



The Power of Choice

Investor Call

June 15, 2017

Brandywine Global
Clarion Partners
ClearBridge Investments
EnTrustPermal
Martin Currie
QS Investors
RARE Infrastructure
Royce & Associates
Western Asset
Financial Guard
IVEZT
Precidian Investments

The Power of Choice: Diversified by Design

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, 2017 and in the Company’s quarterly reports on Form 10-Q.

Agenda

<u>Topics</u>	<u>Speaker</u>
Providing Client Choice	Joe Sullivan
Choice through Products & Vehicles	Tom Hoops
Leveraging ETF Vehicles in Active Management	Rick Genoni
Innovative Vehicle & Product Design (Precidian)	Dan McCabe

Providing Client Choice – Joe Sullivan



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Legg Mason: Providing Client Choice to Drive Organic Growth

Asset Class & Investment Strategies

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Investment Products and Vehicles

Mutual Funds

SMAs

ETFs

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CITs

Private Funds

UCITs

Distribution and Client Access

 Financial Guard

IVEZT²

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Global Distribution

Choice through Products & Vehicles – Tom Hoops



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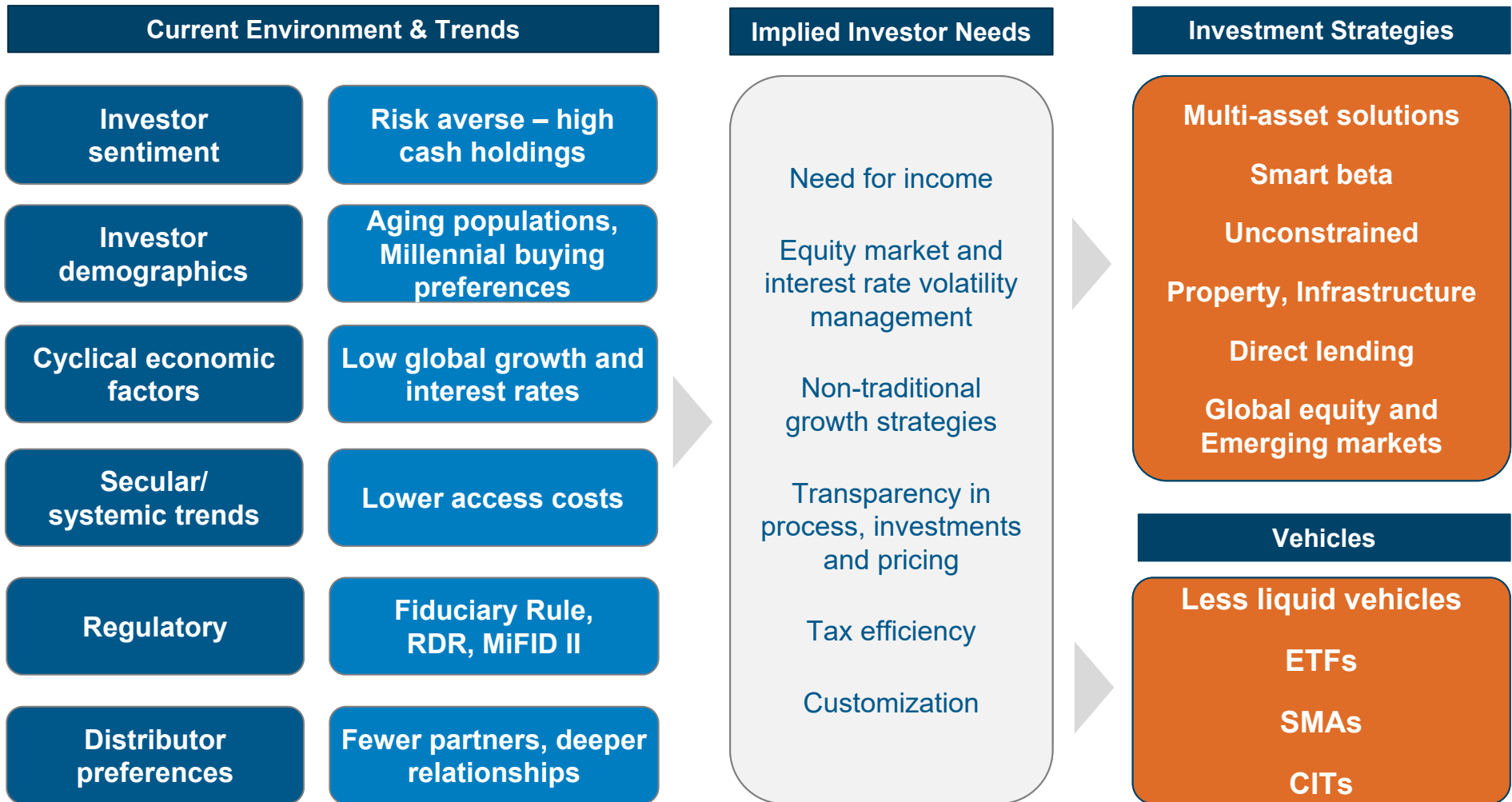
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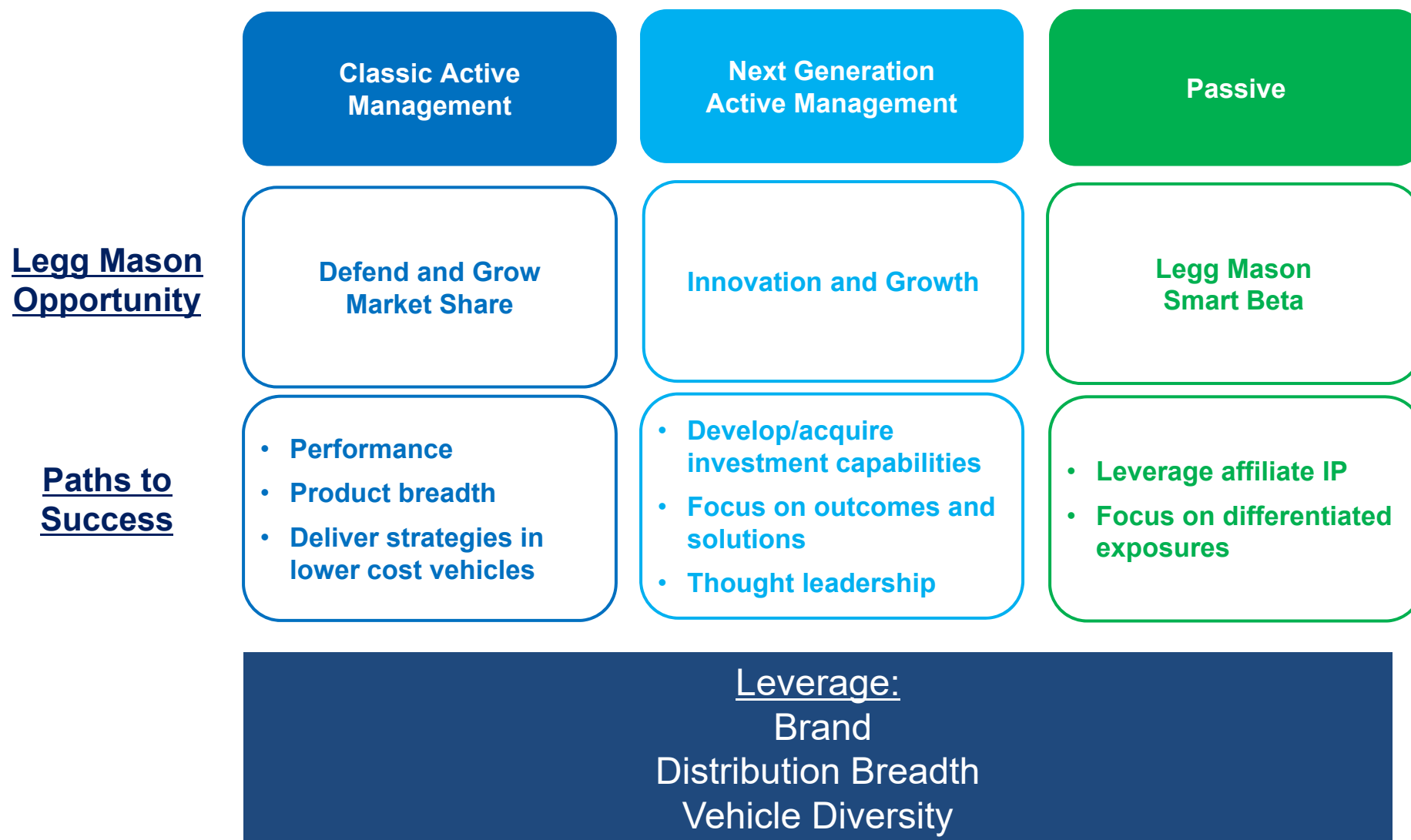
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Changing Investor Needs Shape Global Product Strategy

