



The Power of Choice

FY 2017 Annual Shareholders Meeting

July 25, 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.

Non-GAAP Financial Measures

This presentation includes non-GAAP financial information. This non-GAAP information is in addition to, not a substitute for or superior to, measures of financial performance or liquidity 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.

Lead Independent Director— John Murphy



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Financial Overview – Pete Nachtwey



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Operating Results FY 2017

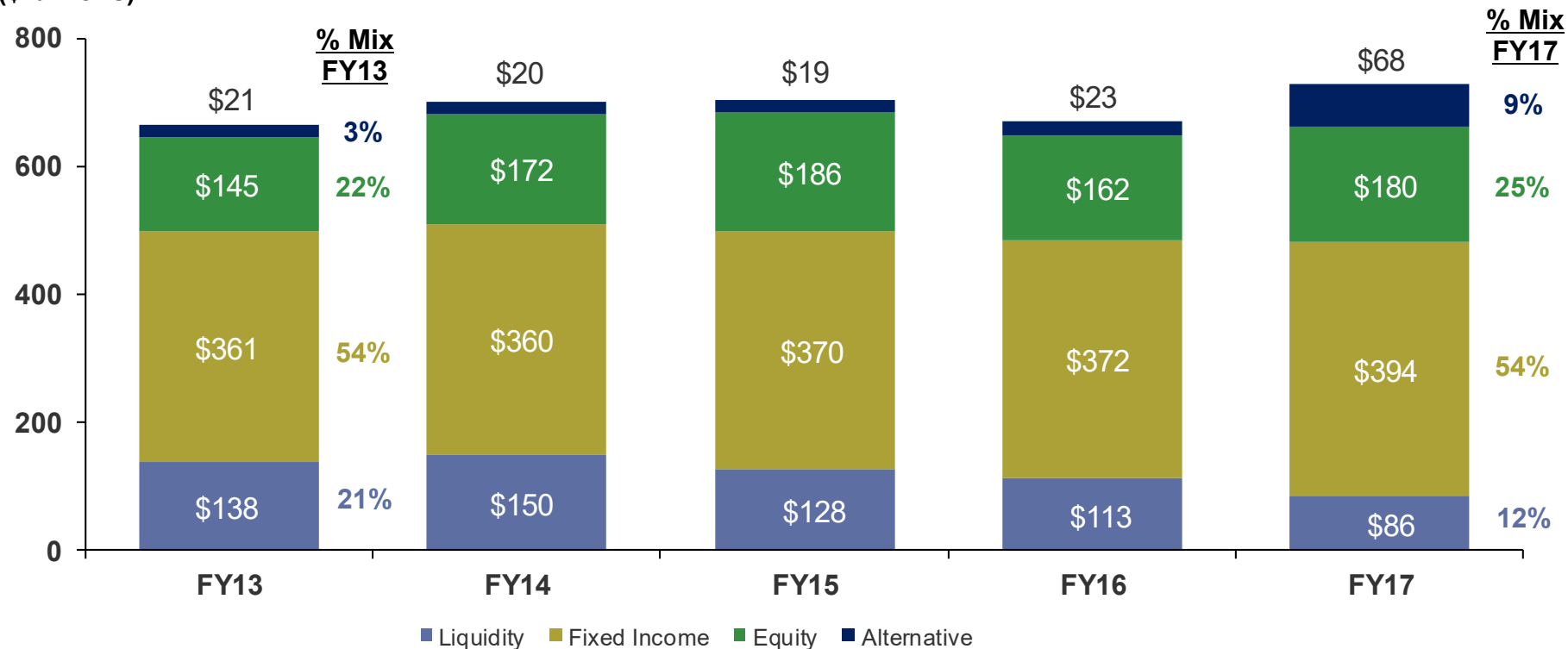
(\$ millions, except per share amounts)	FY 17	FY 16
Operating Revenues	\$2,886.9	\$2,660.8
Operating Expenses	2,464.7	2,610.0
Operating Income	422.2	50.8
Net Income (Loss)	227.3	(25.0)
Diluted EPS	2.18	(0.25)
Operating Margin, as adjusted¹	19.7%	18.6%
Effective Tax Rate GAAP²	22.7%	(30.5%)

