Global Credit Review

April 2014

STRATEGY ASSETS

GLOBAL HIGH YIELD: $331 million
HIGH YIELD: $217 million

PERFORMANCE SUMMARY

GLOBAL HIGH YIELD	The strategy returned 0.98% (0.93% net) for the month versus 1.00% for the Barclays Global High Yield benchmark.
HIGH YIELD	The strategy returned 0.74% (0.69% net) for the month versus 0.63% for Barclays U.S. Corporate High Yield benchmark.

PERFORMANCE HIGHLIGHTS

GLOBAL HIGH YIELD The Global High Yield composite underperformed the index by 2 basis points (bps) gross of fees during the month due to credit and sector selection.

- Credit selection detracted from relative performance due to weakness from a U.S.-based payday lender, a Las Vegas–based gaming company, and a title lending company. Payday lenders in general underperformed as investors anticipated weak earnings coupled with speculation on the negative impact of impending regulation. Contributions to relative performance included a U.S.-based utility, a Polish television company, and a global shipping company.
- Sector selection detracted from performance as a result of having no exposure to the government-related sector, approximately 12% of the index, which outperformed significantly (2.3% vs. 1.0%) during the month.
- Currency selection detracted modestly given our relative underweight in euro and sterling, which rallied against the U.S. dollar. The euro appreciated after policymakers failed to follow-through on introducing fresh stimulus, which was expected by market participants. Sterling rallied on strong economic data.

HIGH YIELD The U.S. High Yield composite outperformed the index by 11 bps gross of fees for the month due credit selection.

- Credit selection detracted from relative performance due to weakness from a U.S.–based payday lender, a Las Vegas–based gaming company, and a title lending company. Payday lenders in general underperformed as investors anticipated weak earnings coupled with speculation on the negative impact of impending regulations. Contributions to relative performance included a U.S.–based utility, a global telecommunications company, and a U.S.–based payday lender that was purchased by a private-equity company.

Past performance is no guarantee of future results.

Gerhardt (Gary) Herbert, CFA
Portfolio Manager

- Joined the Firm in 2010, and has 20 years of investment experience

Brian L. Kloss, JD, CPA
Portfolio Manager

- Joined the Firm in 2009, and has 17 years of investment experience

Regina G. Borromeo*
Portfolio Manager

- Joined Brandywine Global Investment Management (Europe) Limited in 2010, and has 12 years of investment experience

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* Employee Brandywine Global Investment Management (Europe) Limited. In rendering portfolio management services, Brandywine Global Investment Management, LLC may use the portfolio management services, research, and other resources of its affiliates.

- Sector selection detracted modestly for the month due to underweights in capital goods and utilities, which outperformed. Contributors included overweights to financials and communications and an underweight to basic industry.
- Credit quality selection added to relative performance due to our overweight in single-Bs and exposure to CCCs.

EXPLANATION OF PORTFOLIO CHARACTERISTICS

During the period in the Global High Yield portfolio, we trimmed euro and sterling exposure through forwards markets. We believe both currencies currently trade at full valuations to the U.S. dollar and the potential for European Central Bank easing suggests downside risk may exist in the euro in particular, and the pound to a lesser extent. Despite removing European currency exposure and increasing U.S. dollar exposure in April, in aggregate the investment team sold U.S. securities—specifically asset-backed securities, mortgage-backed securities (MBS), and corporates—and purchased European securities. At the end of month, the Global High Yield portfolio had a yield to worst of 5.75% and modified adjusted duration of 3.65 years versus 5.04% and 4.05 years for Barclays Global High Yield Index. At the end of month, the U.S. High Yield portfolio had a yield to worst of 5.80% and modified adjusted duration of 3.8 years versus 5.23% and 4.0 years for Barclays U.S. Corporate High Yield Index.

