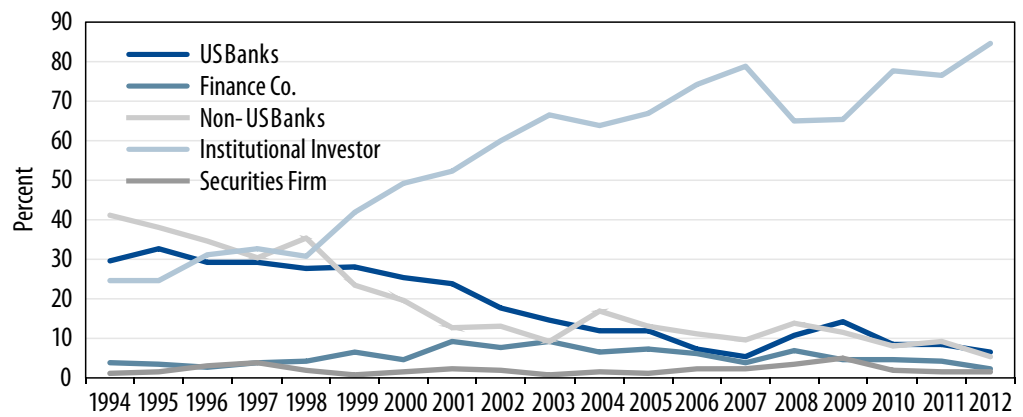


# Bank Loan

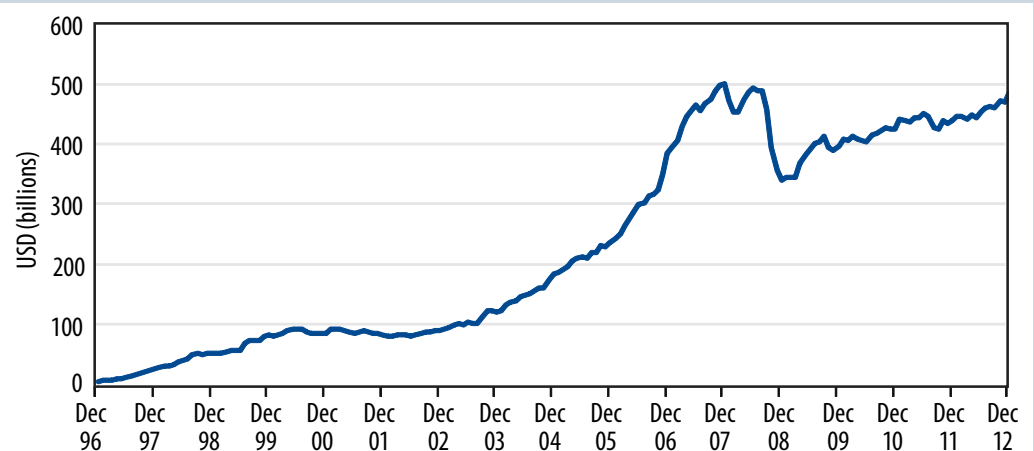
The loan market as we know it today began to take form in the early 1990s, prompted by major steps taken toward the repeal of the Glass-Steagall Act of 1933 under US President Bill Clinton, and investment banks' realization that they were better off syndicating loans as opposed to holding them on the balance sheet. In the early 1990s, domestic and foreign banks were the primary holders of loans, as can be seen in Exhibit 1. Japanese banks in particular were eager to raise capital and liquidate their loan holdings, which allowed institutional investors to get involved in the asset class. Beginning in 1997, institutional investors became the predominant investors in leveraged loans and their market share continues to increase. Participants have seen the size of the market, as represented by the S&P/LSTA Performing Loan Index, grow from just over \$5 billion in 1997 to close to \$500 billion at the end of 2012 (Exhibit 2). Today the leveraged loan market is characterized by a broad base of underwriting/market-making institutions, a large foundation of professional managers and growing demand from investors.

