Yield	US Municipal Long
Singapore Local Currency Debt	US Taxable Municipal
Structured Product	US TIPS
Structured Product Levered	

All or a part of any account may be sub-advised by SEC registered supervised affiliates other than the legal entity directly contracting with a client. Appendix A contains more details about the investment strategies Western Asset manages.

Western Asset generally tailors its advisory services and products to client needs and requirements. Western Asset typically reviews and crafts investment objectives and guidelines in detail with new clients as part of the startup process, and revisits objectives and guidelines with existing clients over time as their investment requirements change.

Wrap Programs

Western Asset's US offices (Pasadena and New York) also provide investment management services to clients under various 'wrap fee programs' that may be sponsored by banks, broker-dealers or other investment advisers that may or may not be affiliated with Western Asset. Wrap program clients should carefully review the terms of the relevant agreement with their sponsor to understand the terms, services, minimum account size and any additional fees that may be associated with their account and participation in the wrap fee program. Western Asset receives a portion of the wrap fee for services provided to such accounts. In light of the relatively small size of these accounts when compared to those of institutional clients, Western Asset has developed products specifically for wrap fee programs and clients. Not all strategies are available through wrap fee programs. Further, the manner in which Western Asset executes a strategy through a wrap fee program may differ from how the same strategy is executed for an institutional client, for example, because of the need to adhere to the restrictions imposed by the wrap fee account provider or due to the use of affiliated commingled vehicles rather than individual securities. Where Western Asset's US office has discretion, Western Asset makes investment decisions that are consistent with the strategy selected by the client and sponsor. Where Western Asset does not have discretion, Western Asset provides information (e.g., model portfolios) to the sponsor to be used by the sponsor or other investment professional in implementing investment decisions.

Private Funds

Clients may access certain Western Asset strategies through private funds. In order to do so, clients must meet certain qualifications and be either qualified purchasers or accredited investors. These funds are primarily designed to provide Western Asset's clients with opportunistic asset diversification in an effort to augment investment strategies in seeking a client's overall objectives. The funds may also be utilized as an investment vehicle to launch a new strategy or product that may not initially create demand worthy of separate account minimums or where specific business and legal arrangements make the use of a private fund necessary or advisable. As of September 30, 2021, Western Asset (US) office is the Managing Member and investment manager of 48 private commingled investment funds.

Regulatory Assets Under Management as of September 30, 2021*

Managing Office	Number of Client Accounts	Regulatory Assets Under Management
US (<i>Pasadena and New York</i>)	546**	\$ 390,319,146,201
London	91	\$ 33,136,606,218
Singapore	18	\$ 5,288,909,695
Tokyo	25	\$ 5,605,800,889
Total	680	\$ 434,350,463,003

*Western Asset, through the offices listed above, managed approximately \$434 billion of which approximately \$8 billion consisted of non-discretionary assets.

**Excluded from the number of client accounts above are the separately managed accounts Western Asset (US) sub-advises pursuant to arrangements with wrap fee program sponsors. As of September 30, 2021, the assets under management of these arrangements was approximately \$29,188,511,496 and consisting of approximately 37,229 accounts. As reported above, Western Asset's institutional business is responsible for substantially all of the regulatory assets under management.

Item 5. Fees and Compensation

Western Asset provides fixed-income management services to a wide variety of primarily institutional clients. In accordance with a client's investment management agreement, fees are generally calculated quarterly based on an annualized percentage charge on the value of the portfolio and typically billed in advance. Fees generally are not negotiable, but from time-to-time may be depending on facts and circumstances. In the event of account termination, fees paid in advance will be prorated to the date of termination specified in the notice of termination, and any unearned portion thereof will be refunded to the client. Although agreements are individually negotiated and may vary, either clients or Western Asset, generally, have the right to terminate the advisory agreement by giving the other party thirty (30) days written notice. Existing clients are charged according to their fee schedule which may differ from Western Asset's current fee schedule.

Western Asset will normally negotiate a performance-based fee on request subject to any regulatory limits on fees. In such an arrangement, compensation is typically based on account performance relative to a mutually agreed benchmark. Performance-based fees vary depending on the extent to which Western Asset is authorized to employ a full array of investment techniques. In certain cases Western Asset may be paid a percentage of the account's return (e.g. 20%), typically above a "hurdle" or base return. Please see Item 6. "Performance-Based Fees and Side-by-Side Management" for information concerning conflicts of interests related to Western Asset's accounts that pay performance-based fees.

Western Asset typically acts solely as portfolio manager for an account and not as custodian or another service provider. Clients will pay separate fees to third parties for those services. Western Asset's US offices maintain a family of privately offered commingled funds, primarily for those institutions seeking a strategic or opportunistic allocation to a certain investment sector or strategy. Those funds will pay custodian and administrative fees and other expenses to third party custodians, administrators and service providers such as accountants and lawyers, reducing the return to investors. Western Asset is also an adviser or sub-adviser to registered mutual funds and closed-end funds, including those managed and/or administered by Franklin Resources and its other affiliates. Those funds will pay management, administration and other fees to other service providers, such as Franklin Resources or its other affiliates.

Almost all fixed income instruments trade at a bid/ask spread and without an explicit brokerage charge. Accordingly, while there is not a formal trading expense, clients will bear the implicit trading costs reflected in these spreads. Please see Item 12. "Brokerage Practices" for more information about Western Asset's brokerage practices.

Western Asset typically bills clients for fees but at client direction and agreement may deduct fees from assets (this election does not extend to clients of the London office due to local regulation). Western Asset believes its fees are similar to those charged by many other investment advisory firms for similar services; however, fixed-income management services may be available from other sources for lower fees.

Neither Western Asset nor its supervised persons accept compensation for the sale of securities or other investment products.

Fee Schedules

The below sets forth the current standard advisory fee schedules and account minimums for separate account management for investment strategies offered by Western Asset. Some strategies may only be available in certain regions. The fee schedules may be subject to change and may be subject to local value-added tax or goods and services tax, as applicable. All fees are stated in *U.S. Dollars* except as otherwise noted.

Strategy	Fee Schedule	Minimum Account Size
Asia Local Currency Debt	.40 of 1% on first \$50 million .20 of 1% on amounts over \$50 million <i>With Japanese Consumption Tax:</i> .44 of 1% on first \$50 million .22 of 1% on amounts over \$50 million	\$50 million
Asia USD Debt	.40 of 1% on first \$50 million .20 of 1% on amounts over \$50 million <i>With Japanese Consumption Tax:</i> .44 of 1% on first \$50 million .22 of 1% on amounts over \$50 million	\$50 million
China Local Currency Debt	.30 of 1% on first US\$100 million .20 of 1% on amounts over US\$100 million <i>With Japanese Consumption Tax:</i>	\$50 million
Credit Opportunities	.50 of 1% on all amounts <i>With Japanese Consumption Tax:</i> .55 of 1% on all amounts	\$50 million
Currency Alpha	.50 of 1% on first \$100 million .25 of 1% on amounts over \$100 million <i>With Japanese Consumption Tax:</i> .55 of 1% on first \$100 million .275 of 1% on amounts over \$100 million	\$20 million
Emerging Markets Corporate	.40 of 1% on first \$100 million .30 of 1% on amounts over \$100 million <i>With Japanese Consumption Tax:</i> .44 of 1% on first \$100 million .33 of 1% on amounts over \$100 million	\$50 million or €50 million
Emerging Markets Diversified	.40 of 1% on first \$100 million .30 of 1% on amounts over \$100 million <i>With Japanese Consumption Tax:</i> .44 of 1% on first \$100 million .33 of 1% on amounts over \$100 million	\$50 million or €50 million

Euro Aggregate	.30 of 1% on first €75 million	€50 million
	.15 of 1% on amounts over €75 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first €75 million	
	.165 of 1% on amounts over €75 million	
Global Aggregate	.40 of 1% on first \$100 million	\$50 million
	.20 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.44 of 1% on first \$100 million	
	.22 of 1% on amounts over \$100 million	
Global Credit	.35 of 1% on first \$100 million	\$50 million
	.175 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.385 of 1% on first \$100 million	
	.1925 of 1% on amounts over \$100 million	
Global High Yield	.40 of 1% on first \$100 million	\$50 million or €50 million
	.30 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.44 of 1% on first \$100 million	
	.33 of 1% on amounts over \$100 million	
Global Inflation-Linked	.30 of 1% on first \$100 million	\$50 million
	.15 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first \$100 million	
	.165 of 1% on amounts over \$100 million	
Global Multi-Sector	.40 of 1% on first \$100 million	\$50 million or €50 million
	.20 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.44 of 1% on first \$100 million	
	.22 of 1% on amounts over \$100 million	
Global Sovereign	.30 of 1% on first \$100 million	\$50 million
	.15 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first \$100 million	
	.165 of 1% on amounts over \$100 million	
Global SovereignQ	.30 of 1% on first \$100 million	\$50 million
	.15 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first \$100 million	
	.165 of 1% on amounts over \$100 million	

Global Term Premium	.30 of 1% on first ¥10 billion	\$30 million
	.15 of 1% on amounts over ¥10 billion	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first ¥10 billion	
	.165 of 1% on amounts over ¥10 billion	
Global Total Return	.60 of 1% on first \$100 million	\$50 million
	.40 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.66 of 1% on first \$100 million	
	.44 of 1% on amounts over \$100 million	
India Core Local Currency	.45 of 1% on first \$50 million	\$50 million
	.40 of 1% on next \$50 million	
	.35 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.495 of 1% on first \$50 million	
	.44 of 1% on next \$50 million	
Japan Core	.385 of 1% on amounts over \$100 million	
	.25 of 1% on first ¥5 billion	JP¥5 billion
	.15 of 1% on amounts over ¥5 billion	
	<i>With Japanese Consumption Tax:</i>	
	.275 of 1% on first ¥5 billion	
Macro Opportunities	.165 of 1% on amounts over ¥5 billion	
	1% on all amounts	\$200 million
	<i>With Japanese Consumption Tax:</i>	
Multi-Asset Credit	1.1% on all amounts	
	.60 of 1% on first \$100 million	\$50 million
	.40 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.66 of 1% on first \$100 million	
New Zealand Core	.44 of 1% on amounts over \$100 million	
	.20 of 1% on first NZD100 million	NZD50 million
	.125 of 1% on amounts over NZD100 million	
	<i>With Japanese Consumption Tax:</i>	
	.22 of 1% on first NZD100 million	
Short-Duration High Income	.1375 of 1% on amounts over NZD100 million	
	.40 of 1% on first \$100 million	\$25 million
	.30 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.44 of 1% on first \$100 million	
	.33 of 1% on amounts over \$100 million	

Short Duration High Yield	.40 of 1% on first \$100 million	\$25 million
	.30 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.44 of 1% on first \$100 million	
	.33 of 1% on amounts over \$100 million	
Singapore Local Currency Debt	.25 of 1% on first SG\$50 million	SG \$25 million
	.20 of 1% on next SG\$50 million	
	.15 of 1% on amounts over SG\$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.275 of 1% on first SG\$50 million	
	.22 of 1% on next SG\$50 million	
Structured Product	.165 of 1% on amounts over SG\$100 million	\$50 million
	.75 of 1% on first \$100 million	
	.50 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.825 of 1% on first \$100 million	
Structured Product Levered	.55 of 1% on amounts over \$100 million	\$100 million
	1% on all amounts, plus 15% of the outperformance over the fund's high-water mark on an annual basis	
	<i>With Japanese Consumption Tax:</i>	
	1.1% on all amounts, plus 16.5% of the outperformance over the fund's high-water mark on an annual basis	
Total Return Unconstrained	.60 of 1% on first \$100 million	\$100 million
	.40 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.66 of 1% on first \$100 million	
	.44 of 1% on amounts over \$100 million	
UK Credit	.30 of 1% on first £60 million	£60 million
	.15 of 1% on amounts over £60 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first £60 million	
	.165 of 1% on amounts over £60 million	
US Agency MBS	.30 of 1% on first \$100 million	\$75 million
	.15 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first \$100 million	
	.165 of 1% on amounts over \$100 million	
US Agency MBS Plus	.40 of 1% on first \$100 million	\$75 million
	.20 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.44 of 1% on first \$100 million	
	.22 of 1% on amounts over \$100 million	

US Bank Loan	.45 of 1% on first \$100 million	\$50 million
	.30 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.495 of 1% on first \$100 million	
US Core	.33 of 1% on amounts over \$100 million	\$75 million
	.30 of 1% on first \$100 million	
	.20 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
US Core Constrained	.33 of 1% on first \$100 million	\$75 million
	.22 of 1% on amounts over \$100 million	
	.20 of 1% on first \$100 million	
	.15 of 1% on next \$400 million	
US Core Plus	.10 of 1% on amounts over \$500 million	\$75 million
	<i>With Japanese Consumption Tax:</i>	
	.22 of 1% on first \$100 million	
	.165 of 1% on next \$400 million	
US ESG Core Plus	.11 of 1% on amounts over \$500 million	\$75 million
	.30 of 1% on first \$100 million	
	.20 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
US Enhanced Liquidity	.33 of 1% on first \$100 million	\$50 million
	.22 of 1% on amounts over \$100 million	
	.30 of 1% on first \$100 million	
	.20 of 1% on amounts over \$100 million	
US High Yield	<i>With Japanese Consumption Tax:</i>	\$25 million
	.44 of 1% on first \$100 million	
	.33 of 1% on amounts over \$100 million	
	.077 of 1% on amounts over \$300 million	

US High Quality High Yield	.40 of 1% on first \$100 million	\$25 million
	.30 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.44 of 1% on first \$100 million	
	.33 of 1% on amounts over \$100 million	
US Intermediate	.25 of 1% on first \$100 million	\$50 million
	.125 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.275 of 1% on first \$100 million	
	.1375 of 1% on amounts over \$100 million	
US Intermediate Plus	.25 of 1% on first \$100 million	\$50 million
	.125 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.275 of 1% on first \$100 million	
	.1375 of 1% on amounts over \$100 million	
US Investment Grade Credit	.30 of 1% on first \$100 million	\$75 million
	.15 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first \$100 million	
	.165 of 1% on amounts over \$100 million	
US Investment Grade Credit Plus	.30 of 1% on first \$100 million	\$75 million
	.15 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first \$100 million	
	.165 of 1% on amounts over \$100 million	
US Investment Grade Intermediate Credit Plus	.30 of 1% on first \$100 million	\$75 million
	.15 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first \$100 million	
	.165 of 1% on amounts over \$100 million	
US Short Duration	.25 of 1% on first \$100 million	\$50 million
	.125 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.275 of 1% on first \$100 million	
	.1375 of 1% on amounts over \$100 million	
US Short Duration Constrained	.20 of 1% on first \$100 million	\$50 million
	.10 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.22 of 1% on first \$100 million	
	.11 of 1% on amounts over \$100 million	

US Long Credit	.30 of 1% on first \$100 million	\$75 million
	.20 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first \$100 million	
	.22 of 1% on amounts over \$100 million	
US Long Credit Plus	.30 of 1% on first \$100 million	\$75 million
	.20 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first \$100 million	
	.22 of 1% on amounts over \$100 million	
US Long Duration Plus	.35 of 1% on first \$100 million	\$75 million
	.20 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.385 of 1% on first \$100 million	
	.22 of 1% on amounts over \$100 million	
US Liquidity	.12 of 1% on first \$100 million	\$50 million
	.09 of 1% on next \$200 million	
	.07 of 1% on amounts over \$300 million	
	<i>With Japanese Consumption Tax:</i>	
	.132 of 1% on first \$100 million	
	.099 of 1% on next \$200 million	
US Municipal Intermediate	.077 of 1% on amounts over \$300 million	\$50 million
	.25 of 1% on first \$100 million	
	.125 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.275 of 1% on first \$100 million	
US Municipal Long	.1375 of 1% on amounts over \$100 million	\$50 million
	.25 of 1% on first \$100 million	
	.125 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.275 of 1% on first \$100 million	
US Taxable Municipal	.1375 of 1% on amounts over \$100 million	\$50 million
	.25 of 1% on first \$100 million	
	.125 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.275 of 1% on first \$100 million	
US TIPS	.1375 of 1% on amounts over \$100 million	\$50 million
	.30 of 1% on first \$100 million	
	.15 of 1% on amounts over \$100 million	
	<i>With Japanese Consumption Tax:</i>	
	.33 of 1% on first \$100 million	
	.165 of 1% on amounts over \$100 million	

Item 6. Performance-Based Fees and Side-by-Side Management

Western Asset maintains fee schedules for different strategies, some of which may involve performance fees or other customized fee arrangements. In addition, Western Asset may agree to specific performance fees or other fee arrangements upon client request. Such performance fee-based accounts are managed alongside accounts that have a more traditional fee structure (e.g., accounts that pay solely asset-based fees), typically by the same portfolio manager or team. This arrangement inherently creates a conflict of interest as Western Asset has an incentive to favour performance-based fee accounts in order to increase its revenues. Moreover, in situations where Western Asset is paid a performance fee, it may have an economic incentive to make riskier investments and/or pursue riskier strategies than it otherwise would. There are other potential conflicts that arise from the management of accounts with conflicting investment strategies and accounts in which Western Asset has a proprietary interest. These conflicts could cause Western Asset to favour particular accounts with different strategies or allocate investments to accounts in which it has a significant ownership or financial interest ("proprietary accounts"). Western Asset seeks to mitigate this conflict through a variety of means.

First, Western Asset discloses that these conflicts exist to ensure that clients and potential clients are aware of the risks posed by different fee schedules and Western Asset's management of proprietary accounts. Once clients are aware of these potential conflicts, they can evaluate the implications of these conflicts and Western Asset's approach to mitigate these conflicts.

Second, Western Asset maintains a variety of policies and practices that are designed to reduce the potential for favoritism. Western Asset maintains compliance policies and procedures that it believes are reasonably designed to result in fair allocations of investment opportunities to clients over time, even though a specific trade allocation may have the effect of benefiting one or more accounts over other accounts when viewed in isolation. Western Asset frequently bunches (or aggregates) orders to minimize execution costs and optimize the implementation of investment strategies for clients.

Investment allocations are done in a manner that Western Asset believes is fair and equitable, with the presumption that similarly situated clients should generally participate in similar investment opportunities and trades. The most common means of allocating investment opportunities is to allocate based on the proportionate size of each client's account, making adjustments to accommodate individual client factors such as: unique investment goals and guidelines, available cash, liquidity requirements, odd lot positions, minimum allocations, existing portfolio holdings compared to the target weightings and regulatory restrictions. Allocations are developed based on clients with common investment strategies rather than on the particular fee schedules for particular clients.

Third, Western Asset maintains a variety of oversight mechanisms to monitor for situations that might suggest further inquiry would be prudent or that raise potential concerns. From an investment perspective, there are a variety of resources utilized to monitor performance and portfolio management measures such as dispersion and tracking error. Similarly situated accounts are grouped together in Western Asset's systems and data is available to a wide audience beyond a particular portfolio manager. Please see Item 13. "Review of Accounts" for more information about how client accounts are reviewed. From a regulatory monitoring perspective, Western Asset maintains a compliance monitoring program which has a component dedicated to reviewing allocations through a variety of means. For example, accounts where Western Asset has a proprietary interest are identified and relevant trades subjected to particular scrutiny. Exception reports produced in the process of performance composite construction are reviewed to identify outliers.

Western Asset also maintains policies to identify and monitor the potential conflicts between “alternative investment” or “hedge fund” accounts and other accounts. “Alternative Investments” or “hedge funds” are commonly understood to mean investment vehicles that have no investment benchmarks and use long/short strategies and/or investment leverage. Western Asset also may work with separate account clients to manage portfolios that have similar characteristics to “alternative investments” or “hedge funds.” Western Asset maintains additional monitoring for such accounts to seek to ensure that its trade allocation decisions are consistent with its fiduciary duties and are fair and equitable over time.

Alternative Investments Policy

In managing alternative investment and long-only accounts, Western Asset must assure that all accounts are treated fairly in connection with the allocation of investment opportunities and related trading decisions. Western Asset has established policies and procedures that govern investment decision making and trade allocation process for alternative investment accounts. The policies and procedures are designed to meet the fiduciary duties owed to clients, to avoid conflicts of interest, and to meet applicable requirements under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

While alternative investment (AI) and long-only (LO) accounts share a common investment philosophy, they are subject to different investment objectives and may follow different investment strategies. There may also be circumstances where AI and LO accounts share the same strategy and are traded together. In general, AI accounts have greater investment flexibility than LO accounts. For example, unlike LO accounts:

- AI accounts are seldom managed to a benchmark;
- AI accounts focus on short-term investment horizons and engage in opportunistic trading to take advantage of market inefficiencies;
- AI accounts can short securities and pursue market neutral, relative value strategies (i.e., strategies that use long and short positions in combination with one another) to seek sources of return that are not correlated with broad market fluctuations; and
- AI accounts may leverage their portfolios using various financial instruments to increase the potential return of an investment.