The regional allocation of the Global High Yield portfolio is approximately 44% non-U.S. with 30% in Europe and the remaining in Latin America, Asia, Middle East, and Africa. The portfolio remains overweight the U.S. dollar and underweight euro and sterling. Global high yield corporate credit markets continue to perform well despite various political and macro headwinds. Based on our valuation models, both macro and micro, we believe that European high yield offers global investors opportunity to generate an attractive return (income and capital appreciation) in higher-quality securities. In addition, we believe that there continue to be unique opportunities in corporate and structured credit in both the U.S and Europe. We continue to evaluate opportunities in select emerging market credits and local currency sovereigns.

Communications and non-cyclicals continue to offer value and we are underweight capital goods and consumer cy-

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PERFORMANCE[1]

GLOBAL HIGH YIELD COMPOSITE ($USD)

% RETURN	MTD	QTD	YTD	1 YEAR	2 YEAR	3 YEAR	SINCE INCEPTION[2]
Gross	0.98	0.98	4.09	7.33	11.51	9.71	12.73
Net	0.93	0.93	3.87	6.64	10.80	9.00	12.01
BGHY[3]	1.00	1.00	4.00	7.41	11.08	8.81	11.15

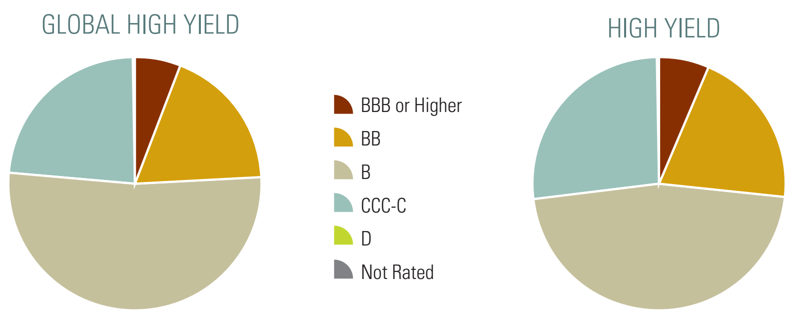
HIGH YIELD COMPOSITE ($USD)

% RETURN	MTD	QTD	YTD	1 YEAR	2 YEAR	3 YEAR	SINCE INCEPTION[4]
Gross	0.74	0.74	3.96	7.82	11.34	10.20	12.91
Net	0.69	0.69	3.74	7.13	10.62	9.49	12.19
BUSHY[5]	0.63	0.63	3.63	6.30	10.07	8.66	10.79

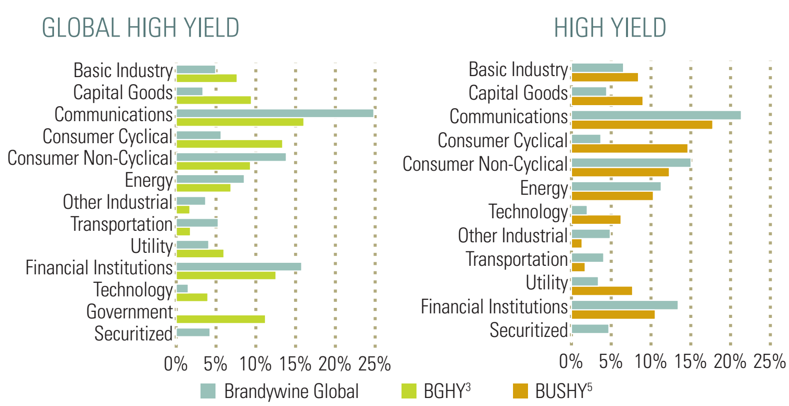
PORTFOLIO CHARACTERISTICS

	GLOBAL HIGH YIELD		HIGH YIELD	
CHARACTERISTICS	PORTFOLIO	BGHY[3]	PORTFOLIO	BUSHY[5]
Average Quality	B1/B	B1/B+	B2/B+	B2/B+
Yield to Worst (%)	5.85	5.22	5.75	5.04
Modified Adjusted Duration (%)	3.35	4.04	3.65	4.05
Average Coupon (%)	7.37	6.98	7.18	7.16
Current Yield (%)	6.76	6.76	6.56	6.80

