

## ClearBridge Advisors, LLC

620 Eighth Avenue  
New York, New York 10018

Style: Small Cap Value  
 Firm Assets Under Management: \$66.1 billion  
 Firm Strategy Assets Under Management: \$662.6 million  
 Year Founded: 2005  
 Professional Staff: 162  
 Firm Ownership: Legg Mason, Inc.  
 CG IAR Status: Not Applicable

## PRODUCT OVERVIEW

Small Cap Value portfolios, headed by John G. Goode and Peter J. Hable, focus on investing primarily in equity securities of small capitalization companies that the portfolio managers believe have a high probability of outperforming small cap value stocks in general. The senior portfolio managers have spent their entire careers with ClearBridge Advisors and its predecessor firms.

## TARGET PORTFOLIO CHARACTERISTICS

Number of stock holdings:	120 to 130
Average dividend yield:	Similar to the S&P 500
P/E ratio:	Above the S&P 500
Cash level over market cycle:	0 to 10%
Risk (standard deviation):	Similar to/Above the S&P 500
Average turnover rate:	115.00
Use ADRs:	0 to 25%
Capitalization:	—

## RISK CONSIDERATIONS

Investing in securities entails risks, including: Small-cap stocks may be subject to a higher degree of risk than more established companies' securities, including higher volatility. The illiquidity of the small-cap market may adversely affect the value of these investments. When investing in value securities, the market may not necessarily have the same value assessment as the manager, and, therefore, the performance of the securities may decline.

## MANAGER'S INVESTMENT PROCESS

- Define an initial investment universe
- Conduct quantitative screening
- Perform fundamental research
- Construct portfolio and manage risk

## MANAGER'S INVESTMENT STRATEGY

- ☒ Top-down / portfolio structures based on economic trends
- ☒ Bottom-up / portfolio structure based on individual securities

## % PROCESS BASED ON

- 0 Asset allocation - cash vs. stock
- 10 Industry or sector weighting
- 90 Stock Selection

## PORTFOLIO STATISTICS

	ClearBridge	03/13 Russell 2000 VI	09/12 S&P 500	ClearBridge
Number of stock holdings	104	1,416	500	105
Weighted average dividend yield	1.3%	2.1%	2.1%	1.4%
Weighted average P/E ratio <sup>1</sup>	17.97x	14.48x	15.92x	20.80x
Weighted average portfolio beta	1.44	1.17	0.94	0.85
Mega capitalization <sup>+</sup>	0.0%	0.0%	38.6%	0.0%
Large capitalization <sup>+</sup>	0.0%	0.0%	50.4%	0.0%
Medium capitalization <sup>+</sup>	0.0%	8.6%	10.9%	0.0%
Small capitalization <sup>+</sup>	0.0%	73.6%	0.0%	0.0%
Micro capitalization <sup>+</sup>	0.0%	17.9%	0.0%	0.0%

PORTFOLIO'S EQUITY SECTOR WEIGHTINGS <sup>+</sup>

Sector	ClearBridge	03/13 Russell 2000 VI	09/12 S&P 500	ClearBridge
Energy	7.02	6.56	10.92	8.90
Materials	5.44	5.50	3.43	5.00
Industrials	17.73	12.43	10.11	16.60
Consumer Discretionary	7.99	12.09	11.63	9.30
Consumer Staples	2.46	2.58	10.96	3.80
Health Care	1.57	4.34	12.53	2.40
Financials	38.06	38.31	15.92	36.50
Information Technology	15.62	11.61	18.02	12.10
Telecomm Services	0.00	0.49	2.97	0.00
Utilities	4.09	6.09	3.51	5.40
Cash/Cash Equivalents	0.02	0.00	0.00	0.00

PORTFOLIO'S ALLOCATION HISTORY (%)<sup>+</sup>

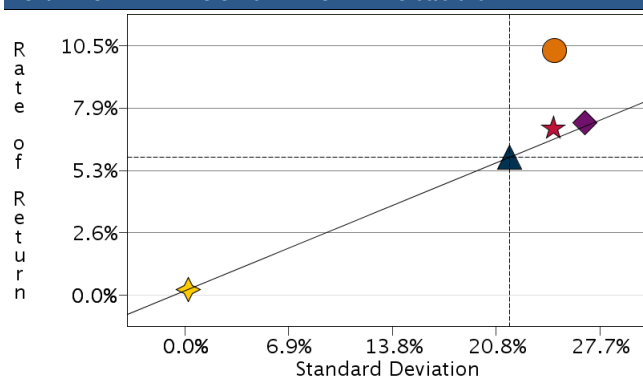
	03/13	12/12	09/12	06/12
U.S. Stocks	0	95	0	0
Non-U.S. Stocks	0	2	0	0
Equity	100	0	78	82
Cash/Cash Equivalents	0	3	22	18

## PORTFOLIO'S TOP FIVE EQUITY HOLDINGS

	%
Allied World Assurance Company Holdings, AG	3.3
SVB Financial Group	2.8
AXIS Capital Holdings Ltd.	2.4
Plantronics Inc.	2.3
Affiliated Managers Group Inc.	2.3