Because of these considerations, trading decisions for AI and LO accounts may not be identical even though the same portfolio manager may manage both AI and LO accounts. Whether a particular investment opportunity is allocated to only AI accounts or to AI and LO accounts will depend on the investment strategy being implemented. There may be circumstances where an investment opportunity is appropriate for both AI and LO accounts and the investment team must allocate on grounds that are consistent with the Firm’s fiduciary duty to both.

Proprietary Accounts

Western Asset presumptively considers proprietary accounts to be those accounts where 25% of net assets are owned by Western Asset employees, officers or affiliate. The Legal and Compliance Department monitors the trading activity of proprietary accounts to ensure that the trading in a proprietary portfolio has not disadvantaged clients of Western Asset or otherwise violates applicable law or policy.

Item 7. Types of Clients

Western Asset provides discretionary investment management services to primarily institutional clients. Institutional clients include corporate and government pension funds, profit-sharing plans, state and local governments, Taft-Hartley's, foundations, endowments, insurance companies, charitable organizations, family offices, non-U.S. government entities, U.S. and non-U.S. mutual funds, collateralized debt/loan obligations issuers and collective investment trusts. Western Asset US also provides investment advisory services to individuals, primarily through wrap fee programs sponsored by its affiliate, Legg Mason Private Portfolio Group, or non-affiliated third parties. As of September 30, 2021, the charts below provide client types and number of clients for each of the SEC registered Western Asset offices.

Western Asset US

Client Types	Number of Clients
Banking or Thrift Institutions	1
Charitable Organizations	79
Corporations or Other Businesses	51
High Net Worth Individuals	1
Insurance Companies	34
Investment Companies	89
Other Investment Advisers	2
Pension and Profit-Sharing Plans	130
Pooled Investment Vehicles (Other than Investment Companies)	93
Sovereign Wealth Funds and Foreign Official Institutions	11
State or Municipal Government Entities	55

Note: This table does not include the 37,229 accounts Western Asset (US) sub-advises pursuant to arrangements with wrap fee program sponsors.

Western Asset London

Client Types	Number of Clients
Charitable Organizations	8
Corporations or Other Businesses	5
Insurance Companies	7
Investment Companies	1
Pension and Profit-Sharing Plans	15
Pooled Investment Vehicles (Other than Investment Companies)	37
Sovereign Wealth Funds and Foreign Official Institutions	8
State or Municipal Government Entities	10

Western Asset Singapore

Client Types	Number of Clients
Insurance Companies	4
Pooled Investment Vehicles (Other than Investment Companies)	12
Sovereign Wealth Funds and Foreign Official Institutions	1
State or Municipal Government Entities	1

Western Asset Tokyo

Client Types	Number of Clients
Charitable Organizations	2
Insurance Companies	1
Pension and Profit-Sharing Plans	10
Pooled Investment Vehicles (Other than Investment Companies)	12

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Western Asset offers a full range of fixed income products, including Total Return, Core and Core Plus, Credit and Corporate/High Yield, Emerging Markets, Inflation-Linked, Liquidity/Money Market, Long Duration, Mortgage Backed/Structured Product, Municipal Bond, Currency Alpha, Short Duration and Sovereign. While its general philosophy and approach is similar for all products, specific analysis and strategies will vary based on the product. Detailed descriptions of our investment strategies are included in Appendix A "Investment Strategies". A general statement of Western Asset's global investment philosophy and approach, focused on broad market accounts, is included below.

There can be no assurance that Western Asset will be successful in implementing any investment strategy. Investing in securities involves the risk of loss which clients should be prepared to bear. A description of the material investment risks associated with Western Asset's investment strategies is included in Appendix B "Investment Risks".

Investment Process

The strategic goal at Western Asset is to add value to client portfolios while adhering to a disciplined risk control process. The investment management team seeks to exceed benchmark returns while approximating benchmark risk or, for total return portfolios, within appropriate risk tolerances. The Firm's investment philosophy combines traditional analysis with innovative technology applied to all sectors of the market. Western Asset believes inefficiencies exist in the fixed-income markets and attempts to add incremental value by exploiting these inefficiencies across all eligible market sectors. The key areas of focus are:

- Sector & subsector allocation
- Issue selection
- Duration
- Term structure

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

Sector & Subsector Allocation

Western Asset rotates among and within sectors of the bond market, preferring nongovernment sectors because they typically offer higher relative yields and have tended to outperform the broad market over long market cycles. The investment team analyzes the global economic environment to determine its potential impact on sector performance. They study historical yield spreads, identify the fundamental factors that influence yield spread relationships, and relate these findings to the Firm's projections to determine attractive alternatives. The Firm's analysts continually augment this process by providing detailed analyses of specific sectors. Corporate analysis includes assiduous credit quality studies and historical yield spread analysis. Mortgage analysis includes the use of external research and integrates the components of prepayment, housing turnover, default and refinancing.

Issue Selection

Issue selection is a bottom-up process that seeks to determine mispriced or undervalued or overvalued securities. The sector teams provide an ongoing assessment of changing credit characteristics and of securities with traits such as floating interest rates, hidden underlying assets or credit backing and securities issued in mergers. Also assessed are newly issued securities. Armed with these sector and issue analyses, the sector teams and portfolio manager select issues opportunistically.

Corporate bonds have long been an area of significant added value added for Western Asset. While Western Asset concentrates on investment-grade securities, its analysts have proven very successful in analyzing lower-grade credits. It is anticipated that these securities will continue to offer attractive risk-adjusted opportunities. Western Asset believes that authority to use corporate

bonds, where consistent with client guidelines and risk tolerances, and when combined with proper risk control guidelines, can be a prudent exercise of fiduciary responsibility.

Duration

The investment team decides on a duration target based on a comprehensive analysis of macroeconomic factors as well as the general political environment. The underlying belief is that interest rates are primarily determined by real economic growth and the level and direction of inflation, and that inflation is primarily a monetary phenomenon. The investment team weighs its views against market expectations, taking on more risk as its views diverge from the market and less risk as they converge. The consensus is not to attempt to time the market, but rather to identify and stay with long-term trends.

Term Structure

Western Asset closely monitors shifts in yield curves, since the relationship between short, intermediate, and long maturity securities is essential for constructing a long-term investment horizon. The investment team determines implications of yield curve shapes, along with projections of central bank policy and market expectations, and formulates a yield curve strategy. While movements in each part of the yield curve are correlated, each responds to different macroeconomic factors. The front end, for example, is often tied to current and projected central bank policy. The long end, while reflecting the expected full cycle of central bank policies, also reacts to changes in underlying inflation trends.

Risk is managed by controlling term structure relative to a target portfolio and by assessing the convexity of the Firm's holdings.

Country Allocation

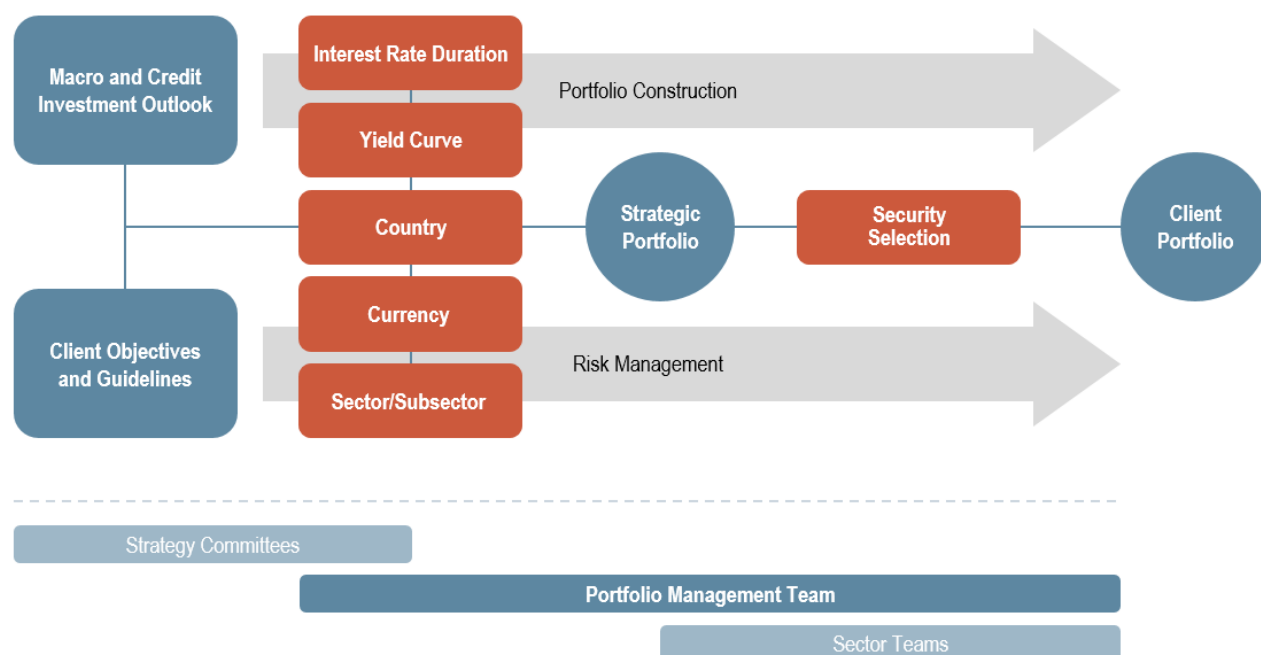
Country allocation is an important component of a global strategy. Local investment professionals across Western Asset's global offices research their respective local markets on an ongoing basis and consider fundamental factors such as debt profile, fiscal position and stage of the economic cycle. Policy factors such as monetary policy and inflation outlook, and political factors such as political stability and election cycle are also considered to arrive at views on the relative attractiveness of the domestic market. Based on the output from Western Asset's local investment professionals, the global fixed investment team considers the individual domestic strategies to identify those that offer the most compelling risk/reward profile.

Currencies

The global investment team formulates a currency strategy based on the same interpretation of economic trends that forms the basis of the bond strategy. The intention is to develop long-term currency strategies based on a notion of underlying value and on the risk-diversifying characteristics of a particular currency strategy. Since currencies are usually more volatile than bonds, risk positions tend to be smaller in order to avoid having the near-term return of the overall portfolio dominated by currency positions. As well as providing a source of potential added value, currencies can also act as a useful diversifier in a portfolio context. Currency positions are monitored closely and adjusted tactically.

Portfolio Diversification

Western Asset's investment process provides diversification via several avenues. The Firm uses multiple independent strategies to capture return and seeks to weight them so that no one strategy has a disproportionate impact. In addition, portfolios are diversified by sector. Historical exposures have generally ranged between 10% and 50% for each of the major domestic sectors such as governments/agencies, corporates and mortgages for US domestic portfolios. The Firm's portfolios are further diversified by issuer and issue. For example, issuer diversification increases as quality decreases.



A graphic illustrating the Firm's investment process and team interaction is provided above.

Western Asset's ESG Philosophy

Given its alignment with Western Asset's long-term fundamental value philosophy, ESG is an important tenet of the Firm's investment process and is incorporated across all fixed-income strategies that the Firm manages. ESG research is integrated within the Firm's comprehensive general research process and led by its sector specialists, who analyze ESG factors in conjunction with traditional metrics.

Western Asset believes that ESG factors can affect the creditworthiness of fixed-income issuers' securities and therefore impact the performance of fixed-income investment portfolios. These factors are wholly consistent with the Firm's long-term, fundamental value-oriented investment philosophy.

The types and importance of the ESG factors analyzed by the Firm's research analysts depend on the asset class, sector and individual issuer. Research analysts are key in defining these for each issuer they cover and thereafter providing their investment rationales to portfolio managers for considerations. The primary responsibility of portfolio managers is to synthesize the fundamental and relative value opinions of the research analysts with the technical input of the traders and risk managers to construct a portfolio that reflects the investment team's views within the context of each mandate's guidelines and risk tolerance.

While Western Asset considers ESG factors and risks in its investment advice broadly, the Firm is also developing a variety of specialized ESG strategies for clients with more specific ESG investment objectives. For example, the Firm has a flagship US ESG Core Plus strategy and an ESG Global Aggregate strategy. We expect to launch additional sustainable investment solutions in response to client needs in the near future.

Risk Management

In financial investments a large part of risk stems from the uncertainty about the future: A fundamental tenet of investing is that markets provide premiums to investors to incent them to take on risk – that is, to take on investments whose future outcomes involve risk and/or uncertainty. By carefully managing the types and amounts of risk taken, asset managers can collect the market premium for risk while avoiding offsetting losses.

Some of these risks include (but are not limited to) exposures to the level of interest rates, the shape of the yield curve, volatility, convexity, inflation, prepayments, credit spreads, defaults, and foreign exchange. Other prominent risks include liquidity (funding and market) and counterparty risks.

Leveraging its proprietary risk system, WISER, and its experienced Risk Management and Quantitative Solutions (RMQS) Team, Western Asset assesses its forward-looking portfolio risks (when applicable differential to benchmark exposures), utilizing 1000+ risk factors for modeling purposes although not all portfolios are equally subject to risk procedures. While RMQS is an independent team, its members closely work with Portfolio Managers and Client Service Executives in their daily routines and a substantial portion of any arising issues are resolved through the routine interactions: Portfolio managers and Client Service Executives (CSEs) work with RMQS to evaluate existing portfolios and prospective portfolios to understand the possible risk consequences of various portfolio structures under consideration.

Chaired by Western Asset's Chief Risk Officer, the Market and Credit Risk Committee ("MCRC") consists of the CIO, COO, Head of Global Sales, and Head of Product teams, and other senior members of portfolio management, client service and risk management teams. MCRC evaluates the various sources of risk that impact clients' portfolios, and establishes action plans and prudent internal warning levels to align investment teams with client risk tolerances. It meets formally, usually on a monthly basis.

While MCRC recognizes that no single metric can fully capture the behavior and risks of a portfolio, the members of the MCRC utilize certain metrics as tools to help augment their qualitative understanding of market and credit risk. For the MCRC's consideration, the risk management group produces forward-looking estimates of future risk behavior, including:

- *Tracking Error* — the volatility of the difference in portfolio returns and benchmark returns. Estimated tracking error indicates how much the portfolio's returns may differ from the benchmark's, and should be in line with the client's risk tolerance. For non-benchmark portfolios, this measure represents the volatility of the portfolio.
- *Volatility Ratio* — for portfolios that have a benchmark this ratio captures the volatility (standard deviation) of the portfolio relative to the volatility of its benchmark. This ratio will tend to be greater than one in environments where investment managers feel risk will be rewarded, and less than one in environments where they feel risk will be punished. (VR does not apply to non-Benchmark portfolios).
- *Performance* — excessively large positive or negative performance relative to benchmark is an indication of portfolio risk. While this measure is backward-looking, it serves as a backstop to indicate risks that might not have been detected in forward-looking measures.
- *Concentration Risk / Default Sensitivity* — adversity Impact of a single security or a group of securities on the risk profile of the portfolio.

- *Tail Risk Assessment / Historical Stress Testing* — analyzing portfolios' forward-looking expected shortfall estimates in relation to their respective risk targets, and evaluating portfolios' hypothetical performance under various historic-based adverse economic scenarios, the team monitors if portfolios are running sizable tail risk and if they would be capable to endure the type of shocks as depicted by the historical scenarios.
- *Counterparty Risk* — involves monitoring the credit profiles of Western's counterparties and making sure that counterparty risk is reasonably diverse by each counter party.
- *Liquidity Risk* — utilizing a proprietary model RMQS monitors the liquidity profile of each portfolio and subjects them to stress tests on a daily basis.

The MCRC also considers concentrations in single obligors and in strategies, and seeks to guide portfolios to appropriate levels of diversification. Other regular analyses include:

- *Risk Trends* — the evolution of risk metrics over time, indicating whether portfolios are de-risking; flat; or increasing risk. The appropriate metrics vary by strategy.
- *Scenario Analysis* — in addition to historical stress tests, MCRC is also periodically interested in forward looking economic scenario testing activities (such as presidential elections, key votes in Europe and the US etc.). In addition, US money market funds are subjected to SEC-mandated shocks.

There is, of course, no assurance that the risk management processes and procedures described herein will provide perfect foresight and immunity from market, credit, liquidity induced risks. Further, it is important to emphasize that the risk management process also provides information for use in discussions about the proper alignment of portfolio risk-taking; returns-generating themes; and client risk tolerances.

Item 9. Disciplinary Information

Western Asset has the following disciplinary actions to report from the past 10 years.

ERISA Eligibility Action

Western Asset Management Company (US) was alleged to have breached certain provisions of the Investment Advisers Act and Employee Retirement Income Security Act of 1974, as amended ("ERISA"), arising from the purchase by ERISA accounts of a security that was not an eligible investment for ERISA accounts and the subsequent handling of the matter. On January 27, 2014, the Securities and Exchange Commission issued an order instituting a public administrative proceeding, making findings and imposing sanctions. Without admitting or denying the SEC's findings, Western Asset consented to the entry of the order, was censured, agreed to undertake certain remedial measures, and agreed to pay a fine of \$1,000,000. On January 27, 2014, Western Asset also entered into a settlement with the US Department of Labor on the same matter and agreed to pay a fine of \$1,000,000. As part of the settlements Western Asset also made compensatory payments to impacted clients in the amount of \$10,000,000 in the aggregate.

Cross Trade Action

Western Asset Management Company (US) was alleged to have breached certain provisions of the Advisers Act, the Investment Company Act of 1940, as amended (the "1940 Act"), and ERISA in connection with certain trades that were alleged to be cross trades. On January 27, 2014, the Securities and Exchange Commission issued an order instituting a public administrative proceeding, making findings and imposing sanctions. Without admitting or denying the SEC's findings, Western Asset consented to the entry of the order, was censured, agreed to undertake certain remedial measures, and agreed to pay a fine of \$1,000,000. On January 27, 2014, Western Asset also entered into a settlement with the US Department of Labor on the same matter with respect to ERISA clients and agreed to pay a fine of \$607,717. As part of the settlements Western Asset also made compensatory payments to impacted clients in the amount of \$7,440,881 in the aggregate.

Item 10. Other Financial Industry Activities and Affiliations

Western Asset is comprised of a total of six investment advisor affiliates that are under common management and supervision. With client permission, subject to any applicable regulatory requirements, Western Asset may delegate all or a portion of management of an account to one of these entities. The legal entities are:

1. [Western Asset Management Company LLC](#) (Pasadena and New York) which is registered as an investment adviser with the SEC and the National Futures Association;
2. [Western Asset Management Company Limited](#) (London) which is authorized and regulated by the United Kingdom's Financial Conduct Authority and is registered as an investment adviser with the SEC as well as the Korea Financial Supervisory Commission;
3. [Western Asset Management Company Pte. Ltd.](#) (Singapore) Co. Reg. No. 200007692R which holds a Capital Markets Services Licence for fund management and is regulated by the Monetary Authority of Singapore as well as registered as an investment adviser with the SEC;
4. [Western Asset Management Company LTD](#) (Tokyo) is a registered financial instruments dealer whose business is investment advisory or agency business, investment management, and Type II Financial Instruments Dealing business with the registration number KLFB (FID) No. 427, and members of Japan Investment Advisers Association (membership number 011-01319) and Investment Trust Association, Japan, and is registered as an investment adviser with the SEC;
5. [Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários Limitada](#) (São Paulo) which is authorized and regulated by Brazilian securities and banking regulators (the Comissão de Valores Mobiliários and Banco Central do Brasil); and
6. [Western Asset Management Company Pty Ltd](#) (Melbourne) ABN 41 117 767 923 which holds Australian Financial Services Licence 303160.

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

Franklin Distributors, LLC ("FD") (formerly Legg Mason Investor Services, LLC), is registered as a broker-dealer under the Securities Exchange Act of 1934. FD is a broker-dealer under U.S. securities laws which is focused on the distribution and sales of investment products and services. FD is the principal underwriter and distributor of the Legg Mason affiliated open-end funds to which Western Asset serves as sub-adviser. Other affiliates of Franklin Resources, such as Legg Mason Partners Fund Advisor, LLC - an SEC registered investment adviser - serves as investment adviser for those funds. Western Asset's global offices may also serve as the adviser or sub-adviser to several SEC registered funds, some of which are advised by Franklin Resources entities or other SEC registered investment advisers. FD also serves as placement agent for certain private funds sponsored or managed by Western Asset.

A number of Western Asset's US-based employees, including members of management, are registered with FINRA as registered representatives of FD. Western Asset employees registered as representatives may actively market funds managed by Western Asset such as money market funds, but these employees do not receive sales commissions from FD.

Western Asset Management Company, LLC is registered as a commodity pool operator and a commodity trading advisor and therefore may provide advice on commodity interests to certain clients. This permits Western Asset US to manage or operate certain collective investment vehicles that include significant investments in commodity interests. Certain employees, including specific senior management and investment personnel, are registered as Associated Persons and/or Principals with the National Futures Association pursuant to U.S. commodities laws.

