

June 4, 2014

# KBW Asset Management Conference



Peter H. Nachtwey  
Chief Financial Officer

Brandywine Global • ClearBridge Investments • Legg Mason Global Equities Group • Permal • QS Investors  
Royce & Associates • Western Asset Management

# Important Disclosures

## Forward-Looking Statements

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are not statements of facts or guarantees of future performance, and are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those discussed in the statements.

For a discussion of these risks and uncertainties, please see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2013 and in the Company’s quarterly reports on Form 10-Q.

## Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance determined in accordance with GAAP. The company undertakes no obligation to update the information contained in this presentation to reflect subsequently occurring events or circumstances.

# Why Legg Mason...Why Now?

## Reinvigorated Platform with a Focus on Growth

- Enhanced affiliate model
  - Acquisitions of QS Investors and Fauchier Partners
  - Streamlined US equities and solutions platforms
  - Sold or shut down sub-optimal affiliates
  - Implementing management equity plans (“MEP”) at affiliates
  - Improving long-term flow trends in both equity and fixed income
- Accelerating Global Distributions trajectory
  - Building sales momentum – FY’14 record gross sales up 15% YoY
  - Distribution initiatives – investing in sales personnel and technology
- Compelling valuation
  - Strong cash generation
  - Tax shield turbocharges cash for investments or return to shareholders
  - EV/EBITDA multiple well below industry average
- Dramatically improved capital structure
  - De-levered and extended maturities
  - Share count reduced by 28% over the last four years

Industry leader in returning capital: Over the past 3 years shareholders received over \$1.3B in payouts via buybacks and dividends

# Legg Mason Today

- A Diversified Global Asset Management Firm
- Serving Individual and Institutional Investors for Over a Century
- Approximately 2,800 Employees with Offices Around the World
- Headquartered in Baltimore, Maryland
- Ticker: LM (NYSE)

## As of March 31, 2014:

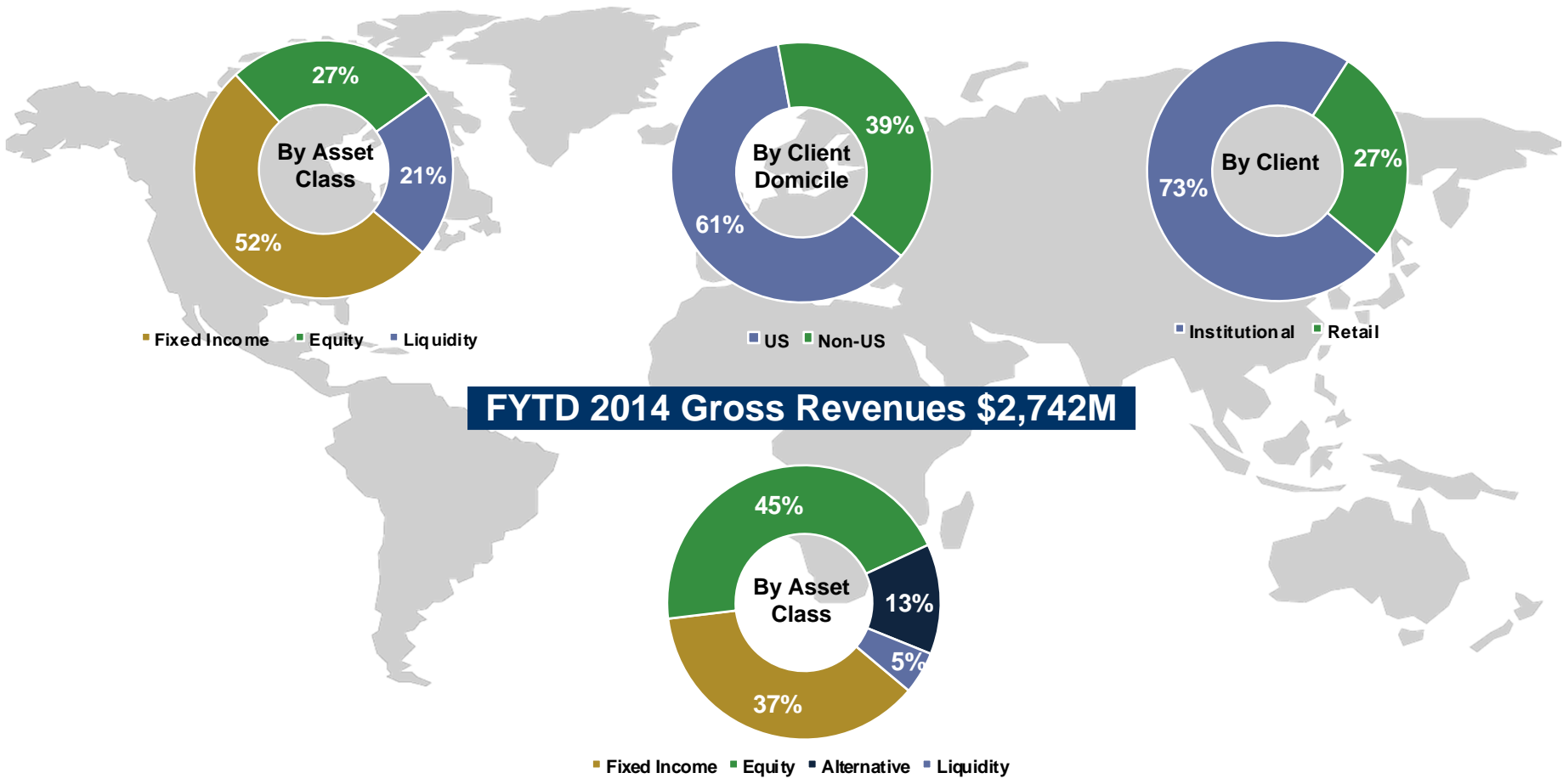
- Revenue TTM: \$2.7B
- Shares Outstanding: 117.0M
- Institutional Holdings: 88%
- Equity Market Cap<sup>1</sup>: \$5.8B
- Stock Price<sup>1</sup>: \$48.62
- AUM: \$673.2B<sup>2</sup>

<sup>1</sup> As of May 21, 2014

<sup>2</sup> As of April 30, 2014. Effective April 1, 2014, certain client assets previously reported as AUM have been reclassified to Assets Under Advisement (AUA). As a result of this change \$12.4B of AUM are excluded from AUM for the month of April

# Asset & Revenue Diversity

**Total AUM \$702B**



Data as of March 31, 2014

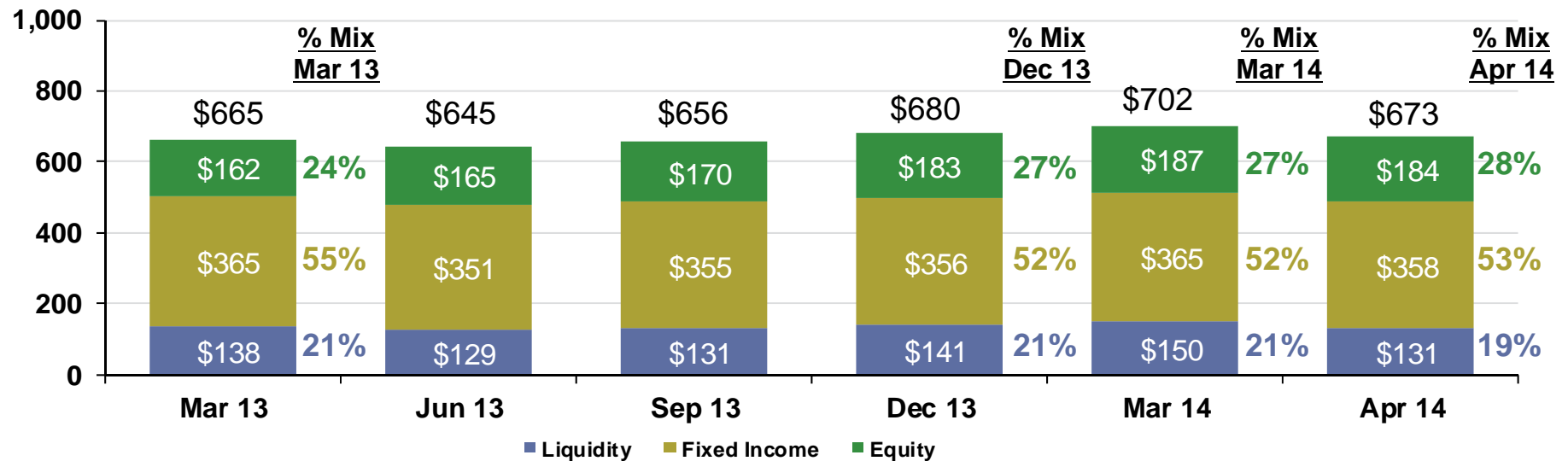
# Assets Under Management (\$ billions)

AUM by Affiliate <sup>1</sup>	Mar 14 AUM	Dec 13 AUM	Mar 13 AUM	% Change vs.	
				Dec 13	Mar 13
Western Asset	\$ 467.1	\$ 450.6	\$ 458.9	4%	2%
ClearBridge	90.5	86.2	65.9	5%	37%
Royce & Associates	38.6	39.9	37.4	(3)%	3%
Permal Group	19.7	20.0	21.3	(2)%	(8)%
Brandywine	52.2	50.0	46.0	4%	13%
Batterymarch	10.2	10.7	12.7	(5)%	(20)%