¹ See Appendix for GAAP reconciliation

² Includes the impact of Consolidated Investment Vehicles (CIVs) of (0.7%) and 23.8% for FY17 and FY16

Assets Under Management by Asset Class

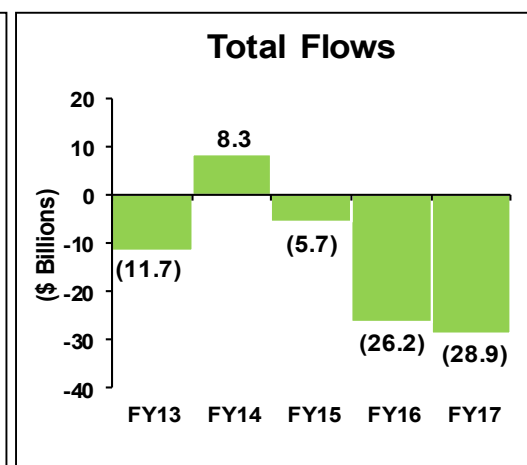
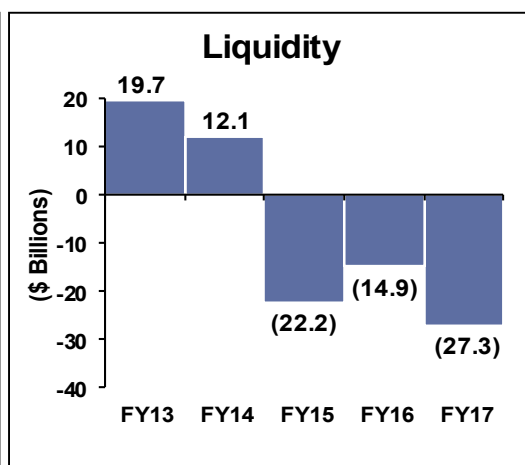
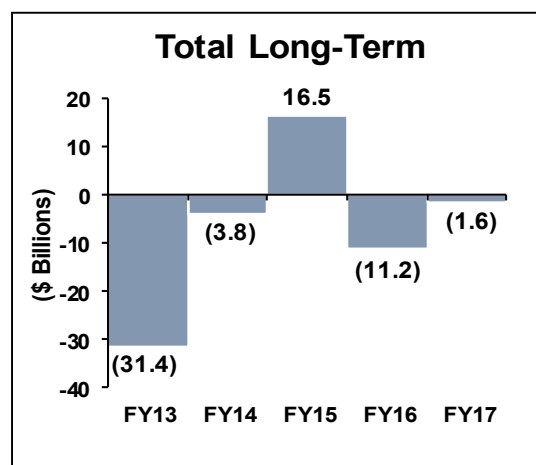
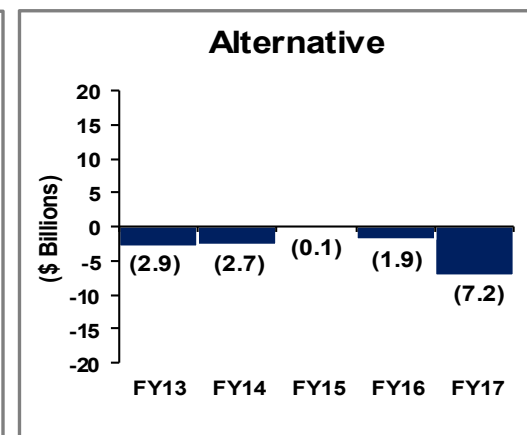
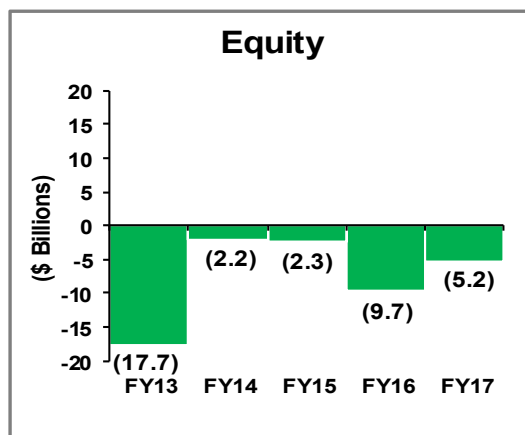
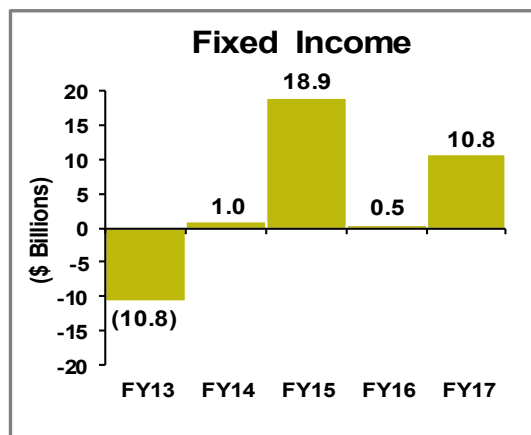
(\$ billions)