Affiliations and Conflicts of Interest

Although Western Asset is committed to acting in the best interests of its clients, in some situations there may be conflicts between Western Asset's interests and a client's interests or there may be conflicts in the interests of multiple clients. Many of these conflicts of interest are inherent in operating an investment advisory business. For example, Western Asset may have an incentive to resolve a matter in favor of clients that are affiliates of Western Asset over clients that are not affiliates. Western Asset has adopted policies and procedures that it believes are reasonably designed to mitigate these conflicts of interest.

Various investment adviser affiliates of Western Asset may provide advice to their clients with respect to investment strategies that are similar to or the same as their related adviser. Those advisory affiliates may purchase on behalf of their clients the same securities. As a result, the interests of one affiliate's clients may conflict with the interests of clients of affiliated advisers. For example, if an investment adviser affiliate implements a portfolio management decision for its client ahead of, or contemporaneously with, a decision another affiliate makes for its client(s), the market impact of the decision made by one advisory affiliate could result in the other affiliate's clients receiving less favorable trading results than they otherwise would. One affiliate's trade allocation and trade aggregation procedures do not typically apply to portfolio management decisions and trading executed by other Western Asset investment advisory affiliates.

Western Asset provides investment advice to a large number of clients. In some circumstances, officers or employees of Western Asset may serve as members of a board of directors of (or have similar responsibilities with respect to) a pooled investment vehicle that pays fees to Western Asset, which in some circumstances could be performance-based fees. As a result, it is possible that the Western Asset officers and employees who serve in such capacities may have potential conflicts of interest with the pooled vehicle. Each such officer or employee of Western Asset who serves in such a capacity carefully considers his or her obligations to the pooled vehicle and endeavors to resolve any such conflicts fairly.

Please see Item 11. "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" as well as the Alternative Investments Policy contained in Item 6. "Performance-Based Fees and Side-by-Side Management" for additional information regarding conflicts of interest that arise as a result of Western Asset's investment advisory activities.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

All investment advisory firms owe a fiduciary duty to their clients. In its role as a fiduciary, Western Asset endeavors to eliminate and/or mitigate conflicts and potential conflicts of interest. Because conflicts of interest are endemic in the context of externally managed accounts, however, Western Asset's efforts to identify conflicts are ongoing. Western Asset has adopted a variety of controls such as policies, procedures, and oversight mechanisms in order to address the conflicts and potential conflicts of interest discussed below that may arise in the course of Western Asset's business as an investment adviser.

Following are summaries of a number of policies adopted by Western Asset in an effort to address and mitigate these types of conflicts of interest. The entire discussion under this heading is a summary and is qualified in its entirety by Western Asset's Code of Ethics, Conflicts of Interest Policy, Gifts and Entertainment Policy and Personal Investments with Business Contacts Policy. A copy of these policies is available to any client or prospective client upon request.

Code of Ethics

Western Asset's employees and all persons associated with Western Asset are required to follow Western Asset's Code of Ethics (the "Code"). Subject to satisfying the Code and applicable laws, Western Asset employees and affiliates may trade for their own accounts in securities that are held in client accounts. The Code emphasizes Western Asset's fiduciary obligation to put client interests first. The Code is designed to assure that the personal securities transactions, activities and interests of employees will not interfere with the responsibility to make decisions in the best interest of clients.

The principal terms of the Code as it applies to personal trading are as follows:

- Employees must provide detailed reporting on personal trades, including quarterly transaction and annual holdings reports. Employees must also give Western Asset notice of all brokerage accounts so that the duplicate copies of trade confirmations can be sent to the Legal and Compliance Department.
- Employees must preclear some types of equities trades and all fixed income trades with certain exclusions such as for money market instruments and government securities. Employees in the Tokyo office must also preclear equity trades. Preclearance of trades in common stock for other offices is not generally required unless the security is on Western Asset's restricted list or is the stock of a Western Asset advised closed-end fund or its real estate investment trust.
- An employee is limited to 75 transactions (buys or sells) per quarter.
- Securities must be held for 30 days excluding money market instruments, government securities and open-end funds not advised by Western Asset. Employees in the Tokyo office must hold securities for 180 days, excluding money market instruments, government securities and open-end funds not advised by Western Asset.
- Investment professionals may not participate in initial public offerings ("IPOs") other than participation in closed-end fund offerings if Western Asset is the adviser or sub-adviser. IPOs for other employees and all private placements must be precleared and approved by the Legal and Compliance Department.

- Investment professionals may not trade in a security within 7 days of a trade made for a client in that security (the blackout period is one day for other employees).

In order to monitor personal transactions, the Western Asset Legal and Compliance Department will attempt to arrange to receive duplicate copies of transaction confirmations and account statements for each investment account directly from each financial institution with whom the employee has reported or the employee will provide on their own. Violations are reported to Western Asset's Chief Compliance Officer and Western Asset's Management Committee, depending on the office location. Successive violations are subject to increasingly serious consequences, including termination of employment and other sanctions.

Political Contributions

Investment advisers that, directly or indirectly, use political or charitable contributions in an effort to influence a fiduciary's decision to hire or retain Western Asset (*i.e.*, "pay-to-play") risk suffering significant legal sanctions and harm to their business and reputation from such practices. As a general matter, neither Western Asset nor any Western Asset employee may make any political contributions to influence a government entity, official or candidate to hire or retain Western Asset or a Franklin Resources affiliate as investment adviser, invest or maintain an investment in any fund advised or sub-advised by Western Asset or a Franklin Resources affiliate, or influence Western Asset's access to or allocation of securities issued by that government entity. In addition, neither Western Asset nor Western Asset's employees may make political contributions with the intent to accomplish something indirectly that would be otherwise prohibited directly.

All Western Asset employees and their immediate families are required to pre-clear all political contributions made to any candidate (both those that are successful and those that are unsuccessful) or incumbent for any elective office at any level of government in the United States through designated individuals in the Legal and Compliance Department. This includes all federal, state and local contributions, but does not include contributions to political action committees or political parties. Once precleared, employees must confirm the details of the contribution, if made, including the name of the candidate, the office, and the date and amount of the contribution. Contributions may not be made to a political action committee or political party or to a particular candidate through indirect means that would otherwise require preclearance if made directly.

Western Asset may be required to forego fees for certain accounts in circumstances where certain staff made contributions during or within the 2 years before their employment with Western Asset.

Service as a Director

No Western Asset employee may serve on the board of directors of any public company or mutual fund without prior consent from both the General Counsel of Franklin Resources and Western Asset's General Counsel or Chief Compliance Officer. Approval is not required to serve on the board of Western Asset or a mutual fund or other pooled investment vehicle sponsored or promoted by Franklin Resources, Western Asset or its affiliates.

For service on the boards of private companies, prior written authorization of the Western Asset General Counsel or Chief Compliance Officer is required. The Firm shall evaluate such roles to determine whether the company is or could become an appropriate investment for client accounts and whether the company is likely to go public in the foreseeable future. Such evaluation may result in the employee being required to forego their director role based on the actual or potential conflicts of interest that may exist. If approval is granted and such company contemplates going public, the employee must notify the Legal and Compliance

Department as soon as reasonably feasible and must resign that position prior to going public. In addition, if authorized, appropriate safeguards and procedures may be implemented through information barriers or other means to prevent the employee from making investment decisions or recommendations with respect to that company.

Serving as a director or in a similar capacity for a non-profit organization is permitted without prior pre-clearance, but staff must ensure that such a role does not interfere with their Western Asset responsibilities or otherwise raise conflicts.

For either private company or non-profit roles, staff exercising their duties must ensure they are not in a position to decide whether Western Asset directly or indirectly obtains or retains that entity as a client or investor. If such activity conflicts with, or may reasonably be anticipated to conflict with, the interests of Western Asset or its fiduciary duty to its clients, the staff will be required to discontinue the activity.

In addition to obtaining prior approval, employees who serve on the board of a private company must disclose such role when asked to disclose personal affiliations or associations. If the employee, in his or her role as director, has investment control over the assets of the company or non-profit organization, the employee may be deemed to have a beneficial interest in the investment activities of the company or non-profit organization and the investment activities of the company or non-profit organization would become subject to Western Asset's Code.

Gifts and Entertainment

Western Asset employees may be offered or may receive gifts and entertainment such as hosted dinners or other events from persons that are personally in a position, or potentially in a position, to do business with Western Asset such as existing or prospective clients, broker-dealers, consultants, vendors or other business contacts (generally known as "business contacts"). To ensure that Western Asset's employees are not beholden to a business contact and that their judgment remains unimpaired in this regard, Western Asset employees may only accept appropriate and reasonable gifts and entertainment as further detailed in Western Asset's gifts and entertainment policy summarized below.

- Employees may not keep gifts with a value in excess of \$100 (or its non-USD equivalent) and may not accept cash or cash equivalents in any amount.
- Entertainment events (dinners, sporting and entertainment events) must be reported to the Legal and Compliance Department.
- To the extent the event has a value in excess of \$100 (or its non-USD equivalent) employees must contribute the excess to a Western Asset selected charity. Events with a value in excess of \$300 (or its non-USD equivalent), events outside the metropolitan area in which the employee resides and events involving family members require senior management approval (*i.e.*, senior management to whom the employee ultimately reports to or similar).
- Lunches taken with business contacts during normal business hours are not considered gifts or entertainment.

Outside Business Activities

Employees' personal activities, associations or functions may create potential conflicts of interest. The personal interests of Western Asset personnel must not be placed improperly before the interests of Western Asset or its clients. Outside business activities broadly include becoming employed by any other person or entity, receiving compensation from any other person or entity, or serving as an officer, director or partner of another entity. Even if not technically included within this definition, all Western Asset employees are committed to be mindful of their personal activities and associations and the potential conflicts of interest that arise for Western Asset and its clients. Any employees engaging in outside business activity involving a financial services industry (*i.e.*, banking, securities, brokerage, insurance, etc.) are required to receive pre-clearance from either the General Counsel or Chief Compliance Officer. Note also the requirements for prior approval described above relating to service as a director for private companies and non-profit organizations.

Personal Investment with Business Contacts

To avoid conflicts or potential conflicts, any investment knowingly made by a Western Asset employee together with a Western Asset Business Associate ("Business Associate") in a Personal Investment must be approved in advance. Business Associates are considered: (i) any client, potential client, vendor, broker or other third party that does or desires to do business with Western Asset, (ii) persons that are associated with those entities described in (i) above who are personally in a position to actually or potentially be involved in doing business with Western Asset, or (iii) entities controlled by persons described in (ii) above.

A "Personal Investment" is any investment: (a) in a non-publicly traded entity such as a joint venture, partnership, limited liability company, new or existing business or similar type of business enterprise, (b) in real estate, real property or in a new or existing business, or (c) in non-publicly traded securities or any type of restricted investment limited to persons who meet only particular sophistication or financial qualification criteria.

For Personal Investments with a Business Contact, prior written authorization of the Western Asset General Counsel or Chief Compliance Officer is required. Any approved investment must be re-submitted for approval if circumstances materially change or information provided in the course of obtaining approval becomes materially inaccurate.

Conflicts of Interest

Set forth below is a description of certain potential conflicts of interest that may arise in the course of Western Asset's activities for its own account and for the accounts of its clients, including pooled investment vehicles and separately managed accounts.

Conflicts Related to Portfolio Management of Multiple Accounts

Western Asset also acts as investment adviser to pooled vehicles and separately managed accounts that have similar investment objectives and pursue similar investment strategies. As a result, certain investments identified by Western Asset may be appropriate for multiple clients. Decisions to buy and sell investments for each client advised by Western Asset are made with a view toward achieving such client's investment objectives; however Western Asset may face conflicts of interest in allocating investment opportunities among accounts because Western Asset might receive greater fees or compensation from some accounts than others. Moreover, a particular investment may be bought or sold for only one client or in different amounts and at different times for more than one but fewer than all clients, even though it could have been bought or sold for other clients at the same time.

In addition, when a particular investment is bought or sold for two or more clients on the same date, there can be no assurance that a client will not receive less (or more) of the investment than it would otherwise receive if Western Asset did not have a conflict of interest among clients. Also, a particular investment may be bought for one or more clients when one or more other clients are selling the investment. Investment decisions for clients are made by Western Asset in its best judgment, but in its sole discretion, taking into account such factors as Western Asset believes to be relevant. Such factors may include investment objectives, regulatory restrictions, availability and liquidity of the investment, current holdings, availability of cash for investment, the size of the investments generally and limitations and restrictions on a client's account that are imposed by the client. In effecting transactions, it may not always be possible, or consistent with the investment objectives of Western Asset's various clients, to take or liquidate the same investment positions at the same time or at the same prices. Western Asset generally is not under any obligation to share any investment, idea or strategy with all of its clients.

Western Asset seeks to manage and/or mitigate the potential conflicts of interest described above by following procedures with respect to the allocation of investment opportunities among its clients, including the allocation of limited opportunities. Information regarding these procedures is provided under Item 6. Performance-Based Fees and Side-by-Side Management. Notwithstanding these procedures, if Western Asset implements a portfolio decision for one client ahead of, or contemporaneous with, another client, the market impact of the investment decision could result in one or more clients receiving more favorable trading results or reduced costs at the expense of one or more other clients.

Conflicts may arise when clients invest in different parts of an issuer's capital structure, including circumstances in which one or more clients own private securities or obligations of an issuer and other clients may own publicly traded securities of the same issuer. Western Asset may also, for example, direct a client to invest in a tranche of a structured finance vehicle, such as a collateralized loan or debt obligation, where we are also, at the same or different time, directing another client to make investments in a different tranche of the same vehicle, which tranche's interests may be adverse to other tranches. Western Asset may also cause a client to purchase from, or sell assets to, an entity, such as a structured finance vehicle, in which other clients may have an interest. These transactions could have an adverse effect on the clients that have interest in the structured finance vehicle. There may also be conflicts where, for example, a client holds certain loans of an issuer, and that same issuer has issued other loans or instruments that are owned by other clients or by an entity, such as a structured finance vehicle, in which other clients have an interest. In this situation, Western Asset may take actions with respect to the assets held by one client that are potentially adverse to the other clients, for example, by foreclosing on loans or by putting an issuer into default. In negotiating the terms and conditions of any such investments, or any subsequent amendments or waivers, Western Asset may find that the interests of a client and the interests of one or more other clients could conflict. In these situations, decisions over proxy voting, corporate reorganization, how to exit an investment, or bankruptcy matters (including, for example, whether to trigger an event of default or the terms of any workout), may result in conflicts of interest. Similarly, if an issuer in which a client and one or more other clients directly or indirectly hold different classes of securities (or other assets, instruments or obligations issued by such issuer or underlying investments of such issuer) encounters financial problems, decisions over the terms of any workout will raise conflicts of interests (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, a debt holder may be better served by a liquidation of the issuer in which it may be paid in full, whereas an equity or junior bond holder might prefer a reorganization that holds the potential to create value for the equity holders. Although in some cases Western Asset may refrain from taking certain actions or making investments on behalf of clients because of conflicts (potentially disadvantaging the clients on whose behalf the actions are not taken or investments not made), in other cases Western Asset will not refrain from taking actions or making investments on behalf of some clients that have the potential to disadvantage other clients.

Any of the foregoing conflicts of interest will be resolved on a case-by-case basis. Any such resolution will take into consideration the interests of the relevant clients, the circumstances giving rise to the conflict and applicable laws. Clients should be aware that conflicts will not necessarily be resolved in favor of their interests, and in fact may be resolved in favor of clients that pay Western Asset higher fees or performance-based fees or in which Western Asset or its affiliates have a significant proprietary interest. There can be no assurance that any actual or potential conflicts of interest will not result in a particular client receiving less favorable investment terms in certain investments than if such conflicts of interest did not exist.

Western Asset also acts as the investment adviser to pooled investment vehicles that Western Asset recommends to clients or, pursuant to the discretionary authority granted to Western Asset by a client, in which Western Asset causes a client to invest. This gives rise to conflicts of interest because Western Asset is paid an asset-based fee by certain of the pooled investment vehicles and, as a result, has an incentive to cause clients to invest in these pooled investment vehicles and thereby increase the pooled investment vehicle's assets and Western Asset's fee or to support the launch of new investment products. Western Asset will generally credit the amount of any advisory and shareholder service fees paid to Western Asset by the pooled investment vehicle in respect of such account's investment in the pooled investment vehicle against the fee payable by the account to Western Asset pursuant to its investment advisory agreement. This credit will not necessarily eliminate the conflict and Western Asset may continue to have a financial incentive to favor causing clients to invest in Western Asset-affiliated pooled investment vehicles. In addition, Western Asset acts as the investment adviser to pooled investment vehicles that pay performance-based fees. The procedures Western Asset follows to manage the conflicts of interest that arise as a result of the side-by-side management of accounts paying performance-based fees and asset-based fees is included under Item 6. Performance-Based Fees and Side-by-Side Management.

Western Asset, for its own account or the account of a client, could take a position through a derivative instrument that is linked to a client (or an affiliate thereof) or to an issuer of a security held by a client. It is possible that the structure or characteristics of such derivatives could adversely affect one or more clients. For example, the derivative could represent a leveraged investment, which could make it more likely (due to events of default or otherwise) that there could be significant changes in the values of the underlying securities or the securities of the counterparty to the derivative instrument.

Participation or Interest in Client Transactions

Western Asset does not engage in proprietary trading or investing for its own account, though it may carry out certain FX hedging transactions of its corporate cash and provide seed capital to commingled vehicles it manages. However, Western Asset anticipates that, in appropriate circumstances and consistent with client investment objectives, it or an affiliate may recommend the purchase or sale of securities in which Western Asset or one of its affiliates, employees or clients, directly or indirectly, has a financial interest. This may include circumstances where Western Asset or one of its affiliates or employees invests in a pooled investment vehicle that clients invest in or where Western Asset or one of its affiliates may be paid a performance-based fee by a pooled investment vehicle (Item 6. Performance-Based Fees and Side-By-Side Management). Western Asset or one of its affiliates, employees or clients may sell securities or other property at the same time that Western Asset is recommending the security or other property to other clients or may buy securities or other property at the same time it is recommending that other clients sell the security or other property.

Conflicts Related to Proprietary Accounts

Western Asset may have conflicts relating to accounts in which it has a proprietary interest. This conflict most often arises in the context of a commingled vehicle where Western Asset or its employees have made an investment. This investment may provide an incentive for Western Asset to favor accounts in which it has such an interest over accounts or funds where it does not. In most cases, Western Asset's investment will be limited to modest amounts of seed money. However, Western Asset may make larger investments that result in Western Asset becoming a larger investor in a fund and employees, including investment professionals could have significant investments in a fund or other pooled vehicle. To address this potential conflict, Western Asset has adopted a policy to address situations where its investment in commingled vehicles may be significant enough to heighten the risk of the potential conflict. Western Asset defines Proprietary Accounts as those accounts where 25% of net assets are owned by Western Asset employees, officers or affiliates. The Legal and Compliance Department monitors the trading activity of proprietary accounts to ensure that the trading in a proprietary portfolio has not disadvantaged clients of Western Asset or otherwise violated applicable law or policy.

Conflicts Related to Information Known by Western Asset

In connection with its activities, Western Asset may receive information that is not generally available to the public. Western Asset is not obligated to make such information available to its clients or to use such information to effect transactions for its clients. Also, at times, Western Asset's members or employees may come into possession of material, non-public information. Under applicable law, Western Asset is prohibited from improperly disclosing or using such information, including for the benefit of a client. Western Asset maintains policies and procedures that preclude trading on the basis of, or taking any other action to take advantage of, material non-public information. These procedures may limit Western Asset from being able to purchase or sell securities of the issuer to whom the material, non-public information pertains, rendering illiquid any such security already in a client's account until such time as the ban on trading is lifted.

Western Asset may make information about a client's portfolio positions available to unrelated third parties. These third parties may use that information to provide additional market analysis and research to Western Asset. Western Asset may use that market analysis and research to provide investment advice to clients other than the client whose portfolio positions were used for the analysis.

Additionally, Western Asset may purchase access to information such as subscriptions to periodicals, participation in conferences, research papers, and access to surveys and quarterly performance data from organizations affiliated with professional consultant firms. Western Asset does not make payments to these firms conditioned on favorable evaluations of Western Asset and payments are not made to reward these firms for client referrals. Nonetheless, these firms may believe that they have a financial incentive to give favorable evaluations of Western Asset to their clients and may therefore operate as if they are faced with a conflict of interest. Clients should inquire of their consultants as to whether Western Asset purchases or receives any information from such consultant or any affiliate thereof.

