
Fourth Quarter & Fiscal Year 2016 Review

April 29, 2016

Joseph A. Sullivan
Chairman & Chief Executive Officer

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Chief Financial Officer



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, 2015 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.

Company Highlights

Fiscal Fourth Quarter

Net Loss \$45.3M or \$0.43 per diluted share

- Acquisition and transition-related costs and Royce MEP charge totaling \$70.5M or \$0.42 per diluted share
 - Tax rate annualization impacts of \$55.9M or \$0.53 per diluted share
-

Assets Under Management \$670B

Long-term net outflows \$13.2B

- Fixed Income and Equity outflows of \$8.2B and \$5.0B, respectively
-

Global Distribution quarterly gross and net sales of \$15.1B and (\$3.1B), respectively

Successfully raised \$700M of public debt

Retired 0.8M shares for approximately \$27M

Recent Developments

Closed Clarion Partners acquisition April 13, 2016


Acquisition of EnTrust Capital expected to close in early May

Completed Royce management equity plan

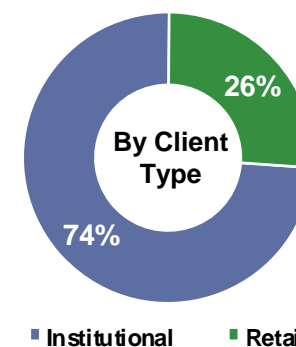
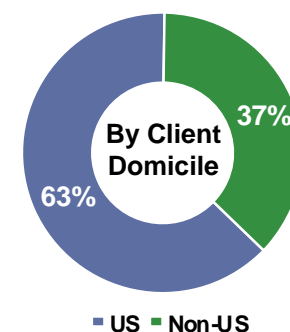
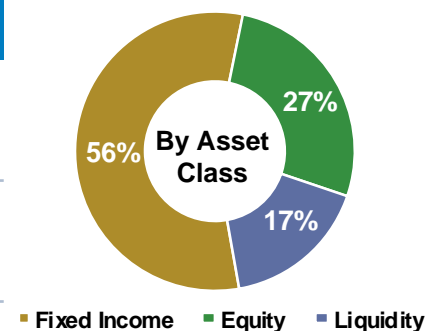
Shanda Group acquired 9.9% of LM common stock from Trian Fund Management

Announced 10% increase to quarterly dividend

Assets Under Management (\$ billions)

Affiliate ¹	Mar 16	Dec 15	% Change	Mar 15
 WESTERN ASSET	\$428.9	\$426.4	1%	\$445.9
 ClearBridge Investments	96.0	99.3	(3%)	110.5
 Brandywine GLOBAL	70.2	68.8	2%	66.4
 Royce & Associates	17.7	18.6	(5%)	29.6
 PERMAL	16.4	17.6	(7%)	19.2
 RARE ²	6.3	6.5	(2%)	-
 QS Investors	18.1	18.0	0%	13.9
 martin currie	11.5	11.4	1%	12.4

Total AUM \$670B



¹ Primary affiliates ordered by contribution to fiscal year 2016 pre-tax earnings

² Acquired in Oct 15

Fiscal Fourth Quarter Affiliate Overview



- \$2.4B total outflows
 - \$2.0B fixed income
 - \$0.4B equity
- \$1.2B unfunded wins



- \$2.0B outflows
- \$2.1B unfunded wins



- \$0.1B total outflows
- \$0.1B unfunded wins



- \$0.6B outflows
- \$0.4B unfunded wins



- Breakeven flows
- \$0.1B unfunded wins



- \$0.4B in outflows
- \$0.2B unfunded wins



- \$1.5B outflows



- \$5.8B long-term outflows
- \$3.3B liquidity outflows
- \$6.1B unfunded wins

Total unfunded wins of \$10.2B

Global Distribution

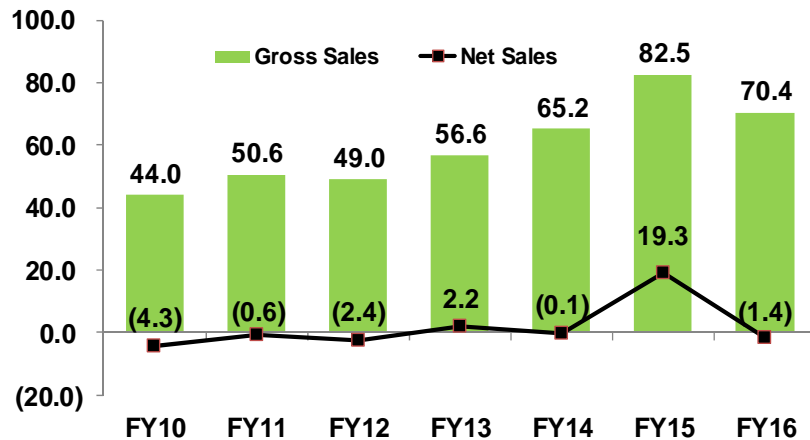
Total Long-Term Assets¹: \$265B

Distribution Highlights

- Gross sales of \$15.1B for FQ16
 - Down 17% from F3Q16
 - Down 32% from F4Q15
- US sales up 11% from F3Q16
- Net sales of (\$3.1B) vs \$0.1B in F3Q16
- Quarterly global redemption rate at 28%
 - US redemption rate 26%

(\$ Billions)	F4Q16	F3Q16	FY16	FY15
Gross Sales¹:				
US	\$12.1	\$10.9	\$50.2	\$54.8
Int'l	3.0	7.3	20.2	27.7
Total	\$15.1	\$18.2	\$70.4	\$82.5
Net Sales¹:				
US	(\$1.8)	(\$3.1)	(\$4.4)	\$11.6
Int'l	(1.3)	3.2	3.0	7.7
Total	(\$3.1)	\$ 0.1	(\$1.4)	\$19.3

Annual Gross and Net Sales Trends (\$B)



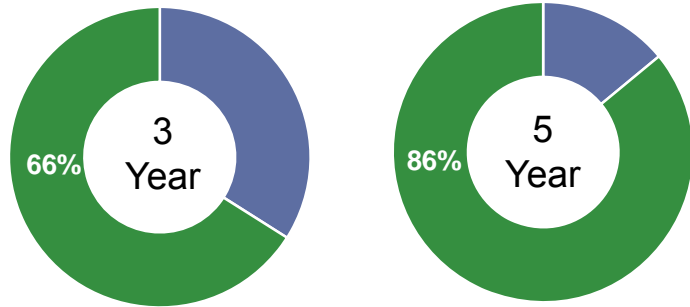
¹ For LMGD, Assets Under Advisement are included in long-term assets, gross sales and net sales. Net sales equals gross sales less redemptions. As of March 31, 2016 long-term assets include \$10.3B of AUA. Quarterly AUA gross and net sales for F4Q16 are \$1.3B and \$0.6B, respectively, for F3Q16 are \$1.0B and \$0.4B, respectively