QUALITY ALLOCATIONS



SECTOR ALLOCATIONS



clicals. We believe these defensively oriented sectors provide a nice combination of durable fundamentals and opportunity to earn attractive yields with the potential for appreciable total return. We continue to overweight single-B credits at the expense of CCC credits due to compressed spread differentials between the two quality categories relative to history. We also continue to favor non-agency MBS over "pure" CCC corporates in the U.S. High Yield and Global High Yield portfolios given continued improvement in the U.S. housing market and positive market technicals. In recent months we monetized gains on some subprime positions in our global high yield portfolios and have been gradually increasing our exposure to European MBS, including MBS from the U.K., Spain, Portugal, and Greece. The investment theme is designed to capitalize on the European economic recovery through investing in the most distressed portions of the European MBS market. We think European MBS should benefit from ECB reflation efforts, which will manifest in the form of lower interest rates or through QE bond purchases. We believe European MBS valuation normalization has more room to run in the next couple of years.

MARKET COMMENTARY

Credit spreads globally narrowed by a modest amount in April despite escalating Russian–Ukrainian tensions, a poor Chinese gross domestic product print, selling in technology and small-cap stocks, and a meaningful drop in long-term interest rates—all typically associated with risk-off events. The unusual market movement of credit spreads falling alongside risk-off events continued a trend that emerged in 2014, likely driven by institutional investors de-risking portfolios by moving into bonds and credit on the heels of a multi-year bull market in equities. European high yield outperformed U.S. high yield in April, while investment-grade credit tended to outperform high yield credit. Longer duration profiles helped investment-grade credit and European high yield outperform. The S&P 500, Russell 2000, and Euro Stoxx 50 returned 0.74%, -3.88%, and 1.16%, respectively. The Barclays Global Aggregate, Barclays Global High Yield, and JP Morgan GBI-EM Global Diversified indices returned 1.13%, 1.00%, and 0.89%, respectively.

Primary high yield markets priced $22.2 billion in the United States, $31.9 billion in Europe, and $6.8 billion in emerging market. The global loan market priced $42.5 billion of new issues with $28 billion in covenant-lite.

On an unhedged basis, all sectors within the Barclays Global High Yield index were up during the month. Utilities (1.36%), financials (1.27%), and communications (1.01%) were the best performers, while energy (0.45%), basic industry (0.57%), and consumer non-cyclical (0.58%) lagged. Excluding the effects of currency, global high yield BBs returned 0.90%, single Bs returned 1.04%, and CCCs returned 0.02%.

On an option-adjusted spread basis, the Barclays Global High Yield benchmark tightened 12 bps to 376 bps, Barclays U.S. Corporate High Yield tightened 14 bps to 343 bps, and Pan-European High Yield tightened 13 bps to 285 bps. On a yield-to-worst basis, the Barclays Global High Yield Index is currently at 5.22% while the U.S. High Yield Index and the Pan-European High Yield Index ended the month at 5.04% and 3.64%, respectively. Global default rates remain near historic lows. Bank of America Merrill Lynch's global high yield trailing 12-month default rate was 1.53% in April, a 4 bps increase from March. By market, the U.S. high yield 12-month default rate was 1.37%, European high yield was 0.56%, and emerging markets was 2.28%.

OUTLOOK

We anticipate better-than-expected growth in developed markets with the U.S. leading the recovery. The European and Japanese economies should also continue to improve throughout 2014 after gaining traction in 2013. Despite better developed market growth, we expect long safe-haven treasury rates will remain capped as a result of the still formidable debt overhang, a benign global inflation environment, and entrenched concerns of global economic fragility. Credit spreads in Europe and the U.S. are now inside historical averages, but we do not see many catalysts threatening a sudden or significant spread widening. Abundant liquidity during the past few years allowed most high yield companies to push maturity walls far into the future, and profit margins remain supportive for credit fundamentals. While the scope for broad-based spread tightening may be reduced, we still are finding attractive security-specific opportunities in corporates and securitized markets.