<sup>1</sup> Primary affiliates ordered by contribution to fiscal year to date 2014 pre-tax earnings

# Assets Under Management by Asset Class

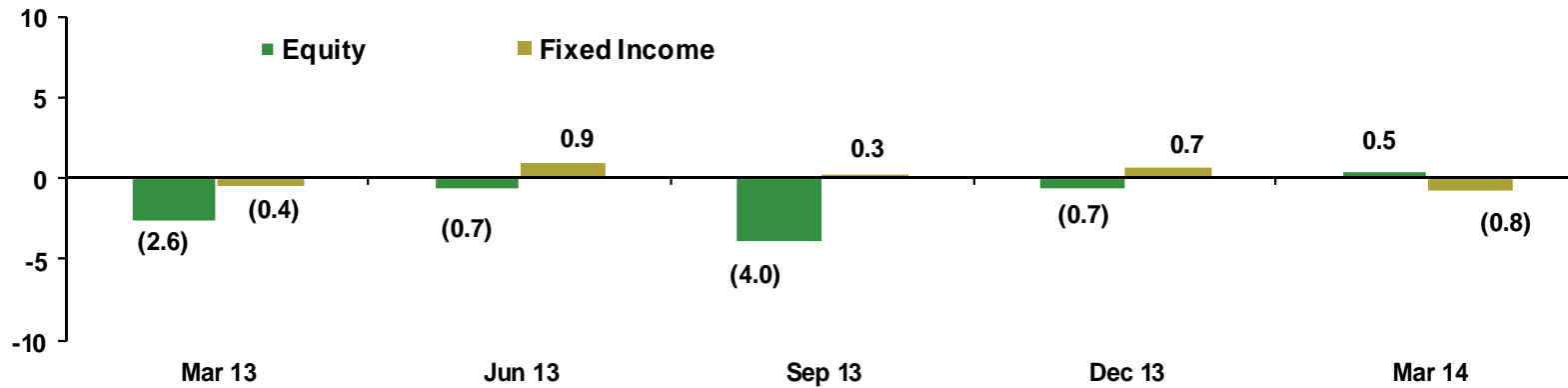
(\$ billions)



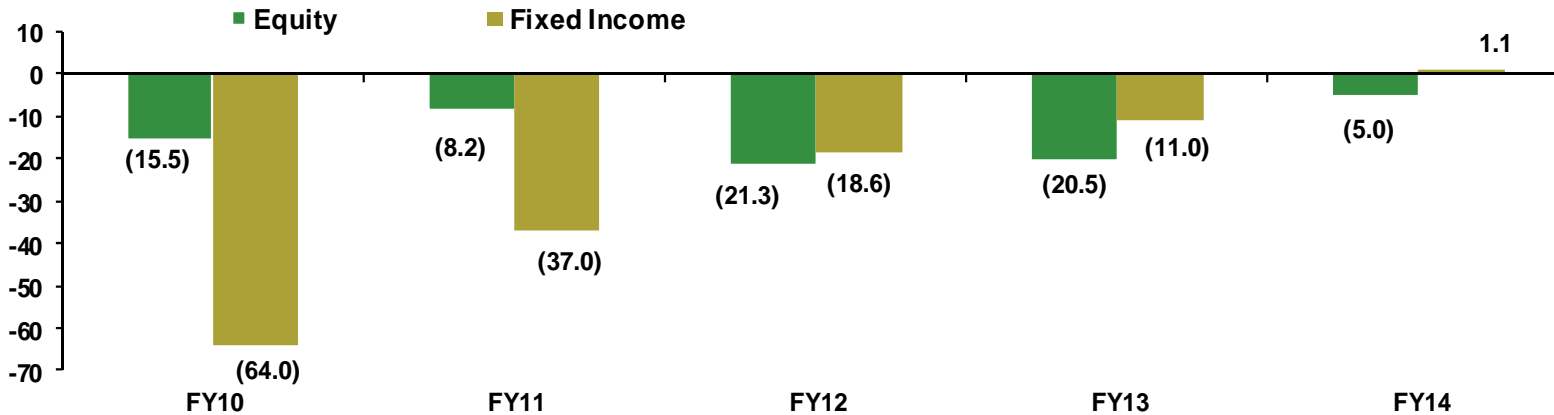
- Change in April AUM from prior month driven by:
  - Significant fixed income inflows, partially offset by modest equity outflows
    - Included \$1B of previously disclosed equity redemptions
  - Liquidity reflects a \$20B previously disclosed redemption
  - Effective April 1, 2014, \$12.4B of client assets previously reported as AUM have been reclassified as Assets Under Advisement (AUA) and are excluded from AUM

# Net Long-Term Flows

## Quarterly Long-Term Net Flows



## Annual Long-Term Net Flows



Note: \$ in Billions



# Fiscal Fourth Quarter - Company Highlights

- Net Income \$68.9M or \$0.58 per diluted share
- Repurchased 2.0M shares for \$90M
- Long-term flows slightly negative at \$300M
  - Equity inflows of \$500M
  - Fixed income outflows driven by low fee Global Sovereign mandate
- 75% or greater of strategy AUM exceeds benchmarks for all periods
- Successful 30 year debt issuance and refinancing
- Announced acquisition of QS Investors
- Implemented ClearBridge Investments management equity plan (“MEP”)



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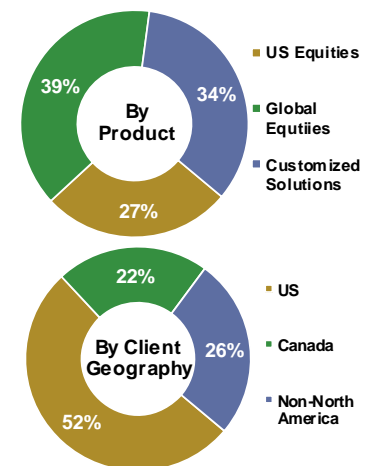
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Legg Mason will leverage QS Investors' capabilities with existing affiliates and global distribution for future growth in the rapidly growing customized solutions, liquid alternatives and smart beta strategies

- Leading customized solutions and global quantitative equities provider
  - \$4.9B in AUM and nearly \$100B in AUA<sup>1</sup>
- Expanded platform with Batterymarch and LMGAA combined into QS Investors over time with meaningful operating efficiencies
- Branded as QS Investors and headed by Janet Campagna, CEO
  - Key professionals from Batterymarch and LMGAA remain
- Restructuring and transition costs are expected to be \$35M
  - Including \$3M in F4Q14, \$30M in FY15 and \$2M in FY16
- Year 1 EPS modestly accretive, excluding integration costs
- The transaction is expected to close during F1Q15

AUM \$4.9B



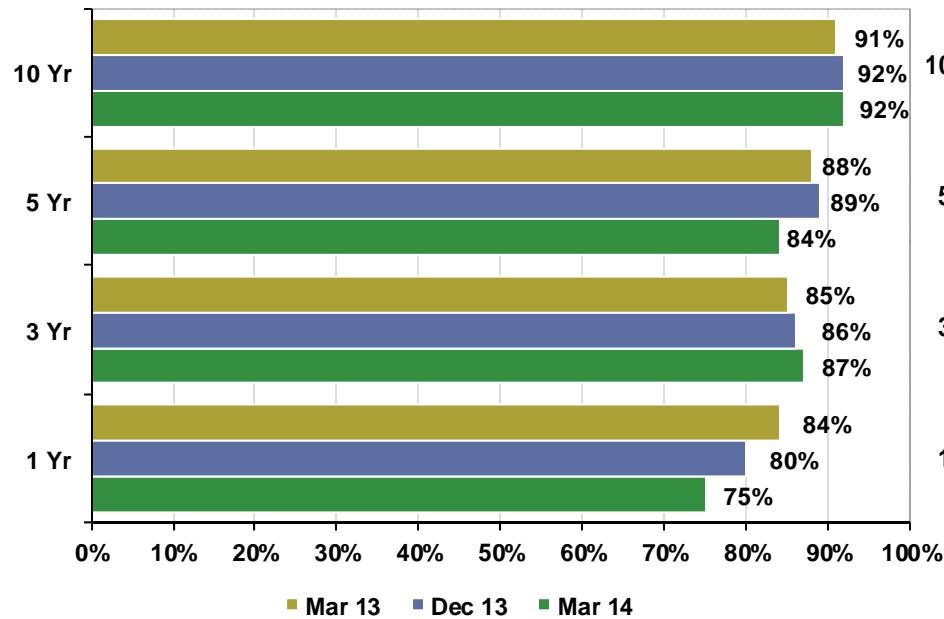
<sup>1</sup> AUM and Assets Under Advisement (AUA) for QS Investors as of March 31, 2014

