Global Multi-Sector Income Review

3Q 2016

STRATEGY ASSETS: $1,079 million
PERFORMANCE: The strategy returned 3.28% gross (3.05% net of fees) for the quarter.

COMPOSITE PERFORMANCE

GLOBAL MULTI-SECTOR INCOME COMPOSITE ($USD)[1]

% RETURN	QTD	YTD	ONE YEAR	TWO YEAR	THREE YEAR	SINCE INCEPTION[2]
Gross	3.28	12.58	12.52	4.29	5.78	5.21
Net	3.05	11.83	11.52	3.36	4.84	4.28
US3MLIBOR[3]	0.20	0.51	0.62	0.44	0.37	0.36

[1]Supplemental information to attached Global Multi-Sector Income GIPS-compliant presentation

[2]Inception Date: April 1, 2013

[3]US3MLIBOR = US 3 Month LIBOR

Past performance is no guarantee of future results.

GLOBAL MULTI-SECTOR INCOME GBP HEDGED COMPOSITE (GBP)[4]

% RETURN	QTD	YTD	ONE YEAR	TWO YEAR	THREE YEAR	SINCE INCEPTION[5]
Gross	4.20	14.28	13.99	5.37	6.52	8.46
Net	3.97	13.53	12.98	4.43	5.57	7.50
GBP3MLIBOR[6]	0.11	0.40	0.55	0.55	0.55	0.60

[4]Supplemental information to attached Global Multi-Sector Income GBP Hedged GIPS-compliant presentation

[5]Inception Date: January 1, 2012

[6]GBP3MLIBOR = GBP 3 Month LIBOR

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CONTRIBUTION TO RETURN

During the quarter, the strategy's significant exposure to U.S. dollar-denominated corporate credit was accretive to absolute performance. The strategy benefitted from a large position in the telecommunications sector, which showed general strength during the quarter. The strategy tilted away from European credit given the region's weakening banking sector, fragile economic conditions, and susceptibility to geopolitical risk. A position in U.S. Treasury futures and a new position in local-currency Brazilian sovereign bonds were both contributors to absolute performance. The strategy took profits from the sale of New Zealand government bonds, a position that we exited during the quarter. Unhedged exposure to the sterling dragged on performance;

Gerhardt (Gary) Herbert, CFA
Portfolio Manager and Head of Global Credit

Brian L. Kloss, JD, CPA
Portfolio Manager and Head of High Yield

Regina G. Borromeo*
Portfolio Manager and Head of International High Yield

Tracy Chen, CFA, CAIA
Portfolio Manager and Head of Structured Credit

Michael Arno, CFA
Research Analyst

Brandywine Global Investment Management, LLC
2929 Arch Street, 8th Floor / Philadelphia, PA 19104

United States 800 348 2499 / 215 609 3500
Asia 65 6536 6213
Europe 44 (0) 207 786 6360
Toronto 416 860 0616
Montreal 514 789 4489

* Employee of 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.

For Institutional Investors Only

although the currency's rapid descent abated during the third quarter, sterling was down nearly 12% for the year as of September 30.

POSITIONING AND PORTFOLIO CHARACTERISTICS

The strategy remained skewed toward higher-quality, U.S. dollar-denominated corporate credit. By the end of the quarter, the strategy's position in investment grade and high yield credit was 20.4% and 39.7%, respectively. In order to add to our corporate bond exposure, we trimmed positions in high-quality sovereign exposure, namely by closing government bond positions in New Zealand, Australia, Canada, and Mexico. We ended the period with a 24.5% position in government bonds. We believe higher-quality developed-market bond markets posed a significant price risk with yields as depressed as they are. We also reduced this allocation as a way to reduce portfolio duration and manage interest rate risk. The strategy allocated across select emerging market opportunities as well, with a focus on Latin America. We decided to exit our position in Colombia in light of the country's increasingly uncertain political future, which became even more muddied shortly after the quarter ended, with a shocking rejection of the peace agreement. Otherwise, we found emerging markets compelling given their higher real-yields and improving fundamentals. We owned a combination of local- and hard-currency assets. We initiated an unhedged position in Brazilian sovereign bonds—yields rose during the quarter and created a buying opportunity. Despite the recently added exposure to the Brazilian real, the strategy remained long the U.S. dollar with a 94.1% exposure, and maintained limited exposure to other currencies. We maintained small positions in local Indonesian and Argentine assets; exposure to the Argentine peso was unhedged. We were short the euro during the quarter. The regional allocation of the strategy is approximately 34.0% non-U.S., with positions in the U.K. (9.8%), Brazil (8.0%), Indonesia (5.0%), and Argentina (0.7%). We had a 7.5% exposure to the remainder of Europe.

