

Western Asset Management Company

385 East Colorado Boulevard
Pasadena, California 91101

PRODUCT OVERVIEW

Western Asset Management's (Western) GSM 7-Year portfolios seek to preserve principal and to produce total returns above average and to passively manage Treasury and Agency securities, Certificates of Deposit or money market investments over complete market cycles through active monitoring and portfolio restructuring in response to changing market trends. GSM 7 Year assembles and actively manages portfolios of U.S. Treasury bills, notes and bonds. When appropriate, U.S. Government agency issues may be included in the portfolios. GSM does not use futures or options.

Research has shown that Treasury securities with maturities of ten years or less have historically captured 85% of the interest income generated by 30-year Treasury bonds, while experiencing less than half the market volatility associated with 30-year bonds.

TARGET PORTFOLIO CHARACTERISTICS

Number of bond holdings:	0
Average credit quality:	—
Average maturity:	4.18
Average duration:	3.85
Average coupon:	2.40
Average turnover rate:	—

MANAGER'S INVESTMENT PROCESS

- Western Asset's investment team comprehensively analyzes a variety of domestic and international macroeconomic factors to establish a duration target. The Firm carefully employs strategies in an attempt to take advantage of changes in the yield curve's shape and shifts in the relationship between short-, intermediate- and long-maturity securities. Western Asset seeks to add value to a portfolio by actively rotating between the Treasury and Agency sectors.

RISK CONSIDERATIONS

Investing in securities entails risks, including: Fixed Income securities may be sensitive to changes in prevailing interest rates. When rates rise the value generally declines. There is no assurance that the private guarantors or insurers will meet their obligations. U.S. Treasuries are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and fixed principal value.

PORTFOLIO STATISTICS^{**}

	09/11	03/11
Western Asset Mgmt	BC Intermediate Treasury Index	Western Asset Mgmt
Number of bond holdings	—	9
Average credit quality	Not Rated	AAA
Average maturity	4.18 yrs.	4.44 yrs.
Average duration	3.85 yrs.	4.02 yrs.
Average coupon	2.4%	2.8%

FIXED INCOME SECTOR DISTRIBUTION(%)*

	09/11	06/11	03/11	12/10
U.S. Treasury	52.66	48.34	57.56	57.53
U.S. Agencies	47.34	51.66	42.44	42.47

PORTFOLIO'S MATURITY STRUCTURE(%)*

	09/11	06/11	03/11	12/10
0 to 2 Years	0.00	0.00	24.97	34.97
2 to 4 Years	0.00	0.00	24.98	22.50
4 to 6 Years	0.00	0.00	29.00	21.49
6 to 8 Years	0.00	0.00	15.01	15.04
8 to 12 Years	0.00	0.00	6.04	6.00
12 to 17 Years	0.00	0.00	0.00	0.00
Over 17 Years	0.00	0.00	0.00	0.00
Cash/Cash Equivalents	0.00	0.00	0.00	0.00

PORTFOLIO'S CREDIT QUALITY STRUCTURE(%)*

Investment Grade	09/11	06/11	03/11	12/10
AAA	0.00	0.00	100.00	0.00
AA	0.00	0.00	0.00	0.00
A	0.00	0.00	0.00	0.00
BBB	0.00	0.00	0.00	0.00
Below Investment Grade				
BB	0.00	0.00	0.00	0.00
B	0.00	0.00	0.00	0.00
Below B	0.00	0.00	0.00	0.00
Not Rated	0.00	0.00	0.00	0.00
Cash/Cash Equivalents	0.00	0.00	0.00	0.00

^{*}As of 09/30/2009. Information as of 09/30/2011 is not yet available.

^{**}As of 06/30/2009. Information as of 09/30/2011 is not yet available.

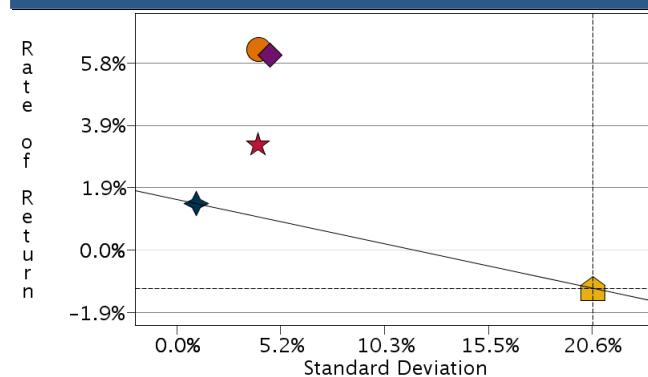
[†]Total may not equal 100% due to rounding.