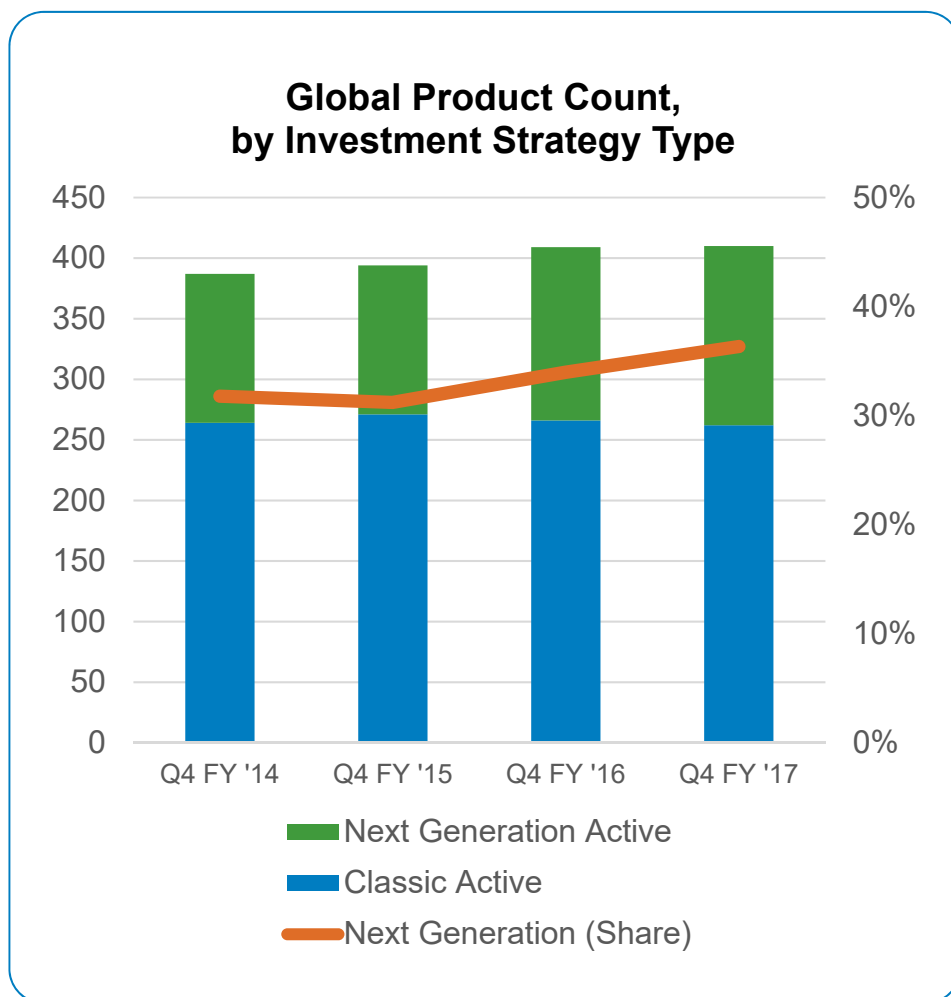
Becoming essential to clients underpins our diversification strategy