Modified duration was 5.0 years at the end of September. By the end of the quarter, the blended average rating of the portfolio was BBB and the yield to worst was 4.06%.

SECTOR BREAKDOWN[7]

	% OF PORTFOLIO
Corporate Bond - High Yield	39.7
Government Sovereign	24.5
Corporate Bond - Investment Grade	20.4
Mortgage Backed Securities	2.8
Cash	11.5
Bank Loan	0.7
Derivatives P/L	0.5

CREDIT RATINGS[7]

	% OF PORTFOLIO
A & Above	30.5
BBB	24.9
BB	21.5
B	17.4
CCC-C	5.0

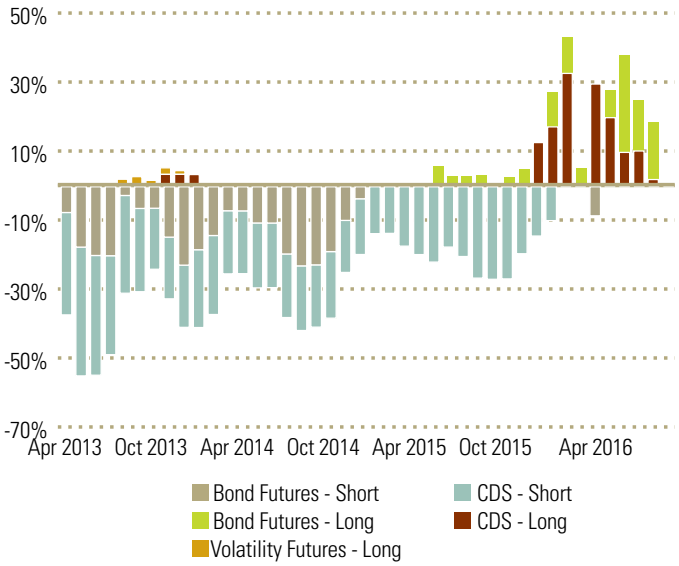
CHARACTERISTICS[7]

	PORTFOLIO
Average Credit Quality[8]	BBB
Yield to Worst (%)	4.1
Modified Adjusted Duration (Yrs)	5.0
Average Coupon (%)	5.0
Current Yield (%)	4.3

SWAPS AND FUTURES (GROSS NOTIONAL)[9]

	% LONG	% SHORT
Bond Futures	-	-
Credit Default Swap	-	-

NOTIONAL EXPOSURES



[7] Supplemental Information to the attached Global Multi-Sector Income GIPS-compliant presentation.

[8] The "Average Credit Quality" is determined as follows: In line with the methodology used by Barclays Global indices, the middle rating from the three rating agencies (S&P, Moody's, and Fitch) will be assigned to each security. In the event that ratings are provided by only two agencies, the lowest rating will be assigned. If only one agency assigns a rating, that rating will be applied. If the security is not rated by one of the three major agencies, it is given a rating equivalent to a defaulted bond. The equivalent numerical rating is assigned to each security based on the Security Level scale. A Portfolio Level scale is applied on the weighted average calculation to round for fractional numerical ratings and then converted to an alpha weighted average rating. Cash is included and receives the highest rating.