[‡]Based on a representative actual Morgan Stanley Smith BarneySM portfolio as calculated by FactSet.

[§]As represented by Western Asset Management Company.

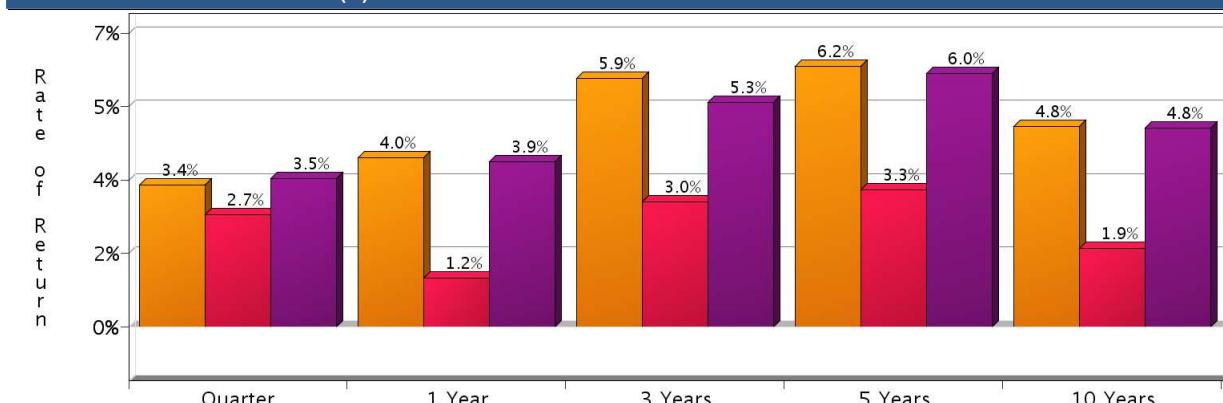
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RISK/RETURN ANALYSIS – 5 YEARS ENDING 09/30/11



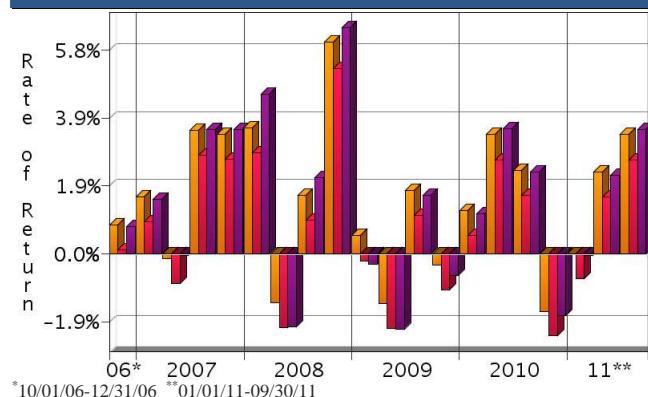
	STD	ROR
Western Asset Mgmt (Gross)	4.05	6.22
Western Asset Mgmt (Net)	4.03	3.27
BC Intermediate Treasury Index	4.63	6.05
S&P 500 Index	20.68	-1.18
90-Day T-Bills	0.95	1.44

AVERAGE ANNUAL TOTAL RETURN (%) – PERIODS ENDING 09/30/11



INVESTMENT RESULTS	Annual Rates of Return (%)										10 Year - Ending 09/30/11	Annualized Std. Dev.
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
Western Asset Mgmt (Gross)	8.28	8.56	2.42	1.54	1.64	3.99	8.63	10.12	0.55	5.38	4.78	3.64
Western Asset Mgmt (Net)	5.32	5.60	-0.46	-1.31	-1.18	1.09	5.62	7.05	-2.25	2.48	1.87	3.63
BC Intermediate Treasury Index	8.17	9.28	2.11	2.02	1.56	3.51	8.83	11.35	-1.41	5.29	4.75	4.11