# Management Equity Plan: **ClearBridge** Investments

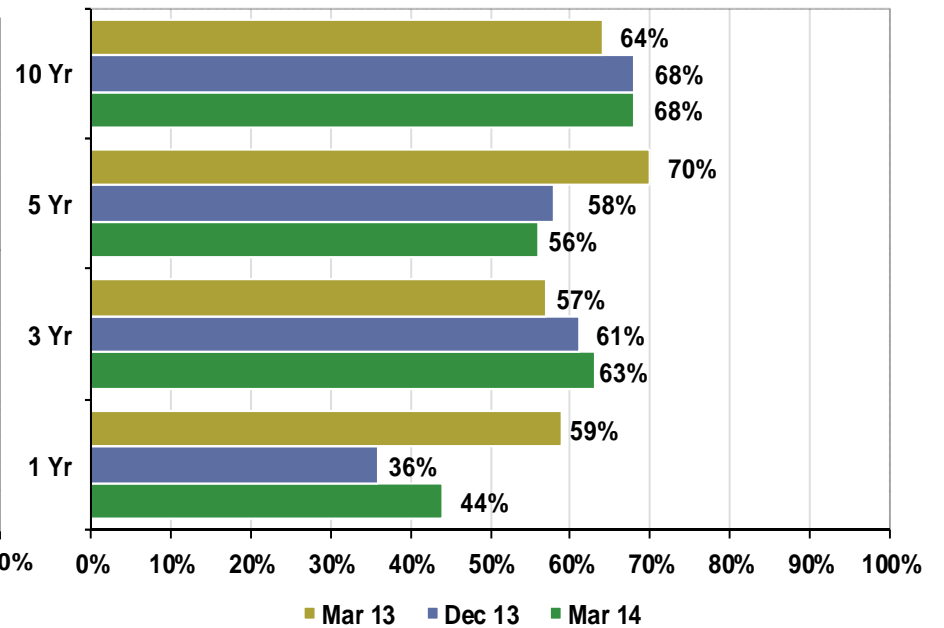
- **Profits interest management equity plan**
  - Participation in 15% of incremental growth of enterprise value from implementation
  - Anticipated annual charge of less than \$2M per annum from initial awards, as ClearBridge shares equally in the cost
  - Long-term nature of equity interest incents key employees to focus on future enterprise value
  - Broad-based employee participation that allows for inclusion of future hires
  - Attractive recruiting and retention tool
  - Awards vest over five years
- **Tiered revenue share agreement**
  - Higher revenue share and expanded margin on incremental growth

# Investment Performance

% of Strategy AUM beating Benchmark<sup>1</sup>



% of Long-Term U.S. Fund Assets beating Lipper Category Average<sup>2</sup>



<sup>1</sup> See appendix for details regarding strategy performance

<sup>2</sup> Includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc.

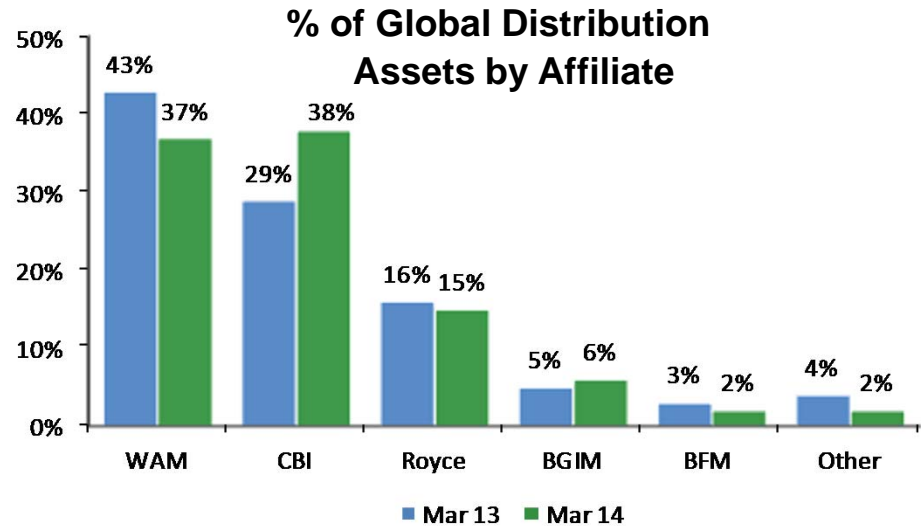
Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ

# Global Distribution

**Total Long-Term Assets: \$251.7B<sup>1</sup>**

## Distribution Highlights

- FY14 net flows roughly flat
- Inflows of \$3.2B in the second half FY14 vs. outflows of \$3.3B in the first half FY14
- FY14 record gross sales of \$65B up 15% YoY
- FY14 record international gross sales of \$24B
  - 5<sup>th</sup> consecutive year of inflows
- FY14 US gross sales of \$41B up 13% YoY



## Quarterly Net Flows

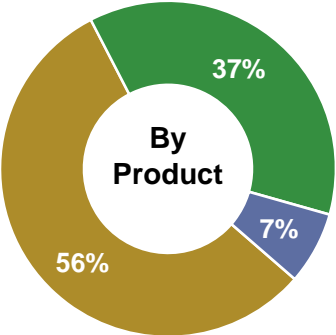
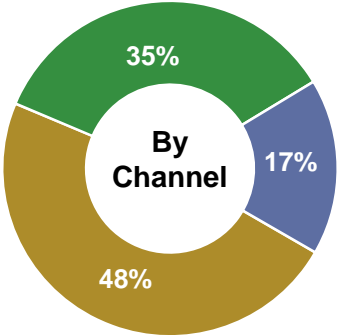
(\$ Billions)	F4Q14	F3Q14	Change
<b>Gross Sales:</b>			
US	\$ 9.7	\$ 11.4	(\$ 1.7)
Int'l	5.7	5.8	(0.1)
<b>Total</b>	<b>\$15.4</b>	<b>\$17.2</b>	<b>(\$ 1.8)</b>
<b>Net Flows</b>			
US	\$ 0.2	\$ -	\$ 0.2
Int'l	1.3	1.7	(0.4)
<b>Total</b>	<b>\$ 1.5</b>	<b>\$ 1.7</b>	<b>(\$ 0.2)</b>

## Fiscal Year Net Flows

(\$ Billions)	FY14	FY13	Change
<b>Gross Sales:</b>			
US	\$41.4	\$36.5	\$4.9
Int'l	23.8	20.4	3.4
<b>Total</b>	<b>\$65.2</b>	<b>\$56.9</b>	<b>\$8.3</b>
<b>Net Flows</b>			
US	(\$ 1.5)	(\$0.6)	(\$0.9)
Int'l	1.4	2.8	(1.4)
<b>Total</b>	<b>(\$0.1)</b>	<b>\$2.2</b>	<b>(\$2.3)</b>

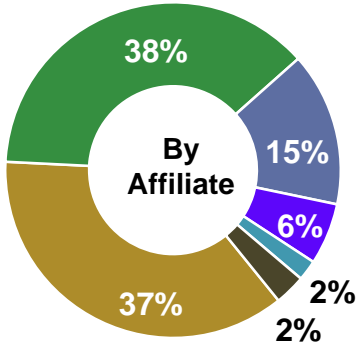
# Global Distribution

**Total Long-Term AUM: \$251.7B<sup>1</sup>**



■ US Retail ■ US Quasi-Institutional ■ International

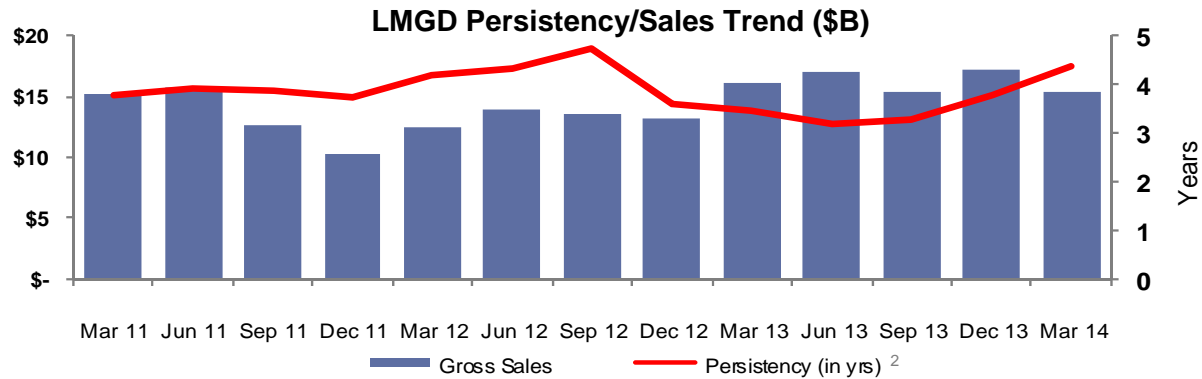
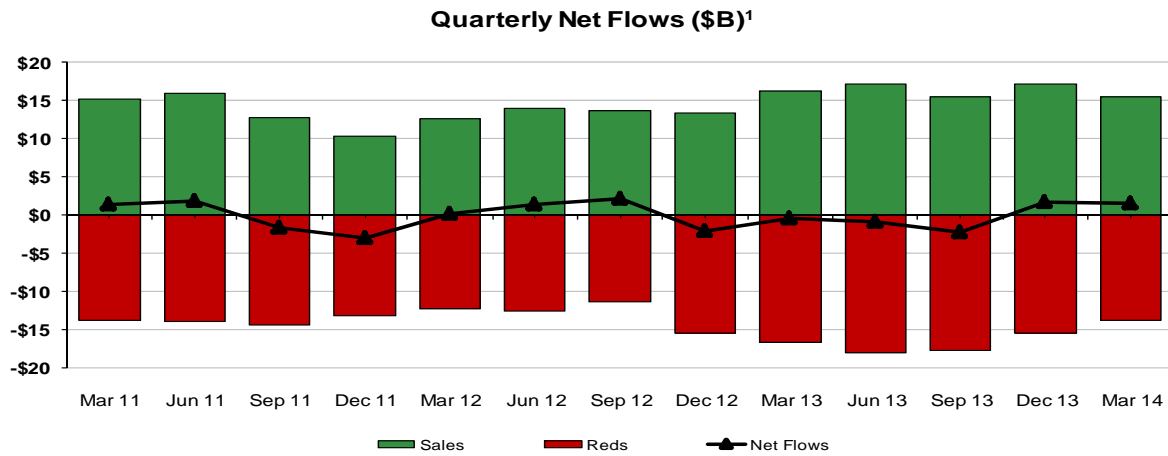
■ Funds ■ SMA/Sep Accts ■ Closed End