[9] Percent of Notional

MARKET REVIEW

In the wake of the Brexit referendum, high-quality sovereign bonds rallied considerably heading into the third quarter. Consequently, medium- and long-term yields fell sharply at the beginning of the quarter, with some yields hitting record lows and even falling into negative territory; however, most developed market yields crept back by the end of September, and closed the quarter either flat or marginally higher. After market volatility tapered off in the first few weeks of the third quarter, risk assets rallied given a benign macroeconomic environment supported by stabilized growth in China, and a continuation of accommodative monetary policy from developed market central banks: expanded stimulus and a rate cut from the Bank of England (BOE), the Bank of Japan (BoJ) targeting yields on the 10-year Japanese Government Bond to spur inflation, and the Federal Reserve's (Fed's) decision to delay tightening. Eurozone bonds—from both core and peripheral countries—rallied during the quarter as both regional and national current-account surpluses grew. The European Central Bank (ECB) left rates and stimulus measures unchanged given the optimism regarding the eurozone's growth prospects, although future easing has not been ruled out. As for emerging market assets, sovereign bonds and currencies reflected improving country fundamentals, investor optimism, and stability in underlying commodity prices—the Indonesian rupiah and the country's government bonds illustrate the emerging market rally. While the rally in Brazilian assets lost some momentum during the quarter, the Brazilian real is up considerably for the year at 22%. Global credit markets were the net beneficiaries of investors' search for yield, global central bank easing, and stabilizing commodity prices. Although momentum in credit markets tapered off in September, corporate credit generated positive returns across the quality spectrum.

COUNTRY & CURRENCY ALLOCATION[7]

COUNTRIES	% OF PORTFOLIO
United States	66.1
United Kingdom	9.8
Brazil	8.0
Indonesia	5.0
Italy	4.3
Jamaica	2.4
Ireland	1.8
Argentina	0.7
Germany	0.6
Luxembourg	0.4
Croatia	0.3
Spain	0.2
European Union	0.0
Derivative P/L	0.5

CURRENCIES	% OF PORTFOLIO
U.S. Dollar	94.1
Brazilian Real	7.5
British Pound	1.7
Argentine Peso	0.7
Indonesian Rupiah	0.5
Euro	-4.3

OUTLOOK

Given the unexpected outcome of the Brexit referendum, global deflationary pressures and geopolitical risks—potentially including the longer-term viability of the EU—remain at the forefront. The Italian referendum and the outcome of the Austrian runoff in the country's presidential election are both imminent political risks for the region, whereas the impact of Britain's decoupling from the EU may likely take years to manifest. We will have more clarity in early 2017, as Prime Minister May offered some clarity on a timeline. In the more immediate term, we expect to see additional central bank intervention by the ECB, the BoJ, and the BOE. We believe the Federal Reserve will return to monetary tightening at its December meeting, so long as U.S. economic data supports the interest rate hike. Given the uncertain macroeconomic backdrop, we opted to invest in less cyclical segments of the market. The increasing trend in distressed ratios and default rates in commodity-related credit and emerging market high yield affirms our view to be patient and very selective in adding to these types of issuers. Overall, we think the fundamentals backing a global reflation theme have not changed materially. Prior to the U.K. vote, we saw several positive developments regarding global reflation, including stabilization in emerging markets, particularly China, and commodity markets. While we are cautious of the possibility of contagion risks spreading to other European countries, we are constructive on the prospects of select emerging markets opportunities. We recognize that we are late in the credit cycle amid a slowdown in global growth. However, the force unleashed by investors' global search for yield is equally powerful. We continue to scour the global high yield universe for value as the global hunt for yield has reduced the opportunity set by driving up valuations. We believe our positioning in high-quality credit and exposure to select emerging markets, combined with tactical use of safe haven duration hedges, will work well in the volatile, post-Brexit referendum period.