Top Funds Driving Gross Sales FY16

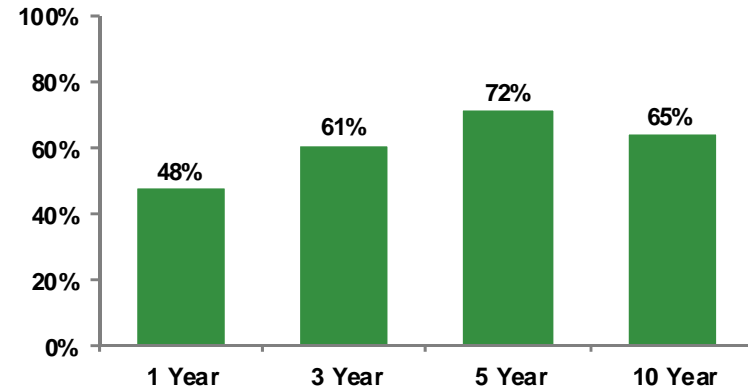
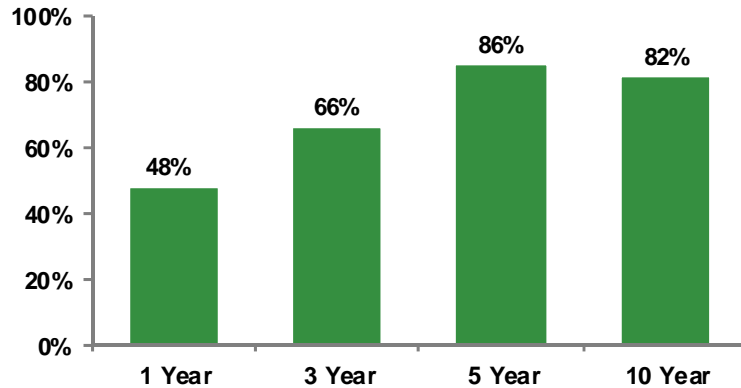
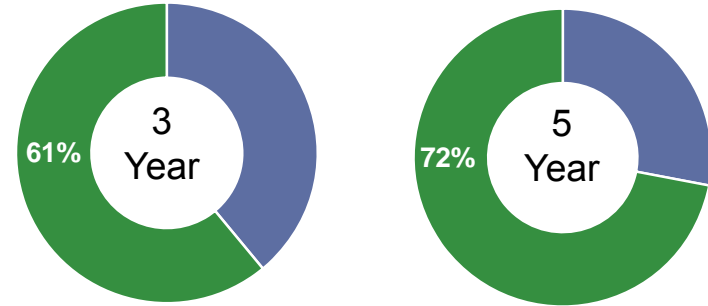
- Western Asset Core Plus Bond Fund
- ClearBridge Aggressive Growth Fund
- Western Asset Core Bond Fund
- Western Asset Macro Opportunities Bond Fund
- ClearBridge US Aggressive Growth Fund
- Brandywine Global Sovereign Credit Fund
- Western Asset Managed Municipals Fund
- Brandywine Global Opportunities Bond Fund
- ClearBridge Appreciation Fund
- ClearBridge Dividend Strategy Fund

Investment Performance

% of Strategy AUM beating Benchmark¹



% of Long-Term U.S. Fund Assets beating Lipper Category Average²



¹ See appendix for details regarding strategy performance

² 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.

* As of March 31, 2016

Acknowledgements and Awards in FY 2016



- Asia Investor magazine 2015 Asset Management Award – “Global Fixed Income, Unhedged” for Global Opportunistic Fixed Income Strategy
- Investment Week’s 2015 Fund Manager of the Year in the International Bond Category
- Professional Planner / Zenith Awards - Fund Manager of the Year



- Lipper Award for Excellence for 5 year period (U.S., Europe, Singapore, Taiwan and Hong Kong) - CB Aggressive Growth
- Pension & Investments - Best Places to Work in Money Management



- Martin Currie Australia² - Money Management/Lonsec Fund Manager of the Year Award



- 2016 Lipper Fund Award in the Alternative Multi-Strategy Fund category for consistent, strong risk-adjusted returns



- Money Magazine “Money 50” List – Royce Opportunity Fund (Third Year Running)



- 2016 Lipper Fund Award in the Core Plus Bond Funds category for consistent, strong risk-adjusted returns
- Asia Investor magazine 2015 Asset Management Award – “Best Institutional Product / Strategy” for Macro Opportunities
- Institutional Investor – Best Core Fixed Income Award
- Nominee for Morningstar’s 2015 U.S. Fixed-Income Fund Manager of the Year award¹
- Pension & Investments - Best Places to Work in Money Management



- Pension & Investments - Best Places to Work in Money Management
- LM Japan – Ranked #1 asset manager in the R&I Client Satisfaction Survey

¹ Morningstar, Inc. nominated the team of Ken Leech, Carl Eichstaedt, and Mark Lindbloom, for the Western Asset Core Bond (WACSX) and Western Asset Core Plus Bond (WAPSX) Funds for the Morningstar 2015 U.S. Fixed-Income Fund Manager of the Year award.

² Formerly Legg Mason Australia

Financial Highlights Fourth Quarter FY 2016

- Net loss of \$45.3M, or \$0.43 per diluted share
 - Includes the net income impact of \$95.4M or \$0.89¹ per diluted share due to
 - Tax rate annualization impacts, acquisition and transition-related costs, Royce MEP charge, and real estate lease adjustments
 - Partially offset by contingent consideration adjustment
- Adjusted loss² of \$16.7M, or \$0.15 per diluted share
- Average AUM of \$662.3B, down \$20.7B
 - Long-term average AUM decreased \$12.2B compared to prior quarter
- Operating revenues \$619.5M, down \$40.1M or 6% from the prior quarter
 - Largely driven by lower average AUM and less favorable asset mix
- Operating expenses \$585.6M decreased \$314.6M from prior quarter largely driven by intangible asset impairment charges of \$371M in the prior quarter
- Operating income \$33.9M
- Operating income, as adjusted² \$29.4M, operating margin, as adjusted² 5.9%
- Other non-operating expenses \$27.5M, up \$25.8M from the prior quarter
 - Australian dollar hedge gain of \$6.6M and interest reserve tax credit \$5.3M in prior quarter

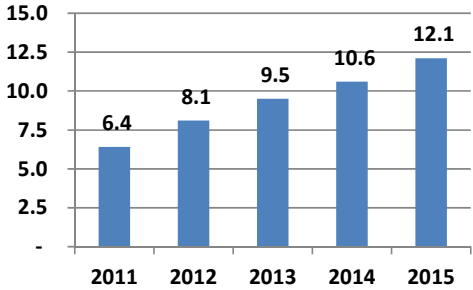
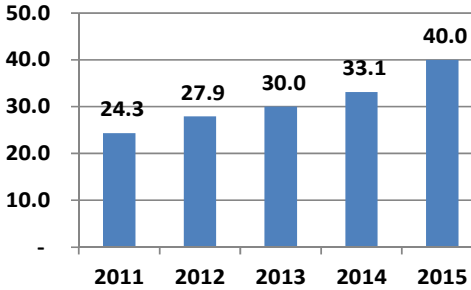
F4Q16 & FY17 Expected Charges Related to Deal Activity

Charges Related to:	Actual F4Q16	Estimated F1Q17	Estimated Remaining FY17	Estimated Total Charges
Royce MEP				
Non-cash charge	\$21M			\$21M
Clarion Partners				
Non-cash MEP charge		\$10M to \$15M		\$10M to \$15M
EnTrustPermal Combination				
Severance and related charges	\$32M	\$13M to \$15M	\$10M to \$15M	\$55M to \$62M
Real estate related/other	\$11M	\$8M to \$10M	\$7M to \$12M	\$26M to \$33M
Subtotal EnTrustPermal	\$43M	\$21M to \$25M	\$17M to \$27M	\$81M to \$95M
Charges related to acquisitions				
Bankers' fees and accounting/legal costs	\$6M	\$12M to \$15M		\$18M to \$21M
Total	\$70M	\$43M to \$55M	\$17M to \$27M	\$130M to \$152M

- Anticipated saves related to the EnTrustPermal combination approximately \$35M in FY18

Positive Impact From Transactions

Year 1 estimated EPS accretion \$0.10 - \$0.20¹

	ENTRUST	CLARION PARTNERS																								
Assets² / AEFR	\$12B / 125bps	\$40B / 50bps																								
Closing	Early May 2016	Closed April 13, 2016																								
Description	<ul style="list-style-type: none"> • Leading Hedge Funds Solutions provider • Investment Capabilities across Core Funds, Strategic Partnerships and Special Opportunities 	<ul style="list-style-type: none"> • Leading Real Estate investment manager • Broad Real Estate investment capabilities across Core, Core-plus and Value-Add / Opportunistic themes 																								
Themes Addressed	Alternative Solutions Platform (Hedge Fund Solutions)	Illiquid Alternatives (Real Estate)																								
Asset Trend²	 <table border="1"> <caption>EnTrust Asset Trend (2011-2015)</caption> <thead> <tr> <th>Year</th> <th>Asset Trend</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>6.4</td> </tr> <tr> <td>2012</td> <td>8.1</td> </tr> <tr> <td>2013</td> <td>9.5</td> </tr> <tr> <td>2014</td> <td>10.6</td> </tr> <tr> <td>2015</td> <td>12.1</td> </tr> </tbody> </table>	Year	Asset Trend	2011	6.4	2012	8.1	2013	9.5	2014	10.6	2015	12.1	 <table border="1"> <caption>Clarion Asset Trend (2011-2015)</caption> <thead> <tr> <th>Year</th> <th>Asset Trend</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>24.3</td> </tr> <tr> <td>2012</td> <td>27.9</td> </tr> <tr> <td>2013</td> <td>30.0</td> </tr> <tr> <td>2014</td> <td>33.1</td> </tr> <tr> <td>2015</td> <td>40.0</td> </tr> </tbody> </table>	Year	Asset Trend	2011	24.3	2012	27.9	2013	30.0	2014	33.1	2015	40.0
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- **Intangible amortization** estimated between \$20M - \$30M, subject to change based on final purchase price allocation

