

# ClearBridge

## Multi Cap Growth Portfolios

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Co-Portfolio Managers

### Multi Cap Growth Portfolios – Retail

Annualized returns net and gross of fees  
(%) as of March 31, 2011

	Q111	YTD	1-yr	3-yr	5-yr	7-yr	10-yr
Net of fees	5.20	5.20	22.44	6.70	3.28	5.22	4.75
"Pure" gross of fees	5.97	5.97	26.06	9.90	6.38	8.37	7.91
Russell 3000 Growth Index	6.30	6.30	19.24	5.58	4.32	5.24	3.26

Quarterly and YTD numbers are not annualized. **Past performance is no guarantee of future results.** Please see the GIPS® endnotes for important additional information regarding the portfolio performance shown. Fees: Gross performance shown does not reflect the deduction of any investment management fees and certain transaction costs, which will reduce portfolio performance. Net performance includes the deduction of a 3.0% annual wrap fee, which is the anticipated maximum wrap fee for equity and balanced portfolios. Actual fees may vary. For fee schedules, refer to (i) the Form ADV disclosure document of your financial professional's firm, or (ii) if you may enter into an agreement directly with LMPPG, LMPPG's Form ADV disclosure document.

### Market overview and outlook

While the stock market has risen significantly off its lows of 2009 and there are legitimate concerns about the macroeconomic situation, we believe that the primary bull market in place since March 2009 remains intact.

The first quarter experienced a relatively minor correction following the wave of turmoil in the Middle East and North Africa and the terrible events in Japan, but we view such market pullbacks constructively. We tried to use the volatility to our advantage, building positions where we saw price weakness unrelated to company fundamentals and seizing the opportunity to put cash to work. As in the past, we sought to use the market's day-to-day activity to build our portfolios for the long term.

We remain bottom-up stock pickers and still focus our attention on the fundamentals of the individual companies we hold or are considering, rather than on entire sectors of the market or broader economic trends. However, when we do look at the bigger picture, we find a situation that we feel is encouraging for stocks, reflecting a continuation of the trends that fueled performance over the past two years, with none of what we consider to be the necessary preconditions for a major downturn or bear market in place.

We see an accommodative Federal Reserve and ample liquidity, substantial quantities of cash reserves on corporate balance sheets, and stock valuations that remain reasonable. We also have seen, and expect to continue to see, a great deal of consolidation across a number of sectors, including health care, technology and energy. In a relatively slow growth environment such as this, companies that can produce double-digit earnings and cash flow growth merit a premium multiple to the market or make attractive acquisition candidates for larger companies.

While concerns remain about deficits, inflation and, of course, the negative consequences of unforeseen major macroeconomic and geopolitical events and their impact on the market, our experience has taught us that often the macroeconomic situation dictates investors' reactions and triggers unwarranted selling, which can actually create longer-term buying opportunities. We would be more wary of those "big picture" problems if we felt the prevailing emotional climate in the market was one of optimism or euphoria, and if stock valuations were in a range we considered to be rich. Then the potential downside for stocks due to macro events could have a more punitive impact on equities.

Although many in the market are concerned about future inflation, some of our holdings, particularly in the energy and materials sectors, are typically beneficiaries of higher prices. As central banks globally maintain relatively accommodative

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policies, with the goal of fighting deflation, rising prices are indicative of returning demand for goods and services worldwide. We have long favored companies we believe can benefit from the growth of emerging economies, and many of the companies that we own, while primarily domestically based, are beneficiaries of the increasing economic importance of areas like China, India and Latin America.

For the time being, we believe the market has a wide base of support in terms of reasonable valuations and plentiful liquidity; consolidation occurring in several industries; and a vast pool of cash both in the U.S. and internationally, which could potentially move into equities. As we've said before, money tends to go where it's treated best, and for now, we still feel stocks are still attractively priced.