The views expressed represent the opinions of Brandywine Global Investment Management, LLC ("Brandywine Global") and are not intended as a forecast or guarantee of future results. In rendering portfolio management services, Brandywine Global may use the portfolio management services, research and other resources of its affiliates. Please note that portfolio securities may have been rated by another Nationally Recognized Statistical Rating Organization. This information should not be considered a solicitation or an offer to provide any Brandywine Global service in any jurisdiction where it would be unlawful to do so under the laws of that jurisdiction. Performance results are presented gross and net of management fees and include the reinvestment of all income. Gross returns presented do not reflect the deduction of investment advisory fees. A client's return will be reduced by the advisory fee and other expenses included in the management of the account. Net of fee performance was calculated using the highest management fee as described in Part 2 of the Firm's Form ADV, which is available upon request. Preliminary data, if noted, reflects unreconciled returns for the time periods listed above. There may be additional risks associated with international investments such as market/currency fluctuations, investment risks, and other risks involving foreign economic, political, monetary, taxation, auditing and/or legal factors. These risks are magnified in emerging markets. International investing may not be suitable for everyone. Fixed income securities involve interest rate, credit, inflation and reinvestment risk; and possible loss of principal. High yield bonds possess greater price, volatility, illiquidity and possibility of default. The data represent the aggregate characteristics of all securities held in the Representative Portfolio, an actual commission account not subject to taxation. Data obtained from Barclays Live and Bloomberg Finance, LP, which is believed to be accurate and reliable. Characteristics, sector and region weightings are subject to change and should not be considered as investment recommendations. Individual client accounts may differ from characteristics shown. It should not be assumed that investments listed and account quality ratings were or will prove profitable, or that investment decisions we make in the future will be profitable. Brandywine Global's investment process may prove incorrect, which may have a negative impact on performance. Brandywine Global believes that transactions in any option, future, commodity, or other derivative product are not suitable for all persons, and that accordingly, clients should be aware of the risks involved in trading such instruments. There may be significant risks which should be considered prior to investing. Transactions in derivatives may increase liquidity risk and introduce other significant risk factors of a complex character. All securities trading, whether in stocks, options or other investment vehicles, is speculative in nature and involves substantial risk of loss.

The 3-month US Dollar (USD) LIBOR (London Interbank Offered Rate) interest rate is the average interest rate at which a selection of banks in London are prepared to lend to one another in US dollars with a maturity of 3 months. The 3 month British pound sterling (GBP) LIBOR interest rate is the average interest rate at which a selection of banks in London are prepared to lend to one another in British pounds with a maturity of 3 months. The S&P 500® Index is an index of the common stock prices of 500 widely held U.S. stocks and includes reinvestment of dividends. All indices are unmanaged and not available for direct investment.

Please refer to the attached GIPS compliant presentations, which include performance footnotes, fee schedules, index descriptions and disclosures. This material may not be reproduced or used in any form or medium without express written permission. Unless otherwise noted, performance returns and other data are current as of the date stated at the top of the page. Brandywine Global will not undertake to update the information at a later date. **Past performance is no guarantee of future results.**

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Global Multi-Sector Income Composite | As of September 30, 2016 | Results shown in USD - Final

ANNUALIZED RETURNS

	COMPOSITE RETURN GROSS OF FEES (%)	COMPOSITE RETURN NET OF FEES (%)	US 3 MONTH LIBOR (%)
QTD	3.28	3.05	0.20
YTD	12.58	11.83	0.51
1 YEAR	12.52	11.52	0.62
3 YEAR	5.78	4.84	0.37
SINCE INCEPTION 4/2013	5.21	4.28	0.36

CALENDAR YEAR RETURNS

YEAR OR YTD	COMPOSITE RETURN GROSS OF FEES (%)	COMPOSITE RETURN NET OF FEES (%)	US 3 MONTH LIBOR (%)	NUMBER OF ACCOUNTS	MARKET VALUE (MILLIONS)	TOTAL FIRM ASSETS (MILLIONS)	COMPOSITE DISPERSION (%)	COMPOSITE ST. DEV. (% 3-YEAR ROLLING)	US 3 MONTH LIBOR ST. DEV. (% 3-YEAR ROLLING)
2016	12.58	11.83	0.51	2	90	69,540	N/M	4.32	0.06
2015	-1.69	-2.57	0.31	2	86	68,819	N/M	N/M	N/M
2014	3.68	2.75	0.23	2	79	63,375	N/M	N/M	N/M
2013	4.13	3.43	0.20	2	12	50,050	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, 2015, 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

Global Multi-Sector Income Composite (the "Composite") Inception date: April 1, 2013. Creation date: April 1, 2013. The Composite includes all fully discretionary, actively managed accounts with no minimum market value requirement and no investment restrictions within the Global Multi-Sector Income strategy. The Composite seeks to generate consistent alpha utilizing the investment team's best emerging market, credit, sovereign and currency ideas in the form of cash or derivative instruments. The use of these derivatives may increase the risk of the strategy. The Composite utilizes over-the-counter forward exchange rate contracts to manage its currency exposure. These contracts are valued daily using closing forward exchange rates. Brandywine uses WM/Reuters daily FX rates taken at 4 p.m. London time. Effective 3/31/14, the composite was changed from "Global Income Total Return" to more accurately reflect the strategy's exposures.

