LEGG MASON
GLOBAL ASSET MANAGEMENT

- **INVESTMENT INVOLVES RISKS. The value of the Fund can be volatile and investors may not get back the amount originally invested. Past performance is not indicative of future results.**
- The Fund is a sub-fund of Legg Mason Global Funds plc, an open-ended umbrella investment company constituted in Ireland. The Fund seeks to generate long-term capital appreciation by investing in the securities of U.S. companies of any market capitalisation that the Sub-Investment Manager believes are experiencing, or have potential to experience, above-average growth of earnings and/or cash flow.
- Investors will be exposed to equity market, US markets, concentration, custody and settlement, currency and debt securities risks.
- The Fund may use certain types of financial derivative instruments, which may involve a higher degree of risk including but not limited to counterparty, volatility, liquidity, leverage and valuation risks, and the Fund may suffer a substantial loss.
- Securities of smaller companies generally are less liquid and more volatile than those of larger companies; and smaller companies generally are more likely to be adversely affected by poor economic or market conditions.
- Investors should not invest based on this marketing material alone. Offering documents should be read for further details, including the risk factors.

Webcast Q&A

LEGG MASON CLEARBRIDGE US AGGRESSIVE GROWTH FUND

Evan Bauman ("EB"), Portfolio Manager of the Legg Mason ClearBridge US Aggressive Growth Fund (the "Fund") views the recent sell-off and rise in volatility as being very constructive on a longer term basis. This Q&A is based on a webcast that took place on 13 January 2016, in which Evan discussed the Fund's recent returns and elaborated on how he has put the Fund's cash to work.

KEY POINTS

- **The manager has taken advantage of the recent volatility to invest the Fund's cash.**
- **Healthcare, energy, media and certain tech companies remain key areas of focus for the Fund.**
- **In the current environment, the manager believes it is important to avoid companies with near-term debt obligations.**
- **Strong companies with positive cash flow are emphasised; their value should get monetised either through share price appreciation or through a takeover.**

Q: Recent performance has been disappointing. Can you elaborate on why the Fund has lagged its benchmark?

EB: Market returns in 2015 were driven by a handful of mega-cap, technology and internet companies. We were clearly hurt by our overweight in energy, and by some of the names that we owned within the technology space, including storage companies.

The Fund is very different compared to a lot of other growth funds in the US. It is very concentrated, with the top 10 holdings typically making up around 50% of the portfolio, and has an active share which is well above 90%. As a result, we expect the Fund to periodically experience periods of more challenging performance, particularly during times of macro-related turmoil, such as in recent months. When you look at the periods in the past where we have had underperformance, in every case we outperformed the market over the next three year periods[1].

Being long-term business owners with a very strict quality bias and valuation discipline, we are contrarians in terms of how we think and when we take positions. With turnover that is usually in single digits, we have owned many of the Fund's holdings for over 10 years: in fact, each of our top 10 holdings has been held for at least 20 years.

We have been managing this US equity strategy for over 32 years and we don't let periods of short-term underperformance change our discipline. What we do try to do is use those periods to continue to add to names and companies where we have high conviction.

Q: Do you continue to hold a significant allocation to cash?

EB: No, we have put most of the cash to work. In mid-2015, we had let cash build to near record levels for the Fund, with just north of 10% held at the end of June. While the US equity market was grinding to all-time highs, fewer and fewer stocks were participating in the upward movement. At the time, we felt the best thing for the market would be a period of greater volatility: in our view, volatility at sub-20 on the Chicago Board Options Exchange

FOR PUBLIC IN HONG KONG AND DISTRIBUTORS IN MACAU USE ONLY.
PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

Brandywine Global • ClearBridge Investments • Martin Currie • Permal • QS Investors • RARE Infrastructure • Royce & Associates • Western Asset Management

(CBOE) Volatility Index (VIX) was unnatural and the best thing that could happen would be a more volatile period with a market correction of 10-15%.

In the second half of 2015 there was indeed a sharp uptake in volatility as the market had a dramatic sell-off, capitulating at the end of August with about a 12% point-to-point move in the S&P 500 Index. While the market subsequently rallied to end the year pretty much unchanged, this was on very limited breadth; in fact, the rally in the Russell benchmark was driven by just four names – Facebook, Google, Amazon and Microsoft – which is somewhat unhealthy.

The latter half of 2015 was notable for three major corrections within healthcare, the most severe of which was a 22% pullback in biotech companies in about a five-day trading period. There was also a severe correction within the media space, as well as the ongoing correction in commodity stocks.