### Portfolios highlights

The ClearBridge Multi Cap Growth Portfolios returned 5.97% (gross of fees) for the first quarter. In comparison, the benchmark Russell 3000 Growth Index returned 6.30% for the same period.

While the ClearBridge Multi Cap Growth Portfolios performed in line with the benchmark Russell 3000 Growth Index for the first quarter, they have again outperformed over the annualized one-, three-, five- and 10-year periods.

For the first quarter, on an absolute basis the greatest Portfolio returns came in the industrials, health care and consumer discretionary sectors, while the information technology (IT) and materials sectors had losses for the period.

Relative to the benchmark Russell 3000 Growth Index, overall sector allocation contributed to performance for the quarter, but was offset by the negative impact of overall stock selection.

Significant contributors to relative performance for the quarter included Portfolio positions in the consumer discretionary, health care, industrials and consumer staples sectors. In particular, stock selection in the consumer discretionary, health care and industrials sectors helped relative performance for the quarter, while in terms of sector allocation, an overweight to

the energy sector and an underweight to the consumer staples sectors (no holdings for the period) helped. Leading detractors from relative performance for the quarter included Portfolio positions in the IT, energy and materials sectors. In particular, the Portfolio's stock selection in the IT, energy and materials sectors and its overweight to the consumer discretionary sector detracted from relative performance for the quarter.

Over the course of the first quarter, the Portfolio closed its existing position in Genzyme Corp. in the health care sector, while establishing a new position in Human Genome Sciences Inc., also in the health care sector.

Genzyme Corp. is a biotechnology company focused on producing treatments and therapies for genetic disorders, renal diseases, cancers and other conditions. One of our longest-held positions in the sector, Genzyme agreed to an acquisition deal from Sanofi-Aventis SA during the first quarter. After an original hostile tender offer of \$69 per share was rejected, Genzyme's board accepted a subsequent offer of \$74 per share cash plus a Contingent Value Right (CVR) that entitles the holder to receive additional cash payments if specified performance milestones are achieved. We sold the position once the details of the transaction were finalized and made public.

Human Genome Sciences Inc. is a biopharmaceutical company we have been following for nearly a decade. Its principal product in co-development with GlaxoSmithKline (GSK) is Benlysta, the first new treatment for systemic lupus in over 50 years, and it received approval from the U.S. Food and Drug Administration in early March. The company's product development pipeline includes a new treatment for inhaled anthrax being developed under a U.S. government contract, as well as products focused on immunology and oncology. It also holds substantial financial rights to several products in the pipeline of GSK, including treatments for coronary heart disease and type-2 diabetes.

## ClearBridge Multi Cap Growth Portfolios

Top contributors<sup>1</sup>

Top contributors	Contribution to equity return %
UnitedHealth Group Inc	1.62
Liberty Media Hldg Corp	0.91
Pall Corp	0.85
Comcast Corp New	0.82
Biogen IDEC Inc	0.63

Source: Vestek.

The leading individual contributors to Portfolio performance for the first quarter included:

UnitedHealth Group Inc. (UNH) is a diversified health care sector company offering medical and pharmacy benefit services and operating related technology and financial businesses. UNH shares gained in the first quarter, in our view, thanks largely to the continued strength of its execution, its share repurchases, better-than-expected earnings and the modest anticipated impact of the federal health care reform law. We believe the valuation for UNH shares remains reasonable.

Liberty Capital Group, in the consumer discretionary sector, is one of several tracking stocks (ticker: LCAPA) issued by Liberty Media Corp. The Liberty Capital group includes assets such as Liberty's interest in SIRIUS XM Radio Inc., the Atlanta Braves Major League Baseball franchise, and minority investments in public companies including Time Warner Inc. and Sprint Nextel Corp. Liberty Capital shares performed well for the quarter, in our opinion, due primarily to a growing market acknowledgement of the underlying value of Liberty Capital's investment portfolio.