Benchmark

London-Interbank Offered Rate (LIBOR) - British Bankers Association Fixing for US Dollar. The rate is an average derived from the quotations provided by the banks determined by the British Bankers' Association. The top and bottom quartile is eliminated and an average of the remaining quotations calculated to arrive at fixing. BBA USD LIBOR is calculated on an ACT/360 basis and for value for two business days after the fixing.The Bloomberg Barclays 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.

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

Fees: Institutional Client Separate Account Management Fee Schedule (minimum initial investment: $5 million): 0.55% fee on all assets of up to $25m, 0.50% up to $75m and 0.45% for $100m or greater. Additional information on the Firm's fee schedule can be found in Form ADV Part 2A which is available upon request.

Global Multi-Sector Income GBP Hedged Composite | As of September 30, 2016 | Results shown in GBP - Final

ANNUALIZED RETURNS

	COMPOSITE RETURN GROSS OF FEES (%)	COMPOSITE RETURN NET OF FEES (%)	GBP 3 MONTH LIBOR (%)
QTD	4.20	3.97	0.11
YTD	14.28	13.53	0.40
1 YEAR	13.99	12.98	0.55
3 YEAR	6.52	5.57	0.55
SINCE INCEPTION 1/2012	8.46	7.50	0.60

CALENDAR YEAR RETURNS

YEAR OR YTD	COMPOSITE RETURN GROSS OF FEES (%)	COMPOSITE RETURN NET OF FEES (%)	GBP 3 MONTH LIBOR (%)	NUMBER OF ACCOUNTS	MARKET VALUE (MILLIONS)	TOTAL FIRM ASSETS (MILLIONS)	COMPOSITE DISPERSION (%)	COMPOSITE ST. DEV. (% 3-YEAR ROLLING)	GBP 3 MONTH LIBOR ST. DEV. (% 3-YEAR ROLLING)
2016	14.28	13.53	0.40	1	44	53,533	N/M	4.44	0.01
2015	-1.71	-2.60	0.57	1	59	46,692	N/M	3.89	0.01
2014	4.49	3.56	0.54	1	148	40,644	N/M	4.49	0.06
2013	4.88	3.95	0.51	1	81	30,219	N/M	N/M	N/M
2012	19.52	18.47	0.83	1	16	26,388	N/M	N/M	N/M

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Composite Description

The Global Multi-Sector Income GBP Hedged Composite (the "Composite") Inception date: January 1, 2012. Creation date: January 1, 2012. The Composite includes all fully discretionary, fee-paying, actively managed Global Multi-Sector Income accounts with no composite minimums hedged to the British Pound. The investable universe is generally comprised of a broad mix of global securities including but not limited to: sovereign debt, emerging market debt, global high yield credit, global investment grade, bank loans, structured credit, convertible securities, preferred stock, common stock and currencies. The strategy may hold synthetic short and/or long positions on individual securities, indices, currencies and/or interest rates through forwards, swaps, and/or futures. The portfolios are typically invested in 50-100 securities. The primary objective is to maximize income through the business cycle (3-5 year period) with a secondary object of capital appreciation. Effective 3/31/14, the composite was changed from "Global Income Total Return GBP Hedged" to more accurately reflect the strategy's exposures.

Benchmark

London-Interbank Offered Rate (LIBOR) - British Bankers Association Fixing for British Pound Sterling. The rate is an average derived from the quotations provided by the banks determined by the British Bankers' Association. BBA GBP LIBOR is calculated on an ACT/360 basis and for value for two business days after the fixing.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 Barclays Capital Global Credit Index contains investment grade and high yield credit securities from the Multiverse Index. (The Multiverse Index is the merger of two index groups: the Global Aggregate Index and the Global High Yield Index.)

Performance Calculation

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