- **Noncontrolling interest** range estimated for FY17 \$40M - \$50M

- **Tax shield** increase of \$0.9B, resulting in \$0.4B tax benefit over time

¹Based on LM equity ownership of 65% and 82% in EnTrustPermal and Clarion, respectively. Net of taxes and noncontrolling interest. Assumes an average effective fee rate (ex performance fees) of approximately 125bps and 50bps for EnTrust and Clarion, respectively. Reflects expected year one cost-saves, offset by amortization of intangibles, additional debt service cost of 4% and 35% noncontrolling interest in Permal. Excludes expected acquisition and transition-related costs noted on slide 9.

²Total EnTrust assets include AUM, assets under advisory and unfunded contractually committed assets.

Operating Results Fourth Quarter FY 2016

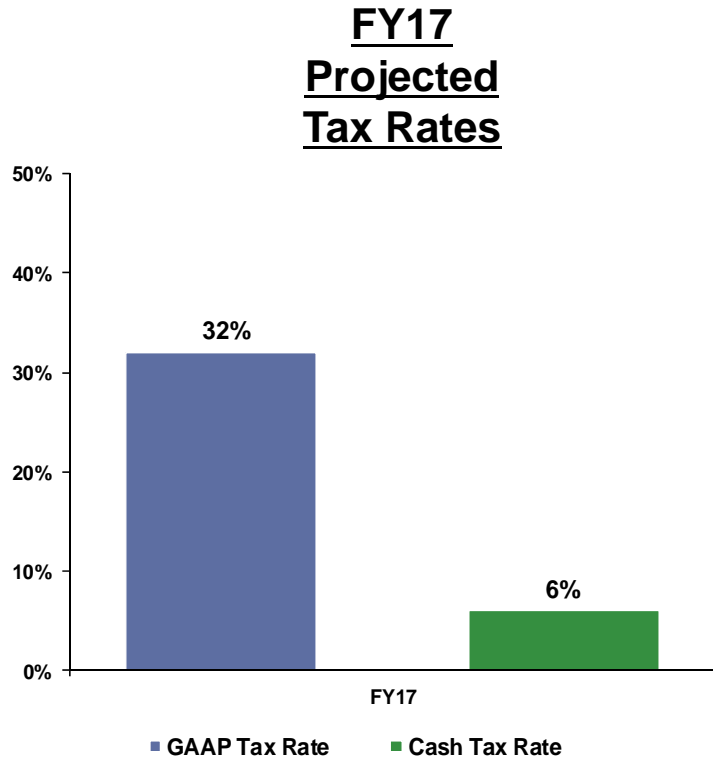
(\$ millions, except per share amounts)	Mar 16 Qtr	Dec 15 Qtr	Mar 15 Qtr	FY 16	FY 15
Operating Revenues	\$619.5	\$659.6	\$702.3	\$2,660.8	\$2,819.1
Operating Expenses	585.6	900.2	573.4	2,610.0	2,320.9
Operating Income	33.9	(240.6)	128.9	50.8	498.2
Net Income	(45.3)	(138.6)	83.0	(25.0)	237.1
Diluted EPS	(0.43)	(1.31)	0.73	(0.25)	2.04
Adjusted Income¹	(16.7)	158.5	117.9	370.3	378.8
Adjusted Income per diluted share¹	(0.15)	1.45	1.03	3.36	3.26
Operating Margin, as adjusted¹	5.9%	20.6%	23.8%	18.6%	23.0%
Effective Tax Rate GAAP²	n/m	42.8%	33.8%	(30.5%)	34.0%

¹ See Appendix for GAAP reconciliation

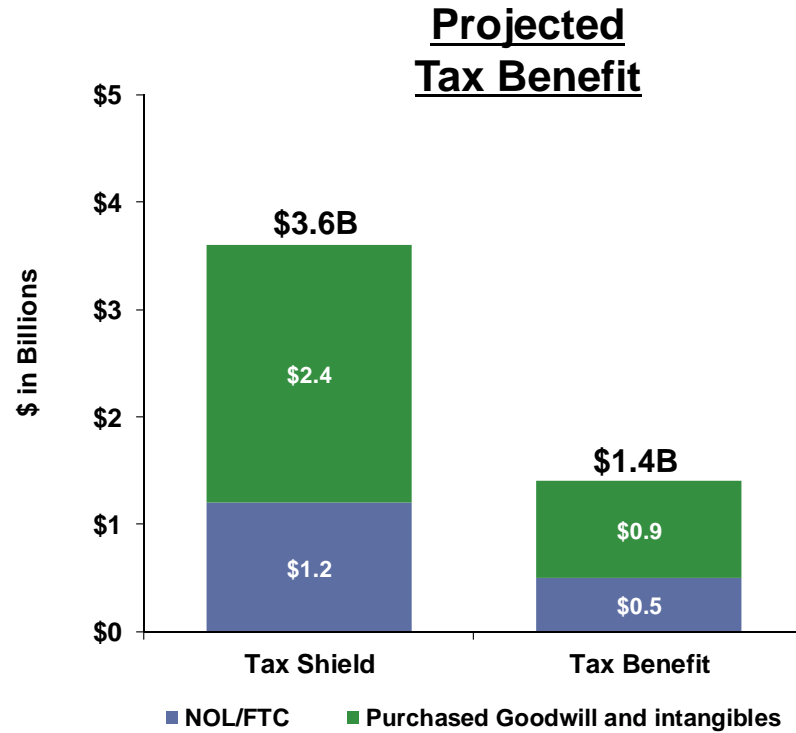
² Includes the impact of Consolidated Investment Vehicles (CIVs) of n/m, (0.2%), and (0.2%) in Mar 16, Dec 15, and Mar 15, respectively and 23.8% and (0.5%) for FY16 and FY15

Significant Tax Benefit

\$3.6B of Future Income Sheltered

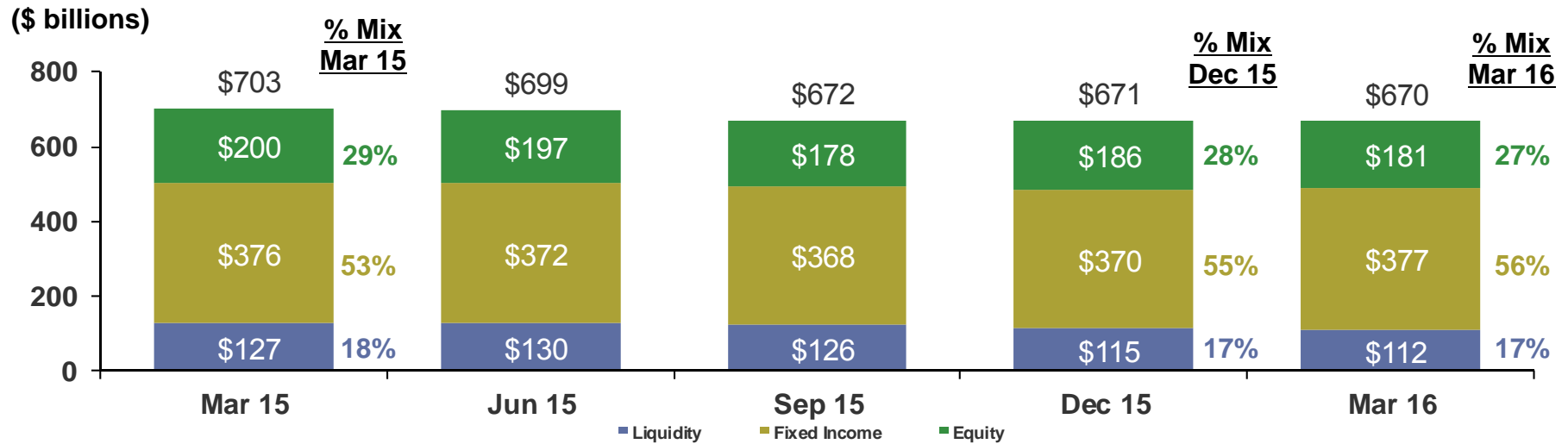


- FY17 GAAP tax rate reflects exclusion of tax attributable to noncontrolling interests