Competing on all fronts of a changing landscape



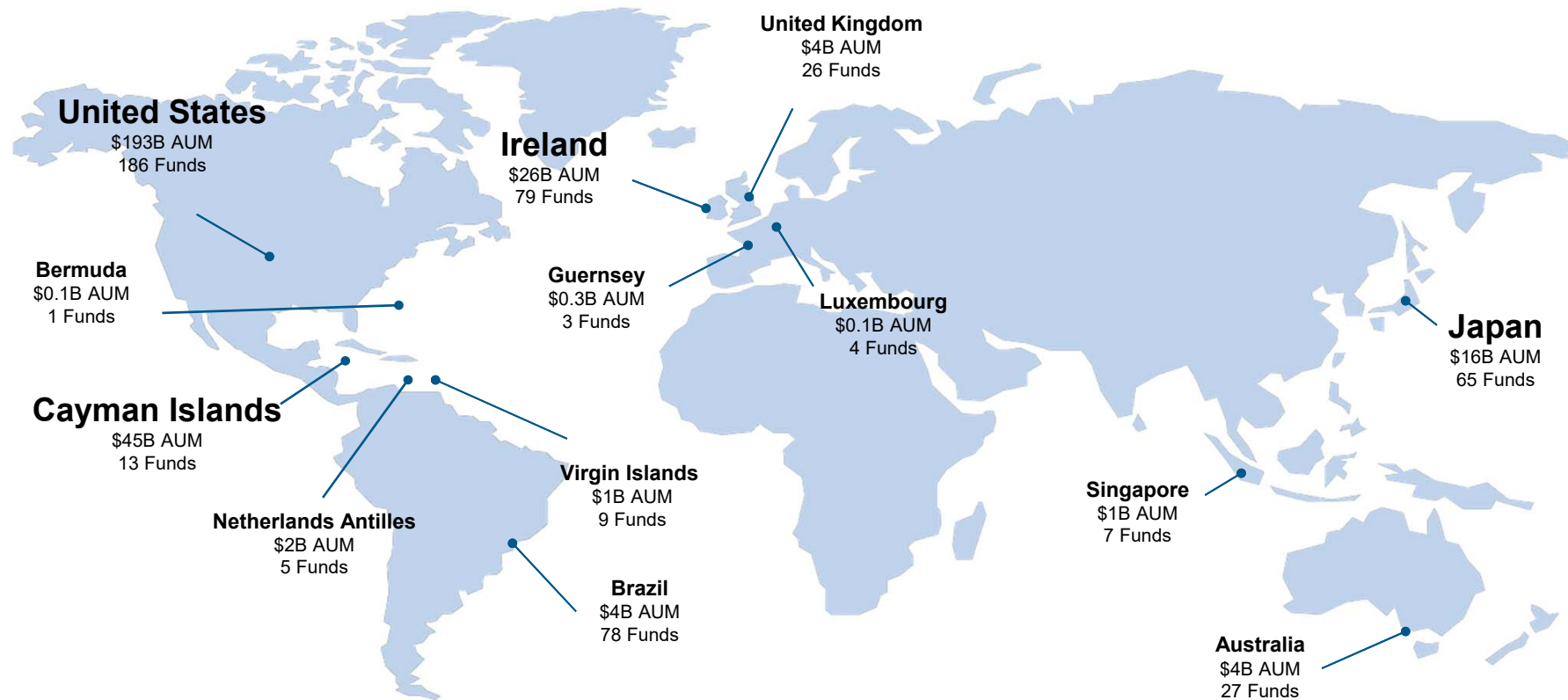
Shifting LM's Product Set to Meet Investor Needs