■ WAM ■ CBI ■ Royce ■ BGIM ■ BFM ■ Other

<sup>1</sup> As of March 31, 2014, includes model portfolio assets

# Global Distribution Flow Trends



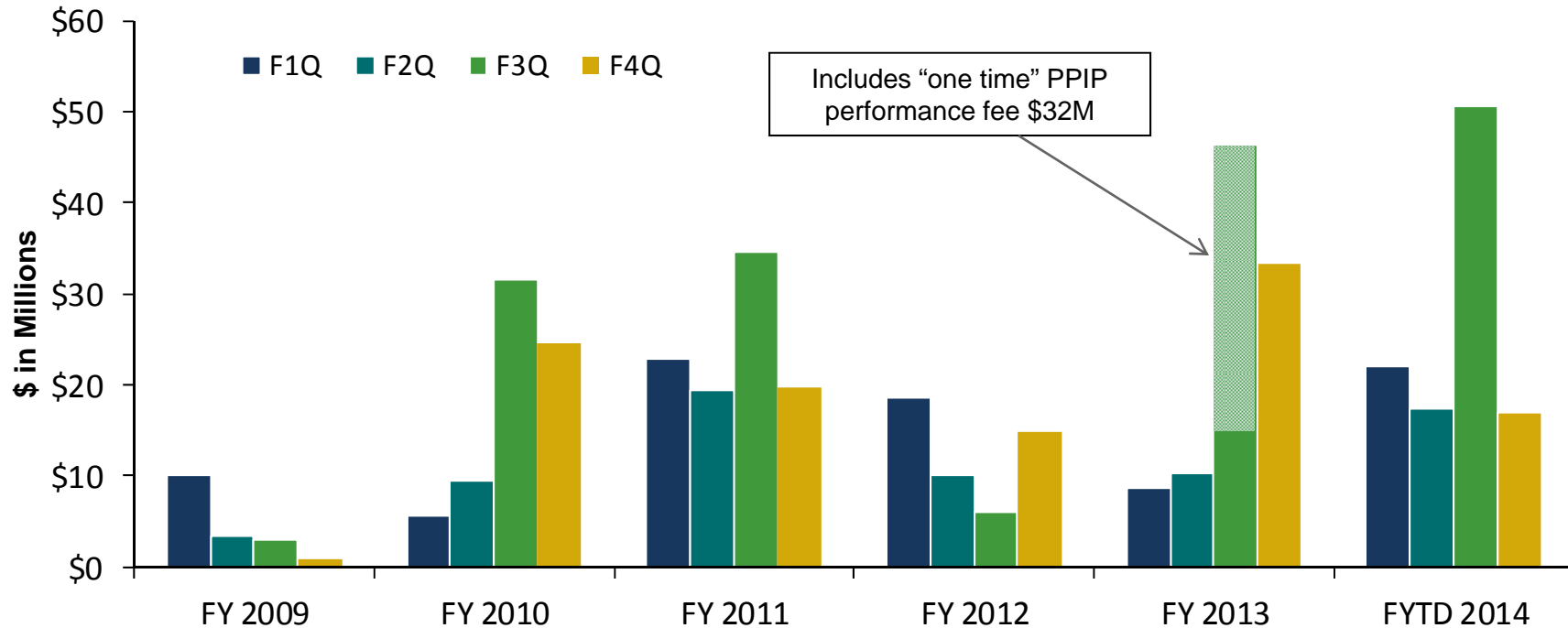
<sup>1</sup> Represents long-term sales, redemptions and net flows by Legg Mason's centralized global distribution platform  
<sup>2</sup> Expected life of an asset based on current redemption rates

# Financial Highlights Fourth Quarter FY 2014

- Net Income of \$68.9M, or \$0.58 per diluted share
- Adjusted income<sup>1</sup> decreased to \$104M, or \$0.86 per diluted share
  - Compared to \$125M or \$1.03 per diluted share in prior quarter
- Average AUM of \$689B, up \$19.0B or 3% from prior quarter
  - Long-term average AUM increased \$10.5B compared to prior quarter
- Operating revenues \$681M, down \$39M or 5% from the prior quarter
  - Includes \$34M decrease in performance fees or \$0.11 per diluted share
- Operating expenses \$562M, down \$36M or 6% from the prior quarter
  - Reflects lower Compensation & Benefits largely related to decreased revenues
  - Includes \$2.2M reduction in incremental costs related to corporate initiatives, which totaled \$10.1M or \$0.06 per diluted share this quarter
  - Current quarter included \$4.7M, or \$0.03 per diluted share, reduction related to franchise tax reserve
  - Prior quarter included \$5.0M, or \$0.04 per diluted share, of Fauchier contingent consideration liability
- Operating income \$119M, operating margin 17.5%
- Operating income, as adjusted<sup>1</sup> \$125M, operating margin, as adjusted<sup>1</sup> 23.3%
- Repurchased 2.0M shares for \$90M