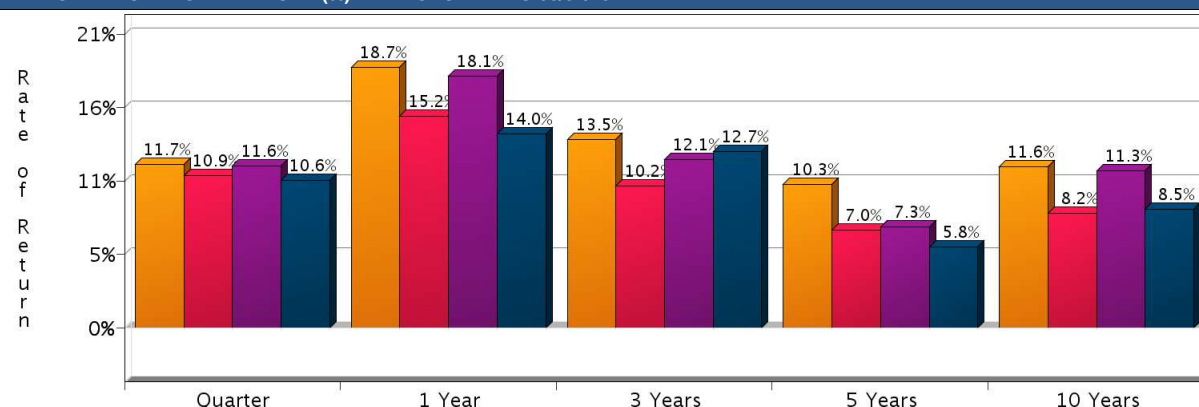
<sup>1</sup>The P/E used here is calculated by the harmonic mean.<sup>+</sup>Total may not equal 100% due to rounding.

## RISK/RETURN ANALYSIS – 5 YEARS ENDING 03/31/13



	STD	ROR
ClearBridge (Gross)	24.67	10.31
ClearBridge (Net)	24.58	7.03
Russell 2000 VI	26.69	7.29
S&P 500	21.63	5.81
90-Day T-Bills	0.22	0.25

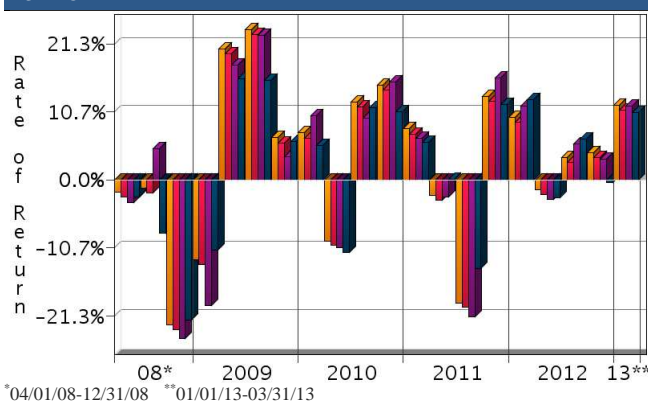
## AVERAGE ANNUAL TOTAL RETURN (%) – PERIODS ENDING 03/31/13



## INVESTMENT RESULTS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	10 Year - Ending 03/31/13 Annualized	Std. Dev.
ClearBridge (Gross)	29.89	23.26	7.07	9.09	0.81	-30.56	39.03	25.13	-3.73	16.69	11.55	19.29
ClearBridge (Net)	26.13	19.53	3.80	5.86	-2.20	-32.77	34.91	21.49	-6.55	13.22	8.23	19.21
Russell 2000 VI	46.03	22.25	4.71	23.48	-9.78	-28.93	20.57	24.50	-5.50	18.05	11.29	21.79
S&P 500	28.68	10.88	4.91	15.80	5.49	-37.00	26.46	15.06	2.11	16.00	8.53	17.00

## RISK VOLATILITY



\*04/01/08-12/31/08 \*\*01/01/13-03/31/13

	Number Of	Up Qtrs.	Down Qtrs.
ClearBridge (Gross)		12	8
ClearBridge (Net)		12	8
Russell 2000 VI		13	7
S&P 500		12	8

## PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
2003	-4.21	-4.96	12.35	11.55	5.08	4.32	14.86	14.04
2004	5.08	4.30	4.10	3.29	-1.01	-1.80	13.83	12.98
2005	-2.68	-3.45	1.08	0.28	6.20	5.43	2.48	1.69
2006	5.97	5.20	-1.78	-2.53	-1.84	-2.60	6.77	5.99
2007	2.36	1.60	8.35	7.56	-3.92	-4.68	-5.40	-6.10
2008	-7.16	-7.90	-1.97	-2.69	-1.25	-1.99	-22.74	-23.45
2009	-12.51	-13.25	20.52	19.73	23.59	22.75	6.68	5.81
2010	7.37	6.52	-9.61	-10.25	12.20	11.41	14.91	14.06
2011	8.00	7.17	-2.41	-3.14	-19.26	-19.88	13.13	12.36
2012	9.82	9.04	-1.59	-2.33	3.51	2.72	4.30	3.50
2013	11.74	10.94						