**Exhibit 1**  
**Composition of Bank Loan Market by Investor Type**



Source: S&P/LCD. As of 31 Dec 12

**Exhibit 2**  
**Size of Bank Loan Market Historically**



Source: S&P/LCD. As of 31 Dec 12

### A Quick Bank Loan Review

Bank loans still constitute a relatively new instrument for many investors, and are often misunderstood. In short, a bank loan (also commonly known as a leveraged loan) is a floating-rate instrument, originated by a commercial bank or other financial institution, according to which the borrower has a non-investment-grade rating or a non-investment-grade business profile. The term “leveraged,” in this case, refers to the credit quality of the issuers and not to the use of any investment leveraging strategies. Typically, bank loans are secured by specific collateral packages and carry a minimum interest rate equal to LIBOR+125. There are two types of bank loans: unfunded commitments/revolvers and funded term loans (also known as institutional term loans). The primary difference is that revolvers are similar to a corporate credit card whereby the borrower can draw funds when needed, while term loans are for one-time borrowings and cannot be redrawn when paid back. For our purposes, we will focus on term loans.

Term loans closely resemble traditional bonds, in that they tend to have longer-dated maturities (seven to 10 years), back-end amortization schedules, final maturity dates, covenants, and a bond-like syndication process. With the development of the institutional term loan market, a broad base of institutional money managers such as Western Asset have entered the market to pursue the enticing risk-adjusted return opportunities.

While institutional term loans are designed to replicate a traditional bond, there are some structural differences (Exhibit 3).

Exhibit 3  
Structure: Bond vs. Loan

	Loans	Bonds
<b>Ranking</b>	Senior	Senior or Subordinate
<b>Security/Collateral</b>	Secured	Unsecured
<b>Interest Rate</b>	Floating (LIBOR+)	Fixed
<b>Payment Frequency</b>	Quarterly	Semi-Annual
<b>Call Protection</b>	Infrequent	Common
<b>Covenants</b>	Maintenance	Incurrence
<b>Documentation</b>	Loan Agreement	Bond Indenture
<b>Settlement</b>	T+7	T+3
<b>Settles with Accrued</b>	No	Yes
<b>Settlement Transfer</b>	Assignment/Participation	Clearing House
<b>Minimum Trade Size</b>	\$1 million	\$1,000
<b>Registered Security</b>	No	144a/Registered
<b>CUSIP</b>	Yes	Yes

Source: S&P/LCD

### Why Do We Think Bank Loans are an Attractive Asset Class?

- Attractive Credit Spreads:** Credit spreads are primarily the yield premium that investors demand over the risk-free rate as compensation for assuming the risk of an issuer’s default and perceived illiquidity in the market. In the loan market, the spreads are often calculated on a three-year discounted basis. This calculation makes the assumption that the average loan in the market will be paid off within a three-year period (which is historically accurate), and that discounted loans will accrete to par over three years (also assumes loans trading at a premium, which is more rare, will depreciate towards par over three years). As would be expected, those loans with the highest risk of default and a greater expected loss

given default will trade at a higher spread off the risk-free rate. Once we know the spread of the market and make educated assumptions about recovery rates, we can judge whether or not the market is overly compensating us for the risk. As seen in Exhibit 4, given today's low realized default experience and relatively wide spreads, the market currently looks cheap versus where it should be trading.

#### Exhibit 4 Implied Default Rates

3-Year Discounted Spread: 484 bps

60% Recovery	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Default Rate	6.8%	6.8%	6.8%	6.8%	6.8%
Cumulative Default Rate	6.8%	12.0%	17.0%	21.6%	26.0%

70% Recovery	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Default Rate	8.9%	8.9%	8.9%	8.9%	8.9%
Cumulative Default Rate	8.9%	15.7%	22.0%	27.8%	33.1%

Source: Barclay's Capital, Bloomberg. As of 31 Dec 12

At the end of 2012, the three-year discounted spread for BB and B rated loans was at LIBOR+484 basis points (bps). As Exhibit 4 shows, the implied default rate of the broad bank loan market, assuming a 60% recovery in bankruptcy, was 6.8% a year for five consecutive years, or a cumulative rate of 26.0% over the entire five-year period. In other words, if investors bought into the bank loan market at LIBOR+484 bps, experienced a 6.8% annual default rate for each of the next five years, and received a package worth 60 cents on the dollar in recovery for each default, investors would have earned the same return as the similar-duration risk-free rate at the end of the five-year period (assuming yields and spreads stay constant). It is that point when an investor should be indifferent to owning bank loans or the risk-free rate. If an investor's view is that default rates will exceed the implied levels, the investor should avoid the asset class. If an investor's view is that default rates will be lower than implied levels, the investor may want to buy the asset class. As noted in Exhibits 5 and 6, the long-term recovery rate and default rate for the bank loan market are 66% and 3.44%, respectively. Taking a longer-term view and using high-yield as proxy, the worst five-year cumulative default experience for the riskier high-yield asset class since the 1940s was 35.6% from 1999–2003. Most leveraged market strategists on Wall Street are looking for the 2013 default rate to be between 2% and 3.5% on an issuer weighted basis. It would appear that the implied default rates at valuations as of December 31, 2012 are well in excess of expert forecasters' expectations, an indication that the leveraged loan market may be poised to generate outperformance versus UST.