To the extent Western Asset causes its clients to invest in a Western Asset-affiliated pooled investment vehicle, Western Asset may become aware of information with respect to such pooled investment vehicle that is not available to other investors in the pooled investment vehicle. Western Asset is not permitted to communicate or act upon such information in a way that disadvantages other investors in the pooled investment vehicle and, if such information is material, non-public information, Western Asset may be unable to purchase or sell securities of the pooled investment vehicle to which the material, non-public information pertains.

Conflicts Related to Cross Trades

To the extent permitted by applicable law, Western Asset's compliance policies and procedures, and a client's investment guidelines, Western Asset may engage in "cross trades" where, as investment manager to a client account, Western Asset causes that client account to purchase a security directly from another client account without the interpositioning of a broker-dealer. This might be done in an effort to reduce transaction costs, increase execution efficiency, and capitalize on timing opportunities. Cross trades present a conflict of interest because Western Asset represents the interests of both the selling account and the buying account in the same transaction. As a result, clients for whom Western Asset executes cross trades bear the risk that one counterparty to the cross trade may be treated more favorably by it than the other party, particularly in cases where the first party pays Western Asset higher management fees. Additionally, there is a risk that the price of a security bought or sold through a cross trade may not be as favorable as it might have been had the trade had been executed in the open market. Please see Item 12. "Brokerage Practices" for information on Western Asset's policies and procedures related to cross trades.

Conflicts Related to Valuation

In many cases, Western Asset's fees are based on the value and performance of the assets held in the client account. Western Asset generally does not price securities or other assets for purposes of determining fees. However, to the extent permitted by applicable laws, Western Asset, or an affiliate, may be charged with the responsibility to, or have a role in, determining asset values with respect to Western Asset products or accounts from time to time and Western Asset, or an affiliate, may be required to price a portfolio holding when a market price is not readily available or when Western Asset has reason to believe that the market price is unreliable. To the extent Western Asset's fees are based on the value or performance of client accounts, Western Asset would benefit by receiving a fee based on the impact, if any, of an increased value of assets in an account. When pricing a security, Western Asset attempts, in good faith and in accordance with applicable laws, to determine the fair value of the security or other assets in question. Western Asset generally relies on prices provided by a custodian, a broker-dealer or another third-party pricing service for valuation purposes. When market quotations are not readily available or are believed by Western Asset to be unreliable, the security or other assets may be valued by Western Asset or an affiliate in accordance with applicable valuation procedures.

Conflicts Relating to the Identification and Resolution of Errors

Western Asset, like other investment managers, has a conflict of interest in connection with the identification and resolution of trade errors, operational errors and other errors. Specifically, Western Asset, as a party who may bear some or all of the financial responsibility to correct an error, has an incentive to determine that an error did not occur or, if one has occurred, to resolve it in a manner that minimizes the financial impact on Western Asset. Although a conflict of interest may exist, Western Asset endeavors to make determinations in good faith, taking into account all circumstances of which it is aware, including, where appropriate, its own interests and the standards under applicable law and those contained in the client's investment management agreement with Western Asset. A determination by Western Asset that an error has not occurred will not typically be communicated to the relevant client since, in Western Asset's view, no error has occurred, and thus clients will not be afforded an opportunity to assess the reasonableness of Western Asset's conclusions. This conflict is heightened in cases where Western Asset's client is a fund which does not have an independent board of directors, as is generally the case with the private funds Western Asset manages. All determinations for these funds with respect to the identification and resolution of errors will be made exclusively by Western Asset because there is no unaffiliated party, such as an independent board of directors, representing the interests of investors. As a result, investors will typically not be informed that an error existed or how it was resolved. See the discussion of Western Asset's error correction policy under "Additional Information" below.

Item 12. Brokerage Practices

Almost all fixed income instruments trade at a bid/ask spread and without an explicit brokerage charge. Accordingly, while there is not a formal trading expense or commission, clients will bear the implicit trading costs reflected in these spreads.

Western Asset maintains a variety of policies and practices to address its approach for trading on behalf of clients. These policies are designed to ensure that Western Asset is being thoughtful when executing transactions on behalf of clients and honoring its fiduciary obligation to seek best execution.

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

In addition, when selecting a broker, individuals making trades on behalf of clients are obliged to consider the full range and quality of a broker's services, including such factors as execution capability, commission rate (including markups or markdowns), price, financial responsibility and responsiveness. Western Asset is not obligated to obtain for any particular transaction the best price or lowest commission, but rather should determine whether the transaction represents the best execution for the account based on all relative factors.

In selecting brokers for execution, Western Asset seeks to ensure that brokers are selected on the merits and not because of other reasons. Western Asset maintains an approved broker list which is designed to limit trading only to those brokers who demonstrate desk strength in the asset classes in which they operate, have knowledgeable sales coverage, quality research, show a willingness to commit capital and maintain financial stability. Trades may only be executed with those brokers on the list. Exceptions to this policy are permitted once approval from senior investment management and compliance personnel has been obtained. Additional scrutiny and monitoring is conducted for those brokers with whom trades involving direct counterparty risk (*i.e.*, risk beyond settlement risk) may be executed.

Western Asset does not trade with any affiliated brokers and does not engage in principal trading. As described in Item 6, "Performance-Based Fees and Side-by-Side Management" Western Asset maintains policies to address the risks associated with trading for accounts in which it has a significant ownership or financial interest. Western Asset also does not make trading decisions on behalf of registered investment companies on the basis of the involvement of a broker in the distribution and sales activities for those funds. In fact, in most cases, Western Asset's role is limited to acting as investment adviser and its staff has no knowledge of the distribution arrangements for sub-advised third party open-end funds. While Western Asset maintains some referral arrangements from time to time, Western Asset does not direct trade activity on the basis of whether it maintains referral arrangements with any broker-dealer.

Western Asset's philosophy is not to make use of arrangements where brokerage business is promised in exchange for benefits of proprietary or third-party services (*i.e.*, soft dollars or soft commissions). However, in the event that circumstances arise that suggest that entering into a soft dollar arrangement for the purchase of research services is prudent and in the best interests of Western Asset's clients, Western Asset maintains a policy and procedure to govern that process. If Western Asset enters into a soft dollar arrangement, its policy is to only pay for services that directly assist in the investment decision-making process and

benefit the best interest of Western Asset clients. In maintaining this standard, all arrangements and services must benefit all clients who would participate in soft dollar trades. Further, all proposed arrangements and/or services must be submitted to the Broker Review Committee for approval prior to their implementation. Such approved soft dollar arrangements could involve Western Asset causing a client to pay, or being deemed to have paid, commission rates (including markups or markdowns) that are higher than those Western Asset could have otherwise obtained in order to obtain research or brokerage services. To the extent that client brokerage commissions (or markups or markdowns) are used to obtain research or other services, Western Asset would receive a benefit because it may, in that case, not need to produce or pay for the research, products or services received.

Western Asset may receive research or other services (both solicited and unsolicited) from brokers in the ordinary course of trading on behalf of clients. These items are not received pursuant to arrangements or agreements to exchange brokerage activity for services or benefits and are not considered to be obtained using soft dollars. Western Asset is not obliged to direct brokerage in order to receive such information. However, as a result, Western Asset may have an incentive to select or recommend a broker based on its interest in receiving the research or other products or services that the broker provides to Western Asset in the ordinary course of trading for clients, rather than its clients' interest in receiving the most favorable execution. Western Asset's London office is a UK MiFID II firm, and has elected to pay for broker research directly in compliance with UK MiFID II requirements.

Western Asset does not maintain directed brokerage arrangements on its own initiative and generally recommends against them in light of the unique features of the fixed-income market and the potential impact on Western Asset's trading decisions. However, clients may request that Western Asset direct the client's brokerage to a particular broker. A directed brokerage arrangement involves a client directive obligating Western Asset to utilize a particular broker or brokers without regard to best execution. Directed brokerage arrangements reflect client preferences, goals or instructions and are not subject to Western Asset's obligation to seek best execution. Western Asset's ability to obtain best execution for the client may be hindered by the directed brokerage relationship and the client may forego any benefit from savings on execution costs that Western Asset could obtain for its other clients through negotiating for volume discounts with brokers.

As discussed previously, Western Asset may engage in internal cross trades where prudent, in compliance with SEC and Department of Labor rules, and where permitted by client contracts and Western Asset's policies and procedures. In the ordinary course of its business, Western Asset primarily executes cross trades between affiliated US mutual funds that have particular liquidity mandates. Western Asset does not engage in agency cross transactions (*i.e.*, transactions in which Western Asset earns a fee other than its advisory fee). Internal cross trades are subject to Rule 17a-7 under the 1940 Act for US mutual funds. Western Asset does not permit internal cross trades involving one or more retirement accounts (*e.g.*, subject to ERISA). In other cases, Western Asset will ensure that any internal cross transactions are in the best interests of and appropriate for both clients, the transactions are consistent with Western Asset's obligations to seek best execution, and an independent or objective pricing mechanism is used. To the extent a broker is intentionally utilized to facilitate a cross trade with or without compensation, Western Asset will honor the same process and requirements.

To address the risk of inadvertent or unapproved pre-arranged cross trades, Western Asset utilizes an automated control in its trading systems that blocks the posting of purchases of certain CUSIPs made from a broker on the same or next trading day following a sale of the same CUSIP to that broker. The block may be lifted upon review by the Legal and Compliance Department or the trade may be treated as a cross-trade depending on the facts and circumstances. The automated block does not apply to CUSIPs executed through electronic platforms and does not apply to instruments and asset classes that Western Asset has deemed to be more liquid and at a lower risk of an inadvertent or disguised cross trade. The instruments subject to the block may be adjusted from time to time depending on that assessment.

If a trade encounters a block, the response of the trader, the availability of electronic platforms, the nature of the instrument, and/or the analysis of the Legal and Compliance Department may ultimately impact execution. It is possible that the trade is not ultimately executed. It is also possible that the trade is executed via different means, with different terms or permitted to proceed, any of which could result in better or worse execution than if the trade was deemed and handled as a cross trade.

When permitted by clients and when prudent given the client's investment objectives, investment discretion can be shared among several Western Asset offices. Depending on the facts and circumstances, there is a risk that trades in a client account might be impacted and trades revised, permitted, blocked or treated as cross trades due to trades executed in a different office.

Model Delivery and Trade Rotation

Western Asset communicates investment instructions in accordance with a process that is fair and equitable to model delivery client accounts in relation to other clients of Western Asset. Model delivery investment programs can raise trade communication conflicts issues if the client/sponsor firm, and not Western Asset, handles all or a portion of the trading for program accounts. To achieve fair and equitable treatment across client accounts, Western Asset considers not only the manner in which it allocates trades to accounts but also the sequence in which it delivers trade orders to the market for execution and any corresponding investment instructions to third parties that handle trading for model delivery accounts. The delivery of certain orders and instructions to a large number of market intermediaries and client/Sponsor Firms at the same time could adversely impact the market price of a security, especially for less liquid instruments.

Western Asset considers the facts and circumstances of instruments, strategies, change frequency, and potential adverse impacts in determining how best to address. If Western Asset does not reasonably believe that there are adverse impacts and that mitigation measures would not be in the best interests of the clients involved, Western Asset will not employ rotation or otherwise take such factors into account as it handles trading and communication logistics. However, as a potential alternative to Western Asset's standard practice of communicating trade orders and any corresponding investment instructions at approximately the same time, Western Asset may employ a program of trade rotation among model delivery clients/Sponsor Firms with trade placement responsibility to prevent any single program's client accounts from consistently being able to trade first or last within the rotation. Western Asset's use of such a rotation approach normally will be on an asset weighting basis with investment programs with more managed assets having a pro rata larger weighting in the rotation. As a result, clients in smaller programs may not receive overall as good execution as clients in larger programs.

As described in Item 6. "Performance-Based Fees and Side-by-Side Management", Western Asset frequently bunches (aggregates) orders for client accounts. Please see that item for further information about Western Asset's policy on trade aggregation and the allocation of investments.

Item 13. Review of Accounts

As a core investment matter, on a daily basis members of every account's assigned portfolio management team are responsible for overseeing that account subject to the overall supervision of the account's portfolio manager. As part of this process, Western Asset's Risk Management Department produces at various intervals a series of standard reports that focus on a portfolio's structure and risk relative to its benchmark, as well as any updates to each portfolio's structure. These reports are reviewed by members of both the investment and risk management teams and used to seek to structure the account properly in accordance with Western Asset's expectations.

Portfolios are also reviewed on a regular basis. In this process, groups of similarly managed accounts in the same product are examined by the team of portfolio managers responsible for the portfolios being reviewed, several portfolio analysts, and local senior investment officers. The analysts provide a series of reports that list common portfolio and risk characteristics, as well as individual portfolio performance. These reports serve as a basis for aligning all the accounts in the grouping with the current product strategy, the other accounts in the group, and their specific client goals.

Risk Management Review

Western Asset has a dedicated Risk Management Department with a separate reporting structure from the Investment Management Department. The Risk Management Department provides analysis and reports used by Western Asset to monitor portfolios. The Risk Management Department monitors portfolios in the ordinary course as follows:

- On a daily basis, each portfolio's key characteristics such as duration, spread duration, convexity and other analytics are computed for unusual changes or amounts. Portfolios may have daily reports using returns based on a VaR analysis or a daily portfolio and returns-based tracking error reports.
- On a biweekly basis the Risk Management Department undertakes a more intensive review of portfolios and strategies looking at portfolio risk versus articulated return generating themes to seek to address any misalignments of risk and reward themes and at a comparison of portfolio risk versus client risk tolerances.
- On a monthly basis a representative account of each strategy run by Western Asset is analyzed in depth to produce a risk 'dashboard' indicating key risks. This dashboard is provided to the Market and Credit Risk Committee for review. Please see the discussion of risk management under Item 8. Methods of Analysis, Investment Strategies and Risk of Loss for further information about the Market and Credit Risk Committee.

Portfolio Compliance Review

Western Asset maintains a Portfolio Compliance group as part of its Legal and Compliance Department that plays an important role in the mitigation of risk by providing daily monitoring of portfolio trading activity. The function is independent of portfolio management. All client portfolios are monitored every day through both post-trade and pre-trade procedures. Upon an account's inception, the client guidelines are programmed into Western Asset's automated monitoring system (except for a limited number of guidelines which must be monitored by compliance officers manually.) Western Asset maintains portfolio compliance officers and systems directly on the trading desk to provide pre-trade checks for investments. While not all guidelines and tests are currently able to be monitored on a pre-trade basis, all effort is made to ensure that all client guidelines are monitored, including manual

checks. In addition, a compliance officer is assigned to each account for purposes of daily overnight post-trade testing. Each morning, compliance officers receive exception reports that cover potential exceptions specified by client guidelines. The compliance officers research the exceptions and if they appear to represent violations, they alert the portfolio teams to bring the accounts back into compliance.

Reports to Clients

The portfolio managers and members of the US Broad Strategy Committee regularly report to the boards of directors of the US-based registered investment companies that are advised or sub-advised by Western Asset concerning the investment performance of such accounts. These reports are typically a combination of oral and written reports. Client relationship managers and members of the investment teams for the private funds and separately managed accounts managed by Western Asset provide written or oral reports to clients at various frequencies, including daily, monthly, quarterly and annually. Reports may include some or all of the following, in addition to other information: performance information, information regarding portfolio holdings and characteristics of the portfolio (*e.g.*, average effective duration of the portfolio), market value and transaction information, a summary of the investment mandate, a summary of the relevant market conditions that has affected the performance of the investment portfolio and may affect performance in the future, commentary on relevant markets and/or commentary on the investment strategy. The frequency and content of such reports may be determined based on client preferences and/or regulatory requirements. Other reports also may be generated in response to client requests.

Item 14. Client Referrals and Other Compensation

Under certain circumstances, Western Asset may pay individuals or corporations for referring new clients. Rule 206(4)-3 under the Advisers Act imposes the following restrictions, among others, on the payment of cash referral fees:

- No fee may be paid to a person who has been the subject of certain disciplinary actions as set forth in Rule 206(4)-3.
- There must be a written contract between Western Asset and the referring party before any prospective client can be solicited.
- The referring party must provide each prospective client with a copy of Western Asset's brochure and a copy of a special disclosure statement.
- Western Asset must receive from the referred client prior to or at the time of entering into any advisory contract, a signed and dated acknowledgment of the client's receipt of the brochure and the special disclosure document, unless the referring party is affiliated with Western Asset.

Western Asset must make a *bona fide* effort to ascertain whether the referring party has complied with the written contract, and have a reasonable basis for believing that the referring party has so complied. To the extent that Western Asset maintains referral arrangements, compensation is generally based on a percentage of assets or revenues for a period of time.

For the avoidance of doubt, parties such as affiliates of Western Asset or employees of Western Asset may introduce prospective clients to Western Asset without being subject to a referral arrangement. Such introductions are not generally subject to compensation arrangements for the payment of referral fees. Western Asset employees may be compensated as part of their duties, but an employee carrying out his/her job functions is not considered to be acting pursuant to a referral agreement and no disclosure statement or written referral agreement is required. Regardless, a Western Asset employee must disclose their affiliation with Western Asset when communicating with a prospect or potential client. If a party affiliated with Western Asset makes an introduction, Western Asset's preference is that they disclose their affiliation but there is no referral agreement or other enforcement mechanism to ensure such disclosure. If that affiliated party makes introductions and receives cash compensation from Western Asset for referrals, the arrangement must be memorialized in writing and the affiliated party must disclose their affiliation with Western Asset to prospective clients. However, in such cases, compliance is not required with the brochure disclosure, acknowledgement and affirmation provisions of Rule 206(4)-3 and as described above.

Typically, Western Asset does not receive economic benefits from someone who is not a client for providing investment advice or other advisory services to its clients, although it is possible that from time to time retirement and/or pension plan sponsors may pay all or a portion of Western Asset's management fees in connection with advice provided by Western Asset to a retirement or pension plan instead of having such fees deducted directly from the assets of the applicable plan.

Item 15. Custody

Western Asset does not intend to maintain physical custody of client assets, and its London entity is not registered to hold client assets under the Financial Conduct Authority. However, under the provisions of Rule 206(4)-2 under the Advisers Act, Western Asset may be deemed to have custody of a client's assets because it either: i) has the ability to deduct the client's fees directly from a custodian account (pursuant to client authorization) or ii) Western Asset or its affiliates acts as adviser and Managing Member for a client that is a pooled investment vehicle.

Physical custody of each client's assets is maintained with a qualified third-party custodian in an account either in the client's name or, in the case of a private fund, the name of the legal entity. Even in the case of Western Asset's sponsored pooled private funds, an unaffiliated third-party qualified custodian maintains custody of the funds' assets. "Qualified custodians" defined under Rule 206(4)-2 generally include banks and savings associations, registered broker-dealers, registered futures commission merchants and foreign financial institutions that customarily hold financial assets. Qualified custodians generally charge fees that are separate from Western Asset's fees.

Each client should carefully review account statements from its custodian to ensure that they reflect appropriate activity in the account. Separate account clients may also receive separate account statements from us. Each separate account client should compare the account statements that it receives from its qualified custodian with those that it receives from Western Asset.

Item 16. Investment Discretion

Western Asset accepts discretionary authority to manage securities accounts on behalf of its clients and generally all of the accounts Western Asset manages are discretionary. In addition, Western Asset provides investment advisory services through Managed Accounts sponsored by the program sponsors. Although most of these services are provided on a discretionary basis, Western Asset provides certain services on a non-discretionary basis or in model-based programs.

As part of the client onboarding process Western Asset will review and negotiate an Investment Management Agreement with the client. Typically included or attached to the agreement is a set of investment guidelines governing the management of the account. These are reviewed and discussed with the client upon inception. Western Asset will not normally commence management of the account without an executed Investment Management Agreement and investment guidelines.

Clients will typically seek to limit the account to an agreed set of permitted types of instruments and include requirements for diversification of issuers and sectors, maximum or minimum allocations to asset classes, ratings classifications, currency denomination and other similar characteristics highly dependent on the nature of the account. Western Asset will endeavor to follow reasonable directions, investment guidelines and requests subject to concerns about maintaining the account's ability to meet its objective and Western Asset's ability to program the limitations into its compliance systems.

Item 17. Voting Client Securities

As a fixed income manager, Western Asset does not normally receive proxies to vote common stock. However, it has adopted a policy to address the few instances where voting is required.

Proxy Policy and Process

Western Asset's proxy voting procedures are designed and implemented in a way that is reasonably expected to ensure that proxy matters are handled in the best interest of our clients. While the guidelines included in the procedures are intended to provide a benchmark for voting standards, each vote is ultimately cast on a case-by-case basis, taking into consideration Western Asset's contractual obligations to our clients and all other relevant facts and circumstances at the time of the vote (such that these guidelines may be overridden to the extent Western Asset deems appropriate). In exercising its voting authority, Western Asset will not consult or enter into agreements with officers, directors or employees of Franklin Resources (Franklin Templeton includes Franklin Resources, Inc. and organizations operating as Franklin Templeton) or any of its affiliates (other than Western Asset affiliated companies) regarding the voting of any securities owned by its clients.