[1] Supplemental to attached Global High Yield and High Yield GIPS-compliant presentations. Preliminary performance. Periods greater than one year are annualized.

[2] Inception Date: January 1, 2010

[3] BGHY = Barclays Global High Yield Index (USD)

[4] Inception Date: January 1, 2010

[5] BUSHY = Barclays U.S. Corporate High Yield Index (USD)

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Global High Yield Composite | As of March 31, 2014 | Results shown in USD - Final

ANNUALIZED RETURNS

	COMPOSITE RETURN GROSS OF FEES (%)	COMPOSITE RETURN NET OF FEES (%)	BGHY[3] (%)
1 YEAR	8.99	8.29	9.01
3 YEAR	10.19	9.48	9.30
SINCE INCEPTION 01/2010	12.73	12.01	11.12

CALENDAR YEAR RETURNS

YEAR OR YTD	COMPOSITE RETURN GROSS OF FEES (%)	COMPOSITE RETURN NET OF FEES (%)	BGHY[3] (%)	NUMBER OF ACCOUNTS	MARKET VALUE (MILLIONS)	TOTAL FIRM ASSETS (MILLIONS)	COMPOSITE DISPERSION (%)	COMPOSITE ST. DEV. (% 3-YEAR ROLLING)	BGHY ST. DEV. (% 3-YEAR ROLLING)
2014	3.07	2.91	2.97	5	200	52,281	N/M	6.59	7.95
2013	7.48	6.79	7.33	5	189	50,050	N/M	6.58	7.90
2012	18.02	17.26	19.60	4	128	42,894	N/M	7.00	8.97
2011	7.20	6.51	3.12	2	39	33,122	N/M	N/M	N/M
2010	18.73	17.98	14.83	1	18	31,996	N/M	N/M	N/M

Organization
Brandywine Global Investment Management, LLC (the "Firm") is a wholly owned, independently operated, subsidiary of Legg Mason, Inc. The Firm has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS). For the periods July 1, 2000 through June 30, 2012, the Firm has been verified by Kreischer Miller. A verification includes assessing whether the Firm (1) complied with the composite construction requirements of the GIPS standards on a firm-wide basis, and (2) designed its processes and procedures to calculate and present performance results in compliance with the GIPS standards. A copy of the verification report is available upon request. Disclosed total firm assets represent the total market value of all discretionary and nondiscretionary, fee-paying and non-fee-paying assets under the Firm's management.

Composite Description
The Global High Yield Composite (the "Composite") Inception date: January 1, 2010. Creation date: January 1, 2010. The Composite includes all fully discretionary, fee-paying, actively managed Global High Yield Non-Constrained accounts with no composite minimums. The holdings consist of high yielding instruments issued globally that Brandywine believes are going to produce a high level of current income and capital appreciation. The portfolios are typically invested in 50-100 securities. Effective 11/30/12, the secondary benchmark was changed to the BofA Merrill Lynch Global High Yield, which is more reflective of the strategy.

Benchmark
The Barclays Capital Global High-Yield Index provides a broad-based measure of the global high-yield fixed income markets. The Global High-Yield Index represents that union of the U.S. High-Yield, Pan-European High-Yield, U.S. Emerging Markets High-Yield, CMBS High-Yield, and Pan-European Emerging Markets High-Yield Indices. The BofA Merrill Lynch Global High Yield Index tracks the performance of USD, CAD, GBP, and EUR denominated below investment grade corporate debt publicly issued in the major domestic or eurobond markets.