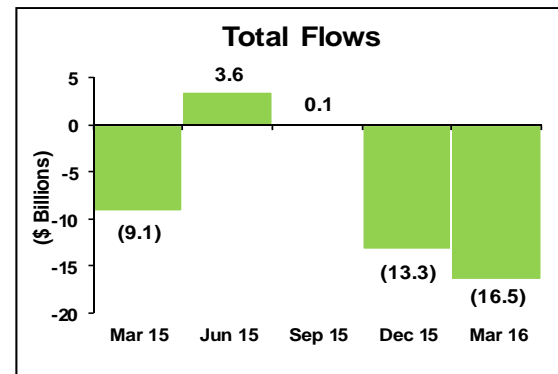
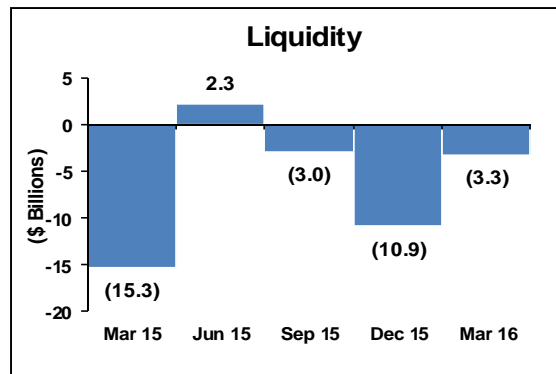
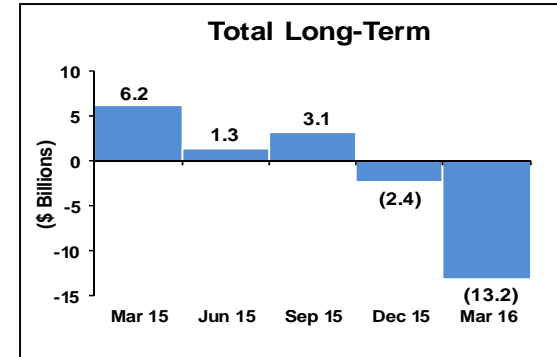
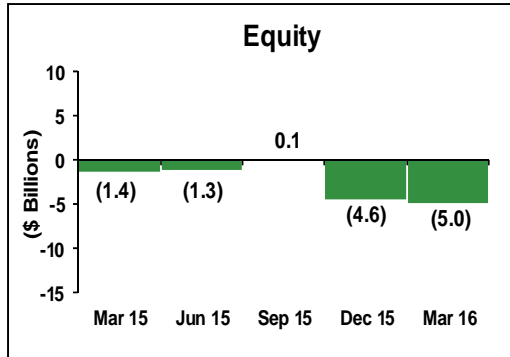
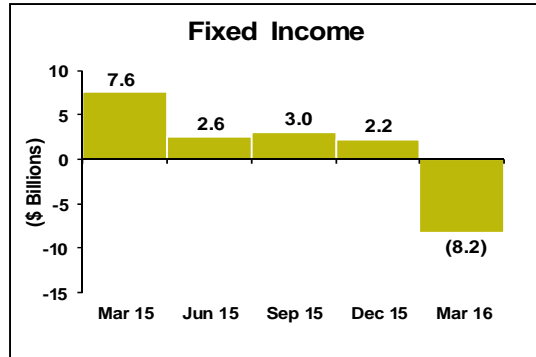
- Shield will increase by \$850M as a result of tax amortizable intangibles acquired in the EnTrust and Clarion Partners transactions, providing \$57M per annum of additional tax shield through FY32

Assets Under Management by Asset Class



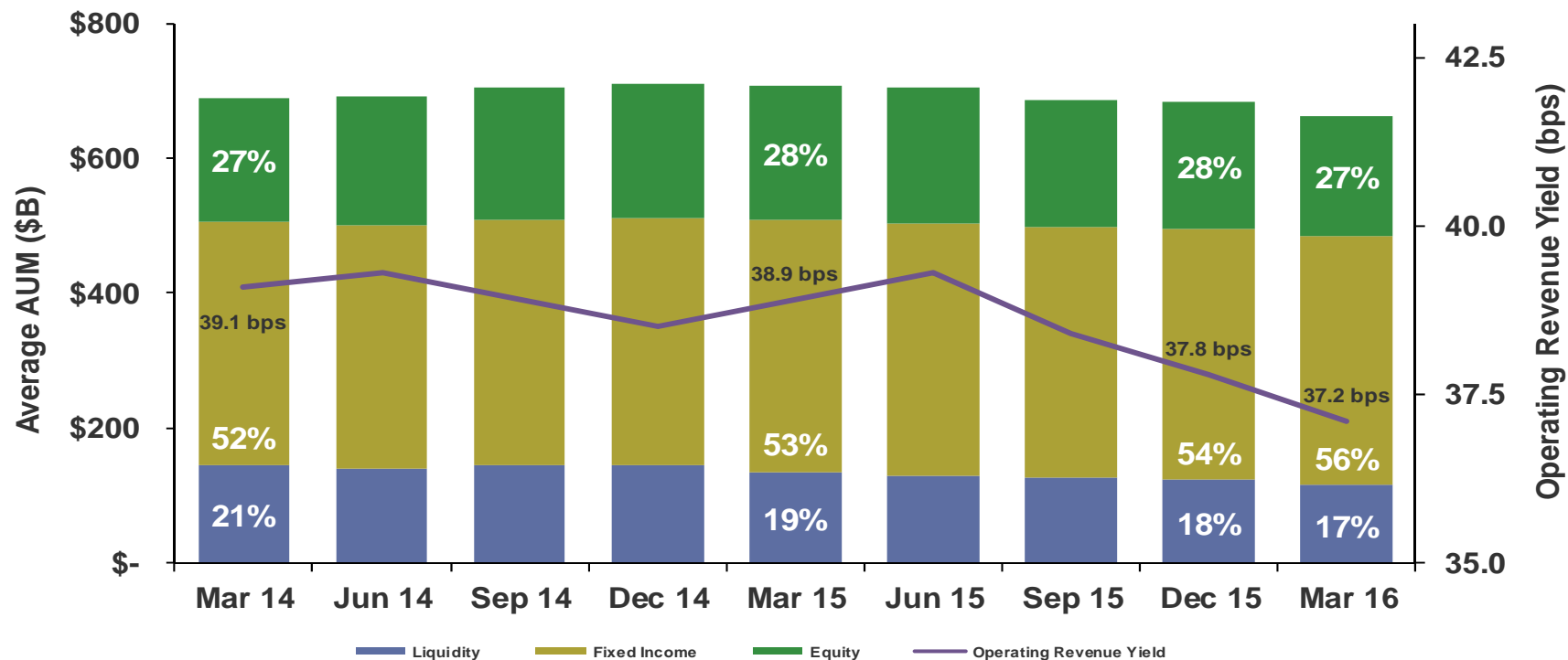
- AUM decreased \$1.9B from prior quarter
 - Long-term outflows of \$13.2B
 - Liquidity outflows of \$3.3B
 - Market appreciation of \$9.7B
 - Positive FX impact of \$4.7B

Net Flows – Quarterly



- Fixed income net outflows driven by Core Plus \$1.9B, Limited Duration \$1.3B, Liability Driven \$1.3B, TIPS \$1.0B, Global Income \$0.8B, and Long Duration \$0.7B
- Equity net outflows largely driven by Small Cap \$1.8B, Large Cap \$1.3B and Mid Cap \$0.5B