A summary of the voting procedures is included below. A full copy of the policy and procedures is available upon request. You may also request information detailing how proxies were voted with respect to securities held in your portfolio(s). Proxy voting delegation may be revoked by a client at any time.

Proxy Voting Procedures Summary

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

- a. Proxies are reviewed to determine accounts impacted.
- b. Impacted accounts are checked to confirm Western Asset voting authority.
- c. A review is undertaken to identify any material conflicts of interest.
- d. If a material conflict of interest exists, (i) to the extent reasonably practicable and permitted by applicable law, the client is promptly notified, the conflict is disclosed and Western Asset obtains the client's proxy voting instructions, and (ii) to the extent that it is not reasonably practicable or permitted by applicable law to notify the client and obtain such instructions (e.g., the client is a mutual fund or other commingled vehicle or is an ERISA plan client), Western Asset seeks voting instructions from an independent third party.
- e. Research analysts or portfolio managers determine votes on a case-by-case basis taking into account the voting guidelines contained in Western Asset's procedures.

f. Situations can arise in which more than one Western Asset client invests in instruments of the same issuer or in which a single client may invest in instruments of the same issuer but in multiple accounts or strategies. Multiple clients or the same client in multiple accounts or strategies may have different investment objectives, investment styles, or investment professionals involved in making decisions. While there may be differences, votes are always cast in the best interests of the client and the investment objectives agreed with Western Asset. As a result, there may be circumstances where Western Asset casts different votes on behalf of different clients or on behalf of the same client with multiple accounts or strategies.

g. As a general matter, Western Asset votes to encourage management and governance practices that enhance the strength of the issuer, build value for investors, and mitigate risks that might threaten their ability to operate and navigate competitive pressures. Targeted environmental or social issues that are the subject of a proxy vote will be considered on a case by case basis. Constructive proposals that seek to advance the health of the issuer and the prospect for risk-adjusted returns to Western Assets clients are viewed more favorably than proposals that advance a single issue or limit the ability of management to meet its operating objectives.

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

Item 18. Financial Information

Western Asset is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.

Item 19. Requirements for State-Registered Advisers

Western Asset is not registered with any state securities authority.

Additional Information

Western Asset believes the following information may be of interest and/or important for you to know about certain of its policies and practices.

Error Correction Policy

Western Asset's general policy, except where contractual arrangements or regulatory requirements provide otherwise, is (i) to make a client account whole for any net loss associated with an error and (ii) to retain in a client's account, any net gain resulting from an error.

Western Asset categorizes errors as follows:

1. Breaches of investment guidelines and/or investment restrictions resulting from any transaction whereby a transaction and/or portfolio is not consistent with:
 - a. Client guidelines (includes prospectus for a fund). Client guidelines are limited to written guidelines or instructions, except as otherwise expressly required by a client's investment management agreement; or
 - b. Regulatory requirements/restrictions (examples include, but are not limited to, legally improper or prohibited purchases/sales of securities; improper transactions with affiliates; legally improper or prohibited cash/currency transactions).
2. Operational:
 - a. Trading errors include, but are not limited to, execution of incorrect security transaction (other than as described above for breaches of guidelines, restrictions or regulations).
 - b. Settlement errors.

Western Asset is responsible for interpreting and applying this Error Correction Policy (the "Policy") and determining whether a breach or error has occurred. Western Asset makes its determination on a case-by-case basis, based on factors it determines are reasonable, including regulatory and contractual requirements and business practices. This Policy does not require Western Asset to notify a client if Western Asset investigates a potential breach or error and determines that no breach or error has occurred. The Policy also does not require Western Asset to compensate a client for net losses if no breach or error has occurred or if Western Asset is not responsible for a breach or error, although Western Asset may do so in its discretion.

If a breach or error occurs in a client portfolio, it is Western Asset's policy that the breach or error shall be corrected as soon after discovery as reasonably practical or the client shall be promptly contacted within a reasonable amount of time to obtain a waiver. If a waiver is declined, the breach will be promptly corrected. If the breach or error, after correction, results in a gain to the client, that gain is retained in the client portfolio. If Western Asset is responsible for a breach or error that, after correction, results in a net loss to a client, Western Asset will reimburse the account for the net loss. The calculation of the amount of any net loss will depend on the facts and circumstances of any breach or error and the exact methodology may vary. For example, in certain circumstances, a net loss may be calculated by reference to an index or an alternative security. When evaluating the potential adverse impact of a breach, relative analysis may be considered to compare the returns of an ineligible investment to other comparable eligible securities, benchmarks, indices or other indicators. In cases of breaches or errors involving a

derivative instrument, the question of whether the account has suffered a loss will normally include an analysis of whether the account could have achieved similar investment exposure through other derivatives or the cash markets. If the underlying exposure was permitted, Western Asset will normally take the view that the portfolio did not suffer a loss. The basis of calculation of a net loss will be shared with the client for discussion.

The client will be asked which method of reimbursement they prefer. The client may choose to receive compensation by check, wire or may receive a reduction in fees. The process typically operates the same regardless of the amount involved. However depending on the circumstances, the Firm may consider small amounts as *de minimis* and choose not to reimburse on the theory that the indirect cost of review to the client far outweighs the payment.

If Western Asset is aware of errors in client accounts that are not the responsibility of the firm, Western Asset will facilitate communications with third parties in order to arrange appropriate resolution of the error.

Consistent with industry practice and convention, Western Asset will not provide notice, make claims or provide compensation for settlement issues (including overdrafts) with losses of less than \$500, regardless of the party at fault, absent specific agreement with a client.

Class Action Suit Filings

Unless specifically agreed otherwise, Western Asset will not take action or render advice involving legal action on behalf of a client with respect to securities or other investments held in the client's account, which become the subject of legal notices or proceedings, including securities class actions and bankruptcies.

Dual Employment by Affiliates

From time to time employees of Western Asset, including portfolio management employees, may also be employed by entities affiliated with Western Asset, for certain designated purposes and subject to certain conditions designed to ensure compliance with applicable regulatory requirements. In such cases, the affiliated entity shall be responsible for the supervision of the activities of any such appointed employee with respect to the services they provide on behalf of the affiliated entity.

Appendix A—Investment Strategies

Asia Local Currency Debt

The Western Asset Asia Local Currency Debt (USD) strategy aims to maximize total return and add value through interest-rate positioning (duration, curve and country), currency allocation and security selection, while approximating benchmark risk. The strategy invests primarily in a diversified portfolio of local-currency-denominated Asian sovereign and high-quality corporate bonds.

Asia USD Debt

The Western Asset Asia USD Debt strategy aims to maximize total return and add value through sector allocation, interest-rate positioning (duration, curve and country), and security selection, while approximating benchmark risk. The strategy invests primarily in a diversified portfolio of Asian sovereign, quasi-sovereign, banks and corporate issues.

China Local Currency Debt

The Western Asset China Local Currency Debt strategy includes portfolios that employ an active, team-managed investment approach around a long-term, value-oriented investment philosophy. These portfolios will invest primarily in local-currency-denominated sovereign, policy bank and quasi-sovereign issuers domiciled in China. The approach is to construct a diversified portfolio of CNY-denominated bonds. The strategy seeks to add value through duration and curve positioning, and security selection. Portfolio risk is controlled through active risk budgeting and scenario analysis. The objective seeks to achieve long-term capital appreciation over the course of a market cycle while approximating benchmark risk.

Credit Opportunities

The Western Asset Credit Opportunities is a high return seeking strategy with a focus on sectors/securities with valuations that are materially dislocated from underlying fundamentals. The strategy is not measured to a benchmark nor volatility target, allowing for maximum investment flexibility to actively manage against a range of potential recovery scenarios. The opportunity set is mainly limited to investment grade and high yield corporate debt, bank loans, CLOs and structured credit.

Currency Alpha

The Western Asset Currency Alpha strategy includes portfolios that employ an active, team-managed investment approach utilizing both qualitative and quantitative analysis and proprietary modeling. The objective is to exceed a cash-equivalent benchmark by at least 500 basis points annually over the course of a market cycle.

Emerging Markets Corporate

The Western Asset Emerging Markets Corporate strategy aims to maximize total return and add value through interest-rate positioning (duration, curve and country), currency and subsector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of USD-denominated corporate and quasi-sovereign issuers in emerging market countries.

Emerging Markets Diversified

The Western Asset Emerging Markets Diversified strategy aims to maximize total return and add value through sector rotation, interest-rate positioning (duration, curve and country), currency allocation and security selection, while approximating benchmark risk. The strategy invests in and rotates among the three investable sectors of the emerging markets debt investable universe: USD- (or hard currency-) denominated sovereign/quasi-sovereign debt, USD- (or hard currency-) denominated corporate credit, and local currency-denominated sovereign debt. Portfolios in the Composite do not use leverage.

Euro Aggregate

The Western Asset Euro Aggregate strategy aims to maximize total return and add value through duration and curve positioning, sector, country and currency allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio using all major fixed-income sectors with a bias toward euro-denominated securities. The strategy allows for opportunistic investments in high-yield and non-euro securities provided the currency exposure is primarily hedged to euros.

Global Aggregate

The Western Asset Global Aggregate strategy is an aggregate fixed-income strategy that aims to maximize total return and add value through duration and curve positioning, sector, country and currency allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio using all major global fixed-income sectors and currencies. The strategy allows for opportunistic investments in high-yield securities.

Global Credit

The Western Asset Global Credit strategy aims to maximize total return and add value by diversifying across issuer currency, sector and subsector rotation, ratings and country positioning, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of global investment-grade corporate bonds.

Global High Yield

The Western Asset Global High Yield (USD Hedged) strategy aims to maximize total return and add value through regional positioning, subsector rotation, ratings positioning and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of global high-income securities including US high-yield, European high-yield and emerging markets high-yield.

Global Inflation-Linked

The Western Asset Global Inflation-Linked strategy includes portfolios that employ team-managed investment approach around a long-term, value-oriented investment philosophy. These portfolios use diversified strategies in seeking to add value while minimizing risk. The approach is to construct a portfolio primarily of inflation-indexed debt securities issued by issuers represented in the benchmark and denominated in the benchmarks' currency. This strategy allows for opportunistic investments in nominal bonds.

Global Multi-Sector

The Western Asset Global Multi-Sector strategy is an unconstrained strategy that aims to maximize total return and add value through active sector rotation, country and currency allocation, duration and yield-curve positioning, and security selection, while managing overall portfolio risk. The strategy invests in a diversified portfolio using all global markets and currencies, primarily high-yield corporate securities, investment-grade corporates, mortgage- and asset-backed securities, emerging market securities and developed market government bonds.

Global Sovereign

The Western Asset Global Sovereign strategy aims to maximize total return and add value through duration and curve positioning, sector, country and currency allocation, and security selection, while approximating benchmark risk. The strategy invests in a globally diversified portfolio using all of investment-grade government bond markets and currencies.

Global Sovereign^o

The Western Asset Global Sovereign^o strategy is a quantitatively oriented bond strategy that aims to maximize total return and add value using a model-driven discipline through duration and curve positioning as well as country and currency allocation, while approximating benchmark risk. The strategy invests in a diversified portfolio of independent alpha sources using all major global markets.

Global Term Premium

The Western Asset Global Term Premium strategy includes portfolios that employ proprietary models and a rigorous quantitative investment discipline combined with the professional insights and experience of portfolio managers. This strategy does not intend to follow traditional index cap weight; instead portfolios aim to enhance yield after currency hedging cost by concentrating on markets exhibiting steeper curves. The excess return objectives are customizable based on investors risk tolerance. Investors can target excess return ranging from 1.5% annually over the course of a market cycle, with target tracking error of 200 to 300 basis points.

Global Total Return

The Western Asset Global Total Return strategy includes portfolios that employ actively, team-managed investment approach around long-term, value-oriented investment philosophy. The strategy utilizes an opportunistic fixed-income approach, independent of any traditional bond index benchmark, which seeks to maximize total return through active macro strategies and tactical asset allocation across the global fixed-income opportunity set. The objective is to seek to maximize total return consistent with the current market environment independent of market direction and outperform the global broad market over the course of a market cycle.

India Local Currency Debt

The Western Asset India Local Currency Debt strategy aims to maximize total return and add value through interest-rate positioning (duration, curve) and security selection while managing overall portfolio risk. The strategy invests primarily in local-currency-denominated sovereign and corporate credit issuers domiciled in India.

Japan Core

The Western Asset Japan Core strategy is a local currency strategy that aims to outperform the benchmark by seeking to add value through duration and curve positioning, sector allocation, and security selection. The strategy primarily invests in diversified portfolios of Japanese investment-grade fixed income sectors, including corporate, sovereign, mortgage-backed, asset-backed securities in Japanese yen. The strategy can opportunistically invest in non-Japan domiciled and/or non-JPY securities.

Macro Opportunities

The Western Asset Macro Opportunities strategy is a macro-oriented, global, unconstrained strategy providing concentrated and opportunistic exposures to Western Asset's key themes. It aims to maximize total return and add value, while managing overall portfolio risk, through duration, yield-curve and volatility management as an offset to high-conviction long-term themes. These long-term themes consist of sector, country and currency rotation and security selection. The strategy invests in a diversified portfolio consisting of a core of liquid developed credit and currencies, combined with an actively managed global rates component constructed through liquid derivatives.

Multi-Asset Credit

The Western Asset Multi-Asset Credit strategy is an unconstrained, income-focused strategy that aims to maximize total return through global credit sector rotation, duration positioning, currency allocation and security selection, while employing tail-risk hedging to dampen overall portfolio risk. The strategy invests in a globally diversified portfolio of high income assets including, but not limited to, investment-grade credit, non-USD debt, high-yield, bank loans, emerging markets and structured securities.

New Zealand Core

The Western Asset New Zealand Core strategy includes portfolios that employ an active, team-managed investment approach by investing in a diversified range of New Zealand fixed income investment grade securities of various maturities. The objective is to outperform the benchmark by 50bps annually over the medium to long term.

Short Duration High Income

The Western Asset Short Duration High Income strategy aims to maximize total return and add value through asset class allocation, subsector rotation, ratings positioning and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of high-income, short duration investments including high-yield bonds, leveraged loans, middle-market debt, emerging market credit and non-agency residential mortgage-backed securities. The strategy will be at a minimum in 80% below-investment-grade and a minimum of 80% in corporate debt. Duration will be maintained below three years.

Short Duration High Yield

The Western Asset Short Duration High Yield strategy aims to maximize total return and add value through subsector rotation, ratings positioning and security selection, while managing overall portfolio risk. The strategy invests in US high-yield bonds with maturities of primarily one to five years.

Singapore Local Currency Debt

The Western Asset Singapore Local Currency Debt strategy aims to maximize total return and add value through duration and curve positioning, sector allocation and security selection, while approximating benchmark risk. The strategy invests primarily in local-currency-denominated sovereign and corporate credit issuers domiciled in Singapore with a controlled exposure to non-Singapore markets.

Structured Product

The Western Asset Structured Product strategy provides a broad and opportunistic exposure to the structured product market. The strategy aims to maximize total return and add value through subsector rotation and security selection while managing overall portfolio risk. The strategy invests in a diversified portfolio using all structured product sectors, including non-agency residential mortgage-backed, commercial mortgage-backed and asset-backed securities.

Structured Product Levered

The Western Asset Structured Product Levered strategy provides a broad and opportunistic exposure to the structured product market with opportunistic use of leverage. The strategy aims to maximize total return and add value through subsector rotation and security selection, while managing overall portfolio risk. The strategy invests in a diversified portfolio across all sectors of the structured product market including residential and commercial mortgage-backed securities, asset-backed securities and whole loans. These portfolios can also use opportunistic leverage.

Total Return Unconstrained

The Western Asset Total Return Unconstrained strategy is a US-centric and credit-focused unconstrained broad market strategy that aims to maximize total return and add value through duration and curve positioning, sector, country and currency allocation, and security selection, while managing overall portfolio risk. The strategy invests in a diversified portfolio using all major fixed-income sectors with a bias toward non-Treasuries. The strategy allows for opportunistic investments in high-yield, emerging markets and non-dollar securities.

UK Credit

The Western Asset UK Corporate Only Investment Grade Futures & Options strategy aims to maximize total return and add value through subsector rotation, ratings positioning and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of primarily UK corporate bonds, with opportunistic allocations to non-UK exposures.

US Agency MBS

The Western Asset US Agency MBS strategy aims to maximize total return and add value through subsector rotation and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of exclusively agency mortgage-backed securities guaranteed by Ginnie Mae, Fannie Mae and Freddie Mac.

US Agency MBS Plus

The Western Asset US Agency MBS Plus strategy aims to maximize total return and add value through subsector rotation and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of primarily agency residential mortgage-backed securities and commercial mortgage-backed securities guaranteed by Ginnie Mae, Fannie Mae and Freddie Mac. These portfolios may also invest a portion of their assets in non-agency residential mortgage-backed and commercial mortgage-backed securities, which seek to provide a yield pickup and low correlation to agency mortgage-backed securities.

US Bank Loan

The Western Asset US Bank Loan strategy aims to maximize total return and add value through subsector rotation, ratings positioning and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of bank loans and at times will take exposure to high-yield when relative value opportunities arise.

US Core

The Western Asset US Core strategy is a US broad market strategy that aims to maximize total return and add value through duration and curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio using all major investment-grade fixed-income sectors with a bias toward non-Treasuries, especially corporate, mortgage-backed and asset-backed securities. The portfolios will have the ability to use futures and options.

US Core Constrained

The Western Asset US Core Constrained strategy is a US broad market strategy that aims to maximize total return and add value through duration and curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio using all major investment-grade fixed-income sectors with a bias toward non-Treasuries, especially corporate, mortgage-backed and asset-backed securities.

US Core Plus

The Western Asset US Core Plus strategy is a US broad market strategy that aims to maximize total return and add value through duration and curve positioning, sector, country and currency allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio using all major fixed-income sectors with a bias toward non-Treasuries. The strategy allows for opportunistic investments in high-yield, emerging markets and non-dollar securities. The portfolios will have the ability to use futures and options.

US ESG Core Plus

The Western Asset US ESG Core Plus strategy aims to maximize total return via a long-term value-based, fixed-income portfolio that incorporates ESG (environmental, social and governance) principles to support sustainability objectives designed to identify value and enhance risk management. The US ESG Core Plus Strategy employs negative issuer screens and is diversified across a range of complementary bond sectors, which can help reduce portfolio volatility and enhance income potential. Its focus on ESG investing helps guide the portfolio managers in their selection of issuers and bond issues, favoring those that fulfill the UN's criteria to advance investing in a more sustainable world. The strategy allows for opportunistic investments in high-yield, emerging markets and non-dollar securities. The portfolios will have the ability to use futures and options.

US Enhanced Liquidity

The Western Asset US Enhanced Liquidity strategy aims to maximize total return and add value through duration and yield-curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of money market securities and short duration assets, including primarily corporate notes, corporate paper, asset-backed securities, US agency paper and bank obligations.

US High Yield

The Western Asset US High Yield strategy aims to maximize total return and add value through subsector rotation, ratings positioning and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of US high-income securities.

US High Quality High Yield

The Western Asset US High Quality High Yield strategy aims to maximize risk adjusted total return. In addition to total return the strategy will look to minimize, on a relative basis, down capture, volatility and maximum drawdown. The strategy invests primarily in a diversified portfolio of US high-income BB rated securities with the ability to take opportunistic exposure in both higher and lower rated issuance.

US Intermediate

The Western Asset US Intermediate strategy is a US broad market strategy that aims to maximize total return and add value through duration and curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified intermediate-term portfolio using all major investment-grade and US dollar-denominated fixed income sectors including corporate, mortgage-backed and asset-backed securities. The portfolios will have the ability to use futures and options.

US Intermediate Plus

The Western Asset US Intermediate Plus strategy is a US broad market strategy that aims to maximize total return and add value through duration and curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified intermediate-term portfolio using all major fixed-income sectors including corporate, mortgage-backed and asset-backed securities. The strategy allows for opportunistic investments in high-yield, emerging markets and non-dollar securities. The portfolios will have the ability to use futures and options.

US Investment Grade Credit

The Western Asset US Investment Grade Credit strategy aims to maximize total return and add value primarily through subsector rotation, security selection and ratings positioning, while approximating benchmark risk. The strategy invests in a diversified portfolio of primarily US investment-grade credit bonds.

US Investment Grade Credit Plus

The Western Asset US Investment Grade Credit Plus strategy aims to maximize total return and add value primarily through subsector rotation, security selection and ratings positioning, while approximating benchmark risk. The strategy invests in a diversified portfolio of primarily US investment-grade corporate bonds. The strategy allows for opportunistic investments in high-yield, emerging markets and non-dollar securities.