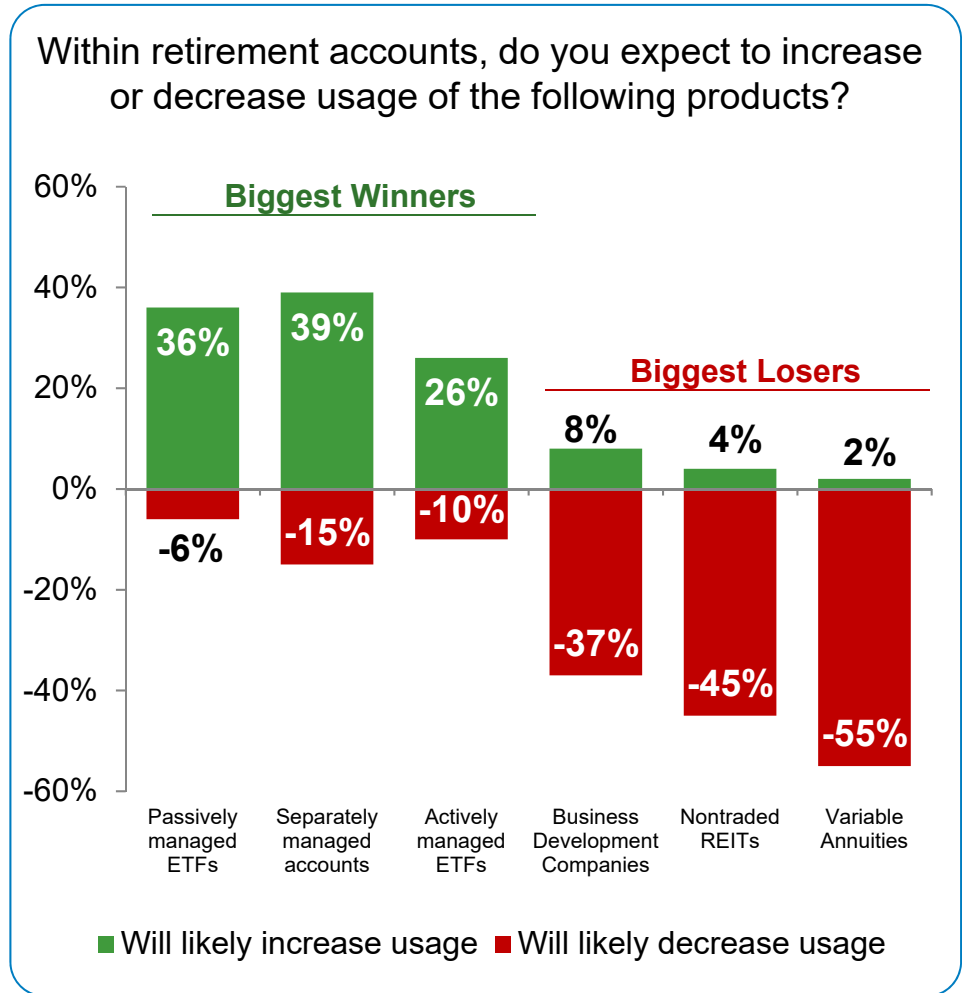
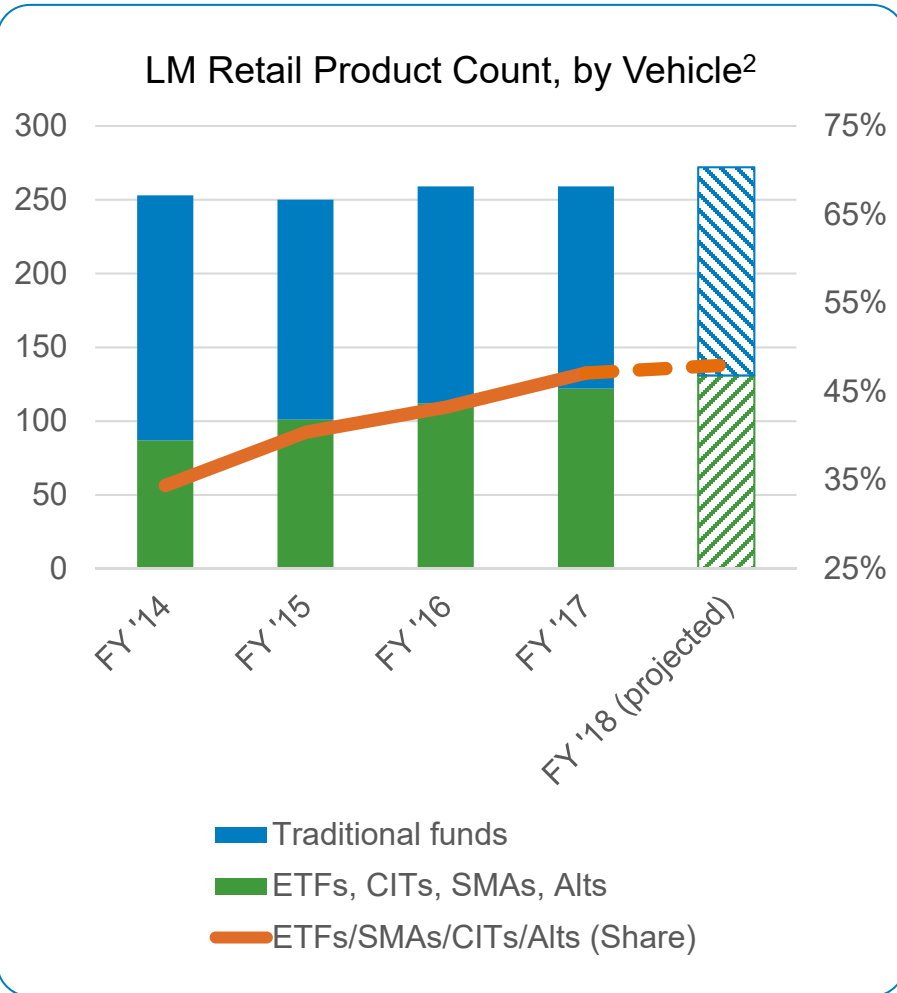
Total LM Next Generation AUM = \$32.6B

- Three year CAGR of 11.4%
- 148 Next Generation products
 - 20% increase from three years ago

Leveraging Geographic and Vehicle Diversification



Changing Demand For US Investment Vehicles¹



¹ The Economics of Change (Investment News and Legg Mason)

² Excludes Money Markets

Key Priorities to Drive Growth

What?

Bring alternative capabilities and vehicles to LMGD client base

Continue to Capitalize on SMA leadership

Leverage multi-asset engine to drive outcome-based solutions

Deliver affiliate capabilities in actively-managed ETFs

Why?

Diversifiers and/or enhanced returns

Customization and transparency

Holistic, risk-managed outcomes

Tax efficiency and cost-savings

How?