Against this backdrop, we reduced the Fund's cash holding to below 1%. One of the big tenets of our strategy, along with being long-term investors, is being valuation-conscious and dollar cost averaging into businesses. So, when valuations become compelling, we take the opportunity to add to existing long-term holdings.

In fact, we view the recent sell-off and the post-summer volatility as being very constructive on a longer term basis, believing it necessary to reinvigorate the bull market that again has been in place since 2009.

Q: Why is healthcare your largest exposure?

EB: We see no other area of the market that has the same opportunity for sustainable top-line growth and consolidation. Our holding in Allergan is just one example of the ongoing consolidation in this sector which we think will continue: the company is in the process of merging with Pfizer, creating a company with an unprecedented breadth of product, balance sheet and ultimately innovation and growth, driven by research and development (R&D).

We continue to favour biotech companies, and have used the recent volatility to add to existing positions. While pricing concerns and the upcoming election have weighed on the sector, the names that we own, particularly the innovative biotech names like Vertex Pharmaceuticals and Biogen, have been sensible in the level of price increases they have announced. The market recognises such increases are necessary to enable the company to continue to invest in next generation therapies.

While there is likely to be a lot of political rhetoric regarding pricing over the next few months, that doesn't change the value of the business. It doesn't mean these stocks won't continue to be volatile, but I view any setback as a tremendous buying opportunity.

Q: Your position in energy is a clear differentiator. Can you elaborate on your views?

EB: In our view, this is a sector where the opportunity for upside is greater than any other part of the equity market right now. While our energy exposure is only about 13% of the portfolio, that's a sizeable overweight compared to the benchmark, where the energy weighting has fallen to less than 1%.

We own energy companies; we don't own the underlying commodities. We focus on balance sheet strength and a company's liquidity profile, as well as its diversity in terms of asset profile, both in terms of underlying commodities and where the assets are located. We recognise that there will be failures given the fall in oil prices, which is why we focus on companies that can withstand periods of commodity price and external economic stress.

At close to US$30 a barrel, oil is trading significantly below the cash cost of drilling; simply put, every well is uneconomical to drill at present. This is leading to big cutbacks in capital expenditure (capex) levels. Historically in this type of environment, the reduction in excess capacity has, over a longer-term time horizon of 12-18 months, resulted in an upside move in commodity prices of 2.5 to 4 times.

Looking at some of the energy companies that we own, Anadarko Petroleum, which is trading well below 50% of its NAV, has a strong liquidity profile. The company is free cash flow neutral, even in this commodity price environment, through operating cash flow and asset sales, and it is actually able to invest through this period. As its peers fail or go bankrupt, companies like Anadarko are actually able to invest in long-life projects around the world. In my view, such companies have considerably more upside potential than virtually any other company within the US stock market.

Q: Which other sectors would you highlight in terms of your exposure?

EB: Technology is another sector where the Fund has a large position. Last year, the leaders were the mega-cap tech and internet names and I think that has become a very crowded trade. In contrast, there are parts of the technology space which are inexpensive, areas like storage where we own Seagate, and have added Western Digital. Western Digital is in the process of acquiring SanDisk, creating the next generation storage powerhouse in both hard disk drives as well as flash memory. That's a combined company that will trade at about five times

FOR PUBLIC IN HONG KONG AND DISTRIBUTORS IN MACAU USE ONLY.
PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

earnings, with the opportunity to generate over US$3 billion of cash. We have also trimmed our exposure to Facebook: we bought the stock in the latter months 2012 when it was trading in the low 20's, whereas now it's over 90. Instead, we have added to other names in the social media space, including Twitter, which has a superior risk-reward profile.

The other sector where we have a big overweight is consumer discretionary – but that's really US cable and media companies, which is another area that has gone through a big wave of consolidation. A couple of our holdings in this space, notably Cablevision as well as DirecTV, have been acquired over the last couple of years. We continue to favour a number of content companies since they are poised to benefit through 'TV anywhere'.

Q: Can you remind us why you don't own any consumer staples companies?

EB: It's basically to do with valuation. Companies in the energy sector are trading at less than half of their NAV; in the healthcare space, big, profitable biotechs are trading on cheaper valuations than the S&P right now. Biogen, for example, trades at under 20 times earnings, even though it is growing its top-line. In contrast, in the consumer staples sector, companies trade at 25 to 30 times earnings. These companies are highly levered to a US consumer who is saving more than they are spending. As a result, the risk-reward trade-off favours areas like healthcare, energy, tech and media.

We also have no exposure to telecom and utilities, which have been used as bond proxies, and we don't have exposure to financials because of the regulatory environment.

Q: How do you explain the weak start to 2016?