US Investment Grade Intermediate Credit Plus

The Western Asset US Investment Grade Intermediate Credit Plus strategy aims to maximize total return and add value primarily through subsector rotation, security selection and ratings positioning, while approximating benchmark risk. The strategy invests in a diversified portfolio of primarily US intermediate investment-grade credit bonds. The strategy allows for opportunistic investments in high-yield, emerging markets and non-dollar securities.

US Short Duration

The Western Asset US Short Duration strategy aims to maximize total return and add value through duration and curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified, limited duration portfolio using all major fixed-income sectors with a bias toward higher-quality non-Treasuries, especially corporate, mortgage-backed and asset-backed securities. The portfolios may have the ability to use futures and options.

US Short Duration Constrained

The Western Asset US Short Duration Constrained strategy aims to maximize total return and add value through duration and curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified, limited duration portfolio using all major fixed-income sectors with a bias toward higher-quality non-Treasuries, especially corporate, mortgage-backed and asset-backed securities.

US Long Credit

The Western Asset US Long Credit strategy aims to maximize total return and add value primarily through subsector rotation, security selection and ratings positioning, while approximating benchmark risk. The strategy invests in a diversified portfolio of primarily long-dated investment-grade credit bonds.

US Long Credit Plus

The Western Asset US Long Credit Plus strategy aims to maximize total return and add value primarily through subsector rotation, security selection and ratings positioning, while approximating benchmark risk. The strategy invests in a diversified portfolio of primarily long-dated credit bonds. The strategy allows for opportunistic investments in high-yield, emerging markets and non-dollar securities.

US Long Duration Plus

The Western Asset US Long Duration Plus strategy aims to maximize total return and add value through duration and curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of primarily long-dated government and investment-grade credit bonds. The strategy allows for opportunistic allocations to high-yield, structured securities, emerging markets and non-dollar securities. Derivatives may be used to enhance portfolio strategy and control risk.

US Liquidity

The Western Asset US Liquidity strategy is a highly liquid cash management strategy that aims to maximize total return and add value through duration and curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of primarily commercial paper, asset-backed securities, US Treasuries, US agencies, bank obligations and repurchase agreements.

US Municipal Intermediate

The Western Asset US Municipal Intermediate bond strategy aims to maximize total return and add value through duration and curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of US municipal securities. The portfolios may have the ability to use futures and options.

US Municipal Long

The Western Asset US Municipal Long strategy includes portfolios that employ an active, team-managed strategy around a disciplined investment process backed by state-of-the-art analytics and risk sensitivity in the allocation and selection phase. The objective is to exceed the benchmark by 50 basis points annually over the course of a market cycle while seeking to obtain optimal after-tax return.

US Taxable Municipal

The Western Asset US Taxable Municipal strategy aims to maximize total return and add value through duration and curve positioning, sector allocation and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio of investment-grade US taxable municipal bonds.

US TIPS

The Western Asset US TIPS strategy is an inflation-protected strategy that aims to maximize total return and add value through duration and curve positioning, sector allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio using higher-yielding inflation-protected instruments with a bias toward Treasury Inflation-Protected Securities (TIPS). Opportunistic investments include high-yield, emerging markets, non-dollar securities, commodities and bank loans that may also be employed using derivatives.

Appendix B—Investment Risks

Below is a brief summary of the material risks associated with the significant strategies and methods of analysis used by Western Asset. Investing in securities and other financial instruments involves a risk of loss that clients should be prepared to bear, including the loss of all or a substantial portion of a client's investments. All investment strategies carry some degree of investment, market, regulatory and political risk. The risks involved for different client accounts will vary based on each client's investment strategy and the type of securities or other investments held in the client's account. Clients should be aware that not all of the risks listed below will pertain to every account; certain risks may only apply to certain strategies. Not all risks are described below.

Management Risks

The investment results of any account are dependent upon Western Asset's management of the account. The investment strategies, techniques and risk analyses employed, while designed to enhance returns, may not produce the desired results. Assessment of market, interest rate or other trends could be incorrect and may not anticipate actual market movements or the impact of economic conditions generally. As a result, portfolio construction may be deficient and the account may lose money and/or underperform the account benchmark. There can be no assurance that all of Western Asset's key personnel will continue to be associated with Western Asset for any length of time. The loss of their services could have an adverse impact on a strategy's ability to achieve its investment objective.

Western Asset may rely on quantitative models (both proprietary and those developed by third parties) ("Models") and information and data ("Data") supplied by third parties. When Models or Data used prove to be incorrect or incomplete, any investment decisions made in reliance on the Models and Data may not produce the desired results and an account may realize losses. For example, Western Asset may, in reliance on faulty Models or Data, buy certain investments at prices that are too high, sell certain investments at prices that are too low or miss favorable investment opportunities altogether. In addition, any hedging based on faulty Models or Data may prove to be unsuccessful. Some of the Models that may be used may be predictive in nature. Because these predictive Models are typically constructed based on historical data supplied by third parties, the success of these Models is dependent largely on the accuracy and reliability of the supplied historical data. In addition, Models that are predictive in nature may, for example, incorrectly forecast future behavior, leading to potential losses on a cash flow and/or mark-to-market basis. Use of these Models in unforeseen or certain low-probability scenarios (often involving a market disruption of some kind) also may result in losses for the account.

Interest Rate Risks

The market value of an account's investments will change in response to changes in interest rates. During periods of declining interest rates, the values of fixed income securities generally rise. Conversely, during periods of rising interest rates, the values of such securities generally decline. The magnitude of these fluctuations is generally greater for securities with longer maturities. Notwithstanding the foregoing, because of the resetting of interest rates, adjustable rate securities are less likely than nonadjustable rate securities of comparable quality and maturity to increase significantly in value when market interest rates fall or to decrease significantly in value when interest rates rise (in each case, depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). As a result of principal prepayment features, the values of asset-backed securities generally fall when interest rates rise, but their potential for capital appreciation in periods of falling interest rates is limited because of the prepayment feature. To the extent an account invests in interest only securities or fixed income securities paying no interest, such as zero coupon and principal only securities, the account will be exposed to additional interest rate risk. In addition, interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Credit Risks

An account is also subject to credit risk (*i.e.*, the risk that an issuer of securities will be unable to pay principal and/or interest when due, or that the value of a security will suffer because investors believe the issuer is less able to pay). Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument affects its credit risk.

In some cases, the credit risk may be broadly gauged by credit ratings. Changes by recognized rating services in their ratings of securities and changes in the ability of an issuer to make scheduled payments may also affect the value of these investments. However, ratings are only the opinions of the agencies issuing them and are not guarantees as to quality of the rated securities. Additionally, Western Asset often relies on its own independent analysis of the credit quality and risks associated with individual securities considered for an account, rather than relying on ratings agencies or third-party research. Therefore, Western Asset's capabilities in analyzing credit quality and associated risks will be particularly important, and there can be no assurance that it will be successful in this regard.

Government securities are subject to varying degrees of credit risk depending upon how the securities are supported. Not all government securities are backed by the full faith and credit of a national government.

Market Risks

Conditions in a broad or specialized market, a sector thereof or an individual industry may adversely affect security prices, thereby reducing the value of investments held in a client account. Such conditions may include general financial market conditions or changing market perceptions. Legal, political, regulatory, or tax changes, or changes in government intervention in the financial markets also may cause fluctuations in markets and securities prices. Even in the absence of a credit downgrade or default, the prices of fixed income securities held by an account may decline significantly due to reduction in market demand. Market demand for fixed income securities is amplified by liquidity risks.

Due to increasing interdependence among global economies and markets, social, political or economic conditions and events (including, but not limited to, armed conflicts, natural/environmental disasters, public health crises, social unrest, and government shutdowns and defaults) in one country, market, or region might adversely affect markets, issuers, and/or foreign exchange rates in other countries, including the U.S. The investments held by an account could be negatively affected by the economic conditions and events of a country, market, or region even if the account does not invest in such country, market, or region. Historically, instability in the financial markets has led governments across the globe to take actions designed to support those markets. For example, the U.S. Government and its instrumentalities have taken actions to support the U.S. financial markets and economy in response to the outbreak of COVID-19. There can be no guarantee that any economic stimulus bills (within the United States or other countries) or other government actions intended to support markets will have their intended effect. Moreover, governments or their agencies may acquire distressed assets from financial institutions, may acquire ownership interests in various institutions, or may impose conditions on issuers receiving financial assistance (including by restricting or limiting their ability to pay dividends), all of which may affect an account's investments in ways that are not foreseen. The commencement, continuation or withdrawal of supportive government policies, such as economic stimulus programs or supportive monetary policy, could significantly affect the financial markets and an account.

Political institutions may not be able to effectively respond to political and economic conditions and events, and these political institutions may erode over time. For example, one or more countries that have adopted the euro may abandon that currency and/or withdraw from the Economic and Monetary Union of the European Union. Any partial or complete dissolution of the

Economic and Monetary Union of the European Union, or any increased uncertainty as to its status, could have significant adverse effects on currency and financial markets, and on the liquidity and values of an account's investments.

Securities and financial markets may be susceptible to market manipulation or other fraudulent trade practices, which could disrupt the orderly functioning of these markets or adversely affect the values of investments traded in these markets, including investments held by an account.

Loans, Loan Participations and Loan Assignments Risks

Bank loans may not be readily marketable and may be subject to restrictions on resale. There can be no assurance that future levels of supply and demand in loan trading will provide an adequate degree of liquidity and no assurance that the market will not experience periods of significant illiquidity in the future.

Investments in loans through direct assignment of a lender's interests may involve additional risks to an account. For example, if a secured loan is foreclosed, the account could become part owner of any collateral associated with that loan, and would bear the costs and liabilities and risks associated with owning and disposing of the collateral.

Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. An account must rely on the seller of the participation interest not only for the enforcement of its rights against the borrower, but also for the receipt and processing of principal, interest, or other payments due under the loan. This may subject an account to greater delays, expenses, and risks than if it could enforce its rights directly against the borrower. In addition, an account generally will have no rights of set-off against the borrower, and may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. In addition, under the terms of a participation agreement, an account may be treated as a creditor of the seller of the participation interest (rather than of the borrower), thus exposing an account to the credit risk of the seller in addition to the credit risk of the borrower. Additional risks include inadequate perfection of a loan's security interest, the possible invalidation or compromise of an investment transaction as a fraudulent conveyance or preference under relevant creditors' rights laws, the validity and seniority of bank claims and guarantees, environmental liabilities that may arise with respect to collateral securing the obligations, and adverse consequences resulting from participating in such instruments through other institutions with lower credit quality.

A loan is often administered by a bank or other financial institution that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. Unless, under the terms of the loan or other indebtedness an account has direct recourse against the borrower, it may have to rely on the agent to enforce its rights against the borrower.

A number of judicial decisions in the United States and elsewhere have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a

borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy termed “equitable subordination.”

Western Asset may, with respect to its management of investments in certain loans for an account, seek to remain flexible to purchase and sell other securities in the borrower’s capital structure, by remaining “public.” In such cases, it will seek to avoid receiving material, non-public information about the borrowers to which an account may lend (through assignments, participations or otherwise) which may place an account at an information disadvantage relative to other lenders. If Western Asset’s personnel do come into possession of material, non-public information about the issuers of loans that may be held by an account or other accounts managed by it, its ability to trade in other securities of the issuers of these loans will be limited pursuant to applicable securities laws.

Asset-Backed (Including Mortgage-Backed) Securities Risks

Payment of interest and repayment of principal on asset-backed securities largely depends on the cash flows generated by the underlying assets backing the securities. The amount of market risk associated with investments in asset-backed securities depends on many factors, including the deal structure (*i.e.*, determinations as to the required amount of underlying assets or other support needed to produce the cash flows necessary to service interest and principal payments), the quality of the underlying assets, the level of credit support, if any, provided for the securities, and the credit quality of the credit-support provider, if any. Asset-backed securities involve risk of loss of principal if obligors of the underlying obligations default and the defaulted amounts exceed the securities’ credit support.

In addition, principal repayment could be materially slowed depending on the cash flows generated by the underlying assets and/or principal losses may materially reduce payments received by an investor. The obligations underlying asset-backed securities, in particular securities backed by pools of residential and commercial mortgages, also are subject to unscheduled prepayment. Consequently, early payment associated with mortgage-backed securities may cause these securities to experience significantly greater price and yield volatility than traditional fixed income securities. During periods of falling interest rates, the rate of mortgage loan prepayments usually increases, which tends to decrease the life of mortgage-backed securities. During periods of rising interest rates, the rate of mortgage loan prepayments usually decreases, which tends to increase the life of mortgage-backed securities.

The value of asset-backed securities also may be affected by other factors, such as the availability of information concerning the pool and its structure, the creditworthiness of the servicing agent for the pool and its ability to service the underlying collateral, the originator of the underlying assets, or the entities providing the credit enhancement. Additionally, the value of asset-backed securities is subject to risks associated with the servicers’ performance. In addition, the insolvency of entities that generate receivables or that utilize the underlying assets may result in a decline in the value of the underlying assets as well as costs and delays.

An unexpectedly high rate of defaults on the mortgages held by a mortgage pool may limit substantially the pool’s ability to make payments of principal or interest to an account as a holder of subordinated securities, reducing the values of those securities or in some cases rendering them worthless; the risk of such defaults is generally higher in the case of mortgage pools that include so-called ‘subprime’ mortgages. An unexpectedly high or low rate of prepayments on a pool’s underlying mortgages may have a similar effect on subordinated securities. In addition, certain types of asset-backed securities may experience losses on the underlying assets as a result of certain rights provided to consumer debtors under federal and state law.

Mortgage loan originators and servicers have experienced serious financial difficulties and, in some cases, bankruptcy. Such financial difficulties may have a negative effect on the ability of the servicer to pursue collection on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on the sale of underlying mortgage loans. The inability of the originator to repurchase mortgage loans in the event of early payment defaults and loan representation breaches may also affect the performance of mortgage-backed securities. These difficulties may adversely affect the performance and market value of mortgage-backed securities.

Collateralized Debt Obligations Risks

Investing in collateralized debt obligations ("CDOs") may entail a variety of unique risks. Among other risks, CDOs may be subject to prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on a structured financing changes based on multiples of changes in interest rates or inversely to changes in interest rates).

Additional risks include, without limitation: (i) the possibility that distributions from collateral securities will be insufficient or losses to be borne are so great, that interest or other payments will be reduced or nonexistent; (ii) the possibility that the quality of the collateral may decline in value or default, due to factors such as the performance of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on, and the characteristics of, the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets; (iii) market and liquidity risks affecting the price of a structured finance investment, if required to be sold, at the time of sale; and (iv) if the particular structured product in which an account is invested is invested in a security in which such account is also invested, this would tend to increase such account's overall exposure to the credit of the issuer of such securities.

In many securitizations and CDOs and collateralized loan obligations transactions, there are asset and counterparty performance requirements that must be met to ensure income is paid to all investors, rather than being retained in a lock-up or cash reserve as additional credit or liquidity support for senior investors. If an account takes subordinated positions in such transactions, it could result in an elimination, deferral or reduction of the income received by the account.

The underlying collateral in a loan portfolio or securitization is not necessarily individually assessed prior to purchase. Losses may occur not only because of default, but also because of an adverse change in interest rates, poor servicing by an account manager, prepayment occurring outside historical averages, adverse credit spread moves, basis risk movements and lower than assumed collateral recovery rates, among other factors. Such losses within the collateral may adversely impact the loan portfolio or securitization assets in which an account may invest.

Perpetual Bond Risks

Perpetual bonds offer a fixed return with no maturity date. Because they never mature, perpetual bonds can be more volatile than other types of bonds that have a maturity date and may have heightened sensitivity to changes in interest rates. If market interest rates rise significantly, the interest rate paid by a perpetual bond may be much lower than the prevailing interest rate. Perpetual bonds are also subject to credit risk with respect to the issuer. In addition, because perpetual bonds may be callable after a set period of time, there is the risk that the issuer may recall the bond.

Lower-Rated Securities Risks

Lower-rated securities reflect a greater possibility that adverse changes in the financial condition of the issuer or in general economic conditions (including, for example, a substantial period of declining earnings), or both, or an unanticipated rise in interest rates, may impair the ability of the issuer to make payments of interest and principal. Such lower-rated securities also may be in default. Many issuers of lower-rated securities are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. In addition, many issuers may be (i) in poor financial condition, (ii) experiencing poor operating results, (iii) having substantial capital needs or negative net worth or (iv) facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. In the event of an issuer's bankruptcy, claims of other creditors may have priority over the claims of lower-rated securities holders, leaving few or no assets available to repay lower-rated securities holders. An account may incur expenses to the extent necessary to see recovery upon default or to negotiate new terms with a defaulting issuer. Lower-rated securities frequently have redemption features that permit an issuer to repurchase the security from the holder before it matures. If the issuer redeems lower-rated securities, an account may have to invest the proceeds in securities with lower yields and may lose income. Certain of lower-rated securities may not be publicly traded, and therefore it may be difficult to obtain information as to the true condition of the issuers. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. The inability (or perceived inability) of issuers to make timely payments of interest and principal would likely make the values of securities held by an account more volatile and could limit its ability to sell its securities at prices approximating the values placed on such securities. Lower-rated securities are generally less liquid than higher-rated securities.

When an account invests in securities in the lower rating categories, the achievement of the account's goals is more dependent on Western Asset's ability than would be the case if it were investing in securities in the higher rating categories.

Bank Capital Securities Risks

Bank capital securities are issued by banks to help fulfill their regulatory capital requirements. There are three common types of bank capital: Lower Tier II, Upper Tier II and Tier I. Bank capital is generally, but not always, of investment grade quality. Upper Tier II securities are commonly thought of as hybrids of debt and preferred stock. Upper Tier II securities are often perpetual (with no maturity date), callable and have a cumulative interest deferral feature. This means that under certain conditions, the issuer bank can withhold payment of interest until a later date. However, such deferred interest payments generally earn interest. Tier I securities often take the form of trust preferred securities.

The activities of U.S. banks and most foreign banks are subject to comprehensive regulations which, in the case of U.S. regulations, have undergone substantial changes in the past decade and are currently subject to legislative and regulatory scrutiny. The enactment of new legislation or regulations, as well as changes in interpretation and enforcement of current laws, may affect the manner of operations and profitability of U.S. and foreign banks. Significant developments in the U.S. banking industry have included increased competition from other types of financial institutions, increased acquisition activity and geographic expansion. Banks may be particularly susceptible to certain economic factors, such as interest rate changes and adverse developments in the market for real estate. Fiscal and monetary policy and general economic cycles can affect the availability and cost of funds, loan demand and asset quality and thereby impact the earnings and financial conditions of banks.

Obligations of non-U.S. banks involve certain risks associated with investing in non-U.S. securities described under "Investment in Non-U.S. Securities Risks" below, including the possibilities that their liquidity could be impaired because of future political and economic developments, that their obligations may be less marketable than comparable obligations of United States banks, that a

non-U.S. jurisdiction might impose taxes, including withholding taxes on interest income payable on those obligations, that non-U.S. deposits may be seized or nationalized, that non-U.S. governmental restrictions such as exchange controls may be adopted and in turn might adversely affect the payment of principal and interest on those obligations and that the selection of those obligations may be more difficult because there may be less publicly available information concerning non-U.S. banks. The accounting, auditing and financial reporting standards, practices and requirements applicable to non-U.S. banks may differ from those applicable to United States banks. Non-U.S. banks are not generally subject to examination by any U.S. Government agency or instrumentality.

Valuation Risks

The sales price an account could receive for any particular portfolio investment may differ from the account's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued using a fair value methodology. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and involves subjective judgement, and the resulting values may differ from the values that would have been determined had a ready market existed for such securities and from values placed on such securities by other investors. In addition, third-party pricing information may at times not be available regarding certain securities or, if available, may not be considered reliable. Even if considered reliable, such information may not reflect the price that would be obtained in an actual market transaction. Disruptions in the credit markets have from time to time resulted in a severe lack of liquidity for many securities, making them more difficult to value and, in many cases, putting significant downward pressure on prices.

Inflation Linked Securities Risks

The value of inflation-linked securities generally fluctuates in response to changes in real interest rates, which are in turn tied to the relationship between nominal interest rates and the rate of inflation. 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 the inflation-linked securities in an account's portfolio will decline. Moreover, because the principal amount of inflation linked securities would be adjusted downward during a period of deflation, an account will be subject to deflation risk with respect to its investments in these securities.

The periodic adjustment of U.S. inflation linked securities is currently tied to the Consumer Price Index for Urban Consumers ("CPI-U"), which is calculated monthly by the U.S. Bureau of Labor Statistics. The CPI-U is a measurement of changes in the cost of living, made up of components such as housing, food, transportation, and energy. Inflation linked securities issued by a non-U.S. government are generally adjusted to reflect changes in a comparable inflation index calculated by that government.