Ending AUM

Long-term	\$527	\$552	\$575	\$557	\$642
Total	\$665	\$702	\$703	\$670	\$728

Net Flows by Asset Class – Annually



Global Distribution

Total Long-Term Assets¹: \$302B

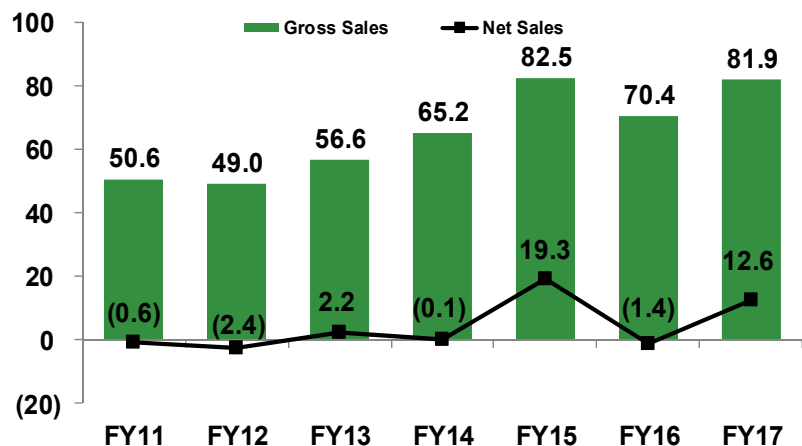
Distribution Highlights

FY17

- Gross sales up 16% to \$81.9B
- Net sales up \$14.0B to \$12.6B

(\$ Billions)	FY17	FY16
Gross Sales¹:		
US	\$58.6	\$50.2
Int'l	23.3	20.2
Total	\$81.9	\$70.4
Net Sales¹:		
US	\$ 3.4	(\$4.4)
Int'l	9.2	3.0
Total	\$12.6	(\$1.4)

Annual Gross and Net Sales Trends (\$B)



Top Funds Driving Gross Sales FY17

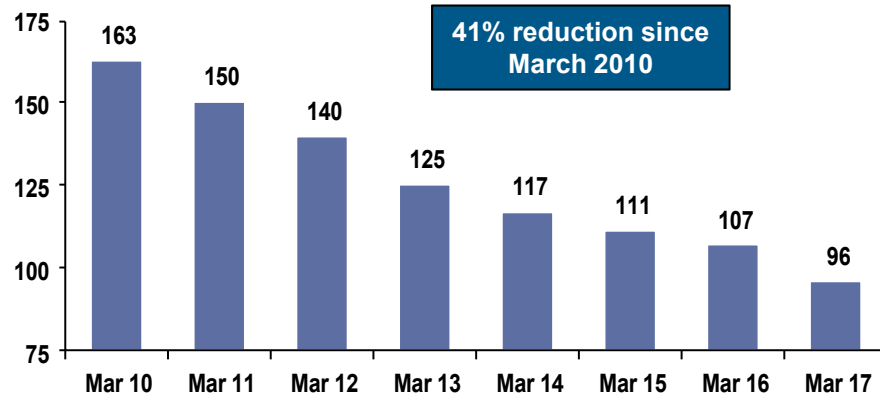
- Western Asset Core Plus Bond Fund
- Martin Currie Australian High Dividend Equity Fund
- ClearBridge Large Cap Growth Fund
- Western Asset Core Bond Fund
- ClearBridge Aggressive Growth Fund
- Western Asset Macro Opportunities Bond Fund
- Western Asset Managed Municipals Fund
- Western Asset Intermediate-Term Municipals Fund
- Brandywine Global Opportunities Bond Fund
- ClearBridge Small Cap Growth Fund