- **Security:** One of the benefits of a bank loan is its senior and secured status, which places a lender's claim at the top of an issuer's capital structure. As would be expected, securities with more senior and secured claims have historically experienced higher recovery rates in the event of a default as shown in Exhibit 5.

#### Exhibit 5 Moody's Issuer-weighted Long-Term Average Recovery Rates

	1987-2011
First Lien Bank Loan	66.0%
Senior Unsecured Bond	36.8%

Source: Moody's. As of 31 Dec 11

Exhibit 6  
Moody's Issuer-weighted Long-Term Average  
Default Rates

	1996-2011
<b>First Lien Bank Loan</b>	3.44%
<b>Senior Unsecured Bond</b>	5.07%

Source: Moody's. As of 31 Dec 11

Whereas bonds can be senior or subordinated and are not typically secured, bank loans are by definition senior secured obligations of the company that is issuing them and usually have a first-lien claim on the assets of the issuer in case of default. As a result, loans have experienced lower default rates (Exhibit 6) and higher recovery rates than bonds over time. In addition to their placement within the capital structure, loans are often structured with maintenance covenants. A covenant is a legally enforceable rule upon which borrowers and lenders agree, and which enumerates the duties issuers are required to do and what issuers are prohibited from doing. There are two types of covenants: maintenance covenants and incurrence covenants. Covenants that require an issuer to maintain certain financial metrics (maintenance covenants) are more stringent and thus more advantageous to the lender than are incurrence covenants. Incurrence covenants only dictate the terms a borrower must follow if the borrower wants to incur more debt. The problem with incurrence covenants is that the lender is powerless if the borrower remains timely with payments. So if a business is declining, the maintenance covenant has an earlier trigger relative to an incurrence covenant and allows for lenders to save value. While maintenance covenants are standard for bank loan deals, bonds typically contain incurrence covenants only.

- **Portfolio Diversification:** Bank loans have traditionally exhibited lower volatility and higher Sharpe Ratios relative to other asset classes. As can be seen in Exhibit 7, loans traditionally have a lower monthly standard deviation than most asset classes, with the exception of investment-grade credit.

Exhibit 7  
Standard Deviation of Monthly Returns

	Jan 1997 - Dec 2012
<b>S&amp;P Performing Loan Index</b>	1.90%
<b>BCAP US High Yield Index</b>	2.84%
<b>10Yr TSY</b>	2.17%
<b>S&amp;P 500</b>	4.69%
<b>BCAP US Credit</b>	1.51%
<b>JPM EMBI Global</b>	3.58%

Source: S&P/LCD, Bank of America/Merrill Lynch, JP Morgan. As of 31 Dec 12

Because they are floating-rate instruments, loans tend to have low correlations to other traditional fixed-income classes. Therefore loans should be more widely used as a diversifier within a strategic asset allocation program.

### Exhibit 8 Correlations Support Bank Loans

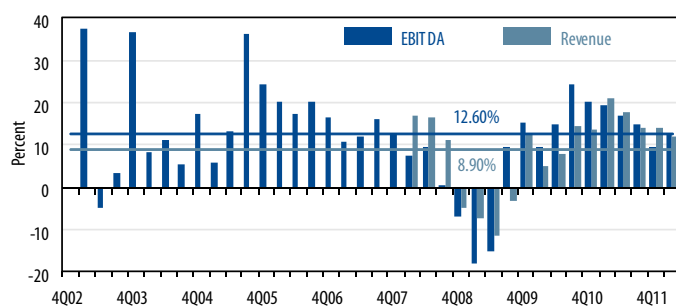
	S&P/LSTA Performing Loans Index	Barclays Global High-Yield Index	JPMorgan EMBI Global	Barclays U.S. Treasury Index	Barclays U.S. Aggregate Index	S&P 500	Wilshire 5000	Russell 2000	Gold
S&P/LSTA Performing Loans Index	1.00								
Barclays Global High-Yield Index	0.69	1.00							
JPMorgan EMBI Global	0.30	0.80	1.00						
Barclays U.S. Treasury Index	-0.37	-0.16	0.07	1.00					
Barclays U.S. Aggregate Index	-0.05	0.19	0.29	0.91	1.00				
S&P 500	0.43	0.69	0.57	-0.27	-0.03	1.00			
Wilshire 5000	0.45	0.72	0.59	-0.28	-0.04	0.99	1.00		
Russell 2000	0.44	0.69	0.55	-0.29	-0.08	0.82	0.89	1.00	
Gold	0.00	0.23	0.30	0.17	0.24	0.04	0.07	0.13	1.00