RISK VOLATILITY



*10/01/06-12/31/06 **01/01/11-09/30/11

Number Of	Up Qtrs.	Down Qtrs.
Western Asset Mgmt (Gross)	14	6
Western Asset Mgmt (Net)	13	7
BC Intermediate Treasury Index	13	7

Western Asset Mgmt (Gross)	14	6
Western Asset Mgmt (Net)	13	7
BC Intermediate Treasury Index	13	7

PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
2001	3.06	2.36	0.03	-0.68	5.36	4.66	-0.31	-1.02
2002	-0.23	-0.94	3.51	2.81	4.06	3.36	1.02	0.32
2003	0.96	0.25	1.61	0.89	-0.02	-0.74	-0.15	-0.85
2004	1.96	1.24	-2.37	-3.08	1.87	1.16	0.13	-0.57
2005	-0.61	-1.30	2.03	1.32	-0.37	-1.07	0.60	-0.11
2006	-0.20	-0.91	0.29	-0.42	3.04	2.33	0.83	0.12
2007	1.62	0.90	-0.14	-0.85	3.52	2.81	3.41	2.69
2008	3.58	2.88	-1.38	-2.09	1.67	0.95	6.03	5.28
2009	0.51	-0.20	-1.42	-2.12	1.81	1.10	-0.33	-1.02
2010	1.23	0.53	3.40	2.67	2.38	1.67	-1.65	-2.34
2011	-0.02	-0.72	2.34	1.62	3.39	2.67		

PORTFOLIO DIVERSIFICATION - R² (10 YEARS ENDING 09/11)*

	R ²
Western Asset Mgmt vs. BC Intermediate Treasury Index	0.98

*Statistics are calculated using gross of fee performance only.

PORTFOLIO'S RISK STATISTICS – PERIODS ENDING 09/30/11^{1,2}

	3 Year	5 Year
Standard Deviation	4.45%	4.05%
Standard Deviation of Primary Benchmark	4.97%	4.63%
Sharpe Ratio	1.30	1.18
Sharpe Ratio of Primary Benchmark	1.05	1.00
Alpha	1.11%	0.71%
Beta	0.89	0.88
Downside Risk	0.28%	0.55%
R-Squared	0.99	0.98
Tracking Error	0.69%	0.82%
Information Ratio	0.84	0.21

1. Statistics are calculated using gross of fee performance only.

2. BC Intermediate Treasury Index was used as the primary benchmark and the 90-Day U.S. T-Bill Index as the risk-free benchmark.

See page 3 for a discussion of the sources of the performance data used to calculate the performance results and related analyses on page 2.

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IMPORTANT NOTES AND DISCLOSURES

COMPOSITE DISCLOSURES

Past performance is no guarantee of future results. Actual individual account results may differ from the performance shown in this profile. There is no guarantee that this investment strategy will work under all market conditions. Do not use this profile as the sole basis for your investment decisions.

Performance results in this profile are calculated assuming reinvestment of dividends and income. Returns for more than one year are annualized and based on quarterly data. Returns for periods of less than a calendar year show the total return for the period and are not annualized.

Related Performance (Manager's Composite):

For periods before the date on which Morgan Stanley Smith Barney begins to calculate an applicable performance composite for actual Morgan Stanley Smith Barney Fiduciary Services program accounts, the performance composite and certain other information for this strategy (including the data on page 1 of this profile) are based on the investment manager's own composite and data. This composite includes accounts managed by the investment manager according to the same or a substantially similar investment strategy. To provide maximum information to you, the investment manager's own composite is linked to the Morgan Stanley Smith Barney Fiduciary Services composite to create a simulated continuous track record of performance information for the investment strategy. The investment manager's composite may include separately managed accounts, institutional accounts and/or mutual funds. Performance and other data for the investment manager's composite may vary from that of Morgan Stanley Smith Barney accounts due to differences such as the availability and weighting of securities, trading implementation or client objectives. Morgan Stanley Smith Barney does not verify composite and other data provided by the investment manager and therefore does not guarantee its accuracy. Some of the accounts in the investment manager's composite may have invested in the initial public offering ("IPO") market, whereas accounts held in Morgan Stanley Smith Barney programs do not do so. Since investment managers may use different methods of selecting accounts to be included in their composites and for calculating performance, returns of different investment managers may not be comparable.