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, 2017 long-term assets include \$15.9B of AUA.

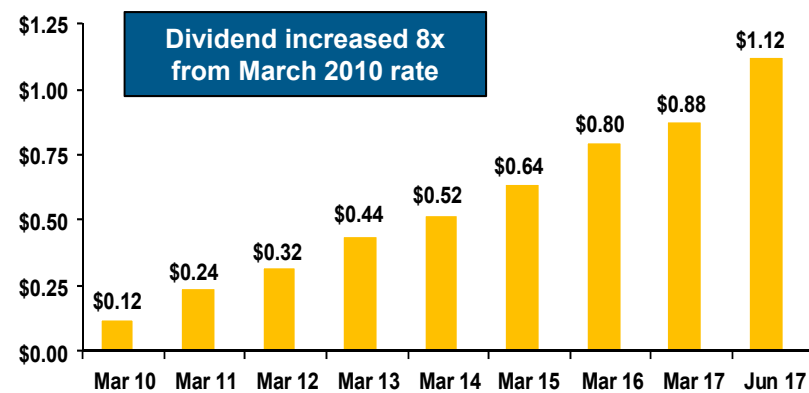
For Shareholders: An Industry Leader in the Rate of Returning Capital

Returned \$3.1 Billion since March 2010

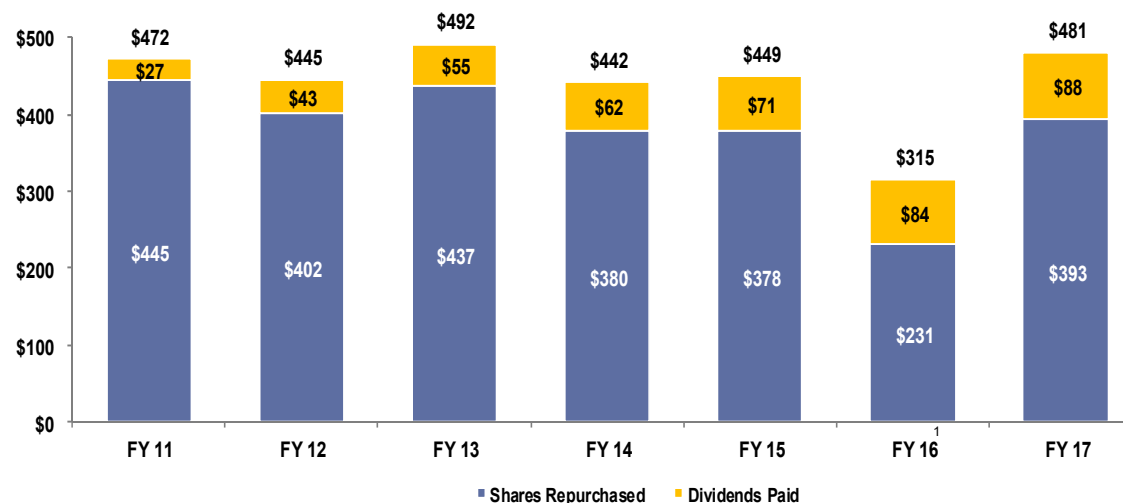
Shares Outstanding (M)