Package and distribute alternative products to the high net worth market

Expand SMA product set across affiliates

Offer asset allocation services and model portfolios

Expand ETF product set via transparent ETFs and ActiveShares

Leveraging ETF Vehicles in Active Management – Rick Genoni



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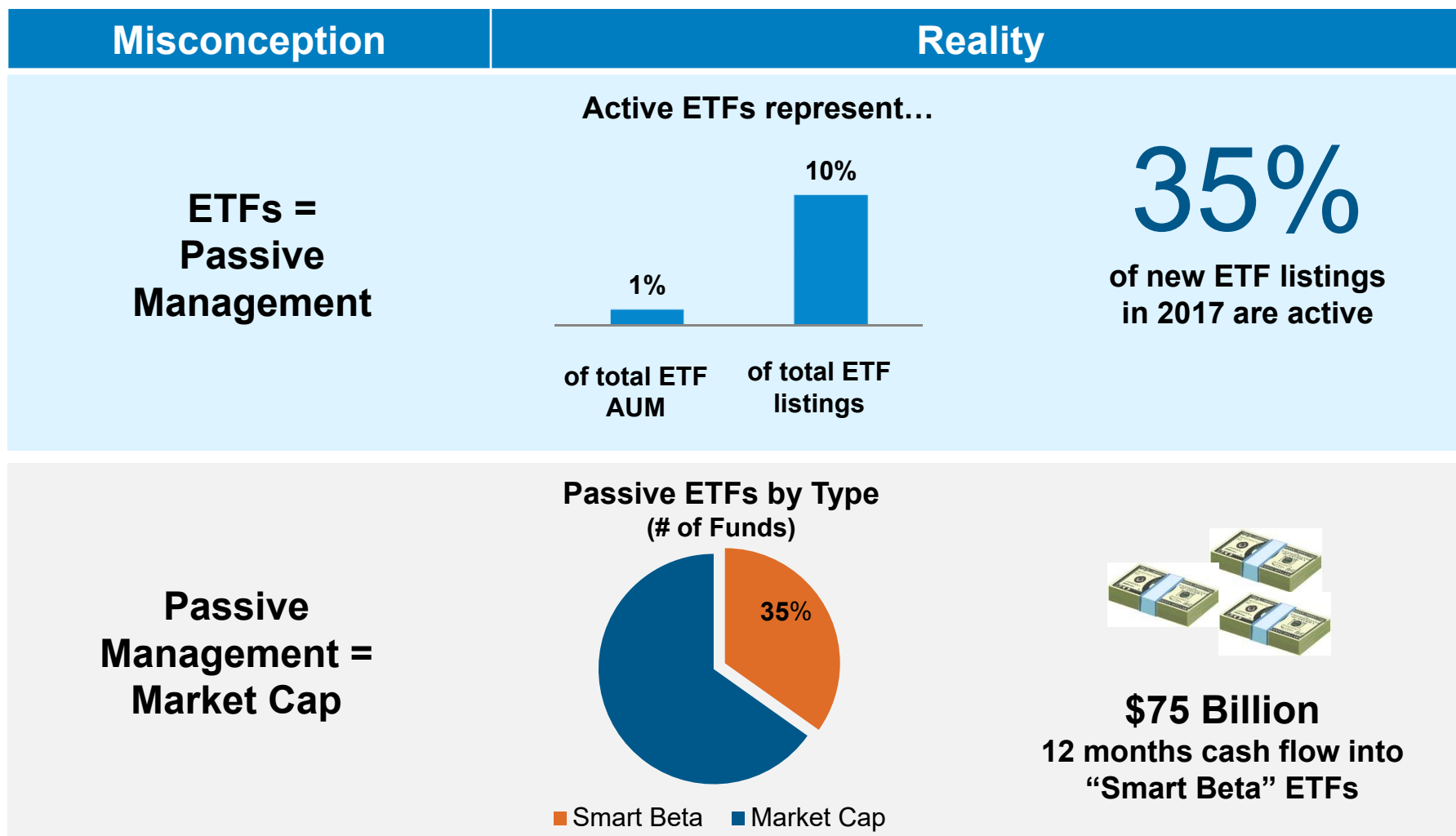
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ETFs Are a Wrapper, Not an Investment Strategy



Active Strategies Can Benefit from the ETF Wrapper

Investors Want ...

...Lower Fees

...to Pay Fewer Taxes

...to be Treated Fairly

ETFs Can Provide...

...Lower Costs

- Significant transfer agent cost savings ~10bps
- Commission and spread cost savings ~ 5-10bps
- Certain custody costs

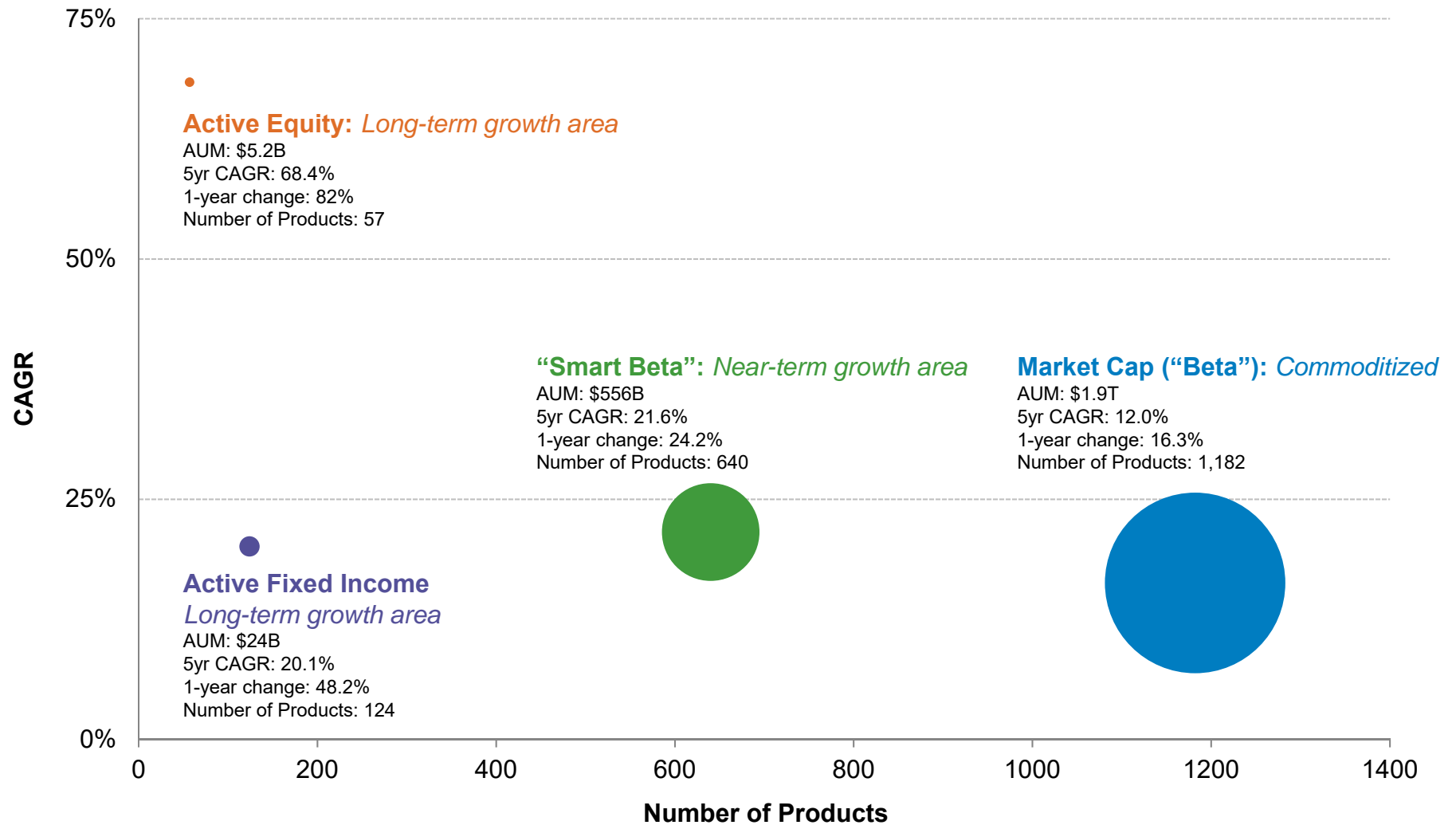
...the Potential to be More Tax Efficient