EB: Levels of bullishness, as measured by multiple surveys, are now back to the same levels they were in August, volatility has risen with the VIX rebounding back to the 20s, and there appears to be a tremendous level of angst, or even panic, in the markets. This is not confined to the energy sector, but has spread to areas like healthcare: biotech, for example, has started the year with a 15% correction.

I would characterise the start of the year as a liquidity-driven sell-off, with very little in terms of bids to balance large sales orders. As a result, when we look at the businesses that we own, they are now at some of the most attractive valuation levels that we have seen in some time: the Fund's price-to-book ratio is about half the benchmark; its price-to-sales and price-to-earnings (P/E) ratios are below the benchmark; the debt-to-equity ratio is a small fraction of the benchmark.

In today's environment, you want to focus on liquidity and balance sheets, and it is essential to own companies that don't have particularly near-term debt obligations, but are actually able to continue to invest in the business. The value of such companies will eventually be monetised, either through share price appreciation or through takeovers.

FOR PUBLIC IN HONG KONG AND DISTRIBUTORS IN MACAU USE ONLY.
PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

Webcast Q&A

[1] Source: Legg Mason, as of 31 December 2015. Class A Dis (A) USD performance is net of fees and is calculated on a NAV to NAV basis (USD). Performance is based on reinvestment of any income and capital gains distribution derived from securities held in the Fund. Distr. (A) = Distributing share class. The share class aims to declare and pay dividend on an annual basis. Dividend amount or dividend rate is not guaranteed. Class A Dis (A) USD calendar year net of fees performance for year-to-date (-5.22%), 2014 (13.62%), 2013 (37.53%), 2012 (18.69%), 2011 (-2.64%), 2010 (23.48%). Performance includes periods prior to the Fund's launch date (20 April 2007), reflecting performance of the predecessor fund (which has a substantially similar investment objective and policy and managed by the same portfolio management team but was not authorised in Hong Kong), whose assets were transferred into this Fund on 20 April 2007.On 27 August 2010 the Legg Mason US Aggressive Growth Fund merged into the Legg Mason ClearBridge US Aggressive Growth Fund. Benchmark: Russell 3000 Growth Index. **Investment involves risks. Past performance is not indicative of future results.**

Calendar Year Performance (%)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Legg Mason ClearBridge US Aggressive Growth Fund – Class A Dis (A)	-33.13	35.55	10.22	10.96	9.56	0.13	-40.89	34.80	23.48	-2.64	18.69	37.53	13.62	-5.22
Russell 3000 Growth Index	-28.03	30.97	6.93	5.17	9.46	11.40	-38.44	37.01	17.64	2.18	15.21	34.23	12.44	5.09

IMPORTANT INFORMATION

The mention of any individual securities/funds should neither constitute nor be construed as a recommendation to purchase or sell securities, and the information provided regarding such individual securities/funds is not a sufficient basis upon which to make an investment decision.

Source: Legg Mason and ClearBridge Investments, as of 13 January 2016. This document is for information only and does not constitute a financial promotion or other financial, professional or investment advice in any way. All data, opinions, estimates and other information are provided as of the date of this document and may be subject to change without notice. Where past performance is quoted, such figures are not indicative of future performance. This document does not constitute an offer or solicitation to buy or sell any units or shares in any fund. **INVESTMENT INVOLVES RISKS**. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Please refer to the most current offering documents for further details, including the risk factors.

If this document is distributed in Macau, this may not be used other than by the Distributors.

Any views expressed are opinions of the respective investment affiliates as of the date of this document and are subject to change without notice based on market and other conditions and may differ from other investment affiliates or of the firm as a whole. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice. The mention of any individual securities should neither constitute nor be construed as a recommendation to purchase or sell securities, and the information provided regarding such individual securities is not a sufficient basis upon which to make an investment decision.

Exchange rate changes may cause the value of overseas investments to rise or fall. Where the Fund's base currency is not US/HK Dollars, US/HK Dollar-based investors are exposed to exchange rate fluctuations.

Neither Legg Mason nor any officer or employee of Legg Mason accepts any liability whatsoever for any loss arising from any use of this document or its contents. The information in this document is confidential and proprietary and may not be used other than by the intended user. This document may not be reproduced, distributed or published without prior written permission from Legg Mason.

This document has not been reviewed by the Securities and Futures Commission in Hong Kong or Monetary Authority of Macao in Macau.

Issuer: Legg Mason Asset Management Hong Kong Limited.

HK1601064

FOR PUBLIC IN HONG KONG AND DISTRIBUTORS IN MACAU USE ONLY.