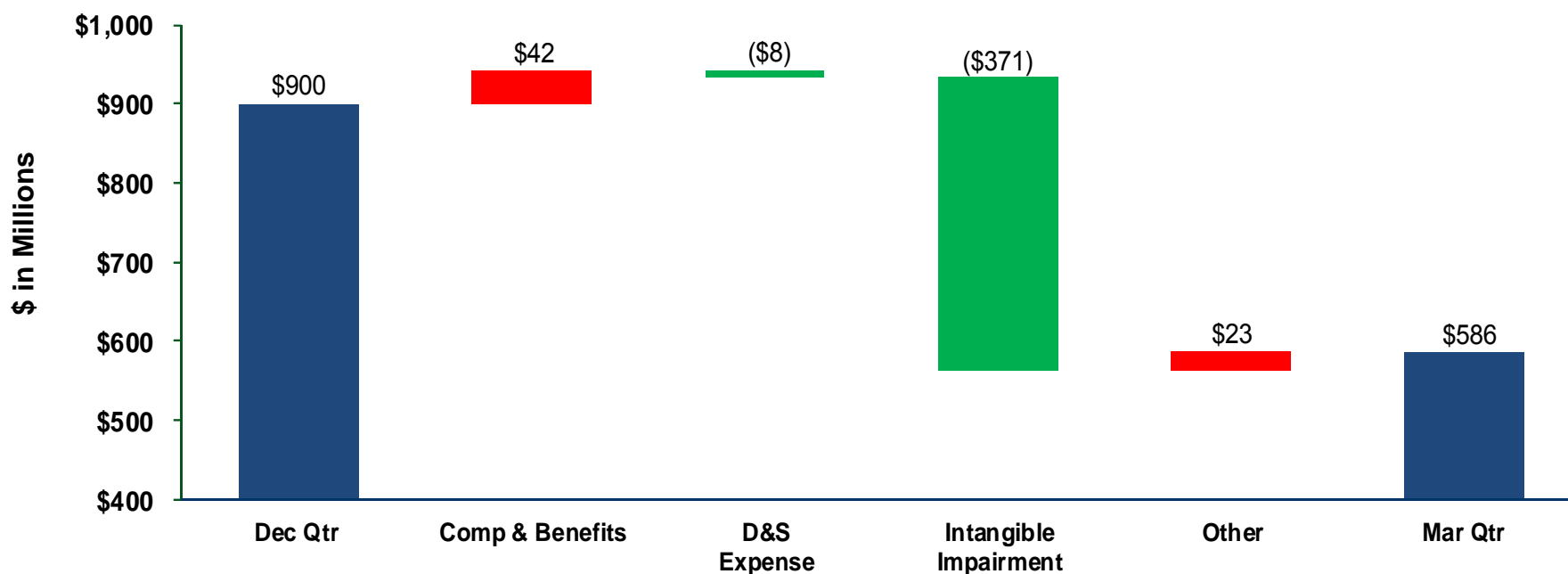
Operating Revenue Yield¹ / Average AUM



- Total average AUM down \$20.7B
 - Equity and Fixed Income average AUM down \$10.8B and \$1.4B, respectively
 - Liquidity average AUM down \$8.5B
- Operating revenue yield down 0.6 bps primarily due to lower AUM in higher yielding products

¹ Operating revenues = total operating revenues less performance fees
 Performance fees for Mar 15, Dec 15, and Mar 16 are \$24.1M, \$9.2M, and \$6.3M, respectively

Operating Expenses



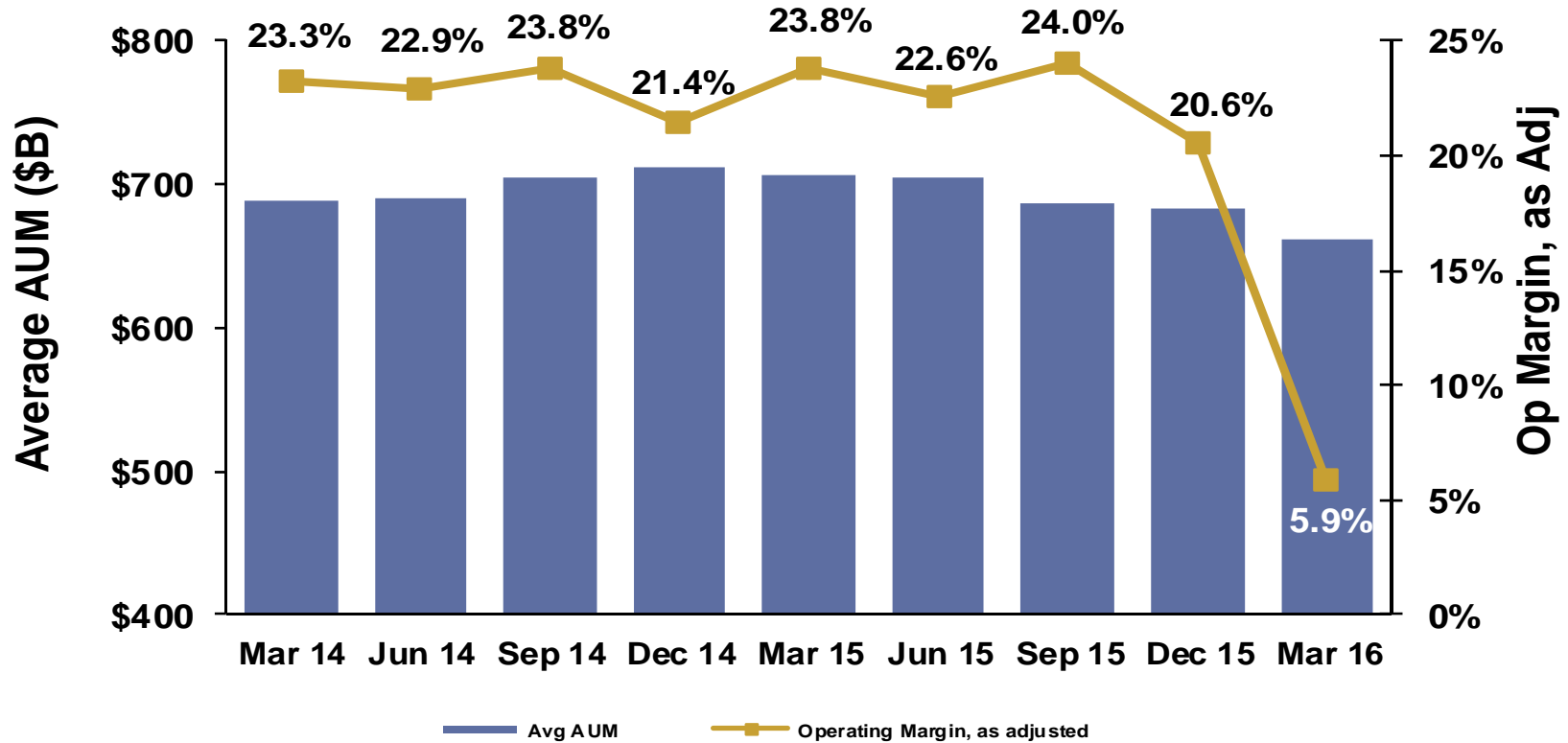
- Total Operating expenses increased \$57M compared to the prior quarter excluding non-cash impairment of intangible assets
 - Comp & benefits increased largely due to Permal transition-related costs and Royce MEP charge
 - Increase in other expenses primarily due to contingent consideration credits last quarter of \$26M and increase in acquisition and transition-related costs this quarter, partially offset by a \$7M contingent consideration adjustment in the current quarter

Compensation and Benefits

(\$ millions)	Mar Qtr	% of Net Rev. ¹	Dec Qtr	% of Net Rev. ¹	\$ Change
Salary and incentives	\$ 213.6	43%	\$ 227.7	43%	\$ (14.1)
Benefits and payroll taxes	55.5	11%	51.7	10%	3.8
Subtotal Compensation and benefits	269.1	54%	279.4	53%	(10.3)
Transition-related and severance costs	33.8	7%	0.6	0%	33.2
Royce MEP charge	21.4	4%	-	0%	21.4
MTM deferred comp. and seed investments	0.3	0%	2.8	1%	(2.5)
Total Compensation and benefits	<u>\$ 324.6</u>	65%	<u>\$ 282.8</u>	54%	<u>\$ 41.8</u>