- In-kind transaction results in preferred IRS tax treatment
- Transacting investors can, in fact, create better tax efficiency in ETFs

...Equitable Allocation of Transaction Costs

- Secondary market buying and selling isolates trading costs to that investor alone
- In-kind transactions help reduce portfolio transaction costs

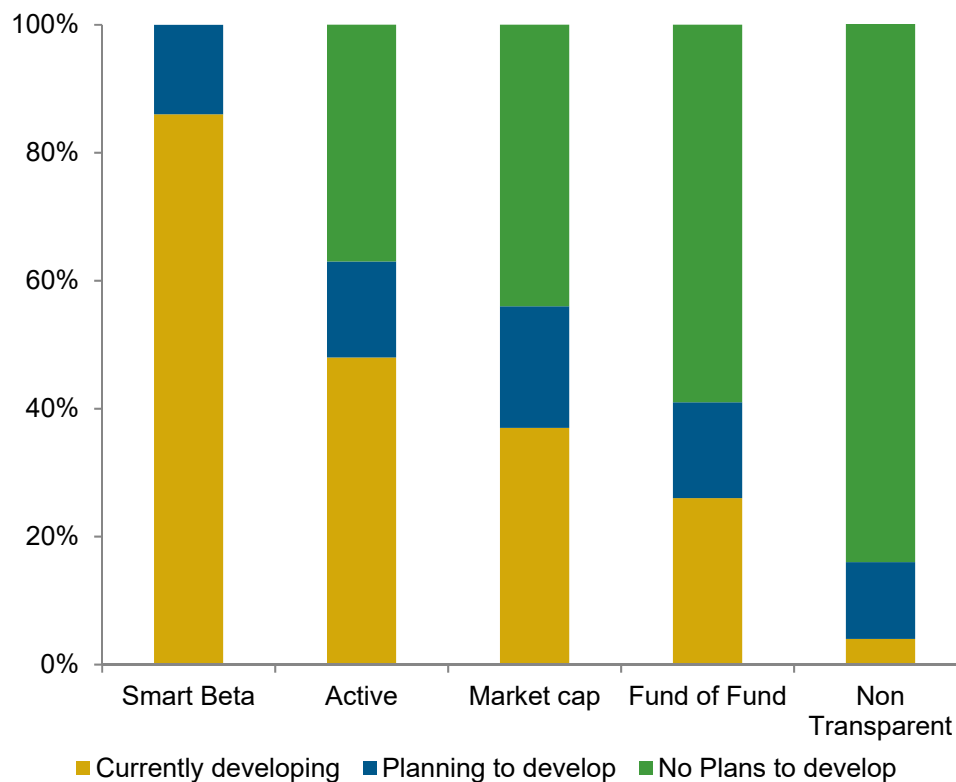
Largely Undeveloped - Active ETFs and Smart Beta Present Opportunity



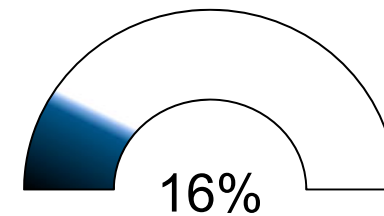
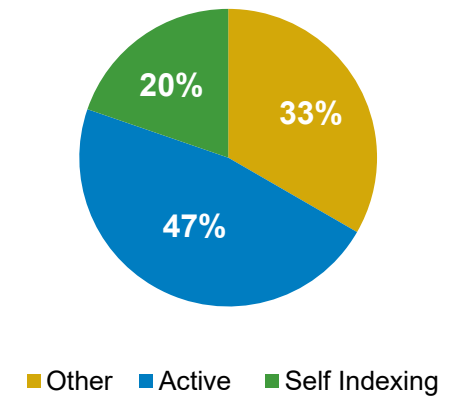
Active ETFs and Smart Beta Dominate Industry Product Development