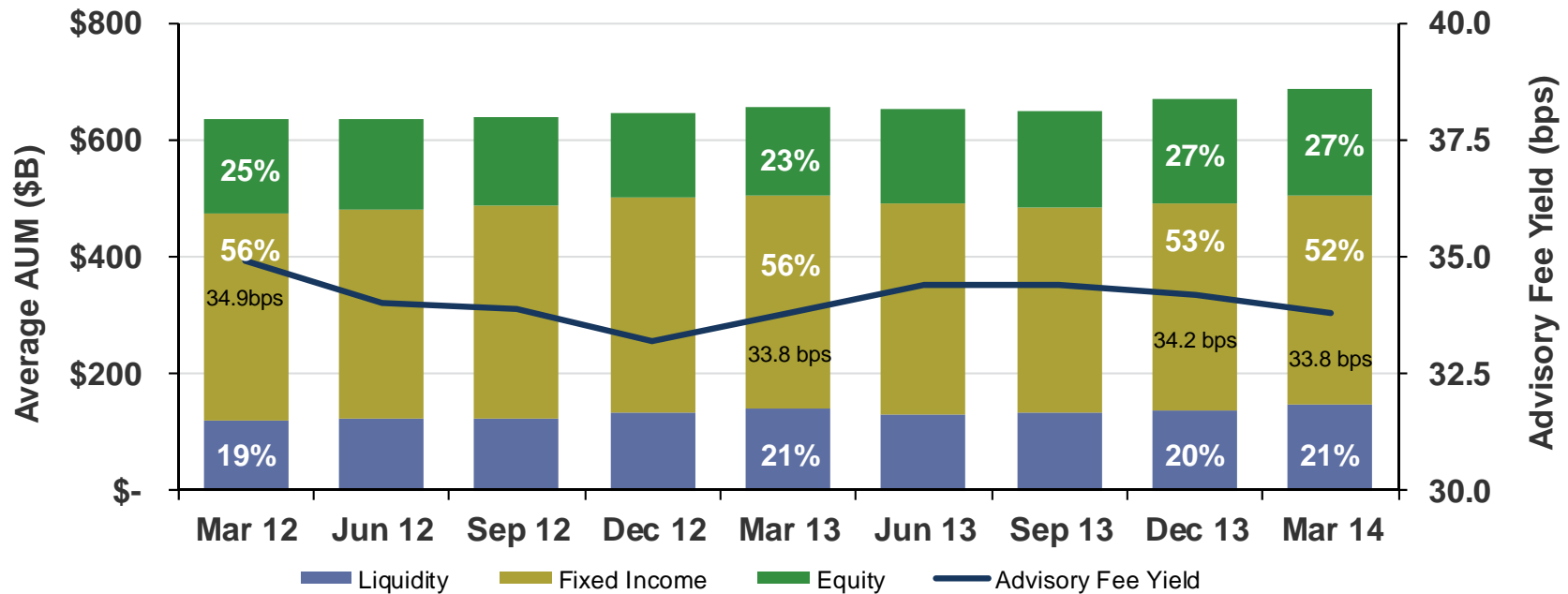


# Performance Fees



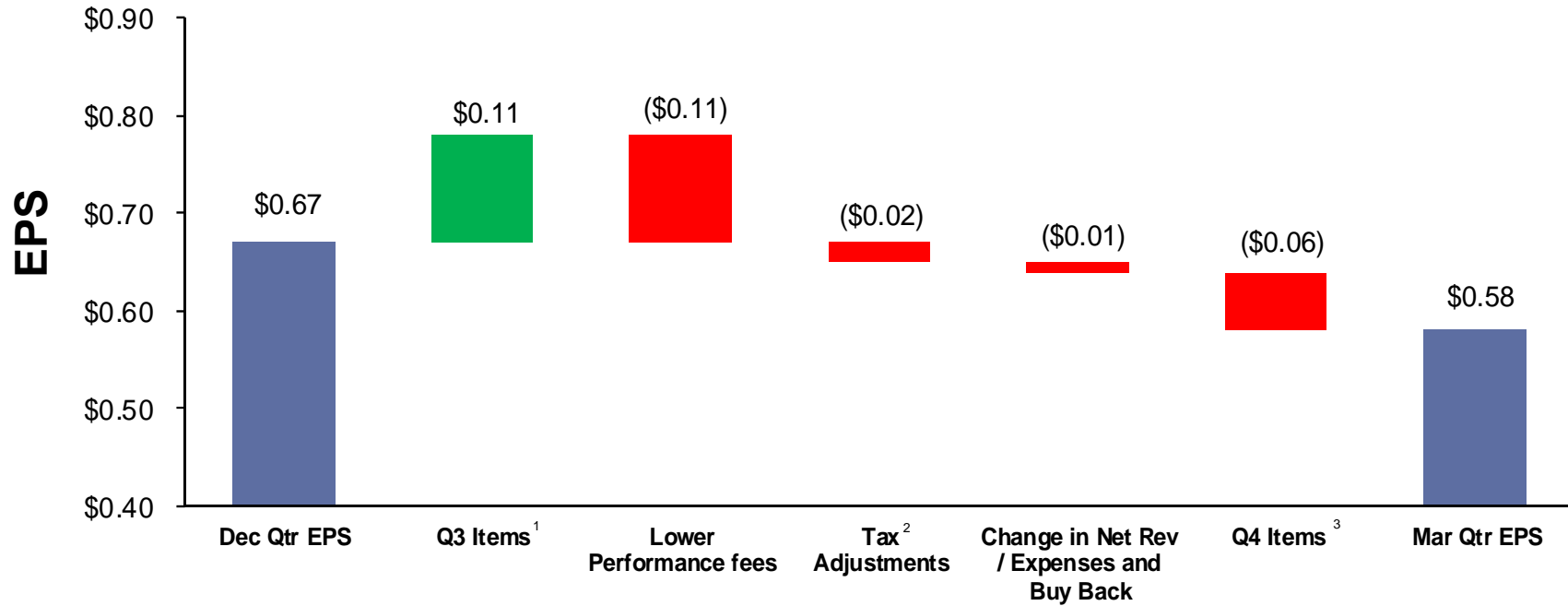
- December quarters tend to have a larger portion of accounts with annual locks
- Performance fees for F4Q14 were driven by Brandywine, Permal, and Western

# Advisory Fee Yield / Average AUM



- Total average AUM up \$19.0B or 3%
  - Liquidity AUM up \$8.5B
  - Equity AUM up \$6.2B
  - Fixed income AUM up \$4.3B
- Advisory fee rate reflects outflows in higher fee products

# Fourth Quarter Earnings Per Share Rollforward

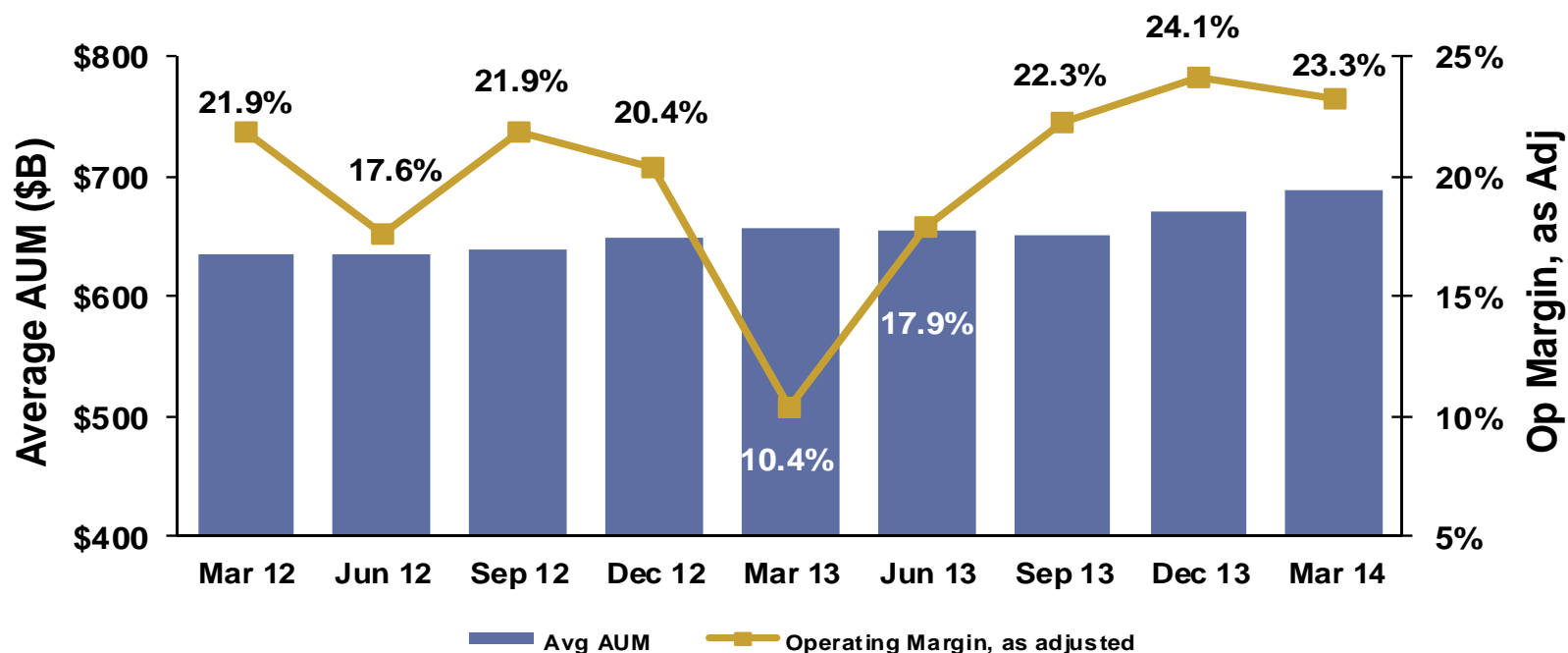


<sup>1</sup> Reflects previously announced costs related to various corporate initiatives of \$12.3M and \$5.0M contingent consideration liability from the Fauchier transaction

<sup>2</sup> Primarily year to date adjustment related to state tax apportionment partially offset by franchise tax reserve reduction and interest expense reduction

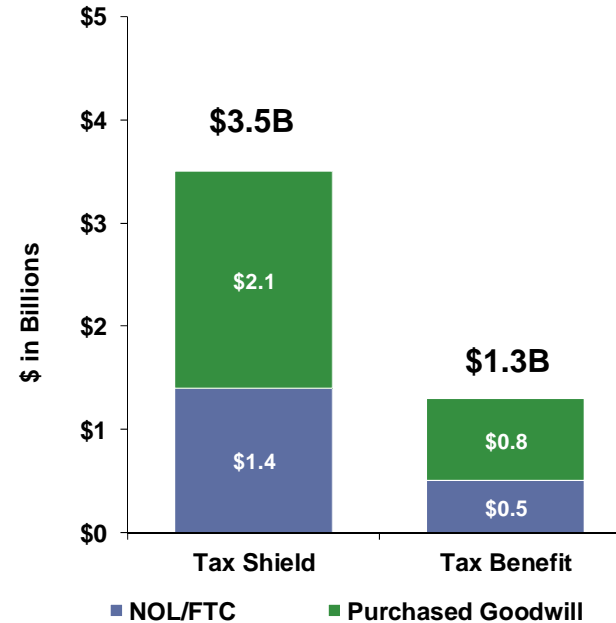
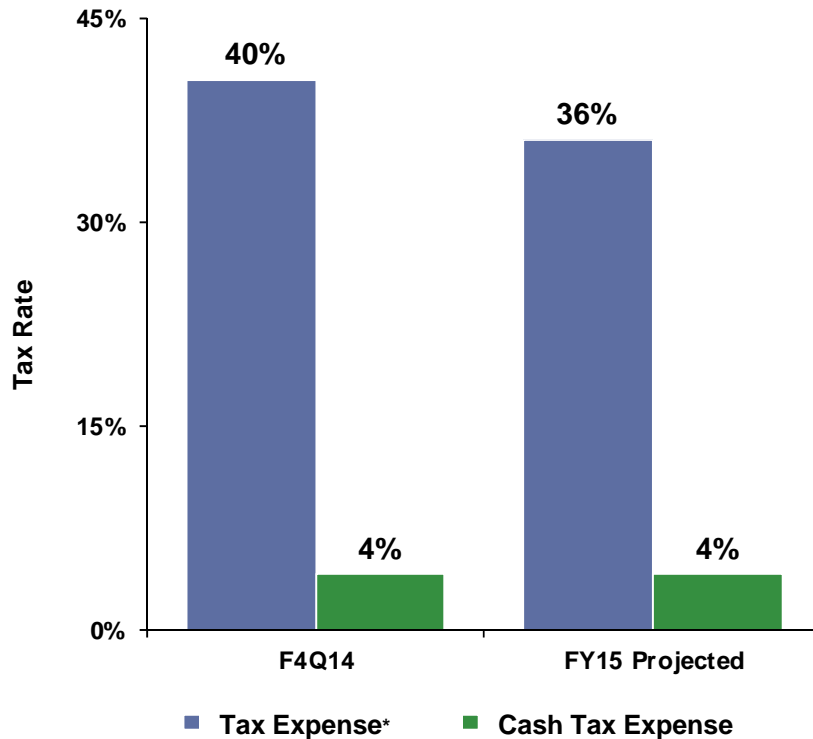
<sup>3</sup> Reflects costs related to various corporate initiatives of \$10.1M