Source: S&P/LSTA, Barclay's Capital, JP Morgan, Bloomberg. As of 31 Dec 12

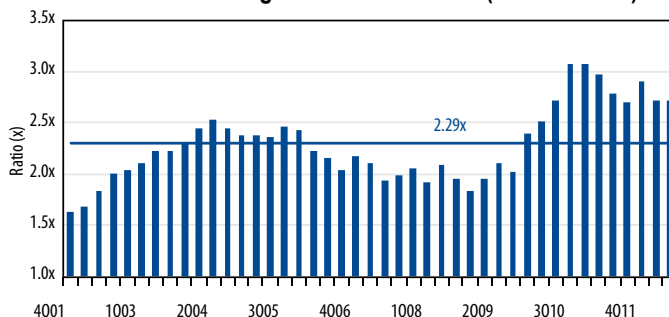
- Bank Loan Company Financial Metrics Are Healthy:** Bank loan companies experienced an elevated wave of defaults in 2009 as a result of the financial crisis. The default rate climbed to over 11% in 2009, cleansing the market of a good portion of the more speculative issuers. The companies that survived the crisis have worked hard to increase their liquidity to strengthen their balance sheets. As a result, today's average below-investment-grade companies typically have a higher than normal liquidity balance and are continuing to generate ample amounts of free cash flow. The improved fundamentals and manageable maturity schedule lead us to believe that default rates will remain low for the foreseeable future, enabling investors to continue to clip high coupons and earn attractive returns.

### Exhibit 9 Fundamentals Remain Strong

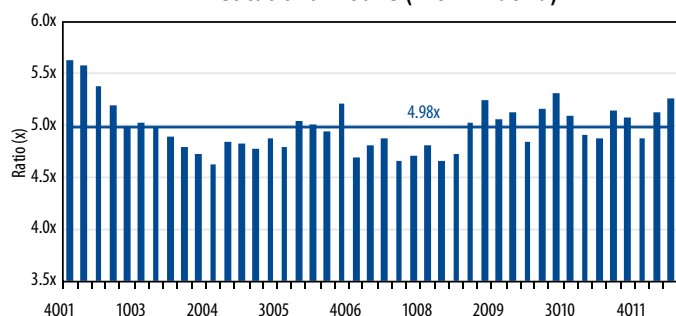
#### YOY Quarterly Change for S&P/LSTA Issuers



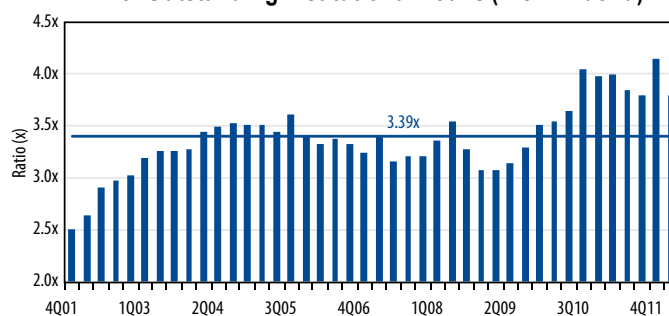
#### Average Cash Flow Coverage Ratio of Outstanding Institutional Loans (Pre-Dividend)