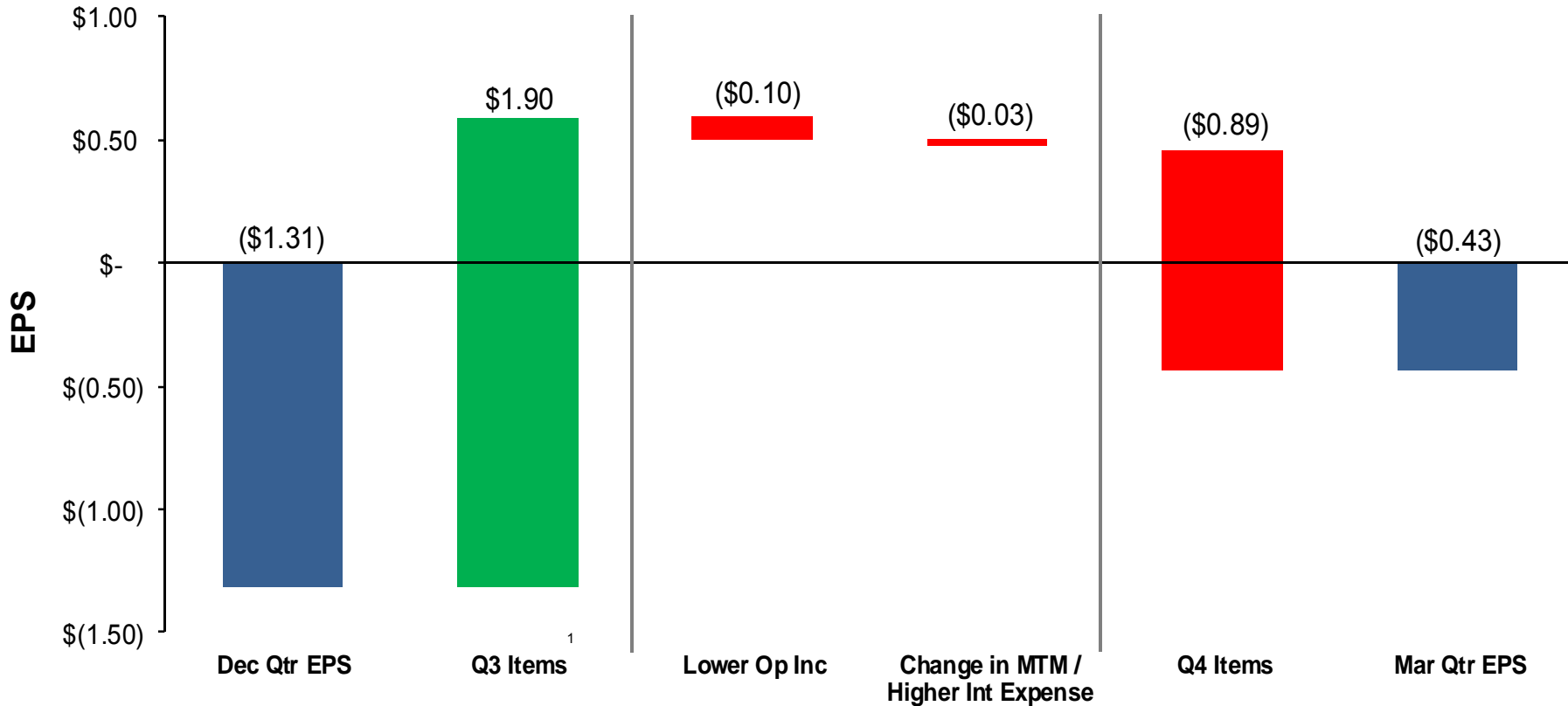
- Salary and incentives declined largely due to lower affiliate incentives related to decreased revenues
- Transition-related and severance costs include Permal transition-related severance and retention bonuses

Operating Margin, as Adjusted



- Impact of acquisition and transition-related costs, Royce MEP charge, and real estate lease adjustments totals 14.7%

Fourth Quarter Earnings Per Share Roll Forward



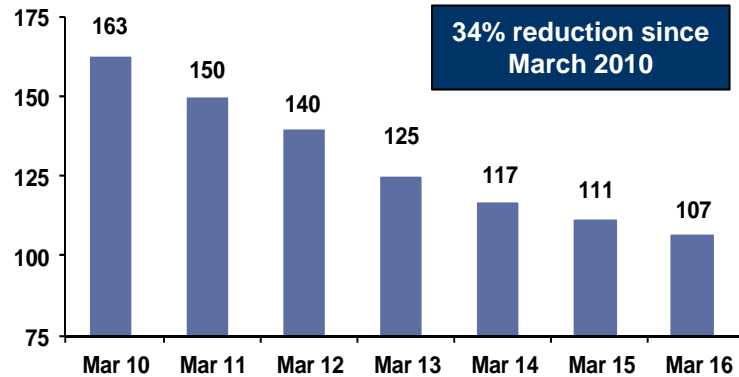
- Lower operating income due to decline in revenues driven by lower average AUM
- Q4 items include annualized tax rate reversal of prior quarter tax credit (\$0.53), acquisition and transition-related costs (\$0.29), Royce MEP charge (\$0.13), and real estate lease adjustments (\$0.01), partially offset by contingent consideration adjustment (\$0.07)

¹Q3 items include intangible assets impairment charge, contingent consideration adjustments, real estate lease charges, Australian dollar hedge gain related to RARE purchase price, and various tax adjustments

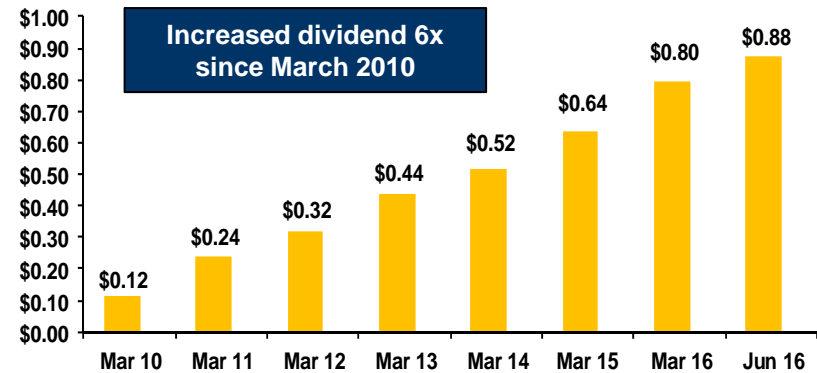
An Industry Leader in the Rate of Returning Capital

Since March 2010 returned \$2.6 Billion

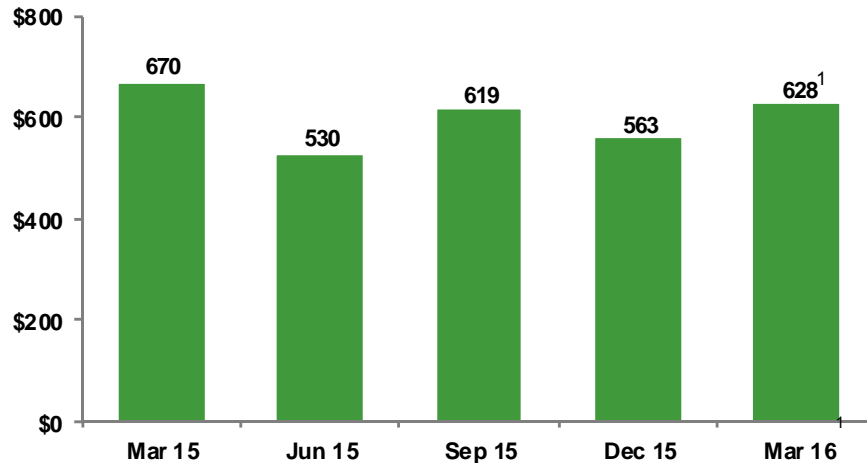
Shares Outstanding (M)