# Operating Margin, as Adjusted



- Impact on current quarter of corporate initiatives cost net of franchise tax reserve reduction approximately 1%
- Prior quarter impact of corporate initiatives cost approximately 2%
- Prior quarter benefited approximately 2% from higher performance fees

# Significant Tax Benefit - \$3.5B of Future Income Sheltered



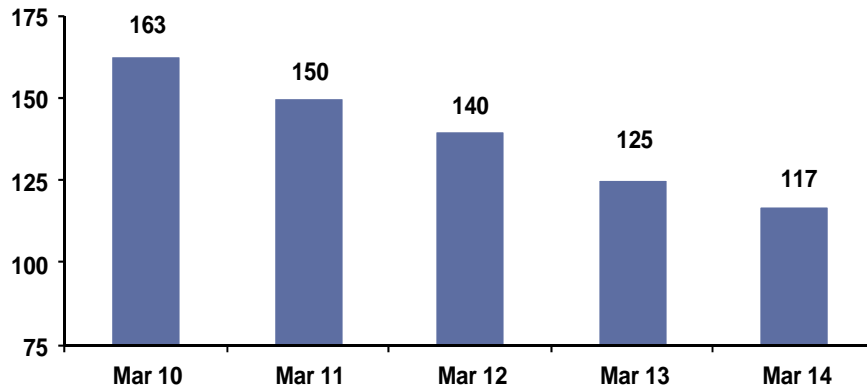
- F4Q14 rate includes impacts attributable to revised annual state apportionment factors as well as reserve and valuation allowance true-ups

- Future income of \$3.5B is sheltered from federal or state income tax, based on usage of NOL, FTC carryforwards and amortization of tax deductible goodwill

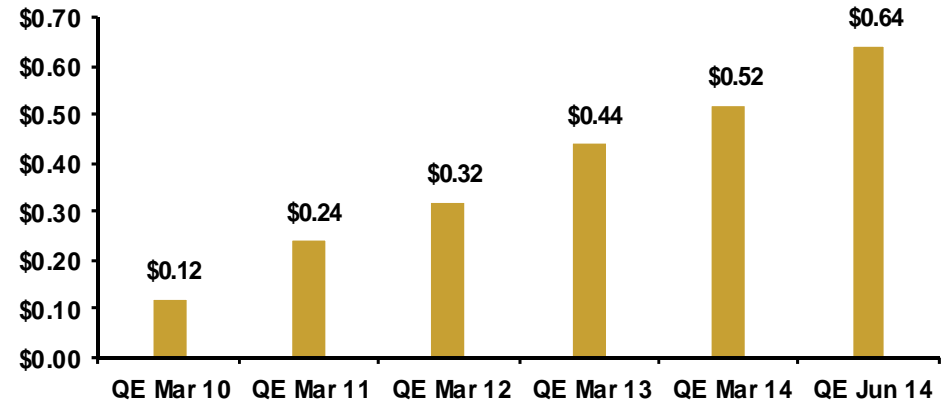
Data as of March 31, 2014  
 \* Excludes the impact of CIVs

# Balance Sheet Items

### Shares Outstanding (\$M)



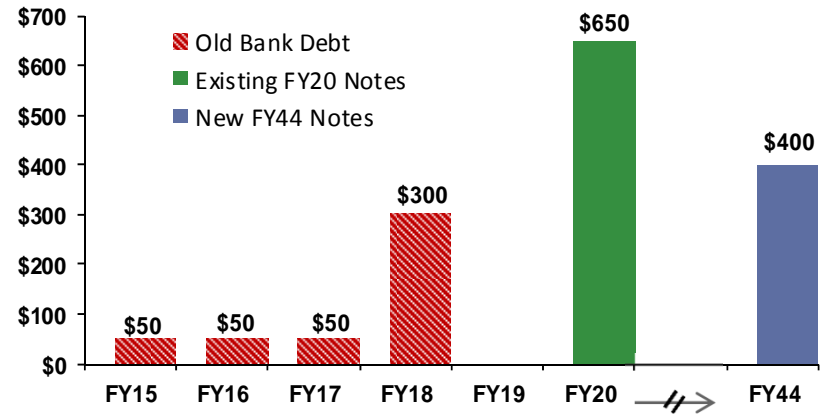
### Annualized Quarterly Dividend (Per Share)



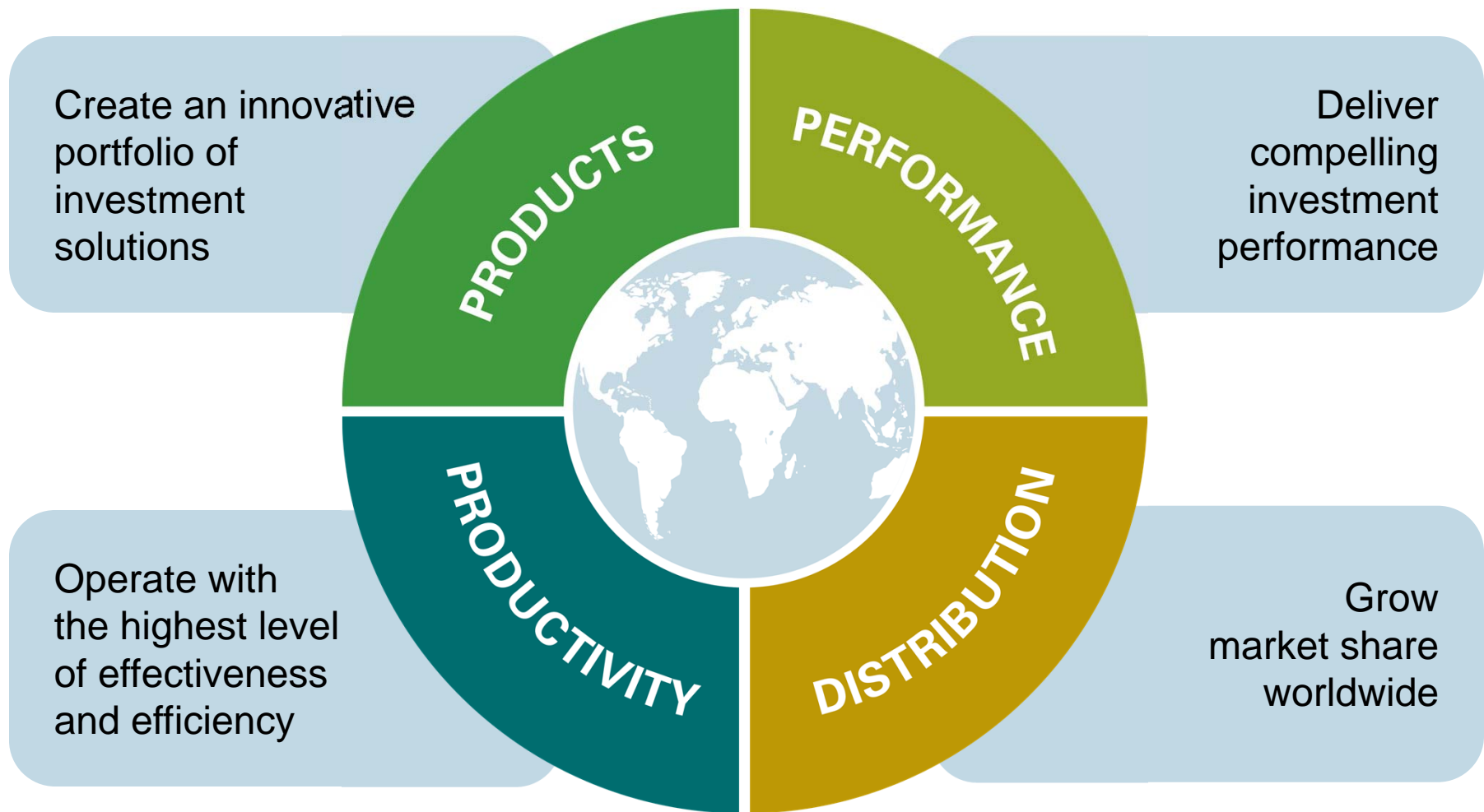
### Corporate Debt (\$M)

	Amount	Maturity
7 Year Sr. Notes	\$650	May-19
30 Year Sr. Notes	\$400	Jan-44
<b>Total Debt</b>	<b>\$1,050</b>	
<b>Undrawn Revolver</b>	<b>\$750</b>	Jun-17