#### Average Debt/EBITDA Ratio of Outstanding Institutional Loans (Pre-Dividend)



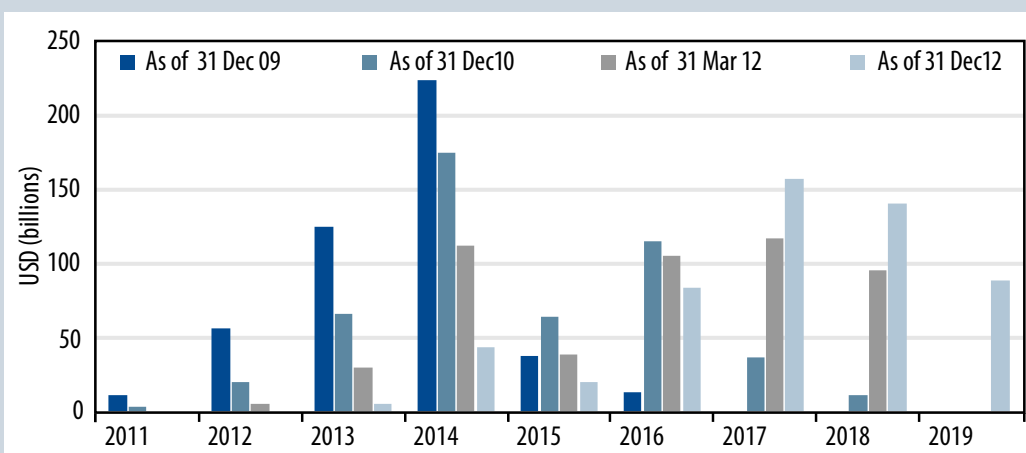
#### Average Interest Coverage Ratio of Outstanding Institutional Loans (Pre-Dividend)



Source: S&P/LSTA, LCD. As of 30 Jun 12

Exhibit 10

## The Maturity Wall Erodes - Issuers Have Refinanced, Extending Maturities Through 2019



Source: S&amp;P LSTA. As of 31 Dec 12

Exhibit 11

Total Debt Outstanding Through 2013/2014  
In USD (Billions)

As of Date	Due through	
	2013	2014
31 Dec 09	\$195	\$418
31 Dec 10	\$89	\$263
31 Dec 11	\$34	\$146
31 Dec 12	\$5	\$48

Source: S&amp;P LSTA. As of 31 Dec 12

## Western Asset's Bank Loan Portfolio Management Philosophy and Style

Western Asset's bank loan/high-yield portfolio management philosophy asserts that the integration of superior fundamental credit research, relative-value analysis, and proper risk management should generate outperformance over a market cycle. The Firm's investments for bank loan portfolios include the full spectrum of below-investment-grade corporate issues, ranging from conservative to aggressive and varying by quality, issuer and subsector. The Firm actively manages its bank loan portfolios and positions based on where the Firm believes the best risk/reward opportunities are available. When considering investments in the bank loan sector, it is not enough just to select those credits with the best fundamental credit metrics; it is necessary to identify mispriced securities relative to their fundamental credit metrics, as well as the direction of those metrics. Often market technicals drive prices higher or lower than fundamentals warrant due in large part to market imbalances. Often these circumstances can be opportunities for value-driven investors.

## Western Asset's Competitive Advantages Managing Portfolios in the Bank Loan Market

- **Depth and Experience of the Bank Loan/High-Yield Credit Sector Team:** The overall credit team consists of over 70 professionals. Of these, 34 are full-time research professionals, 12 of whom are dedicated to high-yield/bank loan, giving Western Asset one of the largest dedicated leveraged loans/high-yield research teams in the industry.

- **Structural Advantages of the Firm's Investment Management Process:** The entire bank loan credit-sector team sits together on the trading desk. Western Asset believes that it is extremely valuable to have the credit analysts participate in the relative-value decision-making process. Because they are engaged and active in the market flow, analysts are well informed and prepared to make relative-value suggestions.
- **Size and scope of credit assets under management:** Western Asset is often a lead investor to negotiate the terms of specific transactions to best suit clients' needs and interests. As of March 31, 2013, Western Asset's overall credit exposure stood at \$113.94 billion, in various product vehicles ranging from investment-grade credit, high-yield credit and bank loan to emerging market credit securities.
- **Global Reach:** Having analysts located around the globe has allowed Western Asset to have a better perspective and greater access to investment opportunities.
- **Portfolio Manager Access/Customized Commentary:** If they so choose, clients have the ability to communicate directly with the portfolio managers, as well as to receive customized periodic commentary upon request.
- **Dedicated Workout Analyst:** Although it is typically best to avoid defaults, the reality is that defaults happen in the bank loan credit market with a reasonable degree of frequency. When a default occurs, the workout period can be long, arduous, time-consuming and often complicated. Western Asset has a dedicated analyst who has worked on distressed situations for nearly 20 years. Handing the workout over to this distressed-credit analyst allows the Firm's other analysts to remain focused on other credit opportunities instead of on the legal morass of the workout world. Western Asset's dedicated distressed-credit analyst is supported by the Firm's internal Legal & Compliance Department and any legal representation that the Firm may hire.
- **Dedicated Trading Resources:** Western Asset has dedicated credit traders. These traders focus exclusively on identifying those companies who are most competitive on each of the Firm's holdings. Developing relationships with sell-side trading desks is an important way of ensuring best execution and first looks on important transactions.