Pall Corp., in the industrials sector, produces filtration and purification technologies for use in the medical, biopharmaceutical, aerospace, transportation, micro-electronics, energy and water markets. Strong quarterly operating results announced in January – the company's third consecutive quarter in which earnings exceeded consensus

estimates – and the diversified nature of its businesses and markets helped Pall shares make continued gains in the first quarter of 2011 and reach new highs.

Comcast Corp., in the consumer discretionary sector, offers consumer entertainment, information, and communication products and services including cable systems, Internet and phone services, and consolidated national programming networks. One of the top contributors to performance last quarter, we believe Comcast's solid gains in the first quarter reflect its continued strong free cash flow generation and impressive subscriber growth rate, as well as the positive market view of its planned merger with NBC Universal, which we expect to be accretive to free cash flow for Comcast.

Biogen Idec Inc. is a biotechnology company in the health care sector that produces therapies in the areas of oncology, neurology, and immunology. As was the case last quarter, we believe that Biogen Idec was one of the top contributors to performance this past quarter for several reasons. We believe a corporate restructuring and a reduction in research and development expenses will add significantly to earnings and cash flow. In addition, the company's enhanced focus on neurological diseases (i.e., multiple sclerosis) and progress in its development pipeline of treatments for hemophilia helped produce solid first-quarter gains.

<sup>1</sup> Holdings, sector weightings, market capitalization and portfolio characteristics are based on a representative portfolio within the composite and are subject to change at any time. Holdings, sector weightings, market capitalization and portfolio characteristics of individual client portfolios in the program may differ, sometimes significantly, from those shown. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the sectors and securities listed and should not be used as the sole basis for any investment decision.

## ClearBridge Multi Cap Growth Portfolios

Bottom contributors<sup>2</sup>

Bottom contributors	Contribution to equity return %
Cree Inc	-1.21
Dolby Laboratories Inc	-0.35
Sandisk Corp	-0.27
Freeport-McMoRan Coppe	-0.17
Broadcom Corp	-0.15

Source: Vestek.

The bottom contributors to Portfolio performance for the first quarter included:

Cree Inc. is a developer and manufacturer of light-emitting diodes (LEDs) and related lighting and semiconductor technologies in the IT sector. We believe Cree's first-quarter performance reflected the impact of negative but temporary issues, including an inventory correction in the Chinese market for general and street lighting applications and pricing pressures in the LCD TV market. Longer term, we feel that market penetration of LED technology into the general lighting market is still in the very early stages and we expect growth to be significant over the next few years, which should benefit Cree.

Dolby Laboratories Inc., in the IT sector, develops and licenses technologies and products for use by the entertainment industry and in digital media, computing and gaming devices. Dolby reported disappointing earnings results during the quarter, due in our view to an unexpected slowdown in PC sales growth. However, we believe the market trends that benefit Dolby remain strong and that new tablet computer, smartphone and wireless device platforms will be significant areas of growth for the company.

SanDisk Corp., in the IT sector, produces flash storage card products used in various consumer electronics products. SanDisk was a very strong performer last year, and we believe

the first quarter's weaker share performance was merely the market's reaction to a seasonally slow period for semiconductor stocks in general. We continue to believe the growth of tablets and smartphones remains extremely positive for SanDisk.

Freeport-McMoRan Copper & Gold Inc., in the materials sector, is an Arizona-based mining and production company that primarily explores for deposits of copper, gold, molybdenum, silver and cobalt. It holds interests in properties located in North and South America, Indonesia and the Democratic Republic of Congo. We believe the first quarter's performance was a minor correction following the strong run-up the stock made last year that was linked to the strength of the underlying commodities it produces.

Broadcom Corp., in the IT sector, produces semiconductors and related technologies for use primarily in both wired and wireless communications applications for the consumer and business markets. Broadcom was a very strong performer last year, and we believe the first quarter's weaker share performance was due to a broad seasonal slowdown for semiconductor stocks. We believe the growth of the market for tablets and smartphones using Broadcom products remains a very positive trend for the company going forward.