70% of ETF applications are for active or self-indexing strategies

ETF Sponsors' Plans to Develop ETFs, 2016¹



Current ETF Exemptive Relief Applications²



of active ETFs managed by large active asset managers³

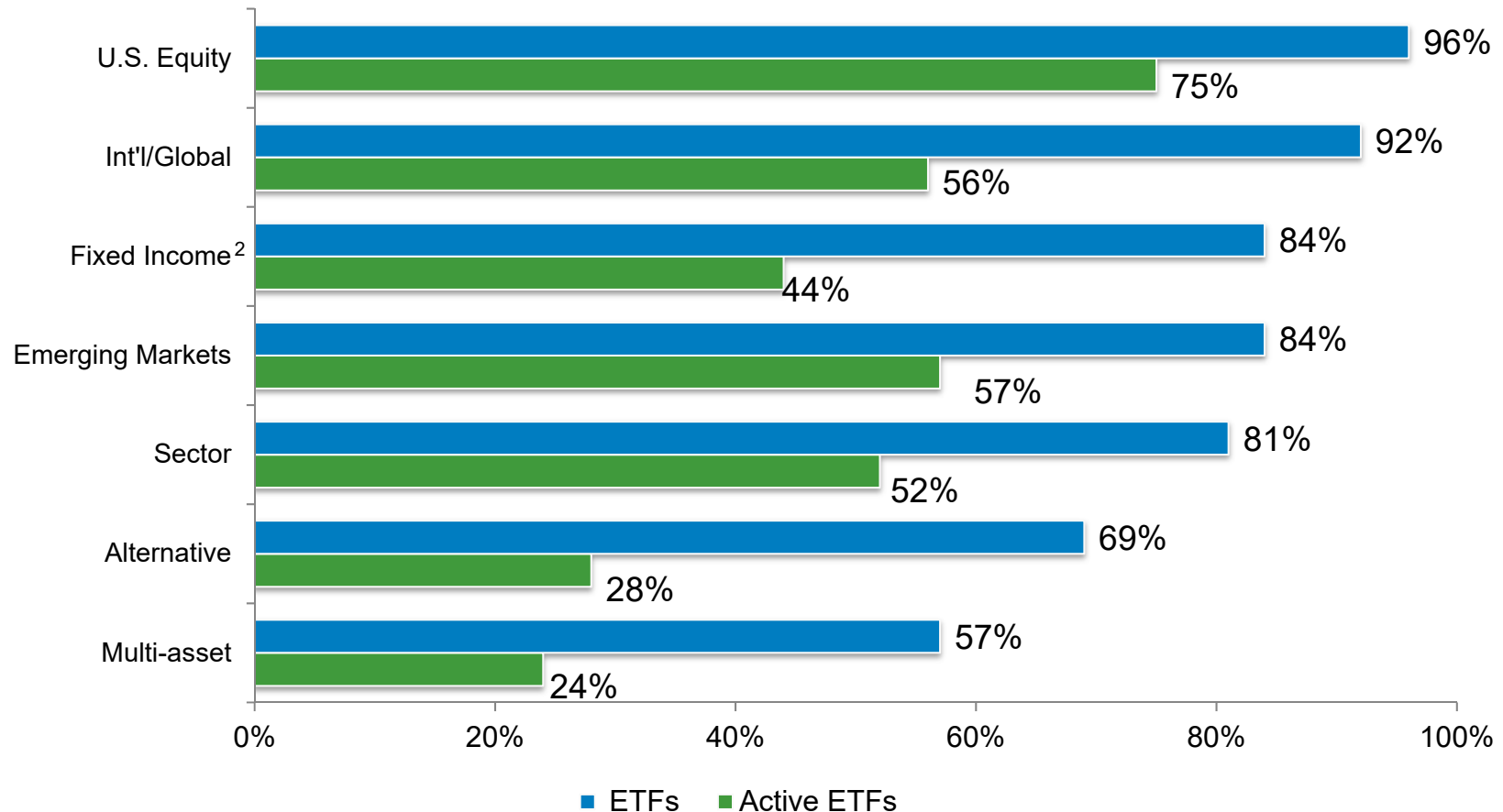
1 Cerulli Report – US ETF Markets 2016

2 Legg Mason derived from ETF.com data based on 147 recent ETF filings <http://www.etf.com/etf-watch-tables/exemptive-relief>

3 Open-end assets greater than \$100B of which 75% or more are actively managed

Advisors Expect to Leverage Actively Managed ETFs Across All Major Asset Classes

Advisor Usage¹ of ETFs & Active ETFs



¹ Currently using or planning to use ETFs & Active ETFs

² General ETF usage is for US Fixed Income only

Source: Cerulli Report – US ETF Markets 2016

Legg Mason's Five Key ETF Strategic Priorities

	What?	Why?	How?
1	Thoughtful expansion of smart beta lineup	Provide better beta	<ul style="list-style-type: none"> • Seven smart beta ETFs today • Four in the pipeline
2	Continued development of transparent active ETF lineup	Bring the benefits of the ETF wrapper to strategies where transparency is not a concern	<ul style="list-style-type: none"> • Launched three fully transparent active ETFs in May • Seven additional in the pipeline
3	Ongoing engagement with Precidian and the SEC on approval for ActiveShares	Close the gap on active ETFs where full transparency is a concern	<ul style="list-style-type: none"> • Filed for initial eight semi-transparent ETFs utilizing ActiveShares IP
4	Further diversification of our ETF lineup across affiliates and asset classes	Leverage affiliates who are experts in their respective areas	<ul style="list-style-type: none"> • Three affiliates offering ETFs currently • Three more affiliates in the next 9 months
5	Explore ETF opportunities outside the US	Capitalize on institutional adoption of US domiciled ETFs and the continued growth of ETFs globally	<ul style="list-style-type: none"> • Leverage existing US lineup in other markets and potential development of a UCITs ETF range

Innovative Vehicle & Product Design (Precidian) – Dan McCabe



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ActiveSharesSM- Innovation of Vehicle Design¹

Key differentiators: True ETF solution offering tax efficiency, semi-transparency to protect IP and seamless integration into existing custody, trading, partner platforms, manager, and national exchange platforms

Validation by the industry:

- NYSE Arca
- BATS
- KCG and other market makers
- Major custody banks like State Street and JPMorgan

Validation by asset managers:

- BlackRock
- Capital Group
- JPMorgan
- Legg Mason
- Nationwide
- Discussions underway with an additional 35+ managers

Validation by clients:

- Major platforms building processes to support possible approval of ActiveSharesSM
- Clients across channels continuing to show interest

Validation by experts:

- Dr. Larry Glosten, Columbia Business School
- Craig Lewis, former Head of DERA
- Dr. Ricky Cooper, Professor, IIT

ADRplusSM - Innovation of Product Design

Key differentiators: ETF that provides investors with new access point to individual ADRs without the associated currency risk. For many investors, ADRs with currency exposure or entire international indexes with hedged currency are their only access to international markets

Validation by the industry:

- 152 ADR's valued at \$2.9 trillion (YE 2016)
- Listed ADR market in excess of \$1.3 trillion

Validation by asset managers:

- 12 major institutions hold at least \$10 billion or more in ADRs including:
 - Capital Group, Fidelity, Blackrock, T. Rowe, Dodge & Cox, etc.