## Why Western Asset?

*Western Asset is a global investment management firm  
committed to understanding the needs of each client,  
identifying investment solutions, and  
delivering superior long-term investment results*

### ***We believe in value***

**Philosophy:** Western Asset adheres to a long-term, fundamental value discipline. It seeks to generate outperformance over a market cycle by focusing on bottom-up sector, subsector and issuer selection, complemented by the Firm's top-down macroeconomic views. Western Asset believes that its size, scope and depth of resources enable it to achieve effective diversification within each sector mandate and across its Multi-Strategy products. Western Asset believes that having a global presence provides it with perspective and the ability to access and capitalize on opportunities worldwide. The Firm believes that the integration of high-level analytics and sound risk management processes enables and supports effective investment decisions.

### ***We employ a team-based approach with global breadth and local depth***

**Decision-Making Process:** Western Asset generates returns through active management of fixed-income portfolios. Sources of added value include bottom-up subsector, issuer and security selection. Western Asset is research-focused with research analysts on five continents. Risk management and portfolio analytics are integrated into the Firm's investment process. Top-down economic analysis is a critical component of its investment approach, with a focus on long-term trends and results.

Portfolio managers work in collaboration with sector and subsector managers to create asset allocations and to determine appropriate duration and yield curve exposures. The sector specialist teams then work in collaboration with the analysts to identify long-term value opportunities. Portfolio analytics and risk management provide a real-time feedback loop to the portfolio management team on portfolio risk exposure and performance metrics.

**Team-Managed:** At Western Asset, investment professionals in seven offices around the globe are focused exclusively on fixed-income investing. Western Asset continues to focus on bottom-up investment research, integrated risk management, portfolio analytics and top-down investment management.

### ***We provide investment solutions***

**Long-Term Approach, Long-Term Performance:** Established in 1971, Western Asset focuses on long-term performance and has always been client-centric in its approach. The Firm works with clients to identify and understand performance objectives and risk tolerances. Western Asset's philosophy has never varied; it remains focused on long-term fundamental value opportunities in the fixed-income markets. The Firm's objective is to provide clients with the long-term performance they seek. Its approach is collaborative, focused and consistent.

*Past results are not indicative of future investment results. This publication is for informational purposes only and reflects the current opinions of Western Asset Management. Information contained herein is believed to be accurate, but cannot be guaranteed. Opinions represented are not intended as an offer or solicitation with respect to the purchase or sale of any security and are subject to change without notice. Statements in this material should not be considered investment advice. Employees and/or clients of Western Asset Management may have a position in the securities mentioned. This publication has been prepared without taking into account your objectives, financial situation or needs. Before acting on this information, you should consider its appropriateness having regard to your objectives, financial situation or needs. It is your responsibility to be aware of and observe the applicable laws and regulations of your country of residence.*

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# US Bank Loan

**Investment Objective**

Exceed the benchmark return by 50 to 75 basis points annually over the course of a market cycle while approximating benchmark risk.

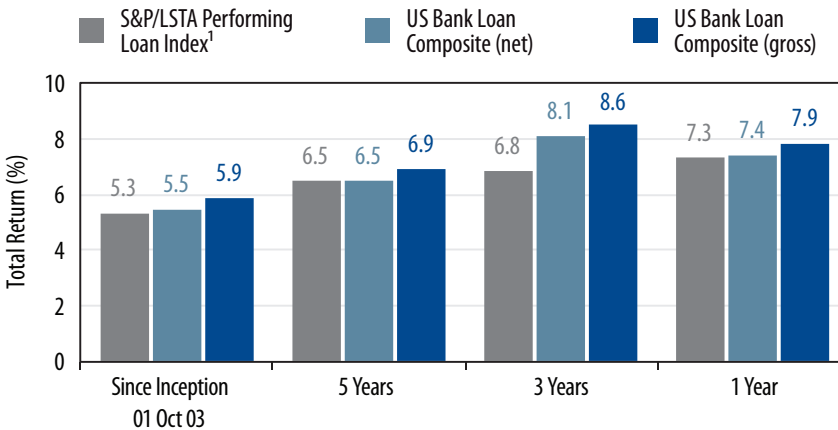
**Investment Style**

Construct a diversified portfolio consisting of bank loans. Value can be added through subsector rotation and issue/issuer selection. Risk is controlled through industry and issuer diversification.