Annualized Quarterly Dividend Declared (Per Share)



Total Capital Return (\$M)



¹ Share repurchases were suspended in October 2015 while work was progressing on acquisitions. The program resumed in late March 2016 and additional shares were repurchased in F1Q17

The Power of Choice – Joe Sullivan



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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

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Questions & Answers

Appendix



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Appendix – GAAP Reconciliation

Operating Margin, as adjusted¹

	Fiscal Years Ended	
	March 2017	March 2016
Operating Revenues, GAAP basis	\$ 2,886,902	\$ 2,660,844
Plus (less):		
Pass-through performance fees	(60,756)	—
Operating revenues eliminated upon consolidation of investment vehicles	529	318
Distribution and servicing expense excluding consolidated investment vehicles	(499,126)	(545,668)
Operating Revenues, as Adjusted	<u>\$ 2,327,549</u>	<u>\$ 2,115,494</u>
Operating Income, GAAP basis	\$ 422,243	\$ 50,831
Plus (less):		
Gains (losses) on deferred compensation and seed investments, net	14,427	(1,205)
Impairment of intangible assets	35,000	371,000
Amortization of intangible assets	26,190	4,979
Contingent consideration fair value adjustments	(39,500)	(33,375)
Operating income of consolidated investment vehicles, net	819	461
Operating Income, as Adjusted	<u>\$ 459,179</u>	<u>\$ 392,691</u>
Operating Margin, GAAP basis	14.6 %	1.9 %
Operating Margin, as Adjusted	19.7	18.6

Appendix – Non-GAAP Parent Operating Margin

Parent Operating Margin is a performance measure calculated by dividing “Parent Operating Income” by “Parent Revenue.” Parent Revenue is calculated from our Operating Revenues, adjusted to add back net investment advisory fees eliminated upon consolidation of investment vehicles, less Distribution and Servicing Expenses, which we use as an approximate measure of revenues that are passed through to third parties, and less affiliates’ operating expenses and noncontrolling interests, and adjusted for certain affiliate expenses, such as those that arise from acquisitions, related restructurings, MEP issuances and impairment charges. These adjustments include acquisition charges and transition/restructuring charges. We reduce revenues by certain operating expenses of our affiliates to represent the portion of revenues used by the affiliates to pay expenses and thus generating a measure of revenues that accrue to the parent company as profits from our affiliates. Parent Operating Income is calculated as Parent Revenue, less all corporate level expenses, also adjusted to exclude certain expenses such as those that arise from acquisitions, related restructurings, MEP issuances and impairment charges. Our corporate level (“Parent”) expenses consist of the expenses of our centralized distribution operations and other holding company functions.

We believe that Parent Operating Margin is a useful assessment of our performance because it provides a measure of the revenues that accrue to the benefit of the parent from affiliates to support parent-level expenses. Legg Mason uses Parent Operating Margin as a measure of management’s effectiveness with the portion of revenues or profits it receives from affiliates. Our business model provides our affiliates the ability to operate with autonomy through revenue share and other arrangements. From time-to-time, Legg Mason may adjust its affiliate revenue share arrangements such that the affiliates incur more expenses, or retain more revenues than provided for by their revenue share arrangements. These adjustments appear in affiliate expenses. Non-revenue sharing affiliates are subject to a parent oversight budgeting process.

Parent Operating Margin excludes items that have no net impact on Net Income (Loss) Attributable to Legg Mason, Inc. and indicates the operating margin of our Parent operations without the distribution revenues that are passed through to third parties as a direct cost of selling our products, the portion of revenues aligned to the operating expenses incurred by our advisory affiliates, and the impact of the consolidation of certain investment vehicles described above.

This measure is not intended to indicate the margin of our business as a whole and is provided in addition to measures applicable to the entire business such as operating margin calculated under GAAP, but is not a substitute for calculations of margins under GAAP. Parent Operating Margin is not comparable to non-GAAP performance measures, including measures of adjusted margins of other companies, because Parent Operating Margin is fundamentally different from these measures because it excludes all expenses of our affiliates.

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.