There can be no assurance that the CPI-U or any other inflation index will accurately measure the real rate of inflation in the prices of goods and services.

Inflation/Deflation Risks

Inflation risk is the risk that the value of assets or income from an account's investments will be worth less in the future as inflation decreases the value of money. The market prices of debt securities generally fall as inflation increases because the purchasing power of the principal and income is expected to be worth less when repaid. Deflation risk is the risk that prices throughout the economy will decline over time. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of an account.

U.S. Government Securities Risks

Certain U.S. government securities are supported by the full faith and credit of the United States; others are supported by the right of the issuer to borrow from the U.S. Treasury; others are supported by the discretionary authority of the U.S. government to purchase the agency's obligations; and still others are supported only by the credit of the issuing agency, instrumentality or enterprise. U.S. government securities not supported by the full faith and credit of the U.S. government involve credit risk greater than investments in other types of U.S. government securities. In addition, the value and liquidity of U.S. government securities may be affected adversely by changes in the ratings of those securities. Securities issued by the U.S. Treasury historically have been considered to present minimal credit risk. The downgrade in the long-term U.S. credit rating by at least one major rating agency has introduced greater uncertainty about the ability of the U.S. to repay its obligations. A further credit rating downgrade or a U.S. credit default could decrease the value and increase the volatility of an account's investments.

LIBOR Risks

Many financial instruments may be tied to the London Interbank Offered Rate, or "LIBOR," to determine payment obligations, financing terms, hedging strategies, or investment value or return. LIBOR is the offered rate for short-term Eurodollar deposits between major international banks. On July 27, 2017, the head of the UK Financial Conduct Authority ("FCA") announced a desire to phase out the use of LIBOR by the end of 2021. On March 5, 2021, the FCA and LIBOR's administrator, ICE Benchmark Administration ("IBA"), announced that most LIBOR settings will no longer be published after the end of 2021 and a majority of U.S. dollar LIBOR settings will no longer be published after June 30, 2023. It is possible that the FCA may compel the IBA to publish a subset of LIBOR settings after these dates on a "synthetic" basis, but any such publications would be considered non-representative of the underlying market. Regulators and industry working groups have suggested alternative reference rates, but global consensus is lacking and the process for amending existing contracts or instruments to transition away from LIBOR remains unclear. There also remains uncertainty and risk regarding the willingness and ability of issuers to include enhanced provisions in new and existing contracts or instruments. The transition away from LIBOR may lead to increased volatility and illiquidity in markets or instruments that are tied to or utilize LIBOR, reduced values of LIBOR-related investments and/or increased costs for certain LIBOR-related instruments or financing transactions, and reduced effectiveness of hedging strategies, adversely affecting an account's performance or NAV. In addition, the alternative reference rate may be an ineffective substitute resulting in prolonged adverse market conditions for an account.

Derivative Instruments Risks

A derivative is a financial contract the value of which depends upon, or is derived from, the value of underlying assets, reference rates or indices. Derivatives may relate to securities, interest rates, currencies or currency exchange rates, inflation rates, commodities and other indices or assets, and include futures contracts and related options, foreign currency contracts, swap contracts, options, forward contracts, repurchase or reverse repurchase agreements or other over-the-counter contracts. All derivative instruments involve risks different from, and potentially greater than, the risks associated with investing directly in securities and other more traditional assets, including:

- Management Risks. Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to a portfolio. There can be no guarantees that Western Asset's use of derivatives will produce the desired effect.

- Counterparty Risks. This is the risk that a loss may be sustained as a result of the failure of the other party to a derivative (usually referred to as a "counterparty") to comply with the terms of the derivative contract, or as a result of the counterparty's insolvency or unwillingness to honor its obligations.
- Documentation Risks. Many derivative instruments also have documentation risk. Because the contract for each over-the-counter derivative transaction is individually negotiated with a specific counterparty, there exists the risk that the parties may interpret contractual terms (e.g., the definition of default) differently and thus may need to compromise their claims or seek a third-party determination, which could result in significant delay and/or expense in recovering amounts owed under the contract, or in the counterparty's interpretation prevailing over the account's.
- Liquidity Risks. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many over-the-counter derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous or anticipated time or price. Less liquid derivatives may also fall more in price than other securities during market falls. During these periods of market disruptions, an account may have a greater need for cash to provide collateral for large swings in the mark-to-market obligations arising under the derivatives used by it, and as a result may be forced to sell securities or other assets to raise cash at a disadvantageous time or price.
- Leverage Risks. Because many derivatives have a leverage component (i.e., a notional value in excess of the assets needed to establish and/or maintain the derivative position), adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.
- Other Risks. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives. Derivatives also involve the risk that changes in their value may not correlate perfectly with the assets, rates or indices they are designed to track. The risk may be more pronounced when outstanding notional amounts in the market exceed the amounts of the referenced assets. Derivatives are also subject to currency and other risks. Suitable derivatives are not available in all circumstances. Counterparties to derivatives contracts may have the right to terminate such contracts if an account's net asset value declines below a certain level over a specified period of time. The exercise of such a right by the counterparty could have a material adverse effect on the account. Use of derivatives may also have different tax consequences for an account than a direct investment in the underlying security.
- Options Risks. The value of options written by an account will be affected by many factors, including changes in the value of underlying securities or indices, changes in the dividend rates of underlying securities (or in the case of indices, the securities comprising such indices), changes in interest rates, changes in the actual or perceived volatility of financial markets and underlying securities, and the remaining time to an option's expiration. The value of an option also may be adversely affected if the market for the option is reduced or becomes less liquid. If an account writes a call option and does not hold the underlying security or instrument, the amount of loss is theoretically unlimited. There can be no assurance that a liquid market will exist when an account seeks to close out an option position. If an account were unable to close out an option that it had purchased on a security, it would have to exercise the option in order to realize any profit or the option may expire worthless.

The U.S. government has enacted legislation that provides for new regulation of the derivatives market, including clearing, margin, reporting, and registration requirements. The European Union and some other countries are implementing similar requirements,

which will affect market participants when they enter into derivatives transactions with a counterparty organized in that country or otherwise subject to that country's derivatives regulations. Clearing rules and other new rules and regulations could, among other things, restrict an account's ability to engage in, or increase the cost of, derivatives transactions, for example, by making some types of derivatives no longer available, increasing margin or capital requirements, or otherwise limiting liquidity or increasing transaction costs. While the new rules and regulations and central clearing of some derivatives transactions are designed to reduce systemic risk (i.e., the risk that the interdependence of large derivatives dealers could cause them to suffer liquidity, solvency or other challenges simultaneously), there is no assurance that they will achieve that result, and in the meantime, as noted above, central clearing and related requirements create exposure to new kinds of costs and risks.

For example, in the event of a counterparty's (or its affiliate's) insolvency, the ability of an account to exercise remedies, such as the termination of transactions, netting of obligations and realization on collateral, could be stayed or eliminated under new special resolution regimes adopted in the U.S., the European Union and various other jurisdictions. Such regimes provide government authorities with broad authority to intervene when a financial institution is experiencing financial difficulty. In particular, with respect to counterparties who are subject to such proceedings in the European Union, the liabilities of such counterparties could be reduced, eliminated, or converted to equity in such counterparties (sometimes referred to as a "bail in").

Additionally, U.S. regulators, the European Union and certain other jurisdictions have adopted minimum margin and capital requirements for uncleared derivatives transactions. These rules impose minimum margin requirements on derivatives transactions and may increase the amount of margin required. They impose regulatory requirements on the timing of transferring margin and the types of collateral that parties are permitted to exchange.

These and other regulations are relatively new and evolving, so their potential impact on market participants and the financial system are not yet known.

Counterparty Risks

An account is exposed to counterparty risk to the extent it uses over-the-counter derivatives, enters into repurchase agreements, lends its portfolio securities, or allows an over-the-counter derivative counterparty to retain possession of collateral. If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, an account could be unable to recover amounts owed to it by the counterparty, miss investment opportunities or otherwise hold investments it would prefer to sell, resulting in losses.

There can be no assurance that a counterparty will be able or willing to make timely settlement payments or otherwise meet its obligations, especially during unusually adverse market conditions. An account may invest in derivatives and/or execute a significant portion of its securities transactions through a limited number of counterparties and events that affect the creditworthiness of any of those counterparties may have a pronounced effect on the account. Under applicable law or contractual provisions, including if an account enters into an investment or transaction with a financial institution and such financial institution (or an affiliate of the financial institution) experiences financial difficulties, an account may in certain situations be prevented or delayed from exercising its rights to terminate the investment or transaction, or realizing on any collateral, or such law or contractual provision may result in the suspension of payment and delivery obligations of the parties under such investment or transactions or in another institution being substituted for that financial institution without the consent of an account. Further, an account may be subject to "bail-in" risk under applicable law whereby, if required by the financial institution's authority, the financial institution's liabilities could be written down, eliminated or converted into equity or an alternative instrument of ownership. A bail-in of a financial institution may result in a reduction in value of some

or all of its securities and, if an account holds such securities or has entered into a transaction with such a financial institution when a bail-in occurs, such account may also be similarly impacted.

Transactions entered into by Western Asset may be executed on various U.S. and non-U.S. exchanges, and may be cleared and settled through various clearinghouses, custodians, depositories and prime brokers throughout the world. When an account enters into an exchange-traded or cleared derivative transaction, the account is subject to the credit and counterparty risk of the clearinghouse and the clearing member through which it holds its cleared position. Counterparty risk of market participants with respect to centrally cleared derivatives is concentrated in a few clearinghouses, and it is not clear how an insolvency proceeding of a clearinghouse would be conducted and what impact an insolvency of a clearinghouse would have on the financial system. Although Western Asset attempts to execute, clear and settle the transactions through entities Western Asset believes to be sound, there can be no assurance that a failure by any such entity will not lead to a loss to an account.

Prepayment or Call Risks

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 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 account 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 an account purchases a fixed income security at a premium (at a price that exceeds its stated par or principal value), the account may lose the amount of the premium paid in the event of prepayment. The effect on an account's return is similar to that discussed above for "Asset-Backed (including Mortgage-Backed) Securities Risks."

Extension Risks

When interest rates rise, repayments of fixed income securities, particularly asset-backed and mortgage-backed securities, may occur more slowly than anticipated, extending the effective duration of these fixed income securities at below market interest rates and causing their market prices to decline. This may cause the values of securities held by an account to be more volatile. The effect on an account's return is similar to that discussed above for "Asset-Backed (Including Mortgage-Backed) Securities Risks."

Hedging Risks

Certain investment strategies may involve hedging certain risks, such as market risk and interest rate risk, through the use of various derivative instruments. However, it is generally not possible to eliminate all risk of adverse market movement. Suitable hedging transactions may not be available in all circumstances, and there can be no assurance that the account will engage in these transactions to reduce exposure to risks when that would be beneficial or that the hedging strategy, if used, will be successful.

Investment in Non-U.S. Securities Risks

Investment in securities of non-U.S. issuers presents certain special risks, including those resulting from future political, legal, and economic developments, which could include unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), economic sanctions, trade embargoes, expropriation, nationalization, or confiscatory taxation of assets, adverse changes in investment capital or exchange control regulations (which include suspension of the ability to transfer currency from a country), political or financial instability, diplomatic developments, difficulty in obtaining and enforcing judgments against non-U.S. entities, the possible imposition of the applicable country's governmental laws or restrictions, and the reduced availability of public information concerning issuers. In the event of a nationalization, expropriation or other confiscation of assets, which could be triggered by economic sanctions, trade embargoes or other reasons, an account could lose its entire investment in a security. Legal remedies available to investors in certain jurisdictions may be more limited

than those available to investors in the United States. Issuers of non-U.S. securities may not be subject to the same degree of regulation as U.S. issuers. Furthermore, non-U.S. issuers are not generally subject to uniform accounting, auditing, disclosure, custody and financial reporting standards or other regulatory practices and requirements comparable to those applicable to U.S. issuers. There is generally less government supervision and regulation of non-U.S. exchanges, brokers and issuers than there is in the United States, and there is greater difficulty in taking appropriate legal action in non-U.S. courts. The Public Company Accounting Oversight Board, which regulates auditors of U.S. public companies, is unable to inspect audit work papers in certain foreign countries. There are special tax considerations that apply to securities of non-U.S. issuers and securities principally traded overseas.

The costs associated with investment in debt securities of non-U.S. issuers, including withholding taxes, transfer taxes, brokerage commissions and custodial fees, may be higher than those associated with investment in debt securities of U.S. issuers. Securities of many non-U.S. issuers may be less liquid and their prices more volatile than those of comparable U.S. issuers. In addition, non-U.S. securities transactions may be subject to difficulties associated with the settlement of such transactions. Non-U.S. markets have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures. Delays in settlement could result in temporary periods when assets of an account are uninvested and no return is earned thereon. The inability of an account to make intended security purchases due to settlement problems could cause it to miss attractive investment opportunities. Settlement failures could also adversely affect an account's performance. The inability to dispose of a security due to settlement problems could result in losses to an account due to subsequent declines in value of the security.

Investment in Emerging Market Issuers Risks

An account may from time to time invest in emerging market issuers. The risks described above, including the risks of nationalization or expropriation of assets, are typically increased to the extent that an account invests in emerging market issuers. Investments in emerging market issuers are speculative and subject to greater risks.

The securities, derivatives and currency markets of emerging market countries are generally smaller, less developed, less liquid and more volatile than the securities, derivatives and currency markets of the United States and other developed markets. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries, and the activities of investors in such markets and enforcement of existing regulations may be extremely limited. Emerging markets are more likely to experience problems with the clearing and settling of trades and the holding of securities by banks, agents and depositories, in part because an account will need to use brokers, banks, agents and depositories that are less well capitalized, and custody and registration of assets in some countries may be unreliable compared to more developed countries. The currencies of certain emerging market countries have experienced a steady devaluation relative to the U.S. dollar, and continued devaluations may adversely affect the value of the assets of any portfolio denominated in such currencies. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years, and continued inflation may adversely affect the economies and securities markets of such countries.

Underlying Currency Risks

Currency risk is the risk that fluctuations in exchange rates may negatively affect the value of an account's investments.

Currency risk includes the risk that currencies in which an account's investments are traded, in which the account receives income and/or in which the account has taken on an active investment position will decline in value relative to its base currency.

In the case of hedging positions, currency risk includes the risk that the currency to which an account has obtained exposure declines in value relative to the currency being hedged.

Currency exchange rates may fluctuate significantly over short periods of time for a number of reasons, including changes in supply and demand in the currency exchange markets, actual or perceived changes in interest rates, intervention (or the failure to intervene) by U.S. and non-U.S. governments or central banks or supra-national agencies such as the International Monetary Fund ("IMF"), and currency controls or other political and economic developments.

Officials in non-U.S. jurisdictions may from time to time take actions in respect of their currencies that could significantly affect the value of an account's assets denominated in those currencies or the liquidity of such investments. The currency markets of emerging market countries are generally more volatile than the currency markets of the United States and other developed countries (and at times may be extremely volatile).

In addition, certain emerging market currencies are traded using only non-deliverable forwards, which are settled in cash based on the price of such currencies, and there is a risk that the price used to calculate the amount payable in connection with the settlement of such a contract will not reflect the value of the underlying currency. Certain emerging market currencies are illiquid, and in certain cases, an account may not be able to convert certain currencies into U.S. dollars, in which case Western Asset may decide to purchase dollars in a parallel market where the exchange rate could be materially and adversely different. The exchange rates for emerging market currencies may be particularly affected by exchange control regulations.

Sovereign Debt Risks

A governmental entity's willingness or ability to repay principal and interest when due may be affected by, among other factors, its cash flow situation, the extent of its reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy toward the IMF, the political constraints to which a governmental entity may be subject, and changes in governments and political systems. At certain times, certain countries (particularly emerging market countries) have declared moratoria on the payment of principal and interest on external debt. Governmental entities may also depend on expected disbursements from other governments, multilateral agencies and others to reduce principal and interest arrearages on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations.

Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debts in a timely manner. Consequently, governmental entities may default on their sovereign debt. There is no bankruptcy proceeding by which sovereign debt on which governmental entities have defaulted may be collected in whole or in part. Sovereign debt risks are greater for emerging market issuers.

Investments in Other Commingled Investment Vehicles Risks

An account may invest in commingled investment vehicles, including commingled investment vehicles sponsored, advised or sub-advised by Western Asset, its affiliates or an unaffiliated manager. Such investment vehicles may have limited liquidity and any investment by an account in such vehicles will have the risks inherent in the instruments in which such vehicles invest. Any investment by an account in such a vehicle is subject to the risk that it could be adversely affected by the actions of other investors in the commingled vehicle, including, for example, purchases or redemptions of interests in large amounts and/or on a frequent

basis. In the event of such redemption or purchase, the commingled vehicle could be required to sell its holdings or invest cash at a time when it is not advantageous to do so. It is possible that such investment vehicles may make distributions or redemptions in kind rather than in cash. An account may bear certain fees and expenses of a commingled investment vehicle, in addition to any fees or expenses incurred directly by the account. Western Asset is subject to potential conflicts of interest when determining whether to invest an account's assets in a fund managed by Western Asset (for which it receives management fees) or in a fund managed by an unaffiliated manager (for which Western Asset does not receive management fees). Similarly, Western Asset is subject to potential conflicts of interest when determining whether to sell interests held by an account in a fund sponsored or managed by the Western Asset or its related parties. Western Asset may have other incentives to select an affiliated fund over another fund.

Convertible Securities Risks

Convertible securities are typically issued by smaller capitalized companies whose stock prices may be volatile. The price of a convertible security often reflects variations in the price of the underlying common stock in a way that non-convertible debt does not. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by an account is called for redemption, the portfolio will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on an account.

Contingent convertible or contingent capital securities are a type of hybrid security that are intended to either convert into equity securities or have their principal written down or written off upon the occurrence of certain trigger events. An automatic write down, write off, or conversion event will typically be triggered by a reduction in the issuer's capital level or an action by the issuer's regulator, but may also be triggered by other factors. Due to the contingent write down, write off, or conversion feature, contingent convertible securities may have a greater risk of principal loss than other securities in times of financial stress. If the trigger level is breached, the value of the contingent convertible securities may decrease to zero with no opportunity for an increase in value even if the issuer continues to operate.

Equity and Preferred Securities Risks

Equity securities are generally more volatile and risky than some other forms of investment. Equity securities of issuers with relatively small market capitalizations may be more volatile than the securities of larger, more established companies than the broad equity market indices.

Certain preferred stocks contain provisions that allow an issuer under certain conditions to skip or defer distributions. Preferred stocks often are subject to legal provisions that allow for redemption in the event of certain tax or legal changes or at the issuer's call. In the event of redemption, an account may not be able to reinvest the proceeds at comparable rates of return. Preferred stocks are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments, and therefore will be subject to greater credit risk than those debt securities. Preferred stocks may trade less frequently and in a more limited volume and may be subject to more abrupt or erratic price movements than many other securities, such as common stocks, corporate debt securities and U.S. government securities. The market prices of preferred shares are subject to changes in interest rates and are more sensitive to changes in the issuer's creditworthiness than are the prices of debt securities.

Liquidity Risks

An account may invest in assets and derivatives that it may not be able to readily sell or dispose of, including securities whose disposition is restricted by securities laws. The effect of liquidity risk is particularly pronounced when low trading volume, lack of a market maker, the size of the position being sold, or legal restrictions (including daily price fluctuation limits or “circuit breakers”) limit or prevent an account’s ability to initiate a transaction, sell assets or close derivative positions at desirable prices. An account is also exposed to liquidity risk when it has an obligation to purchase particular securities (for example, as a result of entering into reverse repurchase agreements, writing a put, or closing out a short position.) The illiquidity of an account’s portfolio may increase when liquidity is most needed, such as during period of market turmoil or high redemptions.

Limitations on liquidity of an account’s investments could prevent a successful sale thereof, result in delay of any sale (for example, several weeks or longer), or reduce the amount of proceeds that might otherwise be realized. In addition, an account’s holdings in securities for which the relevant market is or becomes less liquid are more susceptible to loss of value. Less liquid securities also may fall more in price than other securities during periods when markets decline generally. Also, because illiquid securities may be difficult to value, the values realized on their sale may differ from the values at which they are carried by an account. Finally, an account may be unable to achieve its desired level of exposure to a certain sector when there is illiquidity in the market for certain instruments.

These risks have increased in recent years due to general declines in liquidity in fixed income markets. As a result of both the experience of dealers and other counterparties during the 2007-2010 credit issues and the resulting changes in regulatory and capital burdens on these entities, especially banks, market liquidity in fixed income has generally declined. Dealers and other market intermediaries are less likely to be prepared to hold bonds in inventory and take balance sheet risks, resulting in a significant reduction in market making activity. In addition, many dealers have exited one or more sectors of the fixed income markets.