☒ Related
 ☐ Select UMA
PORTFOLIO'S RISK STATISTICS – PERIODS ENDING 03/31/13<sup>1,2</sup>

	3 Year	5 Year
Standard Deviation	20.69%	24.67%
Standard Deviation of Primary Benchmark	22.43%	26.69%
Sharpe Ratio	0.65	0.41
Sharpe Ratio of Primary Benchmark	0.54	0.26
Alpha	2.13%	3.25%
Beta	0.91	0.91
Downside Risk	2.41%	3.60%
R-Squared	0.98	0.96
Tracking Error	3.45%	5.57%
Information Ratio	0.41	0.54

PORTFOLIO DIVERSIFICATION - R<sup>2</sup> (10 YEARS ENDING 03/13)\*

	R <sup>2</sup>
ClearBridge vs. S&P 500	0.90
ClearBridge vs. Russell 2000 VI	0.91

\*Statistics are calculated using gross of fee performance only.

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

2. Russell 2000 VI 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.

Past performance is no guarantee of future results. This profile is not complete without pages 3 and 4, which contain important notes, including disclosures about the composite, index descriptions and a glossary of terms. Information shown is as of March 31, 2013, unless otherwise noted. All data are subject to change.

## 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.

**Sources of Performance Results and Other Data:** The performance data and certain other information for this strategy (including the data on page 1 of this profile) reflect the investment manager's results in managing Morgan Stanley program accounts, or the investment manager's results in managing accounts and investment products, in the same or a substantially similar investment discipline. (For periods through June 2012, the Fiduciary Services program operated through two channels - Morgan Stanley channel and the Smith Barney channel - and any performance and other data relating to Fiduciary Services accounts shown here for these periods is calculated using accounts in only one of these channels.) This information for the investment manager is presented solely to provide information about accounts that were managed according to investment objectives and strategies the same or substantially similar to the corresponding investment discipline in the Select UMA program. Although the Fiduciary Services and Select UMA programs are both Morgan Stanley managed account programs, the performance results and other features of similar investment disciplines in the two programs may differ due to investment and operational differences. For example, the individual investment disciplines in the Select UMA accounts may contain fewer securities, which would lead to a more concentrated portfolio. The automatic rebalancing, wash sale loss and tax-harvesting features of the Select UMA program, which are not available in Fiduciary Services, also could cause differences in performance. Accordingly, the performance of the accounts in the Fiduciary Services program is not, and may differ significantly from, the performance of the accounts in the Select UMA program and should not be considered indicative of or a substitute for Select UMA performance. Similarly, performance results of the investment manager's composites may differ from those of Select UMA accounts managed in the same or a substantially similar investment discipline.

#### Related Performance:

The ClearBridge Small Cap Value composite (previously named U.S. Small Cap Value Composite) consists of fully discretionary accounts with a minimum net asset value of US \$25,000 (prior to June 2008 the minimum was \$5,000). "Sleeves" of multi-style portfolios and segments of balanced accounts are excluded. Accounts in the composite consist of fully discretionary portfolios that are primarily invested in common stock and other equity securities of smaller U.S. companies. 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 annual returns.

#### Select UMA Performance:

**Gross Performance:** ClearBridge's gross results do not reflect a deduction of any investment advisory fees or program fees, charged by ClearBridge or Morgan Stanley, but are net of commissions charged on securities transactions.

**Net Performance for all Periods:** Net performance results reflect a deduction of 0.76% quarterly. This consists of three components: 0.625% maximum quarterly MS Advisory Fee and 0.03% maximum quarterly Program Overlay Fee (which, together cover the services provided by Morgan Stanley), plus manager fee 0.105% SMA Manager Fees (being the fee currently charged by ClearBridge to new clients for managing their assets in the Select UMA program). The SMA Manager Fees may differ from manager to manager, and managers may change their fee to new clients from time to time. If you select this manager for your account, check the SMA Manager Fees specified in the written client agreement, in case these have changed since you received this profile.

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

#### 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 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 or elsewhere, and may cost an investor more or less than this strategy in Morgan Stanley's Select UMA 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 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 LLC.

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.

**Russell 2000 VI**

The Russell 2000 Value Index is representative of the U.S. market for smaller capitalization stocks containing those companies in the Russell 2000 Index with lower price-to-book ratios and lower forecasted growth.

**S&P 500**

The S&P 500 has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index has over US\$ 5.58 trillion benchmarked, with index assets comprising approximately US\$ 1.31 trillion of this total. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividend reinvestment.

**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 Depositary 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 (Above \$100 billion), Large (\$12 to \$100 billion), Medium (\$2.5 - \$12 billion), Small (\$.50 - \$2.5 billion) and Micro (below \$.50 billion).

**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.

**R<sup>2</sup> (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.