Related Performance:

The Western Asset GSM - 7 Year composite is composed of accounts that are separately managed accounts (SMAs) managed in accordance with the Western Asset GSM - 7 Year strategy. The GSM strategy limited-maturity approach and well-defined investment discipline serve as the framework for all investment decisions. Within this framework, the maturity to accommodate differing risk tolerances and total return objectives is seven years. For periods after 2005, all such SMAs without client-imposed restrictions are included. For prior periods, the composite is composed of a majority of such SMAs, except that for periods prior to 2004, certain SMAs with client-imposed restrictions are also included. Terminated accounts are included through the last month of management (last quarter prior to 2003). Portfolio returns of included SMAs are weighted according to asset size for periods after 2005 (equal-weighted for prior periods). For comparison purposes, composite returns are shown against returns of the Barclays Capital Intermediate Treasury Bond Index, which is composed of all public obligations of the U.S. Treasury. This index has an average current maturity of 3.69 years (average maturity may vary over time). An investor cannot invest directly in an index. The composite was created on January 1, 2006.

Fiduciary Services Performance:

In this profile, the performance from 3/1/1995 consists of accounts in either the Morgan Stanley or the Smith Barney form of the Fiduciary Services program. Performance composites calculated by Morgan Stanley Smith Barney include all fee-paying portfolios with no investment restrictions. New accounts are included upon the first full quarter of performance. Terminated accounts are removed in the quarter in which they terminate. Performance is calculated on a total return basis and by asset weighting the individual portfolio returns using the beginning of period values.

Equity Account (Gross): Western Asset Mgmt's gross results do not reflect a deduction of the investment advisory fees charged by Western Asset Mgmt, or program fees, if any, but are net of commissions charged on securities transactions.

Net Performance for all Periods: To demonstrate the effect of Morgan Stanley Smith Barney's fees that would have applied if you had invested in the investment manager strategy's through the Fiduciary Services program, the net results for all periods are calculated by deducting a quarterly fee of 0.705% (equivalent to an annual fee of 2.82%).

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Morgan Stanley Smith Barney program fees are usually deducted quarterly, and have a compounding effect on performance. The Morgan Stanley Smith Barney program fee, which differs among programs and clients, is described in the applicable Morgan Stanley Smith Barney ADV brochure, which is available at www.smithbarney.com/ADV or on request from your Financial Advisor or Private Wealth Advisor.

For periods for which sufficient data is available, the profile shows a composite of client accounts managed by the investment manager in either the Fiduciary Services program in the Morgan Stanley channel (previously called the Morgan Stanley Access program) or the Fiduciary Services program in the Smith Barney channel. Fiduciary Services is a separately managed account program sponsored by Morgan Stanley Smith Barney. If the strategy or similar strategies are available in both the Morgan Stanley and Smith Barney forms of the program, this profile presents the composite for the strategy that is closest to the strategy currently offered in the Fiduciary Services program. If both strategies are equally close, this profile shows the longer of the two composites. Performance and other data for composites for both forms of the program may vary from each other and from composites in other Morgan Stanley Smith Barney programs due to differences such as the availability and weighting of securities, trading implementation or client objectives.

Focus List, Approved List, and Watch Status:

Consulting Group Investment Advisor Research ("CG IAR") uses two methods to evaluate investment products in applicable advisory programs. In general, strategies that have passed a more thorough evaluation may be placed on the "Focus List", while strategies that have passed through a different and less comprehensive evaluation process may be placed on the "Approved List". Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. CG IAR may also determine that an investment product no longer meets the criteria under either evaluation process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

CG IAR has a "Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if CG IAR identifies specific areas that (a) merit further evaluation by CG IAR and (b) may, but are not certain to, result in the investment product becoming "Not Approved". The Watch period depends on the length of time needed for CG IAR to conduct its evaluation and for the investment manager to address any concerns. CG IAR may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" on the cover page.

For more information on the Focus List, Approved List, and Watch processes, please see the applicable Morgan Stanley Smith Barney ADV brochure. Your Financial Advisor or Private Wealth Advisor can provide on request a copy of a paper entitled "Manager Research and Selection: A Disciplined Process".