**Investment Vehicles**

Separate Account  
Commingled

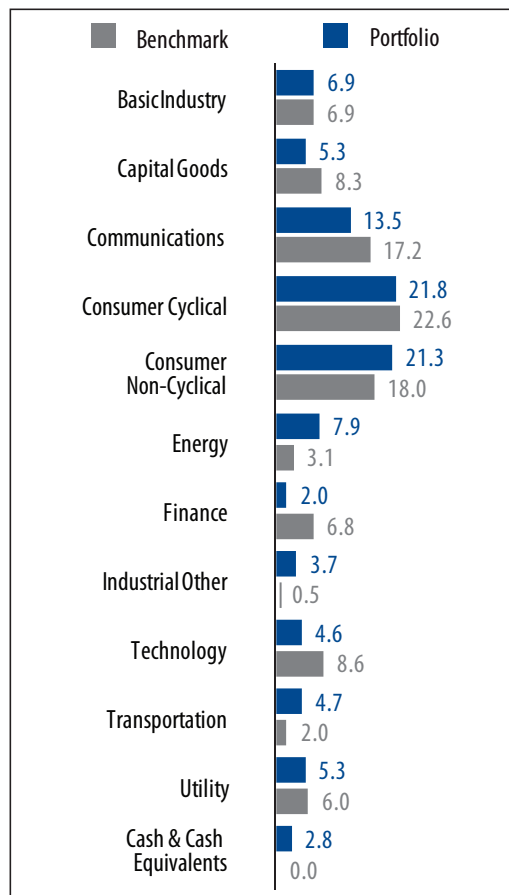
**Performance**



Returns for periods greater than one year are annualized. Please see the Performance Disclosure for more information.

<sup>1</sup> Prior to 01 Apr 05 the Bank of America Leveraged Loan Index was used.

**Sector Allocation (%)**



**Portfolio Characteristics:** (as of 30 Jun 13)

- Leverage: None
- Credit Quality: BB-
- Effective Duration: 0.53 years
- Spread Duration: 3.98 years
- Yield-to-Worst: 5.82%

**Strategy AUM:** US\$5.6 billion (as of 30 Jun 13)

**Separate Account Fee:**

- .45 of 1% on first US\$100 million
- .30 of 1% on amounts over US\$100 million

The minimum separate account size for a US Bank Loan portfolio is US\$50 million.

*Note:* Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. A negative cash position may be reported, which is primarily due to the portfolio's unsettled trade activity. Data may not sum to 100% due to rounding.

## Performance Disclosure

December 31, 2012

### US Bank Loan Composite

Composite Inception: 10/1/03 | Composite Creation: 5/1/05

	No. of Accts	Gross Total Return	Net Total Return	Benchmark Total Return	Gross Total 3-Yr St Dev	Benchmark Total 3-Yr St Dev	Internal Dispersion	Mkt. Value (US\$mil)	Percentage of Firm Assets	Firm Assets (US\$mil)
2003 <sup>1</sup>	1	1.88%	1.78%	1.44%	-na-	-na-	-na-	\$30	0.02%	\$148,333
2004	1	5.69%	5.27%	4.95%	-na-	-na-	-na-	\$347	0.18%	\$197,837
2005	1	5.15%	4.73%	5.49%	-na-	-na-	-na-	\$853	0.34%	\$249,233
2006	1	7.65%	7.22%	6.85%	0.79%	0.71%	-na-	\$1,629	0.32%	\$510,172
2007	1	2.69%	2.28%	1.99%	2.59%	2.70%	-na-	\$2,661	0.43%	\$621,493
2008	3	-28.18%	-28.47%	-29.32%	11.02%	10.71%	-na-	\$2,704	0.53%	\$505,660
2009	3	49.49%	48.92%	52.53%	14.09%	14.18%	-na-	\$3,259	0.68%	\$482,218
2010	2	11.01%	10.57%	10.38%	14.24%	14.16%	-na-	\$2,813	0.62%	\$453,909
2011	2	3.39%	2.98%	1.50%	8.59%	8.70%	-na-	\$3,324	0.75%	\$443,140
2012	3	10.22%	9.79%	9.76%	5.02%	4.45%	-na-	\$4,114	0.89%	\$461,891

**Description:** Western Asset's US Bank Loan composite includes portfolios that employ an active, team-managed investment approach around a long-term, value-oriented investment philosophy. These portfolios use diversified strategies and non-investment-grade sectors of the fixed-income market in seeking to add value while minimizing risk. The approach is to construct a diversified portfolio consisting of bank loans.