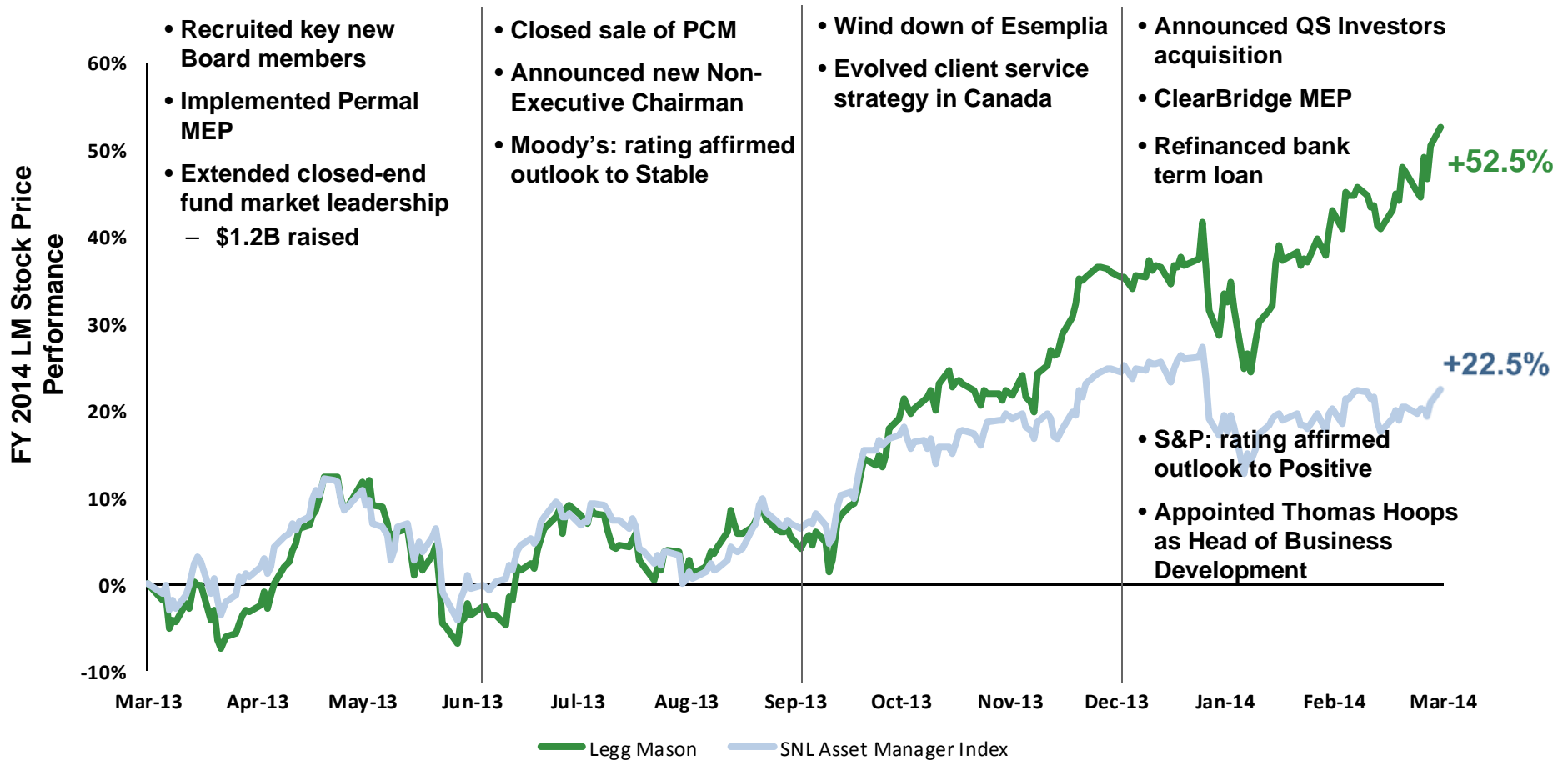
### Debt Maturity (\$M)



# Key Operating Priorities



# Actively Building a Better Legg Mason



Ongoing initiatives include efficiency focus, share repurchases, distribution optimization, product development, and affiliate management equity plans



# Appendix

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Brandywine  GLOBAL

**ClearBridge**  
Investments

LEGG MASON  
Global Equities Group

 PERMAL



QS Investors

Royce & Associates



WESTERN ASSET

**LEGG MASON**  
GLOBAL ASSET MANAGEMENT

# Appendix – GAAP Reconciliation

## Adjusted Income<sup>1</sup>

(\$ millions, except per share amounts)	Quarters Ended			Years Ended	
	Mar 14	Dec 13	Mar 13	Mar 14	Mar 13
<b>Net Income (Loss) Attributable to Legg Mason, Inc.</b>	\$ 68.9	\$ 81.7	\$ 29.2	\$ 284.8	\$ (353.3)
Plus (less):					
Amortization of intangible assets	0.9	4.2	3.5	12.3	14.0
Loss on extinguishment of 2.5% senior notes	-	-	-	-	54.9
Impairment of intangible assets	-	-	-	-	734.0
Contingent consideration fair value adjustment	-	5.0	-	5.0	-
Deferred income taxes on intangible assets:					
Impairment charges	-	-	-	-	(225.7)
Tax amortization benefit	33.7	33.7	34.0	134.9	135.6
U.K. tax rate adjustment	-	-	-	(19.2)	(18.1)
Imputed interest on convertible debt (2.5% senior notes)	-	-	-	-	5.8
<b>Adjusted Income</b>	<b>\$ 103.5</b>	<b>\$ 124.6</b>	<b>\$ 66.7</b>	<b>\$ 417.8</b>	<b>\$ 347.2</b>
<b>Net Income (Loss) per Diluted Share Attributable to Legg Mason, Inc. Common Shareholders</b>	\$ 0.58	\$ 0.67	\$ 0.23	\$ 2.33	\$ (2.65)
Plus (less):					
Amortization of intangible assets	-	0.04	0.03	0.10	0.11
Loss on extinguishment of 2.5% senior notes	-	-	-	-	0.41
Impairment on intangible assets	-	-	-	-	5.51
Contingent consideration fair value adjustment	-	0.04	-	0.04	-
Deferred income taxes on intangible assets:					
Impairment charges	-	-	-	-	(1.69)
Tax amortization benefit	0.28	0.28	0.26	1.10	1.02
U.K. tax rate adjustment	-	-	-	(0.16)	(0.14)
Imputed interest on convertible debt (2.5% senior notes)	-	-	-	-	0.04
<b>Adjusted Income per Diluted Share</b>	<b>\$ 0.86</b>	<b>\$ 1.03</b>	<b>\$ 0.52</b>	<b>\$ 3.41</b>	<b>\$ 2.61</b>

<sup>1</sup> See explanations for Use of Supplemental Data as Non-GAAP Financial Information in earnings release.

# Appendix – GAAP Reconciliation

## Operating Margin, as adjusted<sup>1</sup>

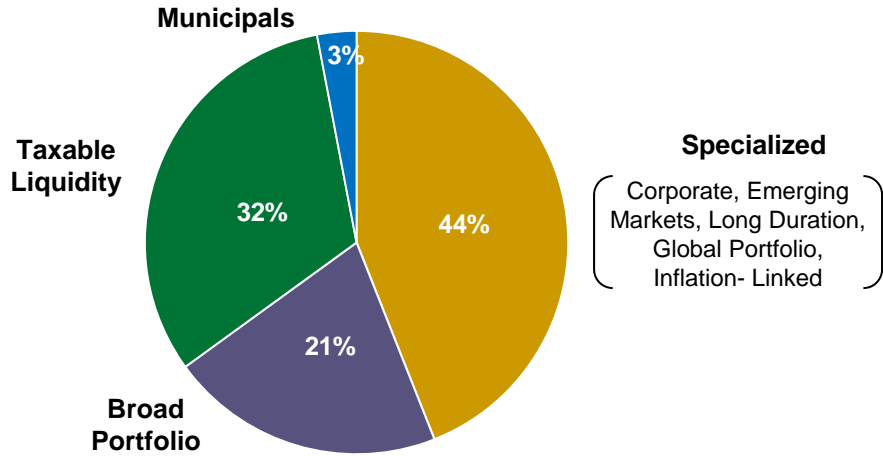
(\$ millions)	Quarters Ended									Years Ended	
	Mar 12	Jun 12	Sep 12	Dec 12	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Mar 13	Mar 14
<b>Operating Revenues, GAAP basis</b>	\$ 648.6	\$ 630.7	\$ 640.3	\$ 673.9	\$ 667.8	\$ 670.4	\$ 669.9	\$ 720.1	\$ 681.4	\$ 2,612.7	\$ 2,741.8
Plus (less):											
Operating revenues eliminated upon consolidation of investment vehicles	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.3	2.4	1.9
Distribution and servicing expense excluding consolidated investment vehicles	(160.3)	(169.8)	(145.1)	(143.4)	(142.3)	(170.1)	(155.1)	(148.8)	(144.9)	(600.6)	(619.0)
<b>Operating Revenues, as Adjusted</b>	<u>\$ 489.0</u>	<u>\$ 461.5</u>	<u>\$ 495.8</u>	<u>\$ 531.1</u>	<u>\$ 526.1</u>	<u>\$ 500.9</u>	<u>\$ 515.3</u>	<u>\$ 571.8</u>	<u>\$ 536.8</u>	<u>\$ 2,014.5</u>	<u>\$ 2,124.7</u>
<b>Operating Income (Loss), GAAP basis</b>	\$ 72.2	\$ 76.1	\$ 79.7	\$ (633.3)	\$ 43.0	\$ 83.5	\$ 106.4	\$ 121.7	\$ 119.3	\$ (434.5)	\$ 430.9
Plus (less):											
Gains (losses) on deferred compensation and seed investments	28.7	1.2	24.4	3.7	7.2	1.9	4.2	6.5	4.4	36.5	17.0
Transition-related costs	1.9	-	-	-	-	-	-	-	-	-	-
Amortization of intangible assets	3.6	3.5	3.5	3.5	3.5	3.6	3.6	4.2	0.9	14.0	12.3
Impairment of intangible assets	-	-	-	734.0	-	-	-	-	-	734.0	-
Contingent consideration fair value adjustment	-	-	-	-	-	-	-	5.0	-	-	5.0
Operating income and expenses of consolidated investment vehicles	0.9	0.6	0.9	0.7	0.8	0.7	0.6	0.6	0.5	3.0	2.4
<b>Operating Income, as Adjusted</b>	<u>\$ 107.3</u>	<u>\$ 81.4</u>	<u>\$ 108.5</u>	<u>\$ 108.6</u>	<u>\$ 54.5</u>	<u>\$ 89.7</u>	<u>\$ 114.8</u>	<u>\$ 138.0</u>	<u>\$ 125.1</u>	<u>\$ 353.0</u>	<u>\$ 467.6</u>
Operating Margin, GAAP basis	11.1%	12.1%	12.5%	-94.0%	6.4%	12.5%	15.9%	16.9%	17.5%	-16.6%	15.7%
Operating Margin, as Adjusted	21.9%	17.6%	21.9%	20.4%	10.4%	17.9%	22.3%	24.1%	23.3%	17.5%	22.0%

<sup>1</sup> See explanations for Use of Supplemental Data as Non-GAAP Financial Information in earnings release.