ADDITIONAL DISCLOSURES

The information about a representative account is for illustrative purposes only. Actual account holdings, performance and other data will vary depending on the size of an account, cash flows within an account, and restrictions on an account. Holdings are subject to change daily. The information in this profile is not a recommendation to buy, hold or sell securities.

Actual portfolio statistics may vary from target portfolio characteristics.

The investment manager may use the same or substantially similar investment strategies, and may hold similar portfolios of investments, in other portfolios or products it manages (including mutual funds). These may be available at Morgan Stanley Smith Barney or elsewhere, and may cost an investor more or less than this strategy in the Morgan Stanley Smith Barney Fiduciary Services program.

The portfolio may, at times, invest in exchange-traded funds (ETFs), which are a form of equity security in seeking to maintain continued full exposure to the broad equity market.

Morgan Stanley Smith Barney investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be suitable for you. Investment advisory program accounts are opened pursuant to a written client agreement.

The investment manager acts independently of, and is not an affiliate of, Morgan Stanley Smith Barney.

Morgan Stanley Smith Barney LLC Member SIPC.

INDEX DESCRIPTIONS

90-Day T-Bills

The 90-Day Treasury Bill is a short-term obligation issued by the United States government. T-bills are purchased at a discount to the full face value, and the investor receives the full value when they mature. The difference of 'discount' is the interest earned. T-bills are issued in denominations of \$10,000 (auction) and \$1,000 increments thereafter.

BC Intermediate Treasury Index

The BC Intermediate Treasury Index represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

S&P 500 Index

Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, it is also an ideal proxy for the total market.

Indices are unmanaged and have no expenses. You cannot invest directly in an index.

GLOSSARY OF TERMS

Alpha is a mathematical estimate of risk-adjusted return expected from a portfolio above and beyond the benchmark return at any point in time.

American Depository Receipts (ADRs) are receipts for shares of a foreign-based corporation held in the vault of a U.S. bank.

Average Portfolio Beta is a measure of the sensitivity of a benchmark or portfolio's rates of return to changes against a market return. The market return is the S&P 500 Index. It is the coefficient measuring a stock or a portfolio's relative volatility.

Capitalization is defined as the following: Mega (\$50.0 billion and Above), Large (\$11.0 - \$50.0 billion), Medium (\$2 - \$11.0 billion), Small (\$500m - \$2 billion) and Micro (below \$500 million).

Downside Risk is a measure of the risk associated with achieving a specific target return. This statistic separates portfolio volatility into downside risk and upside uncertainty. The downside considers all returns below the target return, while the upside considers all returns equal to or above the target return.

Duration is a measure of price sensitivity expressed in years.

Information Ratio is a measure of the investment manager's skill to add active value against a given benchmark relative to how stable that active return has been. Essentially, the information ratio explains how significant a manager's alpha is. Therefore, the higher the information ratio, the more significant the alpha.

Investment Grade Bonds are those rated by Standard & Poor's AAA (highest rated), AA, A or BBB (or equivalent rating by other rating agencies or, in the case of securities not rated, by the investment manager).

Price/Earnings Ratio (P/E Ratio) shows the multiple of earnings at which a stock sells. Determined by dividing current stock price by current earnings per share (adjusted for stock splits). Earnings per share for the P/E ratio are determined by dividing earnings for past 12 months by the number of common shares outstanding. The P/E ratio shown here is calculated by the harmonic mean.

R² (R-Squared)/Portfolio Diversification indicates the proportion of a security's total variance that is benchmark-related or is explained by variations in the benchmark.

Sharpe Ratio measures the efficiency, or excess return per unit of volatility, of a manager's returns. It evaluates managers' performance on a volatility-adjusted basis.

Standard Deviation is a statistical measure of historical variability or spread of returns around a mathematical average return that was produced by the investment manager over a given measurement period. The higher the standard deviation, the greater the variability in the investment manager's returns relative to its average return.

Tracking Error represents the standard deviation of the difference between the performance of the investment strategy and the benchmark. This provides a historical measure of the variability of the investment strategy's returns relative to its benchmark.