Performance Calculation
Preliminary data, if so noted, reflects unreconciled data for the most recent reporting period. Portfolios are valued daily on a trade date basis and include dividends and interest as well as all realized and unrealized capital gains and losses. Return calculations at the portfolio level are time-weighted to account for periodic contributions and withdrawals. Performance results are calculated on a before tax, total return basis. The Composite returns consist of size-weighted portfolio returns using beginning of period values to weight the portfolio returns. Monthly linking of interim performance results is used to calculate quarterly and annual returns. Composite's valuations and returns are computed in U.S. Dollars ("USD"). The results are presented in USD or in other currencies (to accommodate overseas investors), the latter by converting monthly USD returns into other currency returns using the appropriate currency exchange rate returns. Gross returns reflect the deduction of trading expenses. Net of fee returns reflect the deduction of trading expenses and the highest investment management fees charged within the composite membership as stated in the fee schedule below. Composite dispersion is calculated using the asset-weighted standard deviation method for all portfolios that were in the Composite for the entire year. Composite dispersion is not presented for periods with five or fewer portfolios. The number of accounts and market values are as of the end of the period. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Past performance is no guarantee of future results. A complete list describing the Firm's composites as well as any additional information regarding the Firm's policies for calculating and reporting performance results is available upon request.

Fee Schedule
Institutional Client Separate Account Management Fee Schedule (minimum initial investment: $5 million): 0.650% on the first $25 million; 0.600% on the next $75 million, and 0.550% on any portion of assets in excess of $100 million. Institutional Client Commingled Account Management Global Investment Trust Fee Schedule (minimum initial investment: $1 million): 0.650% on the first $25 million; 0.600% on the next $75 million, and 0.550% on any portion of assets in excess of $100 million. Additional information on the Firm's fee schedule can be found in Form ADV Part 2A which is available upon request.

High Yield Composite | As of March 31, 2014 | Results shown in USD - Final

ANNUALIZED RETURNS

	COMPOSITE RETURN GROSS OF FEES (%)	COMPOSITE RETURN NET OF FEES (%)	BUSHY[5] (%)
1 YEAR	9.03	8.33	7.54
3 YEAR	10.52	9.82	8.99
SINCE INCEPTION 01/2010	12.98	12.26	10.84

CALENDAR YEAR RETURNS

YEAR OR YTD	COMPOSITE RETURN GROSS OF FEES (%)	COMPOSITE RETURN NET OF FEES (%)	BUSHY[5] (%)	NUMBER OF ACCOUNTS	MARKET VALUE (MILLIONS)	TOTAL FIRM ASSETS (MILLIONS)	COMPOSITE DISPERSION (%)	COMPOSITE ST. DEV. (% 3-YEAR ROLLING)	BCUSCHY ST. DEV. (% 3-YEAR ROLLING)
2014	3.19	3.03	2.98	5	156	52,281	N/M	5.80	6.39
2013	8.94	8.24	7.44	5	144	50,050	N/M	5.84	6.41
2012	14.74	14.01	15.81	5	98	42,894	N/M	6.49	7.08
2011	9.63	8.93	4.98	2	29	33,122	N/M	N/M	N/M
2010	18.79	18.03	15.12	1	17	31,996	N/M	N/M	N/M

Organization
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Composite Description
The High Yield Composite (the "Composite") Inception date: January 1, 2010. Creation date: January 1, 2010. The Composite includes all fully discretionary, fee-paying, actively managed High Yield Non-Constrained accounts with no composite minimums. The holdings consist of high yielding instruments primarily issued in the United States that Brandywine believes are going to produce a high level of current income and capital appreciation. The portfolios are typically invested in 50-100 securities. Effective 11/30/12, the secondary benchmark was changed to the BofA Merrill Lynch US High Yield, which is more reflective of the strategy.

Benchmark
The Barclays Capital U.S. Corporate Yield Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. The BofA Merrill Lynch US High Yield Index tracks the performance of USD denominated below investment grade corporate debt publicly issued in the major domestic markets.

Performance Calculation
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