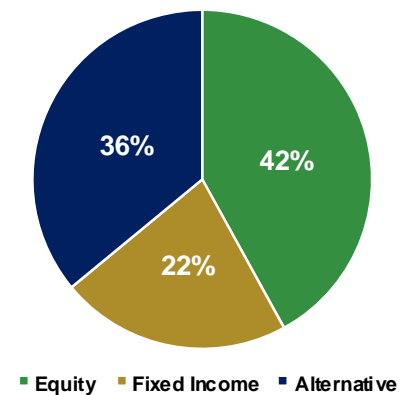
Annualized Quarterly Dividend Declared (Per Share)



Quarterly Cash Position (\$M)



Seed Investments of \$369M²









¹ Excludes \$700M of cash raised for acquisitions

² Market value as of March 31, 2016

Building the Legg Mason of Tomorrow

Priorities identified in 2013	
Multi-Asset Solutions	<ul style="list-style-type: none"> • Add talent/capabilities • Few stand-alone platforms, focus on under levered subs
International Equity	<ul style="list-style-type: none"> • Prioritize actionable, high performing platforms
Liquid Alternatives	<ul style="list-style-type: none"> • Strategies include broad hedge fund universe (e.g. distressed debt, commodities/CTA) • Prioritize quality, sub-scale players
Alternative Solutions	<ul style="list-style-type: none"> • Opportunistic M&A
Illiquid Alternatives	<ul style="list-style-type: none"> • Strategies include private equity, real estate, infrastructure, natural resources/energy • Few quality options that offer both institutional and retail products
Specialized ETFs	<ul style="list-style-type: none"> • Focus on active ETFs and niche oriented firms • Few available scale players

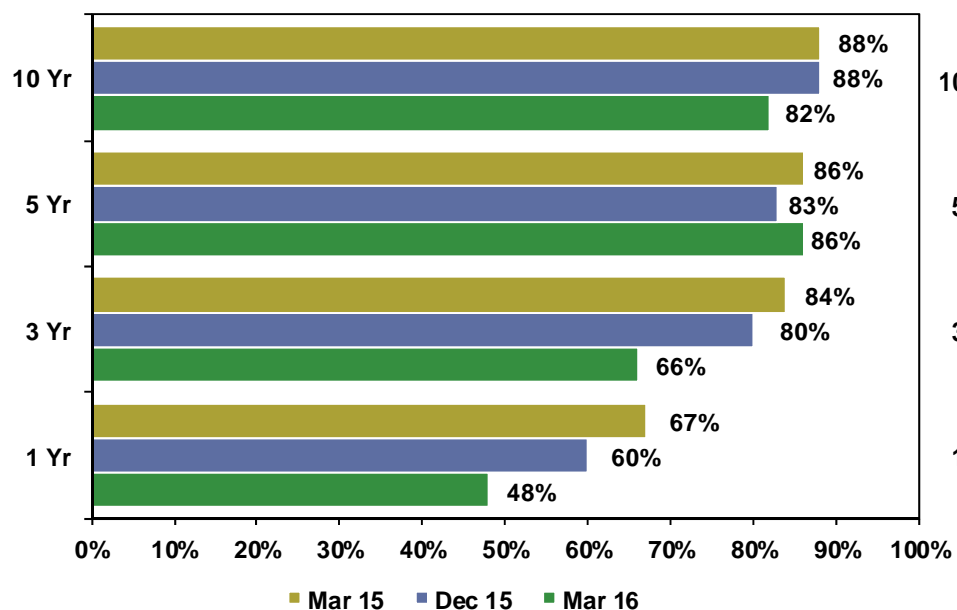
Steps Taken







Appendix

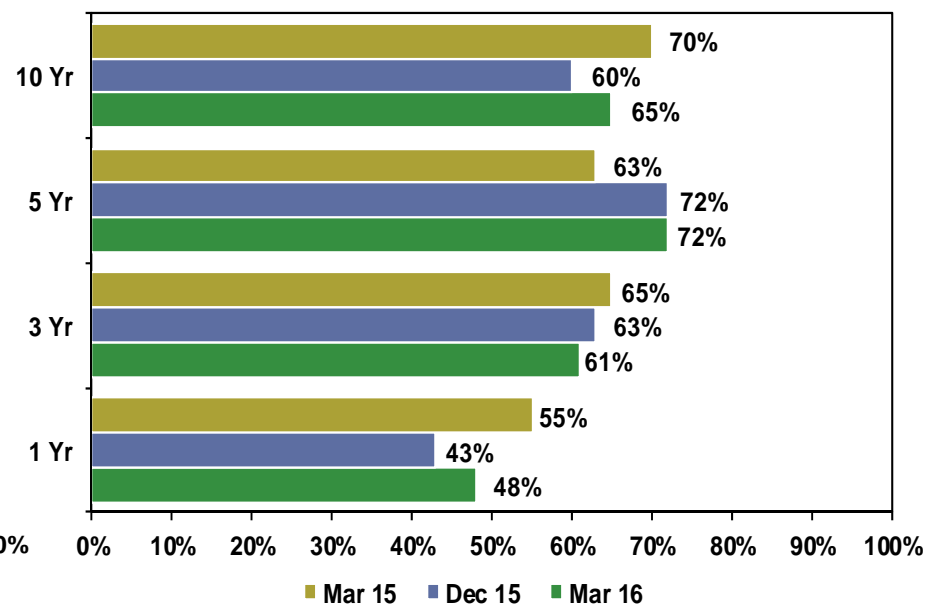


Appendix – Investment Performance

% of Strategy AUM beating Benchmark¹



% of Long-Term U.S. Fund Assets beating Lipper Category Average²



¹ See appendix for details regarding strategy performance

² 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 – Additional Investment Performance Detail

% of Strategy AUM Beating Benchmark¹

	March 31, 2016			December 31, 2015			March 31, 2015		
	1-Year	3-Year	5-Year	1-Year	3-Year	5-Year	1-Year	3-Year	5-Year
Total (includes liquidity)	48%	66%	86%	60%	80%	83%	67%	84%	86%
Equity:									
Large cap	45%	23%	86%	32%	67%	64%	24%	64%	74%
Small cap	70%	19%	30%	18%	16%	27%	10%	11%	26%
Total Equity (includes other equity)	51%	32%	74%	38%	60%	63%	30%	58%	66%
Fixed Income:									
US taxable	31%	78%	87%	72%	86%	86%	74%	94%	93%
US tax-exempt	100%	0%	100%	100%	100%	100%	100%	100%	100%
Global taxable	11%	75%	85%	21%	76%	86%	77%	89%	88%
Total Fixed Income	29%	72%	87%	57%	83%	87%	76%	93%	92%

¹ 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

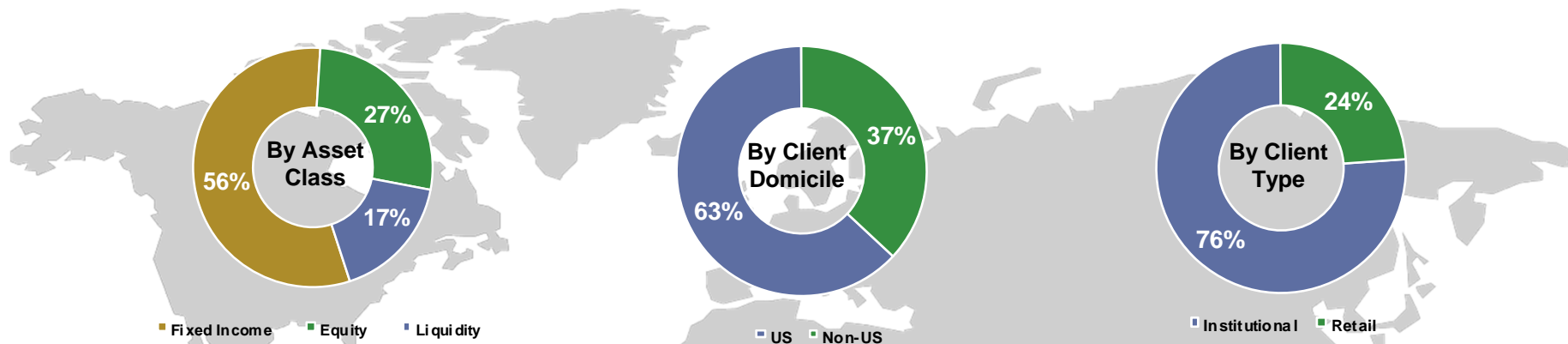
% of Long-Term U.S. Fund Assets beating Lipper Category Average¹