Turnover/Frequent Trading Risks

A change in the securities held by an account is known as “portfolio turnover.” Higher portfolio turnover is in some cases a result of frequent trading and involves correspondingly greater expenses to an account, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also represent tax risk. The trading costs and tax risk associated with portfolio turnover may adversely affect an account’s performance. The use of futures or other forward settling derivatives may result in the appearance of higher portfolio turnover as positions are “rolled forward” in order to maintain a specific exposure. Accordingly, portfolio turnover rates may vary based on how such rates are calculated.

Commodity Markets Risks

Substantial risks are involved in trading instruments based upon commodity price movements. The prices of such investments may be highly volatile and market movements are difficult to predict. Commodity prices are influenced by a wide range of factors, including changes in overall market movements, changes in interest rates or currency exchange rates, nationalization, expropriation or other confiscation, changes in the costs of discovering, developing, refining, transporting and storing commodities, and developments affecting a particular region, industry or commodity, such as drought, floods or other weather conditions, livestock disease, epidemics, trade embargoes and tariffs. A liquid secondary market may not exist for certain commodity-related instruments and there can be no assurance that one will develop.

Exposure to commodities is often achieved through derivative instruments, such as commodity futures, and such investments therefore are subject to the risks associated with derivatives generally, described above under “Derivative Instruments Risks.” The value of commodity-related derivatives may fluctuate more than the relevant underlying commodity or commodities or commodity index.

Actions of and changes in governments and political and economic instability in commodity-producing and -exporting countries may affect the production and marketing of commodities. In addition, commodity-related industries throughout the world are subject to greater political, environmental, and other governmental regulation than many other industries. Changes in government policies and the need for regulatory approvals may adversely affect the products and services of companies in the commodities industries.

Concentration of Investments Risks

To the extent an account concentrates its investments in one or more countries, the value of its assets will be especially affected by economic, political and other factors affecting such country or countries. During times when an account invests its assets in one issuer or a small number of issuers, the value of its assets will be subject to an increased risk of loss if an issuer in which it invests were unable to make interest or principal payments or if the market value of the issuer's securities were to decline. Similarly, investments concentrated in a particular industry are subject to an increased risk of loss based on events that affect that industry.

Borrowing and Leverage Risks

If permitted by investment policies, an account may purchase securities on margin, may borrow money, may use derivatives (including reverse repurchase agreements), and may lend its securities, each of which may cause its portfolio to be leveraged. Leverage has a more pronounced effect on an account's losses when the value of its investments decline. An account could be subject to a "margin call," under which it would be required to either deposit additional funds with a broker or suffer mandatory liquidation of securities pledged to a broker if the securities pledged to a broker to secure its margin accounts decline in value.

Municipal Security Risks

Municipal securities are subject to interest rate and credit risks. There may be less information available on the financial condition of issuers of municipal securities than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. While income from municipal securities is generally not subject to U.S. federal income tax, a portion of the income may be taxable. Some investors may be subject to the Alternative Minimum Tax. Capital gains distributions, if any, are taxable. Municipal securities issuers may be adversely affected by rising health care costs, increasing unfunded pension liabilities, and by the phasing out of federal programs providing financial support. Unfavorable conditions and developments relating to projects financed with municipal securities can result in lower revenues to issuers of municipal securities, potentially resulting in defaults. The value of municipal securities can also be adversely affected by changes in the financial condition of one or more individual municipal security issuers or insurers of municipal security issuers, regulatory and political developments, tax law changes or other legislative actions, and by uncertainties and public perceptions concerning these and other factors.

Municipal obligations issued by the Commonwealth of Puerto Rico or its political subdivisions, agencies, instrumentalities, or public corporations may be affected by economic, market, political, and social conditions in Puerto Rico. Puerto Rico has recently experienced (and may in the future experience) significant fiscal and economic challenges, including substantial debt service obligations, high levels of unemployment, underfunded public retirement systems, and persistent government budget deficits. These challenges and uncertainties have been exacerbated by hurricane Maria and the resulting natural disaster in Puerto Rico. These challenges may negatively affect the value of investments in Puerto Rico municipal securities. Major ratings agencies have downgraded the general obligation debt of Puerto Rico to below investment grade and continue to maintain a negative outlook for this debt, which increases the likelihood that the rating will be lowered further. In both August 2015 and January 2016, Puerto Rico defaulted on its debt by failing to make full payment due on its outstanding bonds, and there can be no assurance that Puerto Rico will be able to satisfy its future debt obligations. Further downgrades or defaults may place additional strain on the Puerto Rico economy and may negatively affect the value, liquidity, and volatility of investments in Puerto Rico municipal securities. In 2016, the Puerto Rico Oversight, Management, and Economic Stability Act, known as "PROMESA," was signed into law, allowing Puerto

Rico to restructure its municipal debt obligations, thus increasing the risk that Puerto Rico may never pay off municipal indebtedness, or may pay only a small fraction of the amount owed, which could impact the value of investments in Puerto Rico municipal securities. Proceedings under PROMESA remain ongoing, and it is unclear at this time how those proceedings will be resolved or what impact they will have on the value of investments in Puerto Rico municipal securities.

Confidential Information Access Risks

The intentional or unintentional receipt of material, non-public information by Western Asset or its personnel could limit Western Asset's ability to sell certain investments held by an account or pursue certain investment opportunities on behalf of an account, potentially for a substantial period of time. Also, certain issuers of floating rate loans or other investments may not have any traded securities ("Private Issuers") and may offer private information pursuant to confidentiality agreements or similar arrangements. Western Asset may access such private information, while recognizing that the receipt of that information could potentially limit Western Asset's ability to trade in certain securities on behalf of an account if the Private Issuer later issues traded securities.

Possibility of Fraud and Other Misconduct of Service Providers Risks

Misconduct by employees of service providers to Western Asset or the accounts and/or their respective affiliates could cause significant losses to such accounts. Misconduct may include the failure to comply with operational and risk procedures, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such accounts, and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such accounts. No assurances can be given that Western Asset will be able to identify or prevent such misconduct.

Cash Management and Defensive Investing Risks

The value of the investments held by an account for cash management or defensive investing purposes can fluctuate. Like other fixed income securities, they are subject to risk, including market, interest rate and credit risk. If an account holds cash uninvested it will be subject to the credit risk of the depository institution holding the cash. If an account holds cash uninvested, the account will not earn income on the cash and the account's yield will go down. If a significant amount of an account's assets are used for cash management or defensive investing purposes, it may not achieve its investment objective. Defensive investing may not work as intended and the value of an account's assets may still decline.

Government and Regulatory Risks

During and after the 2008 economic crisis, instability in the financial markets led the U.S. Government to take significant intervening actions designed to support certain financial institutions and segments of the financial markets that had experienced extreme volatility, and in some cases a lack of liquidity. Most significantly, the U.S. Government enacted a broad-reaching new regulatory framework over the financial services industry and consumer credit markets, the potential impact of which on the value of securities held by an account is not fully known. During the recent market volatility caused by the coronavirus outbreak, the U.S. Government and the Federal Reserve, as well as certain foreign governments and central banks, have taken extraordinary actions with respect to the financial markets generally and money market instruments in particular. While these actions have stabilized the markets for these instruments, that can be no assurances that those actions will continue or continue to be effective. In addition, it is not certain that the U.S. Government will intervene in response to a future market disturbance and the effect of any such future intervention cannot be predicted. It is difficult for issuers to prepare for the impact of future financial downturns, although companies can seek to identify and manage future uncertainties through risk management programs.

Federal, state, and other governments, their regulatory agencies, or self-regulatory organizations may take actions that affect the regulation of Western Asset or its affiliates, the instruments in which an account invests, or the issuers of such instruments, in ways that are unforeseeable and could have a material adverse effect on an account or strategy. Governments or their agencies may also acquire distressed assets from financial institutions and acquire ownership interests in those institutions. The implications of government ownership and disposition of these assets are unclear, and such a program may have positive or negative effects on the liquidity, valuation and performance of an account's holdings. Furthermore, volatile financial markets can expose accounts to greater market and liquidity risk and potential difficulty in valuing portfolio instruments held by accounts. The value of an account's holdings is also generally subject to the risk of future local, national, or global economic disturbances based on unknown weaknesses in the markets in which an account invests. In the event of such a disturbance, issuers of securities held by an account may experience significant declines in the value of their assets and even cease operations, or may receive government assistance accompanied by increased restrictions on their business operations or other government intervention. Economies and financial markets throughout the world are becoming increasingly interconnected. As a result, whether or not an account invests in securities of issuers located in or with significant exposure to countries experiencing economic and financial difficulties, the value and liquidity of the account's investments may be negatively affected.

The European Union including United Kingdom's revised Markets in Financial Instruments Directive ("MiFID II"), which became effective January 3, 2018, requires investment managers in the scope of MiFID II to pay for research services from brokers and dealers directly out of their own resources or by establishing "research payment accounts" for each client, rather than through client commissions. MiFID II's research requirements present various compliance and operational considerations for investment advisers and broker-dealers serving clients in the United States, the United Kingdom and the European Union. Western Asset or an affiliate may be subject to MiFID II in certain situations. It is possible that Western Asset or an affiliate will cause an account to pay for research services with soft dollars in circumstances where MiFID II prohibits other client accounts from paying for such research services, including where trades are aggregated on behalf of accounts that are subject to MiFID II with those that are not. In such situations, an account not subject to MiFID II would bear the additional amounts for the research services and Western Asset's other client accounts would not, although Western Asset's other client accounts might nonetheless benefit from those research services.

Market Disruption and Geopolitical Risks

An account is subject to the risk that war, terrorism, related geopolitical events and natural disasters may lead to increased short-term market volatility or have adverse long-term effects on the U.S. and world economies and markets generally. Those events as well as other changes in U.S. and non-U.S. economic, political, or social conditions, such as trade sanctions, tariffs, severing of diplomatic ties, expropriation, nationalization, confiscation, embargoes, the imposition of restrictions on foreign investment, the lack of hedging instruments, and repatriation of capital invested also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of an account's investments. At such times, an account's exposure to a number of other risks described elsewhere in this section can increase.

Coronavirus Outbreak Risks

The global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions has resulted in numerous disruptions, including, without limitation, business closures, public gathering limitations, significant disruptions to supply chains and customer activity, lower consumer demand for goods and services, event cancellations and restrictions, significant challenges in healthcare service preparation and delivery, restrictions on travel and quarantines, that have meaningfully affected the global economy and markets. COVID-19 has and is expected to

continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. In particular, the COVID-19 outbreak has already, and will continue for some period to, affect the accounts' investments. The U.S. government and the Federal Reserve, as well as certain foreign governments and central banks, are taking extraordinary actions to support local and global economies and the financial markets in response to the COVID-19 pandemic, including by decreasing interest rates to very low levels and implementing a variety of emergency stimulus measures. These actions may not succeed or have the intended effect, and in some cases, including in the United States, have resulted in a large expansion of government deficits and debt, the long term consequences of which are not known. Furthermore, Western Asset's ability to operate effectively, including the ability of its personnel or its service providers to function, communicate and travel to the extent necessary to carry out the accounts' investment strategies and objectives and Western Asset's business and to satisfy its obligations to the accounts, their investors, and pursuant to applicable law, has been, and will continue to be, affected. The potential spread of COVID-19 among Western Asset's personnel and personnel of its service providers could also significantly affect Western Asset's ability to properly oversee the affairs of the accounts (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent suspension of an account's investment activities or operations. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

Europe - Current Events Risks

Policy measures implemented to contain the COVID-19 pandemic have created severe economic recessions globally, including in Europe. In Europe, the fiscal risk is that the economic downturn continues for longer than the various policy support measures afford. Current risks on the monetary policy side stem from concerns over inflation expectations. There is also a growing risk of political interference with independent monetary policy. The impact on sovereign balance sheets is not yet clear and this remains a risk. A significant concern is the possibility of a downgrade for a major sovereign to high yield territory. While it is likely that policymakers would respond quickly to such an event, the bigger picture impact on markets aside from a rise in yields of vulnerable economies is unpredictable, as it may trigger major portfolio rebalancing at a global scale. On January 31, 2020, the United Kingdom left the European Union (the "EU"). An agreement between the United Kingdom and the European Union governing their future trade relationship became effective January 1, 2021. Brexit has resulted in volatility in European and global markets and could have negative long-term impacts on financial markets in the United Kingdom and throughout Europe. Significant uncertainty remains in the market regarding the ramifications of the withdrawal of the United Kingdom from the EU and the arrangements that will apply to the United Kingdom's relationship with the EU and other countries following its withdrawal; the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict. Moreover, other countries may seek to withdraw from the European Union and/or abandon the euro, the common currency of the EU. The ultimate effects of these events and other socio-political or geopolitical issues are not known but could profoundly affect global economies and markets. Whether or not an account invests in securities of issuers located in Europe or with significant exposure to European issuers or countries, these events could negatively affect the value and liquidity of an account's investments.

Investments in Exchange-Traded Funds Risks

Among other risks, the market price for exchange-traded fund ("ETF") shares may be higher or lower than the ETF's net asset value. The sale and redemption prices of ETF shares purchased from the issuer are generally based on the issuer's net asset value. Investments in ETFs involve the risk that the ETF's performance may not track the performance of the index (if any) the ETF is designed to track. Unlike an index, an ETF incurs administrative expenses and transaction costs in trading securities. In addition, the timing and magnitude of cash inflows and outflows from and to investors buying and redeeming shares in the ETF could create cash balances that cause the ETF's performance to deviate from the index (which remains "fully invested" at all times). Performance of an ETF and an index it is designed to track also may diverge because the composition of the index and the securities held in

the ETF may occasionally differ. Further, there can be no guarantee that the methodology underlying the Index or the daily calculation of the Index will be free from error. It is also possible that the value of the Index may be subject to intentional manipulation by third-party market participants. In addition, ETFs often use derivatives to track the performance of a relevant index and, therefore, investments in those ETFs are subject to the same derivatives risks discussed above.

Environmental, Social and Governance Investing Risks

An account's environmental, social and governance ("ESG") investment approach could cause the account to perform differently compared to accounts that do not have such an approach or compared to the market as a whole. An account's application of ESG-related considerations may affect the account's exposure to certain issuers, industries, sectors or other characteristics and may impact the relative performance of the account – positively or negatively – depending on the relative performance of such investments. Views on what constitutes "ESG investing," and therefore what investments are appropriate for an account that has an ESG investment approach, may differ among investment advisers and investors. There is no guarantee that Western Asset's efforts to select investments based on ESG practices will be successful.

Tax Risks

Tax laws and regulations applicable to an account are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. Investors should consult their own tax advisors to determine the potential tax-related consequences of investing in an account with Western Asset.

Tax Reform Risks

A broad-based reform of the Internal Revenue Code of 1986, as amended (the "Code") was signed into law on December 22, 2017 (the "Tax Act") and legislation known as the "Coronavirus Aid, Relief, and Economic Security Act" (the "CARES Act") was enacted in March 2020. Despite proposed and in some cases finalized regulations on certain aspects of these laws, there are significant uncertainties regarding the interpretation and application of the Tax Act and the CARES Act. While additional guidance is expected, the timing, scope and content of such guidance are not known. Changes to the Code and any further changes in tax laws or interpretation of such laws may have adverse effects on clients' investments. In addition, the Tax Act changed the tax treatment of entitlements to carried interest that Western Asset may receive from certain accounts, and such changes could create a conflict of interest as the tax position of Western Asset may differ from the tax positions of an account and/or investors, including with respect to decisions on the timing and structure of asset dispositions.

Systems and Operational Risks

Western Asset relies to a significant extent on computer programs and systems to trade, clear and settle transactions; to aid in evaluating certain securities and other financial instruments based on trading information and other data; to monitor portfolios; and to generate risk management, accounting, and other reports that are important to the oversight of activities related to the accounts Western Asset manages. In addition, many of Western Asset's operations interface with or depend on systems operated by third parties, including custodians, futures commission merchants (*i.e.*, clearing and executing brokers), market counterparties and exchanges and other trading facilities. These programs and systems may be subject to certain limitations, including, but not limited to, those caused by malware, malicious software, natural disasters, power failures, interoperability issues, or human error. A defect, delay, or failure in any of these programs or systems could impair the ability of Western Asset to conduct ongoing business operations and have a material adverse effect on an account. Western Asset has developed policies and procedures intended to monitor and control operational risks, including business continuity policies and procedures. These policies and procedures may not address or anticipate every operational risk related to an account, including, in particular, those risks that Western Asset does not foresee as material and they may not operate as intended in the event of a natural disaster or other business continuity impairing

event. Additionally, the investment operations of an account are dynamic and complex. As a result, certain operational risks, including, without limitation, those arising from human error, natural disasters, failed systems, incompatible systems, or events beyond our control, are intrinsic to the investment operations of an account, especially given the volume, diversity and complexity of transactions that accounts generally enter into daily, and are very unlikely to be eliminated.

Cybersecurity Risks

With the increased use of technologies such as the Internet and the dependence on computer systems to perform business and operational functions, client accounts and their service providers (including Western Asset) may be prone to operational and information security risks resulting from cyber-attacks and/or technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, gaining unauthorized access to digital systems for purposes of misappropriating assets and causing operational disruption. Successful cyber-attacks against, or security breakdowns of Western Asset, its affiliates, or a custodian, administrator, or other affiliated or third-party service provider may adversely affect client accounts. For instance, cyber-attacks or technical malfunctions may interfere with the processing of client or other transactions, affect the ability to calculate the value of an account's assets, cause the release of private client information or confidential information, impede trading, cause reputational damage, and subject Western Asset or client accounts to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. Cyber-attacks or technical malfunctions may render records of client assets and transactions and other data integral to the management of client accounts inaccessible or inaccurate or incomplete. A client account may also incur substantial costs for cybersecurity risk management in order to prevent cyber incidents in the future and both such account and its shareholders could be negatively impacted as a result. While Western Asset has established business continuity plans and systems designed to reduce the risk of cyber-attacks through the use of technology, processes and controls, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified given the evolving nature of this threat. In managing client accounts, Western Asset is reliant upon third-party service providers for certain day-to-day operations, and clients will be subject to the risk that the protections and protocols implemented by those service providers will be ineffective to protect client accounts from cyber-attack. Such third-party service providers may have limited indemnification obligations to the client account or Western Asset. Similar types of cybersecurity risks or technical malfunctions also are present for issuers of securities in which client accounts invests, which could result in material adverse consequences for such issuers, and may cause investments in such securities to lose value. Western Asset may have limited ability to prevent or mitigate cyber-attacks or security or technology breakdowns affecting client accounts and their service providers.

Limitations on Liability Risks

Governing documents of pooled investment vehicles often limit the circumstances under which a general partner, manager and their affiliates can be held liable to a fund or an investor. As a result, investors may have a more limited right of action in certain cases than they would otherwise have in the absence of such provisions. Additionally, in the event that a claim is made, the general partner, manager or their affiliates may be entitled to indemnification by the pooled vehicle, in which case the assets of the vehicle could be used to indemnify the relevant parties for amounts incurred in connection with such a claim.

Credit Risk Transfer Securities Risks

Credit risk transfer securities are fixed- or floating-rate unsecured general obligations issued from time to time by Freddie Mac, Fannie Mae or other government sponsored entities ("GSEs"). Typically, such securities are issued at par and have stated final maturities. The securities are structured so that: (i) interest is paid directly by the issuing GSE, and (ii) principal is paid by the

issuing GSE in accordance with the principal payments and default performance of a certain pool of residential mortgage loans acquired by the GSE ("reference obligations"). The performance of the securities will be directly affected by the selection of the reference obligations by the GSE. Such securities are issued in tranches to which are allocated certain principal repayments and credit losses corresponding to the seniority of the particular tranche. Each tranche of securities will have credit exposure to the reference obligations and the yield to maturity will be directly related to the amount and timing of certain defined credit events on the reference obligations, any prepayments by borrowers and any removals of a reference obligation from the pool.

Credit risk transfer securities are unguaranteed and unsecured debt securities issued by the GSE and therefore are not directly linked to or backed by the underlying mortgage loans. As a result, in the event that a GSE fails to pay principal or interest on its credit risk transfer securities or goes through a bankruptcy, insolvency or similar proceeding, holders of such credit risk transfer securities have no direct recourse to the underlying mortgage loans and will generally receive recovery on par with other unsecured note holders in such a scenario.

An account may also invest in credit risk transfer securities that are issued by private entities, such as banks or other financial institutions. Such securities are subject to risks similar to those associated with credit risk transfer securities issued by GSEs.

The risks associated with an investment in credit risk transfer securities are different than the risks associated with an investment in mortgage-backed securities issued by Fannie Mae, Freddie Mac or other GSEs or issued by a private issuer, because some or all of the mortgage default or credit risk associated with the underlying mortgage loans is transferred to investors. As a result, investors in these securities could lose some or all of their investment in these securities if the underlying mortgage loans default.

Privacy Notice

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

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

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

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

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

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