Validation by clients:

- All major wirehouses and BD's trade as well as provide access to ADRs on their platforms
 - Strong indications of interest in ADRplusSM from existing ADR holders

Appendix



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Joseph Sullivan



Chairman and Chief Executive Officer

Joseph A. Sullivan is Chairman and Chief Executive Officer of Legg Mason Inc., a global asset management firm listed on the New York Stock Exchange, which has \$731 billion in assets under management (as of April 30, 2017). Mr. Sullivan is the recipient of Pageant Media and Fund Action's 2017 "Fund Leader of the Year" award, recognizing his innovation and contributions to the mutual fund industry. Mr. Sullivan also serves on the Board of Governors for the Investment Company Institute (ICI). He previously served as Chair of the Securities Industry Institute, Chair of the Fixed Income Committee of the National Association of Securities Dealers (NASD), a Board Member of the Bond Market Association and as a member of the New York Stock Exchange (NYSE) Hearing Board.

Mr. Sullivan joined Legg Mason in September 2008 and, after serving as Head of Global Distribution and Chief Administrative Officer, was appointed interim Chief Executive Officer as of October 2012. Before joining Legg Mason, he served on the Board of Directors of Stifel Financial and as Executive Vice President and Head of Fixed Income Capital Markets for Stifel Nicolaus from December 2005. Mr. Sullivan has more than 35 years of industry experience, holding prior executive roles at Legg Mason Wood Walker, Dain Bosworth and Piper Jaffray.

Mr. Sullivan holds a Bachelor of Arts degree in Economics from St. John's University and is a graduate of the Securities Industry Institute at the Wharton School of Business at the University of Pennsylvania.

Mr. Sullivan is active in public service and committed to improving education by serving or having served as a member of the Board of Trustees for Johns Hopkins Medicine, Johns Hopkins Carey Business School Financial Services Advisory Board, Catholic Charities, St. Ignatius Loyola Academy, Chair of the Board of Trustees of Loyola Blakefield School, and President of the Baltimore Youth Hockey Association.

Thomas Hoops



Head of Business Development

Mr. Hoops joined Legg Mason as Head of Business Development and a member of the firm's Executive Committee in January, 2014. He joined Legg Mason from Wells Fargo Asset Management, where he was Head of Affiliated Managers, with responsibility for the growth and profitability of \$115 billion in assets under management across affiliated investment firms with expertise in alternative investments, quantitative strategies, and specialty asset classes. In his role as Head of Business Development at Legg Mason, Mr. Hoops is responsible for leading the Firm's Mergers and Acquisitions and global product development, working with the executive team, investment affiliates and global distribution.

Prior to joining Wells Fargo Asset Management, Mr. Hoops served as Chief Operating Officer at Evergreen Investments and Wachovia Global Asset Management based in London and Charlotte. He has also been Director of Corporate Development for Wachovia Corporation and Chief Investment Officer of Wachovia Strategic Ventures. Previously, Mr. Hoops was also Managing Director at a boutique investment bank which specialized in M&A advisory for emerging growth and middle-market companies and their owners. He began his career as a credit analyst at First Union National Bank in Charlotte.

Mr. Hoops has a B.S. in Computer Science and Economics from Duke University, a J.D. from the University of North Carolina, School of Law and an M.B.A. from the Kenan-Flagler Business School at the University of North Carolina, Chapel Hill.

Mr. Hoops also holds the Chartered Financial Analyst (CFA) designation and is a member of the North Carolina Bar Association and the Bar of the Supreme Court of the United States.

Richard Genoni



Head of ETF Product Management

Rick Genoni joined Legg Mason in the spring of 2015 as Managing Director and Head of ETF Product Management.

Before joining Legg Mason, Rick held increasingly senior roles with The Vanguard Group since 1991. He was Principal and Global Head of Index and ETF Product Management and led Vanguard's ETF efforts since 2004. He chaired the Vanguard Global ETF Advisory Board, led Vanguard's global index and ETF product strategy, and was actively involved in setting Vanguard's broad international strategy. From 2001-2004, he was a senior analyst in the firm's Corporate Strategy team, analyzing new target markets and evaluating new products, partnerships and strategic opportunities.

He holds a BS from LaSalle University and an Executive MBA from Villanova University.



Chief Executive Officer – Precidian

Mr. McCabe is recognized as an authority on ETF product design and exchange related matters and Precidian Investments is widely known as a thought leader within the dynamic ETF industry. Prior to founding Precidian Investments, Dan served as CEO of Bear Hunter Structured Products LLC, a NYSE and AMEX specialist firm. Dan has a twenty-five year background with trading and design of structured and derivative products, institutional sales and index arbitrage. He and his partners have developed and patented some of the most creative solution based ETF designs available. Dan has also testified before the U.S. House Financial Services Committee on matters regarding our national market structure.

Appendix - Important Notes

The foregoing information about Legg Mason, Inc. is part of a presentation about the company to financial professionals and other market participants. This information is designed to enhance these persons' understanding of the company, which offers investment management products and services only through its various subsidiaries. Any information about these products and services is not intended to be an offer or solicitation to investors. All investment products or services are managed by one or more of the company's subsidiaries only, and only such subsidiaries or other authorized persons may make offers or solicitations to investors regarding such products or services in accordance with applicable policies and requirements, including eligibility and other criteria. Past investment performance does not guarantee future results and the investment return and principal value of an investment will fluctuate so that, when an investment is sold, it may be worth more or less than original cost. Current performance may be lower or higher than the performance information noted above. Information about current performance may be obtained from the company's subsidiaries or other authorized persons. Investors should read the relevant disclosure documents carefully before investing.