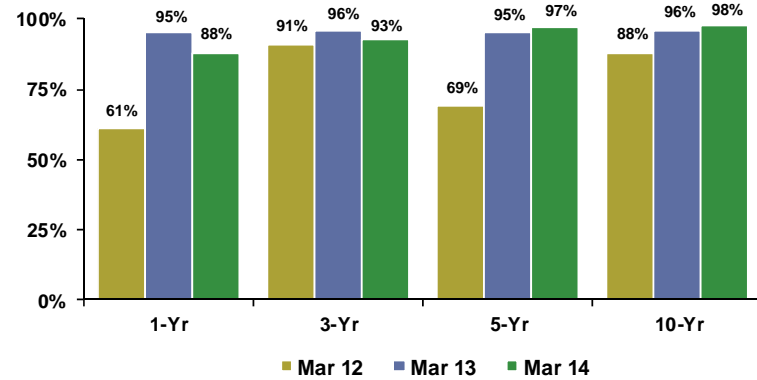
Note: Adjusted results have been changed to remove the impact of Amortization of intangible assets. Prior periods have been restated.

# Appendix - Western Asset Update

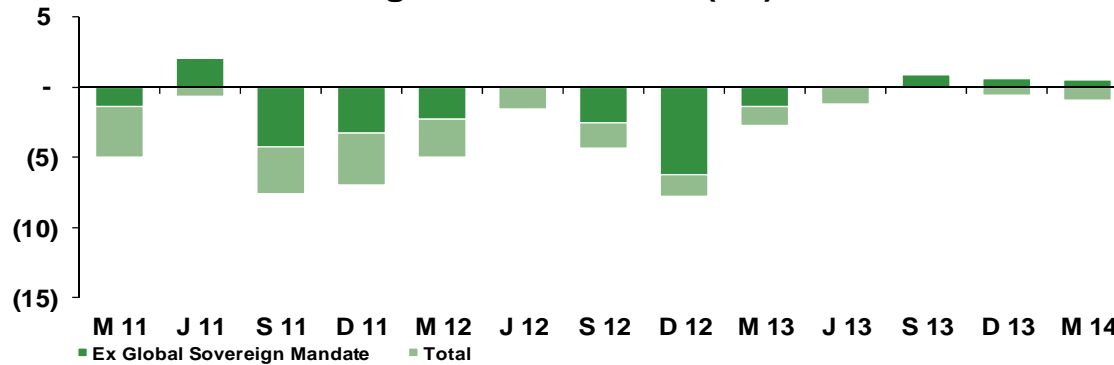
**Total AUM by Mandate: \$467B**



**% of Strategy AUM Beating Benchmark<sup>1</sup>**



**Long-Term Net Flows (\$B)**



<sup>1</sup> Western Asset strategy assets including liquidity

# Appendix – Additional Investment Performance Detail

## % of Strategy AUM Beating Benchmark<sup>1</sup>

	March 31, 2014				March 31, 2013			
	1-Year	3-Year	5-Year	10-Year	1-Year	3-Year	5-Year	10-Year
<b>Total (includes liquidity)</b>	<b>75%</b>	<b>87%</b>	<b>84%</b>	<b>92%</b>	<b>84%</b>	<b>85%</b>	<b>88%</b>	<b>91%</b>
<b>Equity:</b>								
<b>Large cap</b>	<b>67%</b>	<b>91%</b>	<b>52%</b>	<b>76%</b>	<b>65%</b>	<b>68%</b>	<b>88%</b>	<b>80%</b>
<b>Small cap</b>	<b>33%</b>	<b>26%</b>	<b>29%</b>	<b>82%</b>	<b>13%</b>	<b>15%</b>	<b>27%</b>	<b>62%</b>
<b>Total equity (includes other equity)</b>	<b>54%</b>	<b>69%</b>	<b>45%</b>	<b>77%</b>	<b>48%</b>	<b>50%</b>	<b>62%</b>	<b>71%</b>
<b>Fixed income:</b>								
<b>US taxable</b>	<b>94%</b>	<b>94%</b>	<b>94%</b>	<b>97%</b>	<b>96%</b>	<b>94%</b>	<b>91%</b>	<b>90%</b>
<b>US tax-exempt</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Global taxable</b>	<b>54%</b>	<b>82%</b>	<b>98%</b>	<b>93%</b>	<b>89%</b>	<b>94%</b>	<b>95%</b>	<b>98%</b>
<b>Total fixed income</b>	<b>74%</b>	<b>91%</b>	<b>96%</b>	<b>96%</b>	<b>94%</b>	<b>94%</b>	<b>93%</b>	<b>94%</b>

<sup>1</sup> See appendix for details regarding strategy performance

Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ

## Appendix – Additional Investment Performance Detail % of Long-Term U.S. Fund Assets beating Lipper Category Average<sup>1</sup>

	March 31, 2014				March 31, 2013			
	1-Year	3-Year	5-Year	10-Year	1-Year	3-Year	5-Year	10-Year
<b>Total (excludes liquidity)</b>	<b>44%</b>	<b>63%</b>	<b>56%</b>	<b>68%</b>	<b>59%</b>	<b>57%</b>	<b>70%</b>	<b>64%</b>
<b>Equity:</b>								
<b>Large cap</b>	<b>49%</b>	<b>86%</b>	<b>55%</b>	<b>54%</b>	<b>90%</b>	<b>79%</b>	<b>77%</b>	<b>40%</b>
<b>Small cap</b>	<b>27%</b>	<b>19%</b>	<b>25%</b>	<b>72%</b>	<b>27%</b>	<b>16%</b>	<b>48%</b>	<b>68%</b>
<b>Total equity (includes other equity)</b>	<b>39%</b>	<b>55%</b>	<b>42%</b>	<b>60%</b>	<b>56%</b>	<b>44%</b>	<b>59%</b>	<b>53%</b>
<b>Fixed income:</b>								
<b>US taxable</b>	<b>80%</b>	<b>85%</b>	<b>92%</b>	<b>85%</b>	<b>74%</b>	<b>92%</b>	<b>85%</b>	<b>90%</b>
<b>US tax-exempt</b>	<b>27%</b>	<b>61%</b>	<b>68%</b>	<b>86%</b>	<b>50%</b>	<b>57%</b>	<b>86%</b>	<b>84%</b>
<b>Global taxable</b>	<b>27%</b>	<b>86%</b>	<b>84%</b>	<b>86%</b>	<b>71%</b>	<b>74%</b>	<b>95%</b>	<b>54%</b>
<b>Total fixed income</b>	<b>54%</b>	<b>78%</b>	<b>83%</b>	<b>86%</b>	<b>64%</b>	<b>76%</b>	<b>87%</b>	<b>85%</b>

<sup>1</sup> Includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc.

Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ

## Appendix – Strategy Performance

For purposes of investment performance comparisons, strategies are an aggregation of discretionary portfolios (separate accounts, investment funds, and other products) into a single group that represents a particular investment objective. In the case of separate accounts, the investment performance of the account is based upon the performance of the strategy to which the account has been assigned. Each of our asset managers has its own specific guidelines for including portfolios in their strategies. For those managers which manage both separate accounts and investment funds in the same strategy, the performance comparison for all of the assets is based upon the performance of the separate account.

Approximately ninety percent of total AUM is included in strategy AUM as of March 31, 2014, although not all strategies have three, five, and ten year histories. Total strategy AUM includes liquidity assets. Certain assets are not included in reported performance comparisons. These include: accounts that are not managed in accordance with the guidelines outlined above; accounts in strategies not marketed to potential clients; accounts that have not yet been assigned to a strategy; and certain smaller products at some of our affiliates.

Past performance is not indicative of future results. For AUM included in institutional and retail separate accounts and investment funds managed in the same strategy as separate accounts, performance comparisons are based on gross-of-fee performance. For investment funds (including fund-of-hedge funds) which are not managed in a separate account format, performance comparisons are based on net-of-fee performance. These performance comparisons do not reflect the actual performance of any specific separate account or investment fund; individual separate account and investment fund performance may differ. The information in this presentation is provided solely for use in connection with this presentation, and is not directed toward existing or potential clients of Legg Mason.