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## ClearBridge Multi Cap Growth Portfolios

Market Capitalization<sup>3</sup>

Market cap breakdown (\$)	Portfolio weight	Benchmark weight
Above 50 billion	0.00	40.98
25-50 billion	25.21	16.31
10-25 billion	43.56	16.00
3-10 billion	26.52	17.08
0-3 billion	4.71	9.63
<b>Weighted average market cap (\$bil)</b>	<b>18.4</b>	<b>83.2</b>

Source: Vestek.

Top 10 holdings<sup>3</sup>

Top 10 holdings	Percent of equity
UnitedHealth Group Inc	7.6
Anadarko Pete Corp	7.6
Comcast Corp New	7.5
Biogen Idec Inc	7.1
Liberty Media Holding Corp	5.8
Pall Corp	5.6
Weatherford International	5.0
Cablevision System Corp	4.9
Autodesk Inc	3.9
Advent Software Inc	3.7
<b>Total number of holdings</b>	<b>29</b>

Source: Vestek.

Average sector weightings<sup>3</sup>

Average sector weightings and performance gross of fees from 1/1/2011 to 3/31/2011 (%)						
Sector	Port. weight	Port. return	Bench- mark* weight	Bench- mark* return	Weight diff.	Active contrib
Consumer discretionary	24.04	10.48	14.58	2.79	9.46	1.504
Health care	23.75	13.08	10.55	6.79	13.19	1.441
Industrials	12.22	13.81	13.63	8.34	-1.41	0.518
Consumer staples	0.00	0.00	8.68	4.50	-8.68	0.176
Telecomm service	0.00	0.00	0.84	-0.17	-0.84	0.059
Financials	0.00	0.00	4.77	6.33	-4.77	-0.001
Utilities	0.00	0.00	0.08	12.99	-0.08	-0.005
Materials	3.06	-3.64	5.03	3.23	-1.97	-0.169
Energy	15.12	6.28	10.94	16.71	4.18	-1.080
Information technology	21.82	-6.23	30.89	4.61	-9.07	-2.415

\*Benchmark: Russell 3000 Growth Index.

Source: Vestek.

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The Multi Cap Growth Portfolios are benchmarked against the Russell 3000 Growth Index.

## ClearBridge Multi Cap Growth Portfolios

### Important Information

All opinions and data included in this market commentary are as of the date indicated and are subject to change. The opinions and views expressed herein are those of the portfolio managers specified and may differ from those of other managers or the firm as a whole, and they are not intended to be relied upon as a prediction or forecast of actual future events or performance, or a guarantee of future results, or investment advice. Discussion of individual securities is intended to inform shareholders as to the basis (in whole or in part) for previously made decisions by a portfolio manager to buy, sell or hold a security in a portfolio. The information contained should not be used as the sole basis to make any investment decisions. The statistics have been obtained from sources believed to be reliable, but the accuracy and completeness of this information cannot be guaranteed. Securities referenced should not be construed as a solicitation or recommendation or be used as the sole basis for any investment decision.

Please refer to [www.leggmason.com/individualinvestors](http://www.leggmason.com/individualinvestors) for more information about the Portfolio including objective, risks and investment process. The information presented does not constitute and should not be construed as investment advice with respect to any investment discussed. There is no guarantee that investment objectives will be met. An investor cannot invest directly in an index. Investments are not FDIC insured or guaranteed by any government agency. Values may fluctuate due to market conditions and other factors.

#### **Past performance is no guarantee of future results.**

Client portfolios are managed based on investment instructions or advice provided by one or more of the following Legg Mason-affiliated investment management firms, as indicated in portfolio names or otherwise: ClearBridge Advisors, LLC, Western Asset Management Company, Brandywine Global Investment Management, LLC, Global Currents Investment Management, LLC and Legg Mason Capital Management, Inc. ("LMCM"). Management is implemented by Legg Mason Private Portfolio Group, LLC or, in the case of certain programs, by the program sponsor or its designee.