**Objective:** Exceed the benchmark return by 50 to 75 basis points annually over the course of a market cycle while approximating benchmark risk.

**Benchmark Description:** The current benchmark is the S&P/LSTA Performing Loan Index. The index is a sub-index of the S&P/LSTA Leveraged Loan Index (LLI) and it is all loans excluding those in payment default. The S&P/LSTA Leveraged Loan Index (LLI) reflects the market-weighted performance of US dollar-denominated institutional leveraged loan portions. Prior to 4/1/2005, the benchmark was the Bank of America Leveraged Loans Index.

**Base Currency:** USD | **Composite Minimum:** US\$10 million

**Fee Schedule:** .40 of 1% on first US\$100 million, .20 of 1% on amounts over US\$100 million.

**Examination Period:** The composite has been examined for the period from October 1, 2003 to December 31, 2011.

<sup>1</sup>Partial period return (October 1, 2003 to December 31, 2003).

**Western Asset claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Western Asset has been independently verified for the periods from January 1, 1993 to December 31, 2011.**

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The verification and performance examination reports are available upon request.

For GIPS® purposes, the Firm is defined as Western Asset, a primarily fixed-income investment manager comprised of Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd., Western Asset Management Company Ltd, Western Asset Management Company Pty Ltd, and Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários (DTVM) Limitada, with offices in Pasadena, New York, London, Singapore, Tokyo, Melbourne, São Paulo, Hong Kong, and Dubai. Each Western Asset company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason") but operates autonomously, and Western Asset, as a firm, is held out to the public as a separate entity. Western Asset Management Company was founded in 1971.

The Firm is comprised of several entities as a result of various historical acquisitions made by Western Asset and their respective performance has been integrated into the Firm in line with the portability requirements set forth by GIPS.

The Composite is valued monthly. The Composite returns are the asset-weighted average of the performance results of all the accounts in the Composite. Gross-of-fees returns are presented before management fees, but after all trading expenses. Net of fees results are calculated using a model approach whereby the highest tier of the appropriate strategy's fee schedule is used. This model fee does not reflect the deduction of performance based fees. The portfolios in the composites are all actual, fee-paying and performance fee-paying, fully discretionary accounts managed by the Firm for at least one full month. Investment results shown are for taxable and tax-exempt accounts and include the reinvestment of all earnings. Any possible tax liabilities incurred by the taxable accounts have not been reflected in the net performance. Composite performance results are time-weighted net of trading commissions and other transaction costs including non-recoverable withholding taxes. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The returns for the accounts in the Composite are calculated using a time-weighted rate of return adjusted for weighted cash flows. The returns for commingled funds in the Composite are calculated daily using net asset value (NAV). Trade date accounting is used since inception and market values include interest income accrued on securities held within the accounts. Performance is calculated using asset values denominated in a base currency. Composite assets at year-end presented in the schedule are translated to U.S. dollars using end of year exchange rates.

Composite returns are measured against a market index. The market index is unmanaged and provided to represent the investment environment in existence during the time periods shown. For comparison purposes, its performance has been linked in the same manner as the Composite. The market index presented was obtained from third party sources deemed reliable but not guaranteed for accuracy or completeness. Benchmark returns and benchmark 3-yr standard deviation are not covered by the report of independent accountants.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the Composite for the entire year. For each annual period, accounts with less than 12 months of returns are not represented in the dispersion calculation. Periods with five or fewer accounts are not statistically representative and are not presented. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Three-year annualized ex-post standard deviation measures prior to 2011 are not covered by the report of independent accountants.

Past investment results are not indicative of future investment results.

Western Asset's list of composite descriptions is available upon request. Please contact Veronica A. Amici at 626-844-9535 or ramici@westernasset.com. All returns for strategies with inception prior to January 1, 2003 are available upon request.

For more information on Western Asset visit our website at [www.westernasset.com](http://www.westernasset.com)