	March 31, 2016			December 31, 2015			March 31, 2015		
	1-Year	3-Year	5-Year	1-Year	3-Year	5-Year	1-Year	3-Year	5-Year
Total (excludes liquidity)	48%	61%	72%	43%	63%	72%	55%	65%	63%
Equity:									
Large cap	47%	69%	89%	31%	79%	87%	46%	82%	73%
Small cap	36%	15%	20%	12%	23%	18%	15%	19%	21%
Total Equity (includes other equity)	45%	52%	67%	33%	61%	66%	38%	57%	53%
Fixed Income:									
US taxable	76%	83%	84%	81%	84%	84%	80%	87%	86%
US tax-exempt	11%	51%	63%	23%	50%	72%	83%	57%	60%
Global taxable	30%	75%	83%	33%	36%	81%	79%	86%	81%
Total Fixed Income	51%	73%	78%	58%	67%	80%	80%	78%	77%

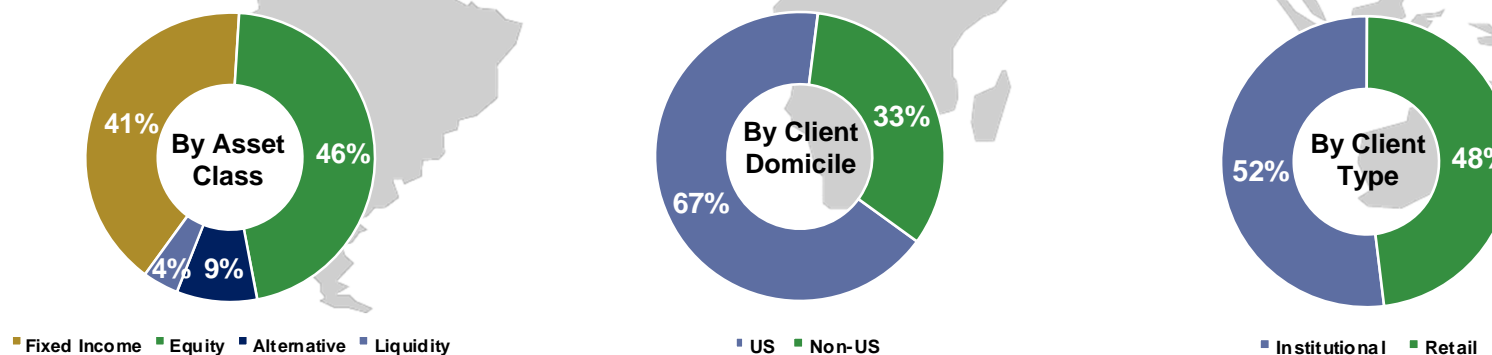
¹ Includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc. Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ

Appendix - Asset & Revenue Diversity

Total AUM \$670B



FY 16 Operating Revenues \$2.7B



Appendix – GAAP Reconciliation

Adjusted Income¹

(\$ millions, except per share amounts)	Quarters Ended			Fiscal Year Ended	
	Mar 16	Dec 15	Mar 15	Mar 16	Mar 15
Net Income (Loss) Attributable to Legg Mason, Inc.	\$ (45.3)	\$ (138.6)	\$ 83.0	\$ (25.0)	\$ 237.1
Plus (less):					
Amortization of intangible assets	2.1	1.6	0.6	5.0	2.6
Impairment of intangible assets	-	371.0	-	371.0	-
Contingent consideration fair value adjustment	(7.0)	(26.4)	-	(33.4)	-
Deferred income taxes on intangible assets:					
Impairment charges	-	(74.2)	-	(74.2)	-
Tax Amortization benefit	33.5	33.5	34.3	135.3	139.0
UK tax rate adjustment	-	(8.4)	-	(8.4)	-
Adjusted Income (Loss)	<u>\$ (16.7)</u>	<u>\$ 158.5</u>	<u>\$ 117.9</u>	<u>\$ 370.3</u>	<u>\$ 378.7</u>
Net Income (Loss) per Diluted Share Attributable to Legg Mason, Inc. Shareholders	\$ (0.43)	\$ (1.31)	\$ 0.73	\$ (0.25)	\$ 2.04
Plus (less):					
Amortization of intangible assets	0.02	0.01	-	0.05	0.02
Impairment of intangible assets	-	3.49	-	3.45	-
Contingent consideration fair value adjustment	(0.07)	(0.25)	-	(0.31)	-
Deferred income taxes on intangible assets:					
Impairment charges	-	(0.70)	-	(0.69)	-
Tax amortization benefit	0.31	0.31	0.30	1.26	1.20
UK tax rate adjustment	-	(0.08)	-	(0.08)	-
Adjustment to include participating securities	0.02	(0.02)	-	(0.07)	-
Adjusted Income (Loss) per Diluted Share	<u>\$ (0.15)</u>	<u>\$ 1.45</u>	<u>\$ 1.03</u>	<u>\$ 3.36</u>	<u>\$ 3.26</u>

¹ See explanations for Use of Supplemental Non-GAAP Financial Information in earnings release.

Appendix – GAAP Reconciliation

Operating Margin, as adjusted¹

(\$ millions)	Quarters Ended									
	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16
Operating Revenues, GAAP basis	\$ 720.1	\$ 681.4	\$ 693.9	\$ 703.9	\$ 719.0	\$ 702.3	\$ 708.6	\$ 673.1	\$ 659.6	\$ 619.5
Plus (less):										
Operating revenues eliminated upon consolidation of investment vehicles	0.5	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Distribution and servicing expense excluding consolidated investment vehicles	(148.8)	(144.9)	(148.7)	(155.1)	(147.5)	(143.5)	(149.3)	(138.9)	(132.9)	(124.6)
Operating Revenues, as Adjusted	<u>\$ 571.8</u>	<u>\$ 536.8</u>	<u>\$ 545.4</u>	<u>\$ 549.0</u>	<u>\$ 571.7</u>	<u>\$ 559.0</u>	<u>\$ 559.4</u>	<u>\$ 534.3</u>	<u>\$ 526.8</u>	<u>\$ 495.0</u>
Operating Income (Loss), GAAP basis	\$ 121.7	\$ 119.3	\$ 119.6	\$ 130.4	\$ 119.4	\$ 128.9	\$ 124.5	\$ 133.0	\$ (240.6)	\$ 33.9
Plus (less):										
Gains (losses) on deferred compensation and seed investments, net	6.5	4.4	4.5	(0.4)	2.1	3.1	1.2	(5.5)	2.7	0.3
Amortization of intangible assets	4.2	0.9	0.9	0.5	0.7	0.6	0.7	0.7	1.6	2.1
Impairment of intangible assets	-	-	-	-	-	-	-	-	371.0	-
Contingent consideration fair value adjustment	5.0	-	-	-	-	-	-	-	(26.4)	(7.0)
Operating income of consolidated investment vehicles, net	0.6	0.5	0.2	0.2	0.2	0.3	0.1	0.1	0.1	0.1
Operating Income, as Adjusted	<u>\$ 138.0</u>	<u>\$ 125.1</u>	<u>\$ 125.2</u>	<u>\$ 130.7</u>	<u>\$ 122.4</u>	<u>\$ 132.9</u>	<u>\$ 126.5</u>	<u>\$ 128.3</u>	<u>\$ 108.4</u>	<u>\$ 29.4</u>
Operating Margin, GAAP basis	16.9%	17.5%	17.2%	18.5%	16.6%	18.4%	17.6%	19.8%	(36.5%)	5.5%
Operating Margin, as Adjusted	24.1%	23.3%	23.0%	23.8%	21.4%	23.8%	22.6%	24.0%	20.6%	5.9%

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

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-one percent of total AUM is included in strategy AUM as of March 31, 2016, 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.