### Risks

All investments involve risk, including loss of principal. In addition to large-capitalization companies, investments may include stocks of mid- and small-capitalization companies, which tend to involve more risk and volatility than stocks of larger companies.

Because Multi Cap Growth investments may be concentrated in a limited number of industries and companies and may include small- and medium-capitalization companies, this program involves substantial risk. Investors should consider their ability to assume this heightened risk before opening a Multi Cap Growth account.

Certain limits on the amount of investment in any one company may cause individual MCG investment portfolios to vary from each other and thus the performance results of such portfolios may also vary from each other, particularly when combined with the price volatility of stocks in such portfolios.

Investments may be made in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets, which involve risks in addition to those ordinarily associated with investing in domestic securities, including the potentially negative effects of currency fluctuations, political and economic developments, foreign taxation and differences in auditing and other financial standards. These risks are magnified in emerging markets.

### Index/term definitions

The Federal Reserve Board ("Fed") is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

The Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S. Please note that an investor cannot invest directly in an index.

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# ClearBridge Multi Cap Growth Portfolios | Separately Managed Accounts

## ClearBridge Multi Cap Growth Portfolios - Retail – GIPS® endnotes (\$USD) — ending December 31

Inception date: January 2006

Composite creation date: June 2008

Period	Total return net(%)	Total return (*pure gross)	Russell3000 Growth return (%)	No. of portfolios	% of bundled fee portfolios in the composite	Composite dispersion (%)	Total composite assets at end of period (USD million)	% of firm assets	Total firm assets at end of period (USD million)
2009	46.58	50.85	37.01	9,733	100	3.94	2,185.5	4.08	53,523
2008	-44.35	-42.58	-38.44	12,211	100	2.11	1,921.3	3.80	50,615
2007	4.23	7.34	11.40	14,680	100	5.40	4,239.5	9.00	47,112
2006	7.81	11.02	9.46	14,038	100	3.60	4,017.8	7.43	54,078
2005	11.05	14.35	5.17	10,290	100	2.92	n/a	n/a	n/a
2004	10.05	13.32	6.93	3,879	100	5.09	n/a	n/a	n/a
2003	38.76	42.81	30.97	4,218	100	3.58	n/a	n/a	n/a
2002	-30.57	-28.27	-28.03	4,409	100	3.93	n/a	n/a	n/a
2001	-2.74	0.24	-19.63	4,125	100	2.40	n/a	n/a	n/a
2000	38.62	42.46	-22.42	1,389	100	14.93	n/a	n/a	n/a

\*Pure gross of fee returns do not reflect the deduction of any expenses, including certain transaction costs, and are presented as supplemental to the net of fee returns.

ClearBridge Advisors (also referred to as "CBA") has prepared and presented this report in compliance with the Global Investment Performance Standards ("GIPS®"). For purposes of compliance with GIPS, the "firm" is defined as ClearBridge Advisors, which encompasses all assets managed or advised on a discretionary or non-discretionary basis by ClearBridge Advisors, LLC and ClearBridge Asset Management Inc (collectively, "ClearBridge Advisors"). In June 2008, ClearBridge Advisors combined its separate institutional and retail firms to form a single GIPS firm, CBA. The two predecessor firms were "ClearBridge Advisors Institutional" and "ClearBridge Advisors Retail". ClearBridge Advisors Institutional ("CBA-Inst") encompassed ClearBridge Advisors' mutual fund and other collective investment vehicle businesses and separately managed accounts contracted directly with ClearBridge Advisors. ClearBridge Advisors Retail ("CBA-Retail") was created in 2008 and encompassed separately managed accounts for which ClearBridge Advisors served as sub-advisor under sponsored programs ("retail separately managed accounts"). CBA-Retail's claim of GIPS compliance is effective as of January 2006. In accordance with GIPS, CBA-Retail's historical performance returns prior to January 2006 are presented as non-compliant information. The ClearBridge Advisors entities are wholly-owned subsidiaries of Legg Mason, Inc. ("Legg Mason") and are not affiliated with Citigroup Inc. ("Citigroup").

For the institutional business only, CBA-Inst's predecessor "firm" for GIPS purposes was CAM Institutional ("CAM-NA"). CAM-NA encompassed assets managed by North America-based units of Citigroup Asset Management ("CAM"), the worldwide asset management business of Citigroup that was conducted through various subsidiaries of Citigroup on behalf of certain of its institutional, mutual fund and other collective investment vehicle clients. The CAM-NA "firm" definition was substantially similar to the "firm" definition of CBA-Inst. On December 1, 2005, Citigroup completed the sale of CAM, including CAM-NA, to Legg Mason. In connection with the transaction, ClearBridge Advisors became the manager of a significant portion of the institutional, mutual fund and other collective investment vehicle accounts, including most active equity accounts that were managed by CAM-NA up until the date of the Citigroup-Legg Mason transaction. Assets that were not transitioned to ClearBridge Advisors in connection with the transaction transitioned to other Legg Mason affiliates that were not part of CBA-Inst. Prior to January 2001, CAM maintained three separate AIMR (the predecessor to GIPS) firms. These firms were combined to form CAM-NA effective January 2001.

For the retail separately managed account business only, the performance returns prior to January 2006 represent a composite of accounts from a formerly-affiliated sponsor channel, which historically represented an overwhelming majority of the strategy's retail assets under management. The aforementioned composite returns were calculated on an equal weighted basis, where each portfolio contributed an equal weight to the resulting composite return for the period. As such and in accordance with GIPS, the historical performance returns prior to January 2006 are presented as non-compliant information. Total firm assets for years ending 2006 and 2007 represent the CBA-Retail firm.

### Composite description

The ClearBridge Multi Cap Growth composite consists of fully discretionary portfolios with a minimum net asset value of US \$25,000 (prior to June 2008

the minimum is \$5,000). "Sleeves" of multi-style portfolios and segments of balanced accounts are excluded. Accounts within the composite seek capital appreciation by investing primarily in common stocks of companies that the manager believes are experiencing or will experience growth. The accounts may invest in the securities of large, medium and small capitalization companies that offer prospects of long-term earnings growth.

New accounts enter the composite during the third full month under management. Accounts with external cash flows during a month that are equal to or greater than 10% of an account's market value will cause that account to be excluded from the composite during the month in which the flows occurred. Accounts will be added back to the composite in the following month. Closed accounts are included in the composite rate of return calculations through the completion of the last full month under management. All accounts are valued at calendar month end based on principal market values plus cash and cash accrued income. Account returns are calculated in U.S dollars and utilize the Daily Time Weighted methodology. The composite's monthly rates of return are the asset-weighted averages of the accounts' monthly results, which are then linked to determine the composite's quarterly and annual returns.

Net of fee composite returns are calculated by reducing each monthly composite pure gross rate of return by the highest "bundled" fee charged (3.00%) annually, prorated to a monthly ratio. The "bundled" fee includes transaction costs, investment management, custodial, and other administrative fees. Pure gross returns shown do not reflect the deduction of "bundled" fees and are presented as supplemental information to net returns. Account quarterly and annual returns are calculated by linking individual monthly returns.

Composite dispersion measures represent the consistency of a firm's composite performance results with respect to the individual account returns within a composite. CBA utilizes the Equal-Weighted Standard Deviation measure of dispersion. Only accounts that have been managed within the composite style for a full year are included in the Equal-Weighted Standard Deviation calculation. No alteration of composites has occurred because of changes in personnel or other reasons at any time. Any material change in the status of an account resulted in the removal of the account from the composite.

Leverage has not been used in any of the accounts included in the composite.

A complete list and description of all composites maintained is available upon request. Additional information regarding policies for calculating and reporting returns is available upon request.

**Past performance is not necessarily indicative of future results.**

### Benchmark description

Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes.