ClearBridge Investments

Economic and Market Outlook

Fourth Quarter 2021

Past performance is no guarantee of future results. Financial term and index definitions are available in the appendix.

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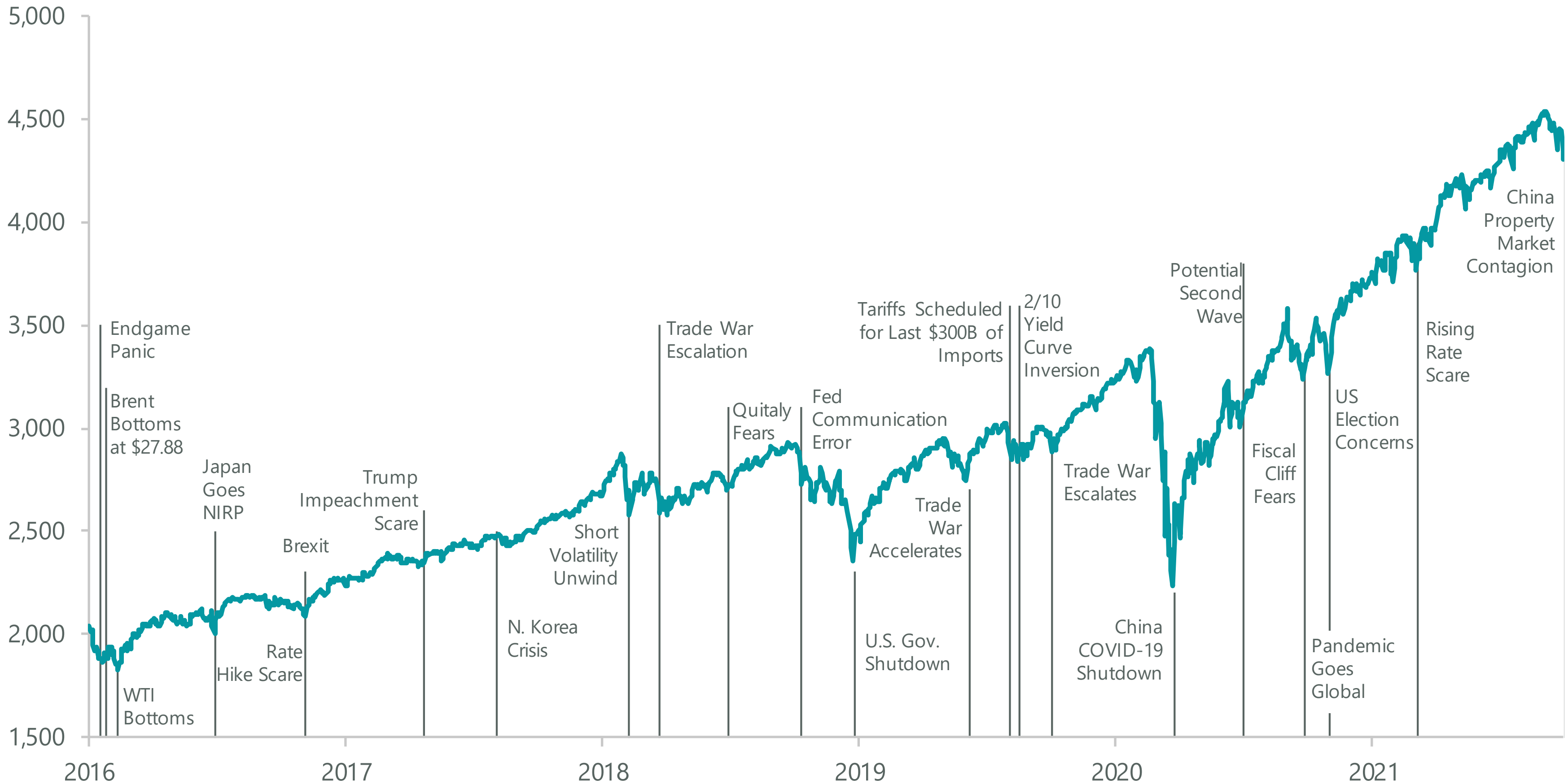
S&P 500 & Panic Attacks



"The definition of insanity is doing the same thing over and over again and expecting a different result."
- Attributed to Albert Einstein

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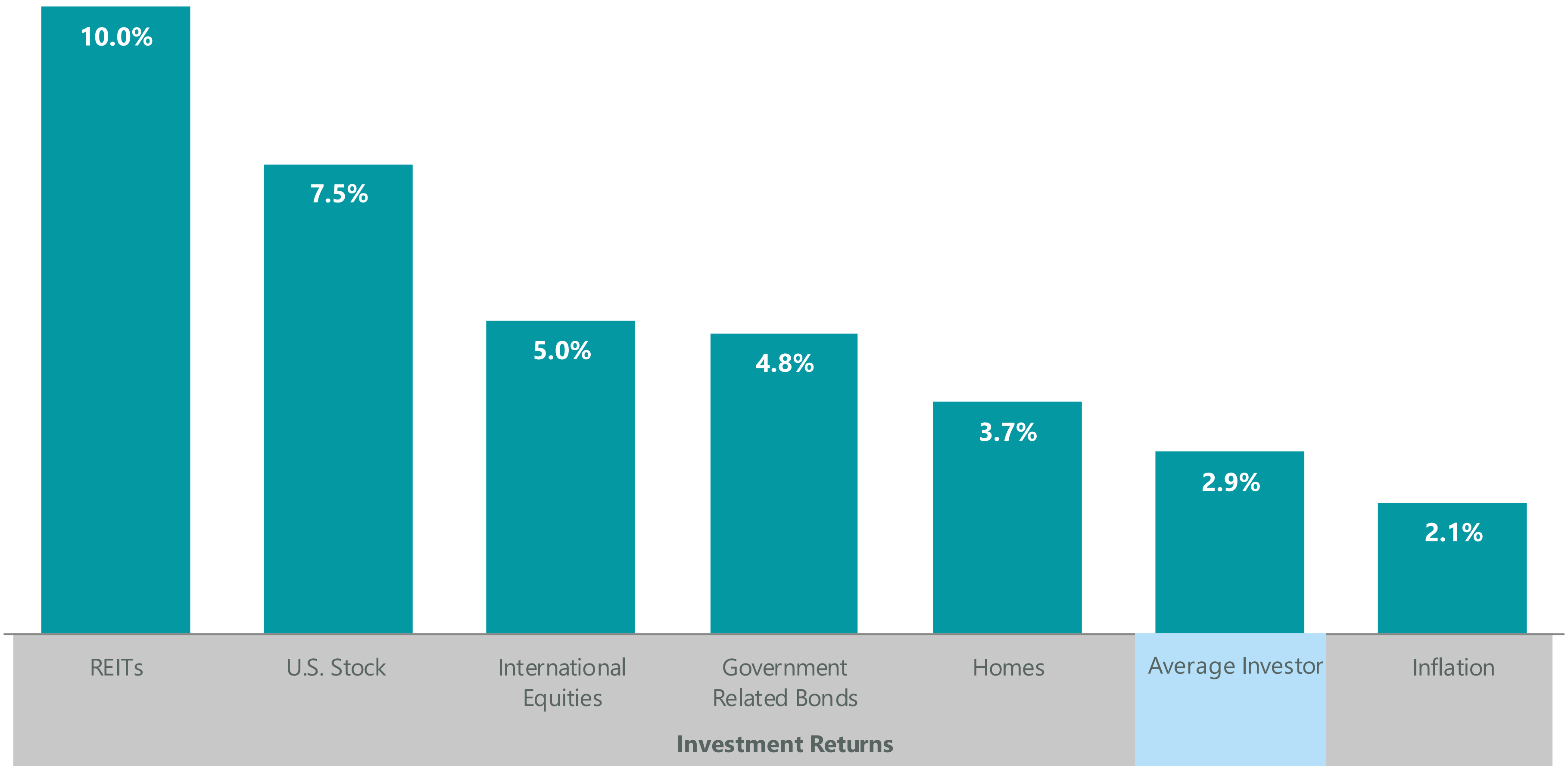
Data as of Sept. 30, 2021. Source: Standard & Poor's. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Effects of Panic Attacks on Average Investors

20 Years Annualized Returns (2001-2020)



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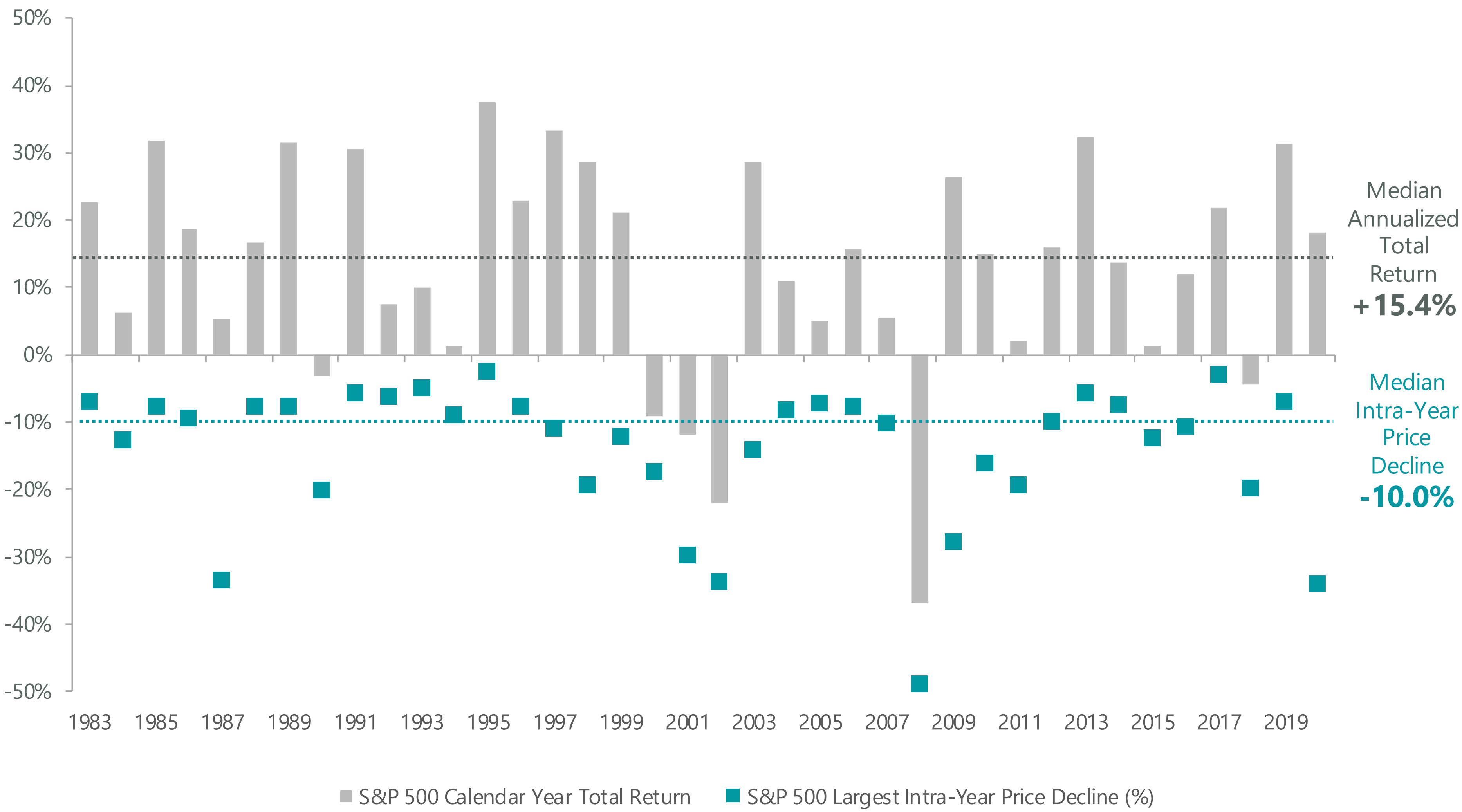
Source: Bloomberg, June 30, 2021. Average asset allocation investor return is based on an analysis by DALBAR, Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Indices shown are as follows: REITs are represented by the NAREIT Equity REIT Index, U.S. Stocks are represented by the S&P 500 Index, International Equities are represented by the MSCI EAFE Index, Government-Related Bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index, Homes are represented by U.S. existing home sales median price, Inflation is represented by the Consumer Price Index. Indices are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past performance is no guarantee of future results.**

Volatility Does Not Equal a Financial Loss Unless You Sell



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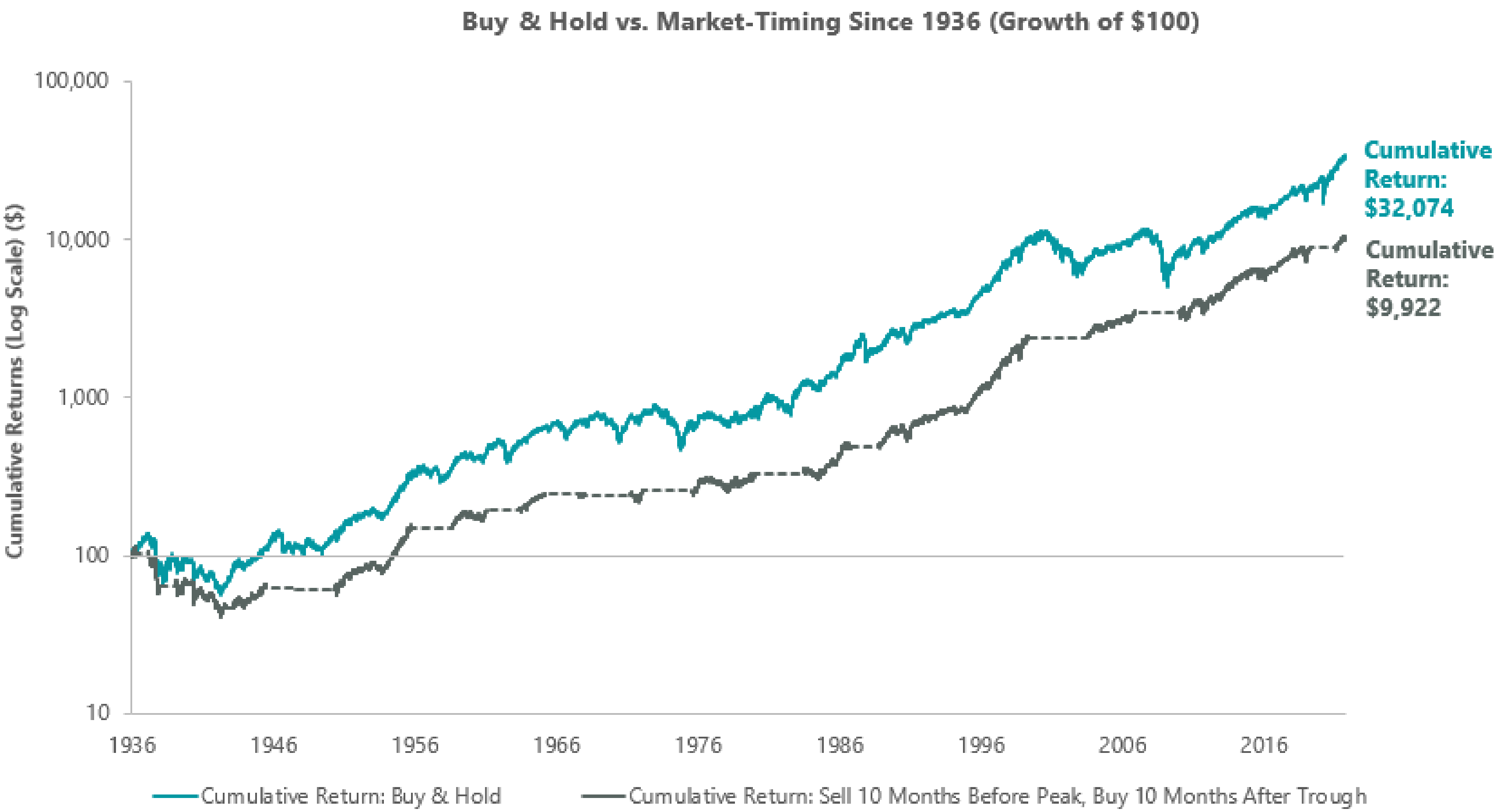
As of Dec. 31, 2020. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Can You Time the Market?



- **Since 1936, an investor that consistently sold 10 months prior to a market peak and bought back 10 months after the trough was worse overall than a buy and hold investor.**

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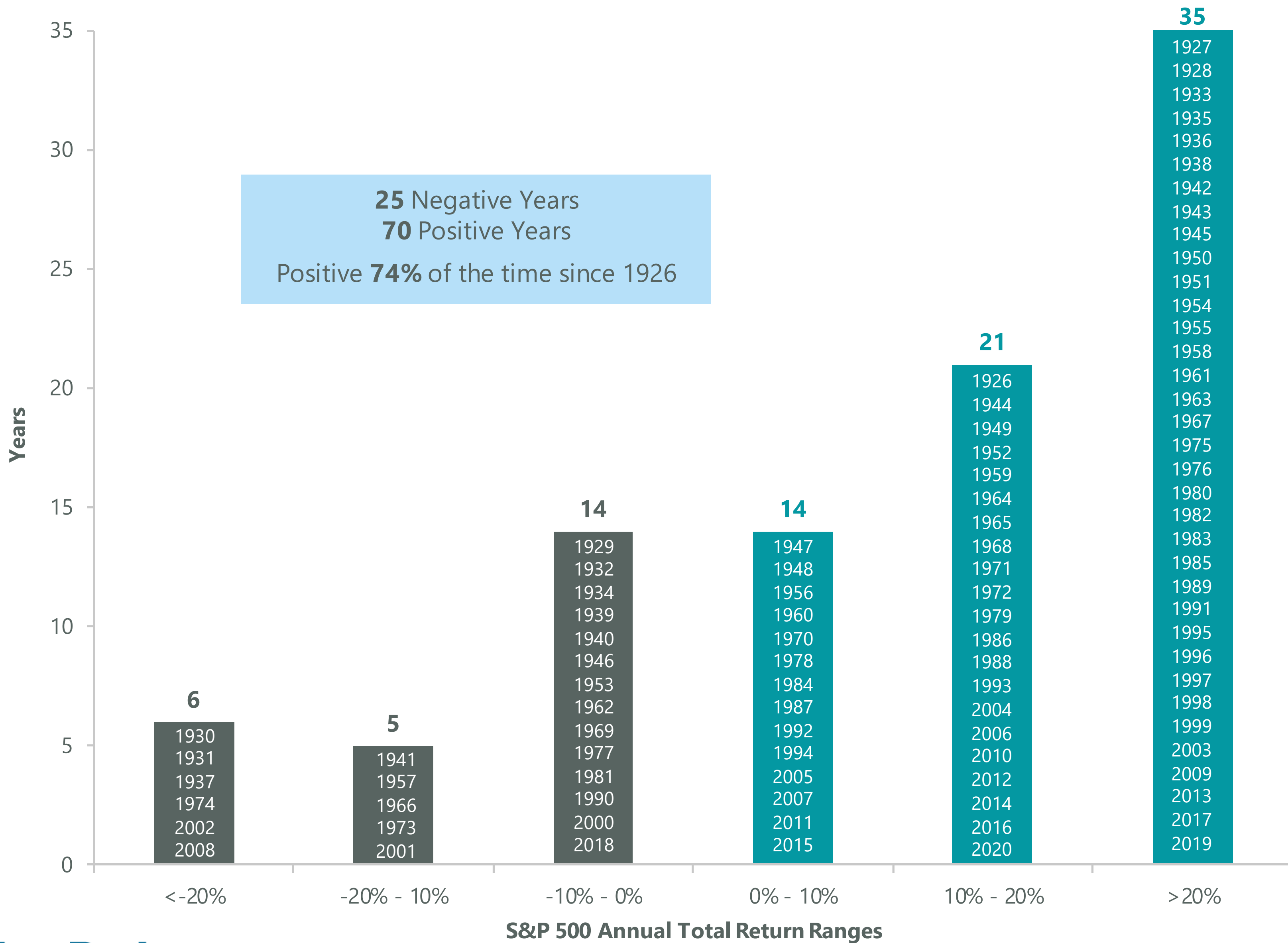
Data as of Sept. 30, 2021. Source: Yardeni Research. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Market Annual Returns

Distribution of S&P 500 Total Returns Since 1926



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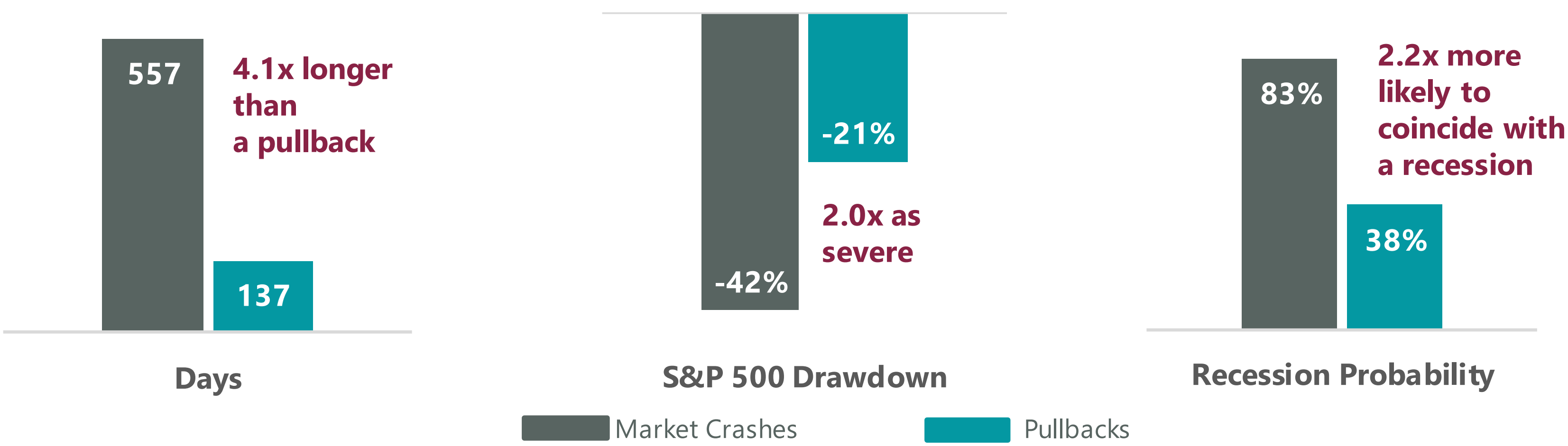
As of Dec. 31, 2020. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Economic Outlook

S&P 500 Market Crashes vs. Pullbacks

Market Crashes					
Peak	**Trough**	**Days**	**S&P 500**	**S&P 500 Return: Peak to Trough +1 Year**	**Recession**
Nov. 1968	May 1970	543	-36%	-8%	Yes
Jan. 1973	Oct. 1974	630	-48%	-29%	Yes
Nov. 1980	Aug. 1982	621	-27%	15%	Yes
Aug. 1987	Dec. 1987	101	-34%	-18%	No
March 2000	Oct. 2002	929	-49%	-32%	Yes
Oct. 2007	March 2009	517	-57%	-27%	Yes
Average		**557**	**-42%**	**-16%**	**83%**

Pullbacks					
Peak	**Trough**	**Days**	**S&P 500**	**S&P 500 Return: Peak to Trough +1 Year**	**Recession**
Sept. 1976	March 1978	531	-19%	-9%	No
Feb. 1980	March 1980	43	-17%	14%	Yes
July 1990	Oct. 1990	87	-20%	3%	Yes
July 1998	Oct. 1998	83	-19%	13%	No
April 2010	July 2010	70	-16%	10%	No
April 2011	Oct. 2011	157	-19%	6%	No
Sept. 2018	Dec. 2018	82	-19%	10%	No
Feb. 2020	March 2020	33	-34%	15%	Yes
Average		**137**	**-21%**	**8%**	**38%**



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Market Crashes defined as decline of 20% or greater in S&P 500 lasting at least 1 year. Pullbacks defined as declines of 15% or greater in S&P 500 (no time component). 1987 decline persisted at 20% or greater loss 1 year after Aug. 1987 peak despite trough coming in Dec. 1987. Source: S&P, NBER, and Bloomberg. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

U.S. Recession Risk Indicators

- 12 variables have historically foreshadowed a looming recession
- No recession signals are flashing risk right now

		Sept. 30, 2021	June 30, 2021	March 31, 2021
Consumer	Housing Permits	↑	↑	↑
	Job Sentiment	↑	↑	✖
	Jobless Claims	↑	↑	●
	Retail Sales	↑	↑	↑
	Wage Growth	↑	↑	✖
Business Activity	Commodities	↑	↑	↑
	ISM New Orders	↑	↑	↑
	Profit Margins	↑	↑	↑
	Truck Shipments	↑	↑	●
Financial	Credit Spreads	↑	↑	↑
	Money Supply	↑	↑	↑
	Yield Curve	↑	↑	↑
	Overall Signal	↑	↑	↑

↑ Expansion ● Caution ✖ Recession

ClearBridge Investments

Data as of Sept. 30, 2021. Source: BLS, Federal Reserve, Census Bureau, ISM, BEA, American Chemistry Council, American Trucking Association, Conference Board, and Bloomberg. The ClearBridge Recession Risk Dashboard was created in January 2016. References to the signals it would have sent in the years prior to January 2016 are based on how the underlying data was reflected in the component indicators at the time.

U.S. Recession Risk Indicators

- 12 variables have historically foreshadowed a looming recession
- No recession signals are flashing risk right now

		Current	2020	2007-2009	2001	1990-1991	1981-1982	1980	1973-1975	1969-1970
Consumer	Housing Permits	⬆	⬆	✖	●	✖	✖	✖	✖	✖
Consumer	Job Sentiment	⬆	●	✖	✖	✖	✖	●	●	●
Consumer	Jobless Claims	⬆	⬆	●	✖	✖	✖	✖	⬆	✖
Consumer	Retail Sales	⬆	⬆	✖	✖	✖	✖	✖	●	✖
Consumer	Wage Growth	⬆	✖	✖	✖	✖	✖	✖	✖	✖
Business Activity	Commodities	⬆	⬆	✖	✖	✖	✖	●	●	●
Business Activity	ISM New Orders	⬆	●	✖	✖	✖	✖	✖	✖	✖
Business Activity	Profit Margins	⬆	✖	✖	✖	✖	✖	✖	●	✖
Business Activity	Truck Shipments	⬆	⬆	●	✖	✖	✖	✖	n/a	n/a
Financial	Credit Spreads	⬆	⬆	✖	✖	✖	✖	✖	⬆	●
Financial	Money Supply	⬆	⬆	✖	✖	✖	✖	✖	✖	✖
Financial	Yield Curve	⬆	✖	✖	✖	✖	✖	✖	✖	✖
	Overall Signal	⬆	●	✖	✖	✖	✖	✖	●	✖

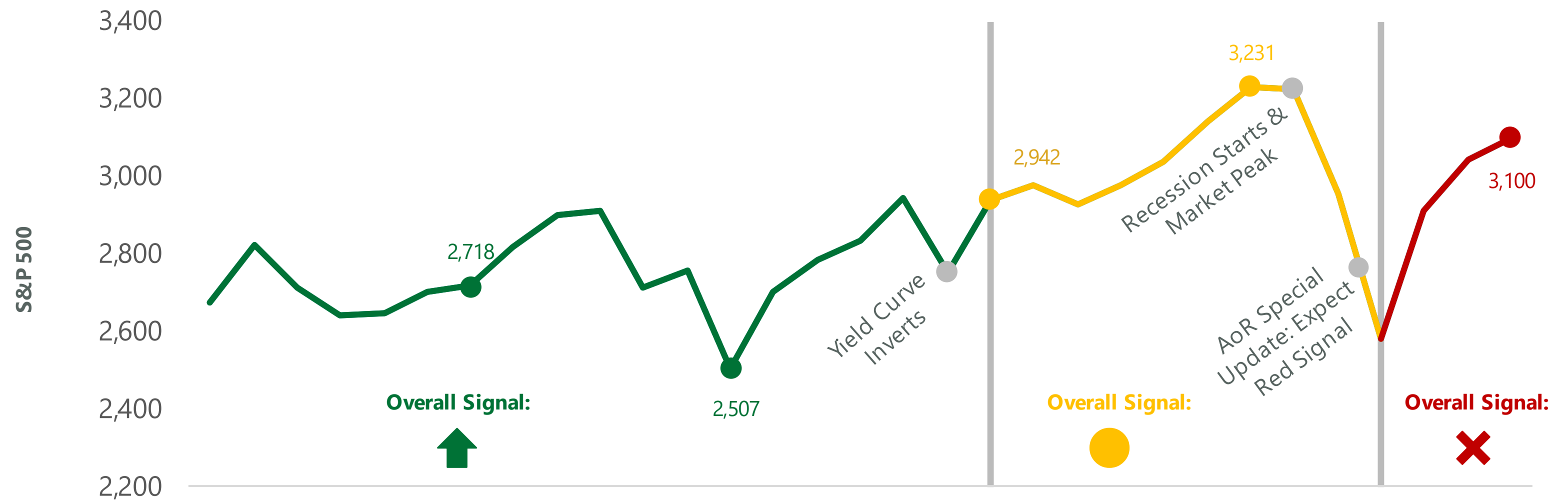
⬆ Expansion ● Improvement ✖ Recession

ClearBridge Investments

Data as of Sept. 30, 2021. Source: BLS, Federal Reserve, Census Bureau, ISM, BEA, American Chemistry Council, American Trucking Association, Conference Board, and Bloomberg. The ClearBridge Recession Risk Dashboard was created in January 2016. References to the signals it would have sent in the years prior to January 2016 are based on how the underlying data was reflected in the component indicators at the time.

U.S. Recession Risk Dashboard

Case Study: 2018-2020

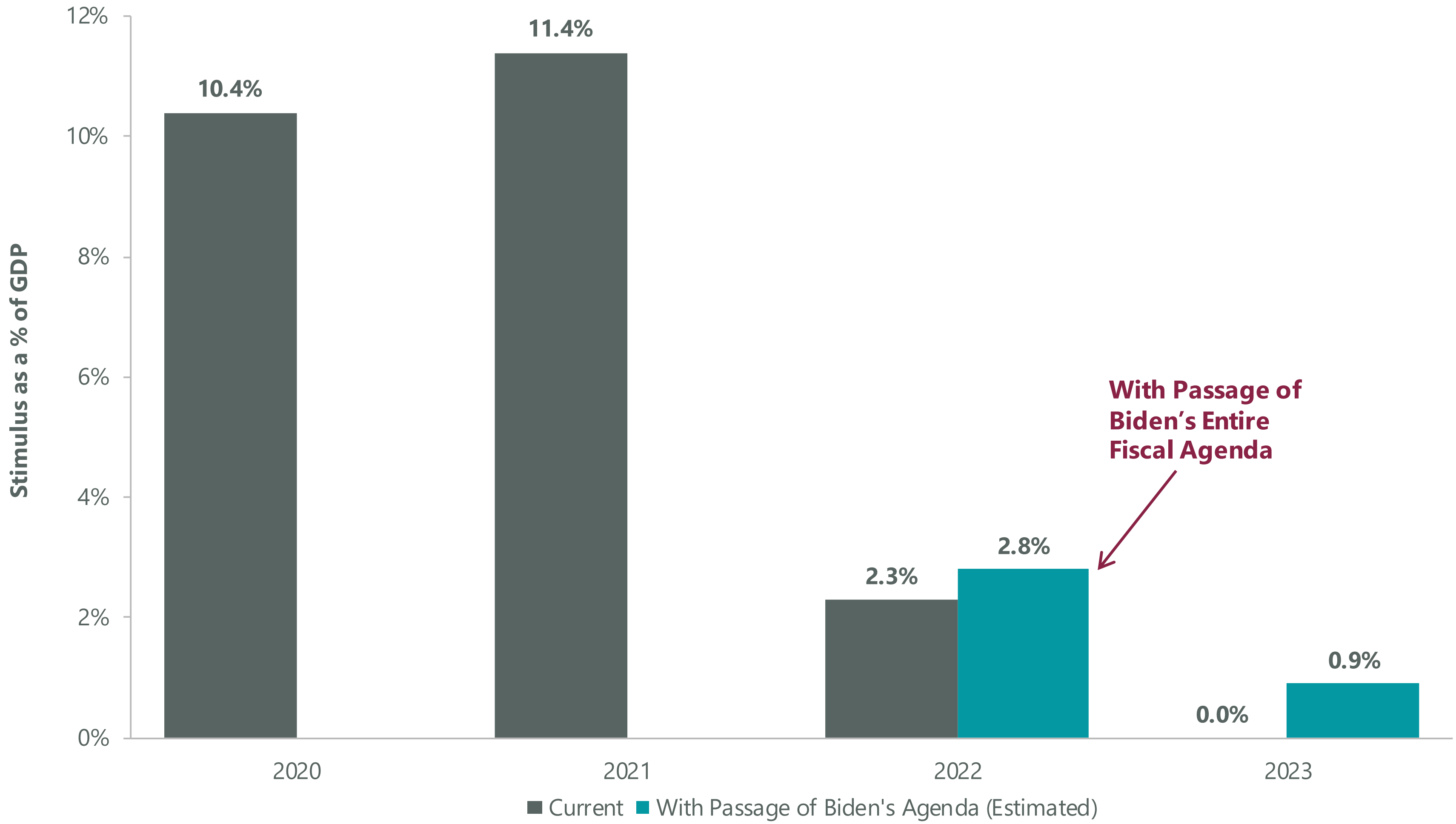


		Q2 2018	Q4 2018	Q2 2019	Q4 2019	Q2 2020
Consumer	Housing Permits	↑	↑	↑	↑	●
	Job Sentiment	↑	↑	●	↑	×
	Jobless Claims	↑	↑	↑	↑	×
	Retail Sales	↑	↑	↑	↑	×
	Wage Growth	↑	↑	●	×	×
Business Activity	Commodities	↑	●	×	●	×
	ISM New Orders	↑	↑	●	×	×
	Profit Margins	●	↑	↑	●	×
	Truck Shipments	↑	↑	↑	↑	×
Financial	Credit Spreads	↑	●	↑	↑	×
	Money Supply	↑	●	●	●	↑
	Yield Curve	↑	●	×	×	×

ClearBridge Investments

Source: BLS, Federal Reserve, Census Bureau, ISM, BEA, American Chemistry Council, American Trucking Association, ConferenceBoard, and Bloomberg. The ClearBridge Recession Risk Dashboard was created in January 2016. References to the signals it would have sent in the years prior to January 2016 are based on how the underlying data was reflected in the component indicators at the time.

Fiscal Cliff?



Although stimulus is set to wane in the coming years, higher compensation and healthy job creation should support consumption and blunt the fiscal drag.

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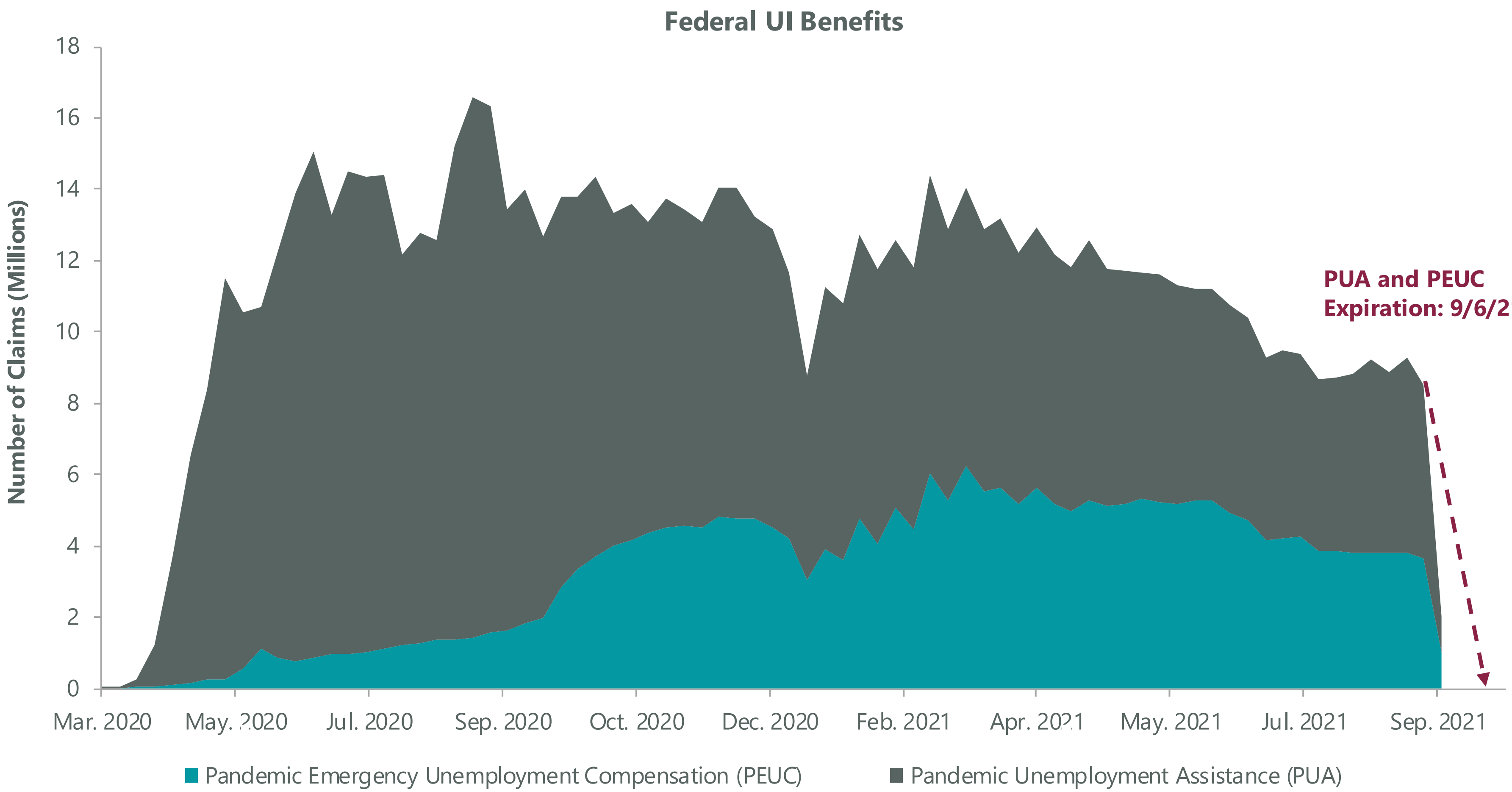
Source: Strategas. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Labor Supply Coming



- **The federal pandemic unemployment benefit programs expired on September 6th.**
- **8.5 million people lost all benefits, while many more lost the $300/month supplement.**
- **Given record job openings and tight labor supply, this should help alleviate the bottleneck.**

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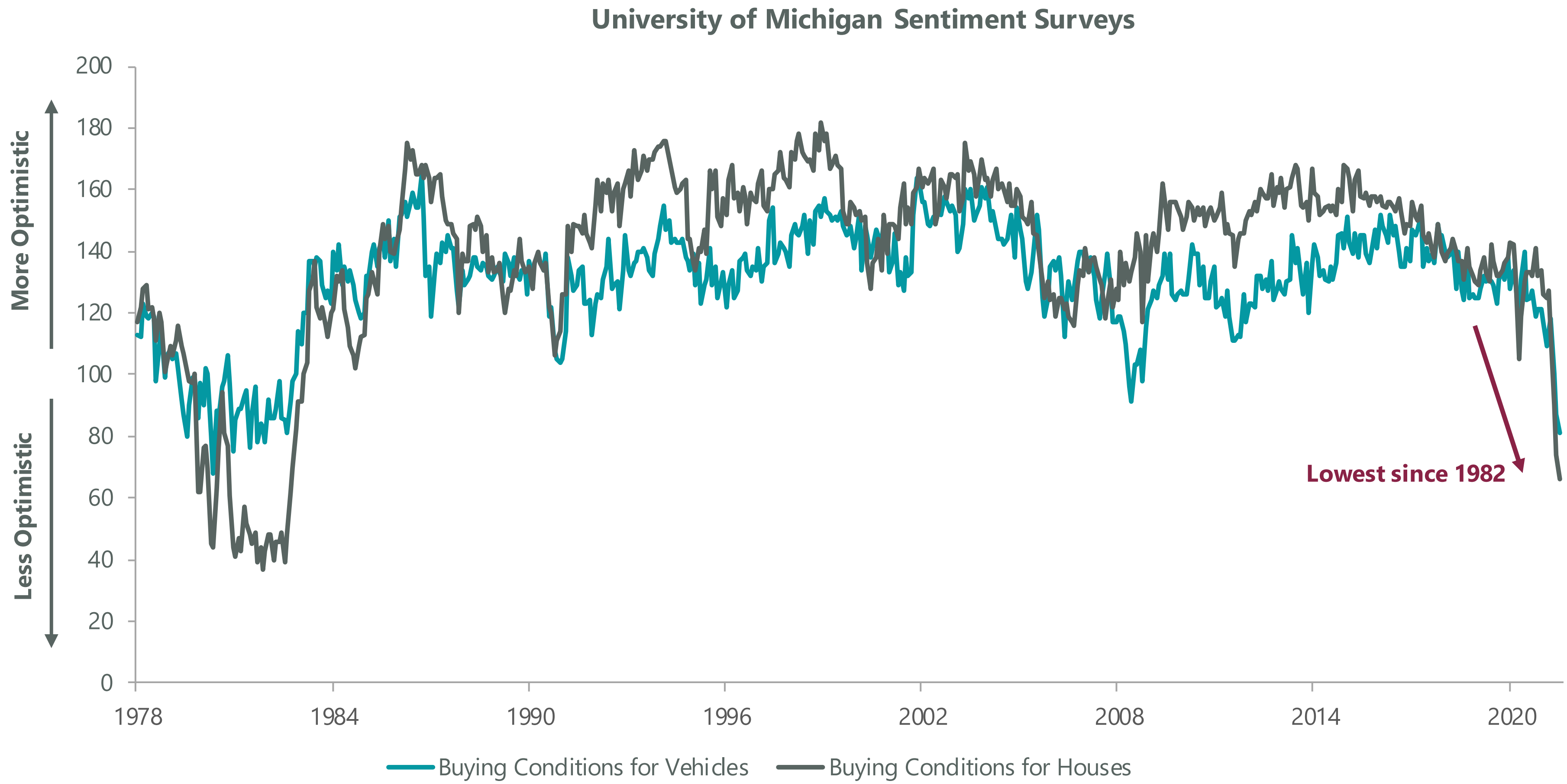
Data as of Sept. 11, 2021, latest available as of Sept. 30, 2021. Source: Bloomberg. Past performance is not a guarantee of future results.
Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Higher Prices, Lower Confidence



- Consumers are the most pessimistic about large-ticket purchases in four decades.
- As a result, the durability of the consumer-led economic recovery could come under pressure.

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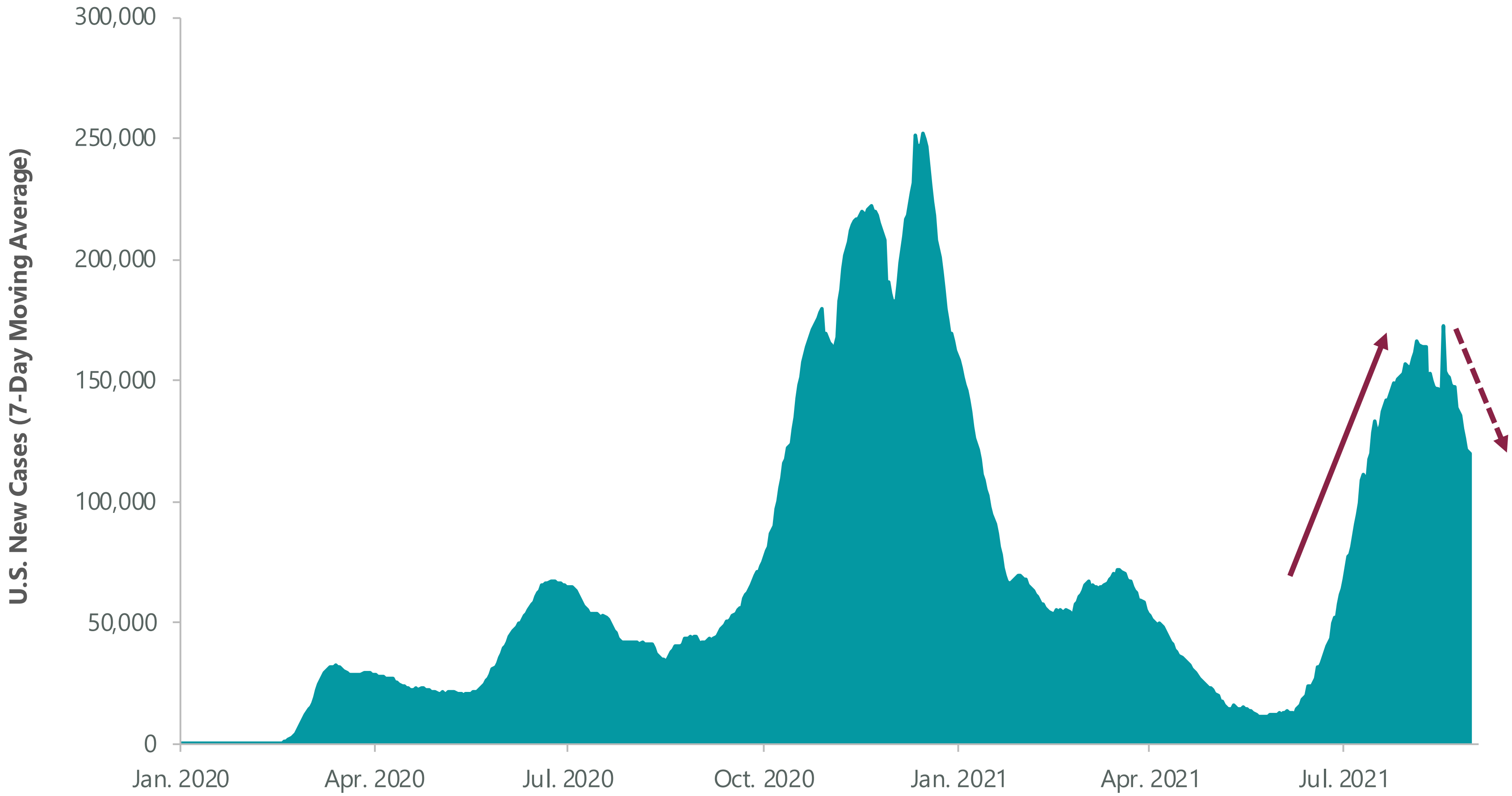
Data as of Aug. 31, 2021. Source: University of Michigan, FactSet. Past performance is not a guarantee of future results.

Has the U.S. Delta Wave Crested?



- **U.S. economic activity decelerated in 3Q as a consequence of the rise in COVID-19 cases (Delta variant). It appears that the Delta wave is cresting, which could lead to 4Q rebound.**

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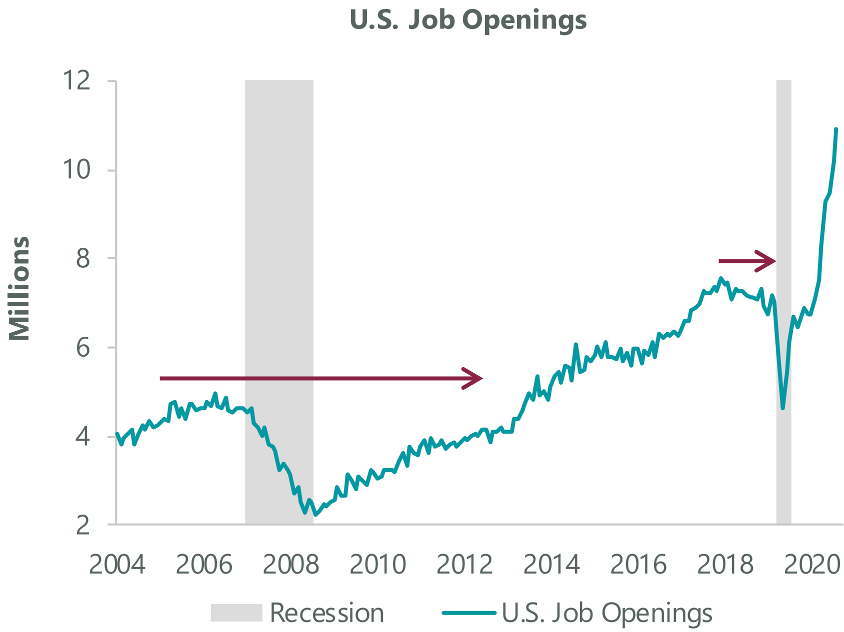
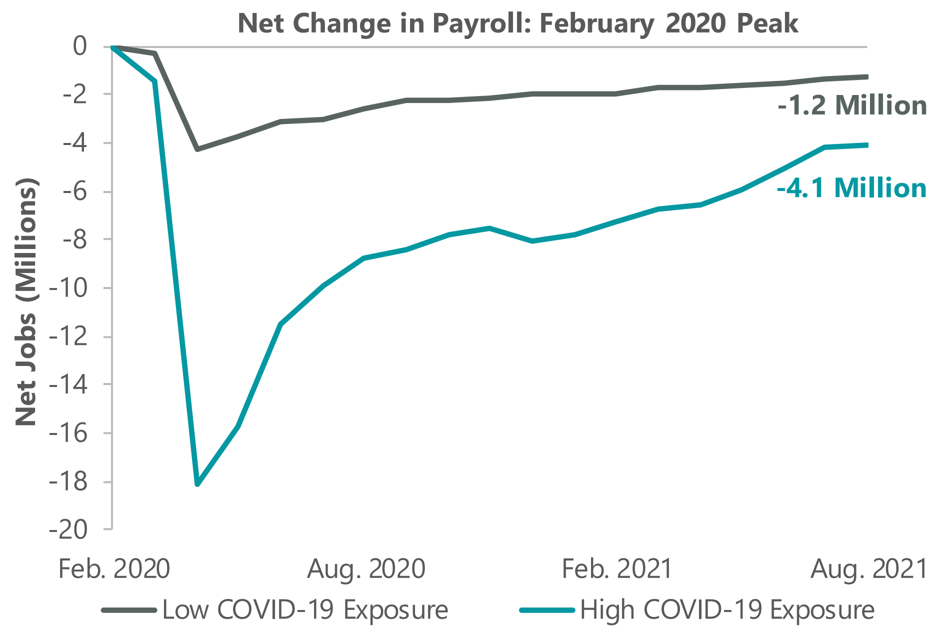
Data as of Sept. 30, 2021. Source: CDC. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Not The Global Financial Crisis: Labor



Source: DOL, FactSet.



Source: Bloomberg, BLS, INET Oxford.

- **Post-GFC, it took until 2014 for the labor market to recover to pre-crisis levels.**
- **The majority of job losses have been in COVID-19 sensitive industries, which suggests a faster pace of job creation as the economy normalizes.**

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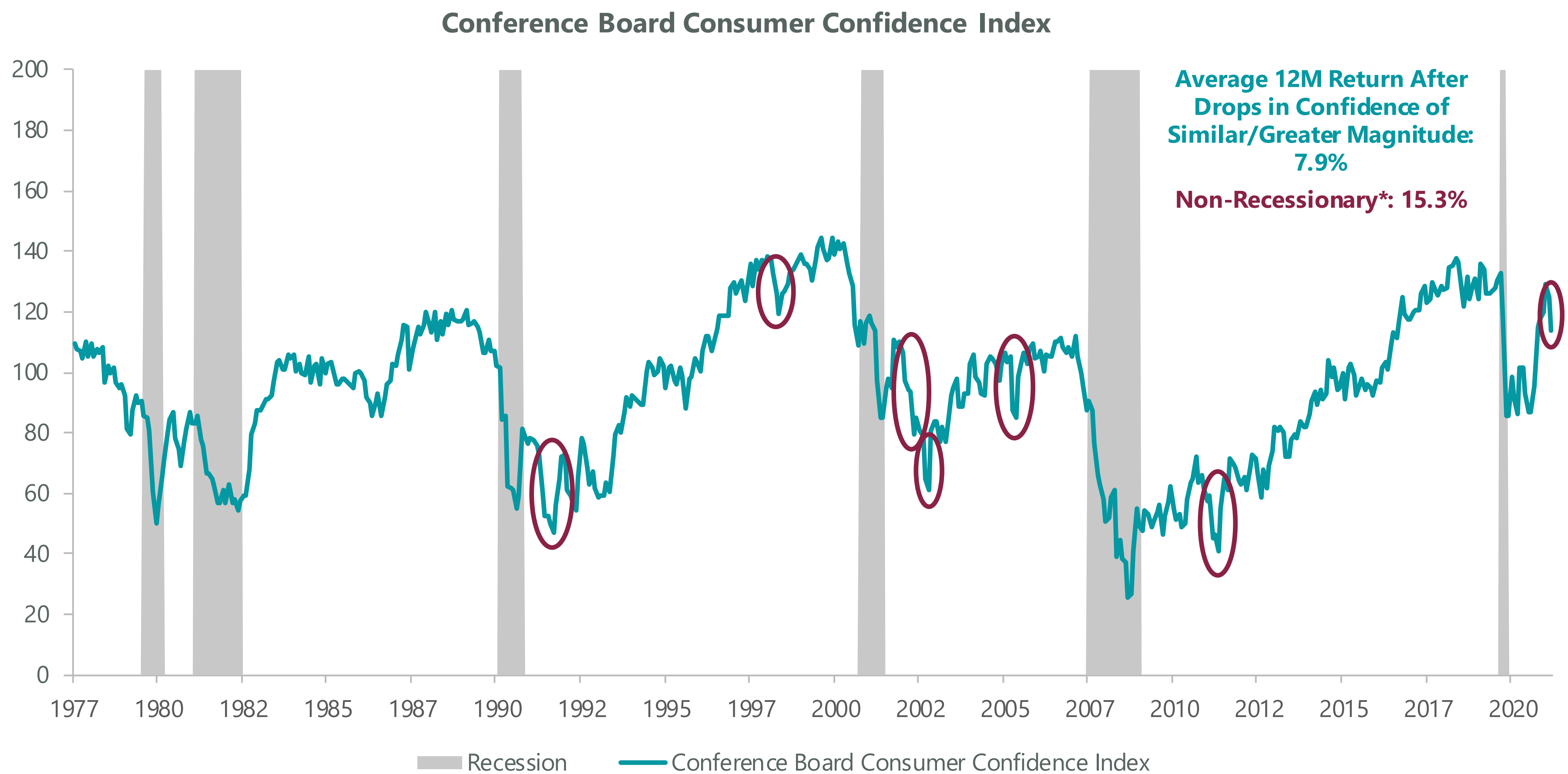
High and low COVID-19 exposure is based on supply/demand shocks resulting from the COVID-19 pandemic. Aggregate net change in payroll employment in these industries is measured relative to February 2020 peak employment levels. High COVID-19 exposure industries account for ~60% of pre-pandemic total non-farm payroll employment; Low COVID-19 exposure industries account for ~40% of pre-pandemic total non-farm payroll employment. Data as of Sept. 30, 2021. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

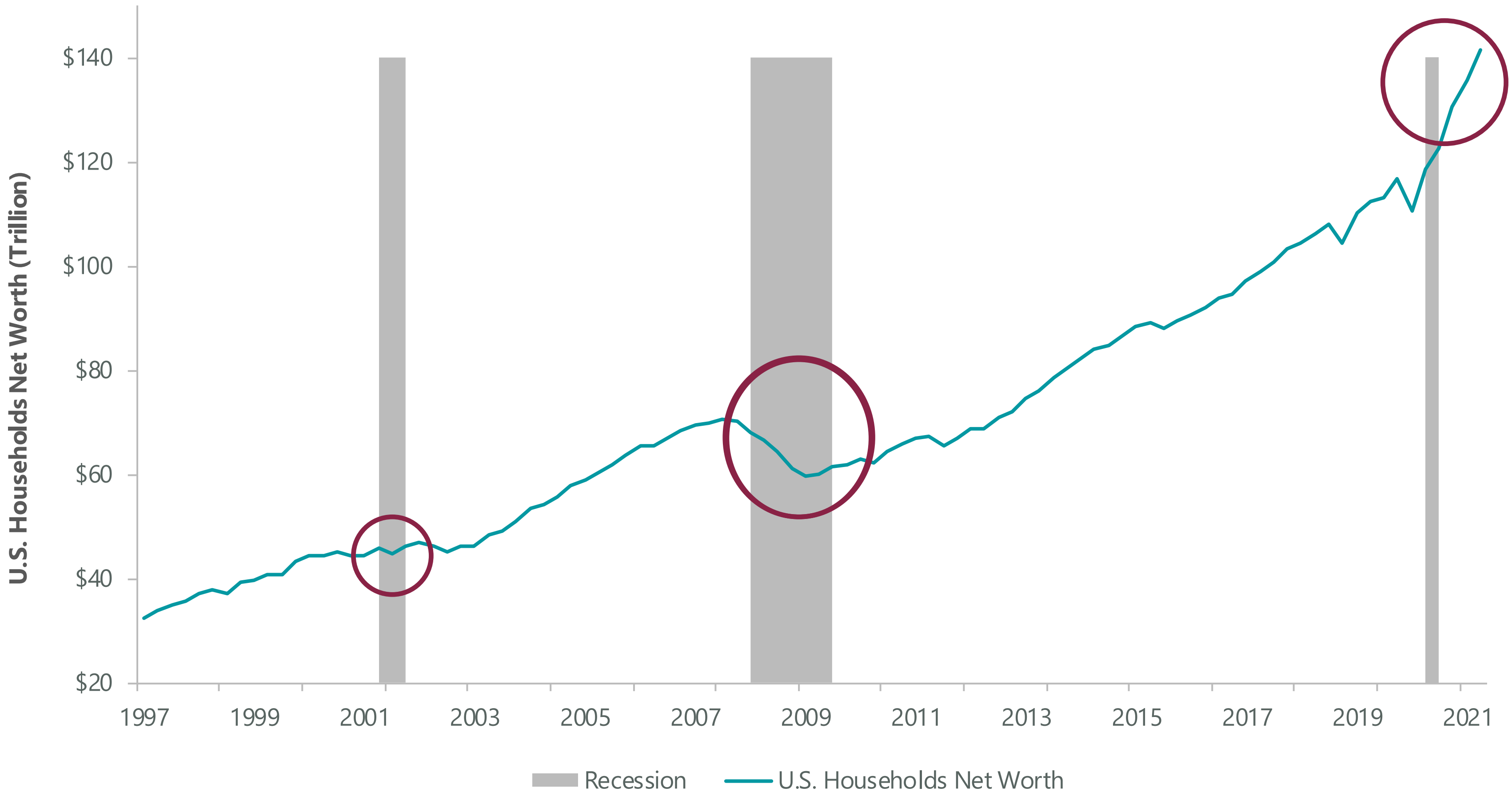
Sharp Drops in Confidence, in Context



- **While persistent declines in consumer confidence tend to presage recessions, sharp but short-lived declines are not uncommon.**
- **When these latter drops occur amidst economic expansions, they typically prove to be an attractive entry point.**

*Non-recessionary periods refer to a three month change of -17.5% or worse, six months before/after recessions included in recessionary periods. Data as of Aug. 31, 2021. Source: Bloomberg, The Conference Board. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Aren't Recessions Supposed to be Painful?



- **Historically, recessions have put a dent in household net worth.**
- **Since the end of 2019 (pre-COVID), U.S. household net worth has increased by $25 trillion (21.3%).**

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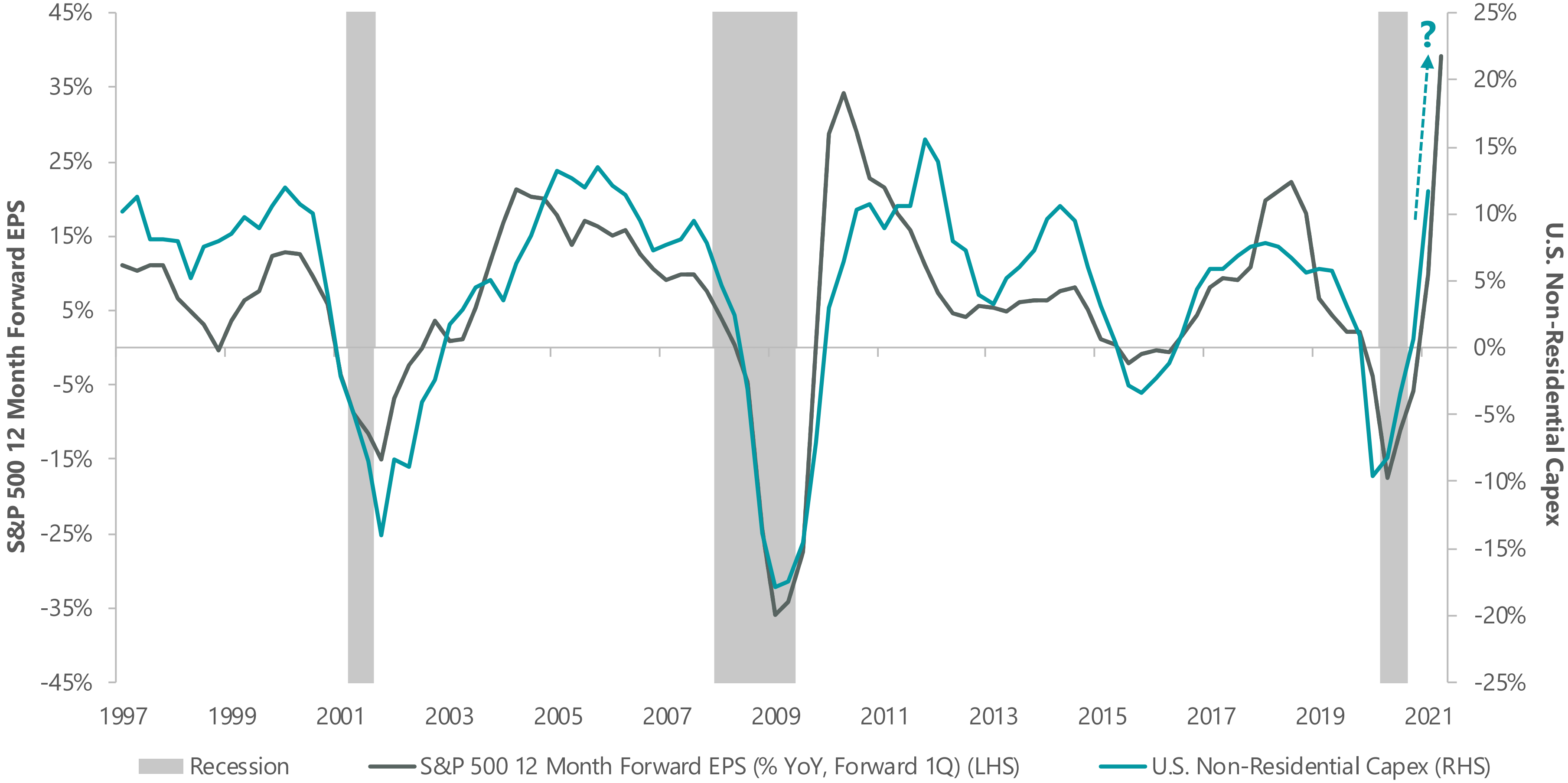
Data as of June 30, 2021, latest available as of Sept. 30, 2021. Source: Federal Reserve Bank of St. Louis. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Capex Takes the Baton



- **Capital expenditures typically follow earnings growth, as companies reinvest profits back into their business.**
- **The robust growth backdrop suggests a coming pickup in capital spending, which should drive the next leg of economic growth.**

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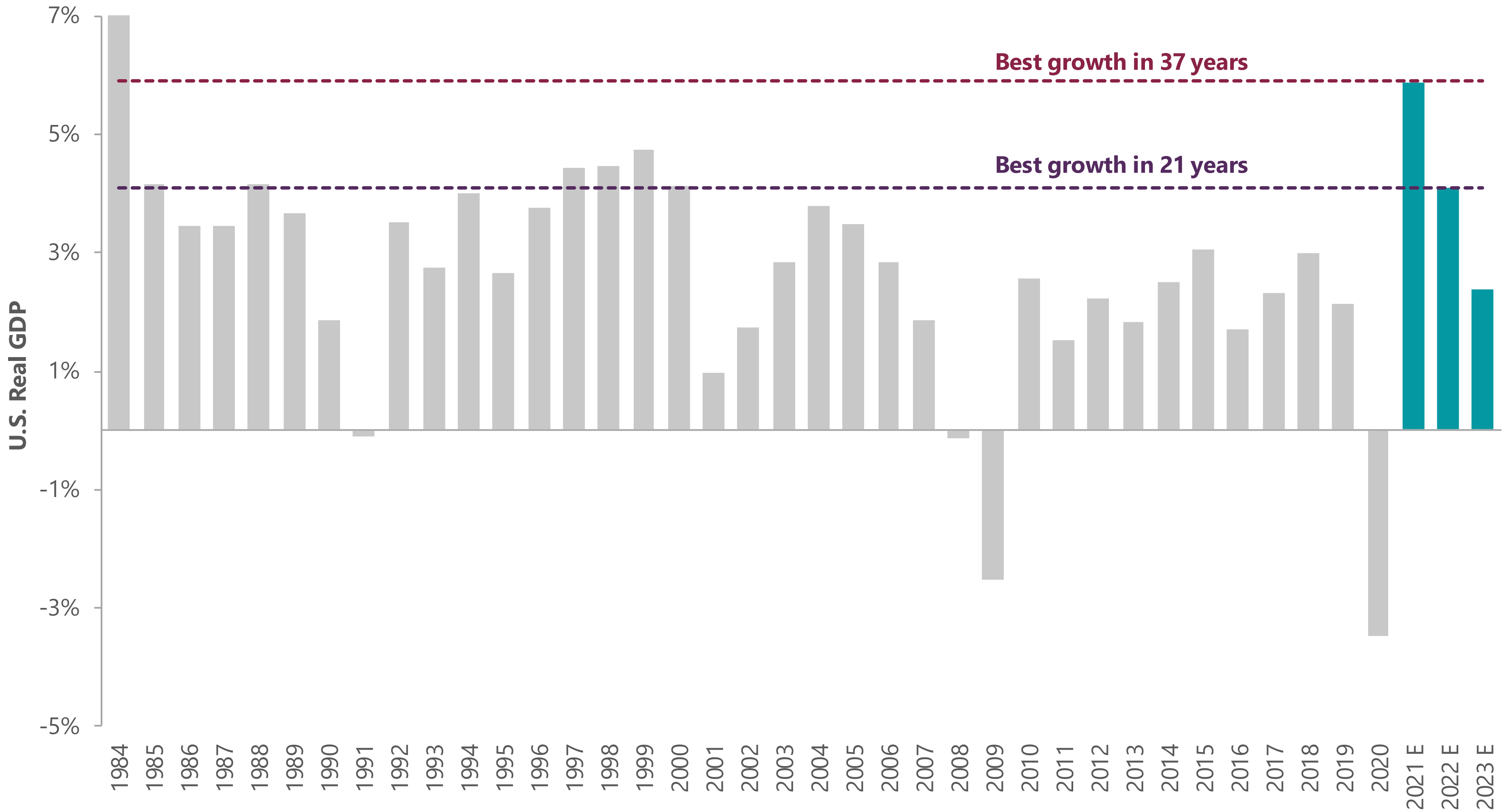
Data as of June 30, 2021. Source: Bloomberg, Factset, Federal Reserve System. Past performance is not a guarantee of future results.
Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

The New (Old) Normal?



- **Following the COVID-19 GDP collapse, 2021 is expected to see the strongest growth in 37 years.**
- **This strength is currently expected to persist into 2022 with the best GDP growth since 2000.**

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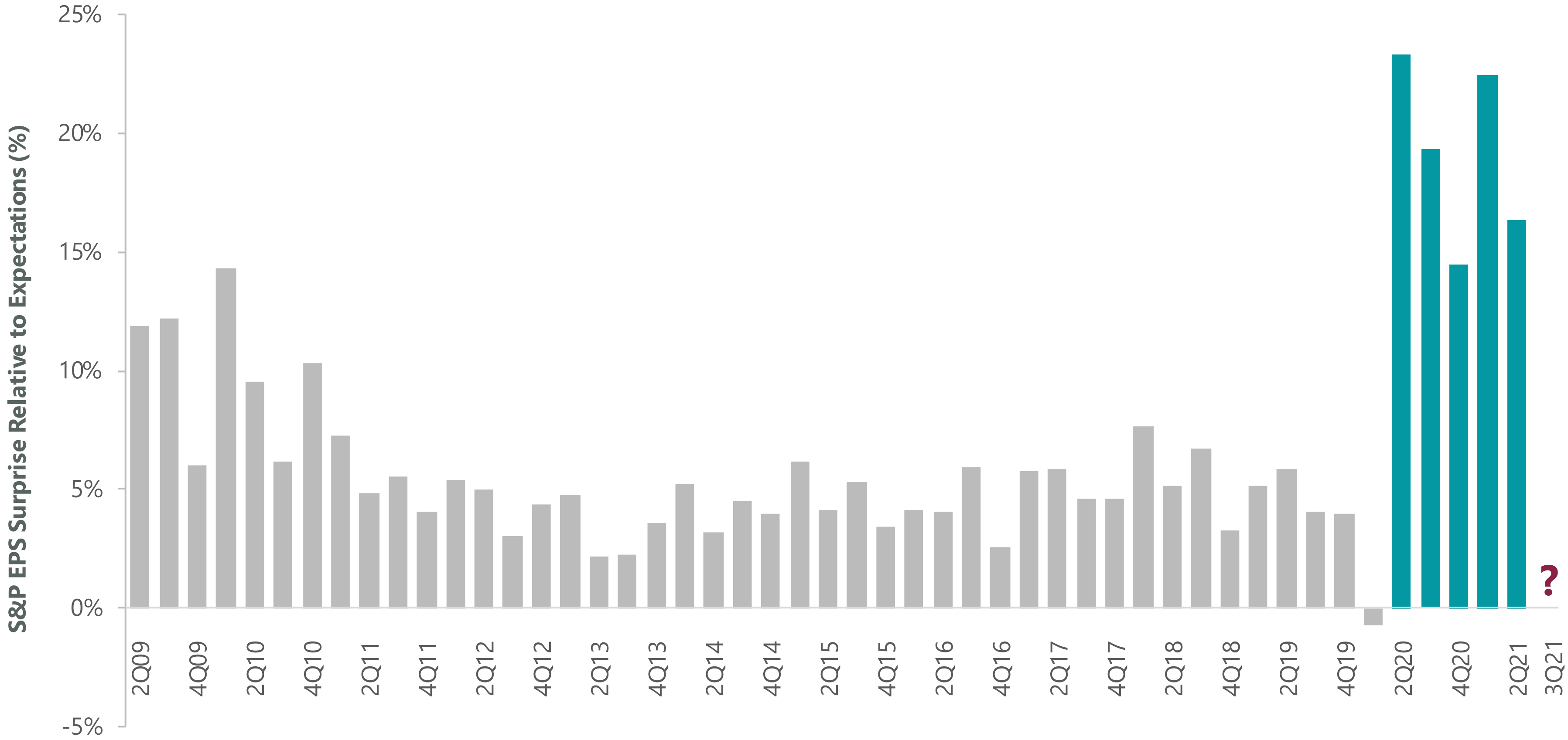
Data as of Sept. 30, 2021. Source: BEA, FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Market Outlook

Historic Earnings Surprise

Earnings Beats over the Last Year Have Been Extremely Strong



- **Earnings have handily beat expectations and helped power the market's rally over the past 5 quarters.**

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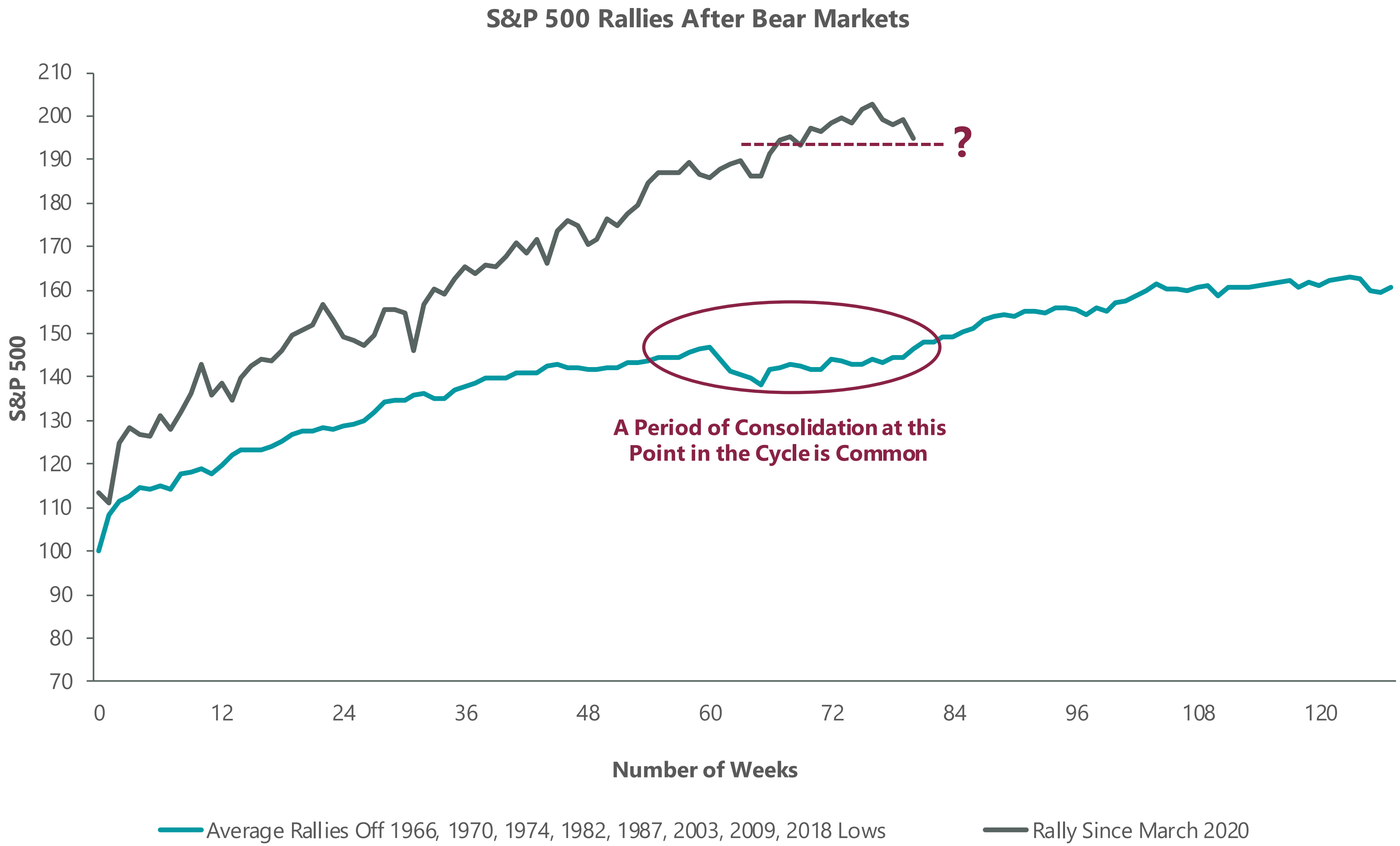
Data as of June 30, 2021, latest available as of Sept. 30, 2021. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Early Gains Need Digesting



- **Following a substantial rally from the lows, equities typically experience lackluster returns as the handoff from early to mid-cycle occurs.**

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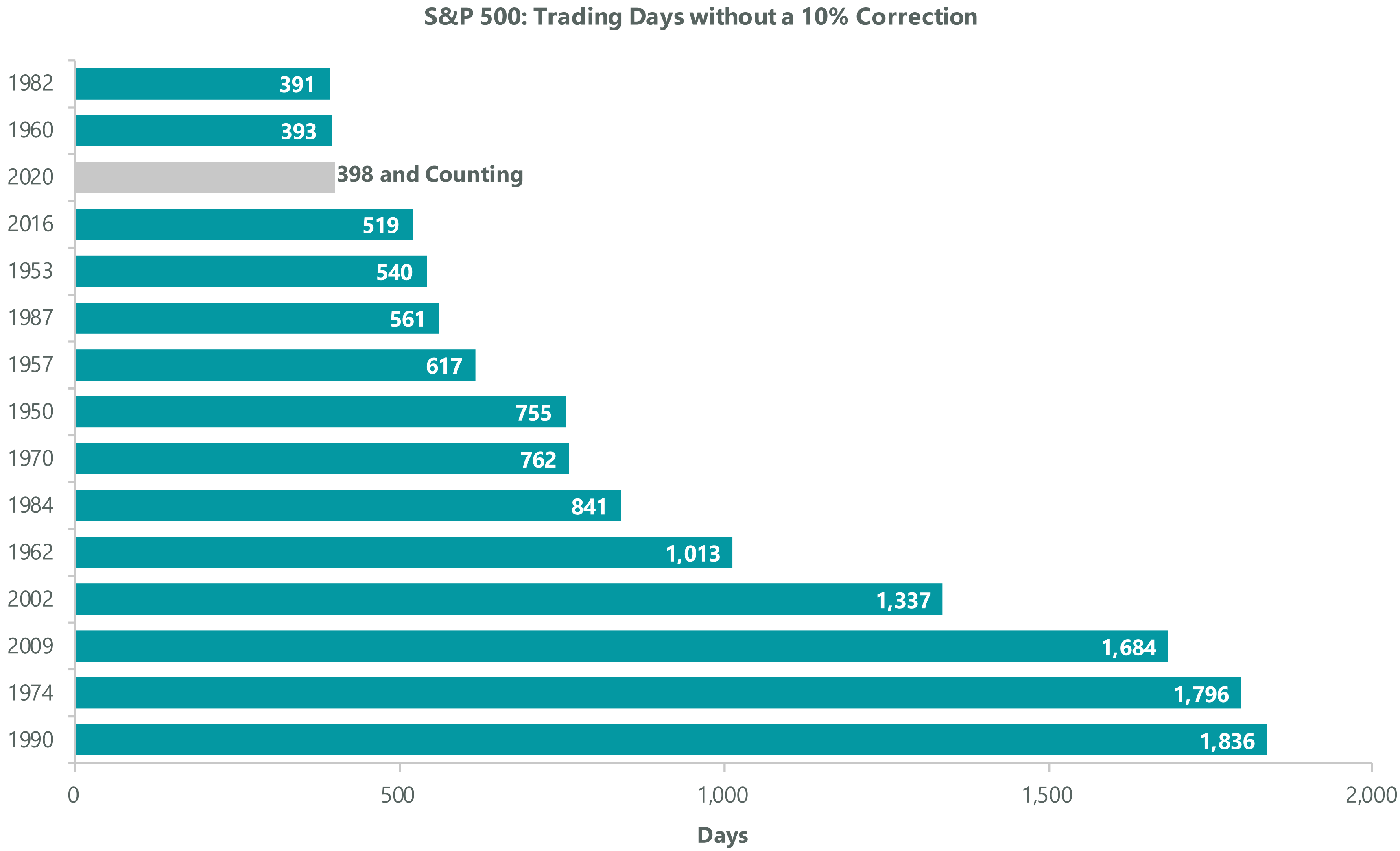
Data as of Sept. 30, 2021. Source: FactSet, S&P Global. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Correction not a Foregone Conclusion



- **Although it has been over 1.5 years since the market's last correction, history shows this is hardly unprecedented.**

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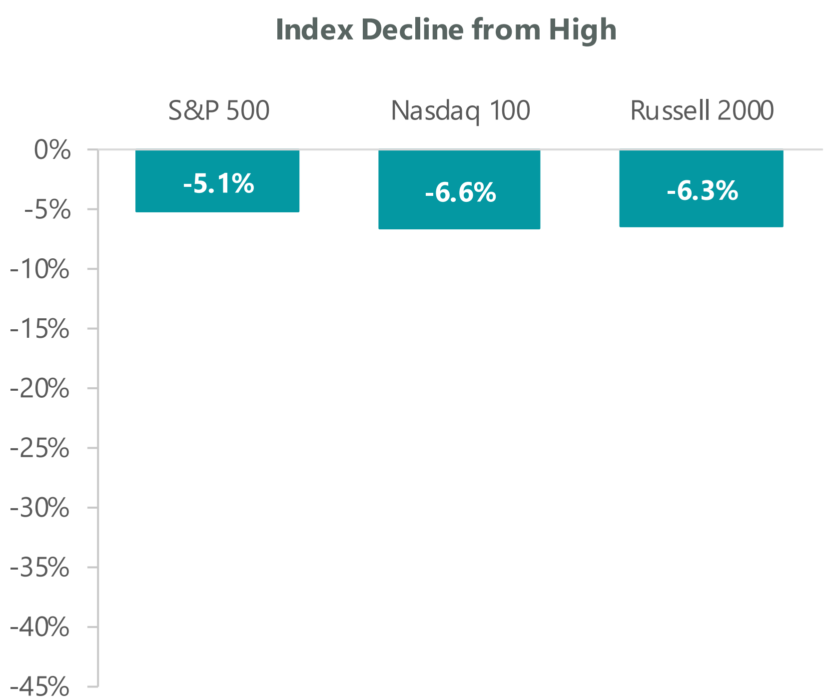
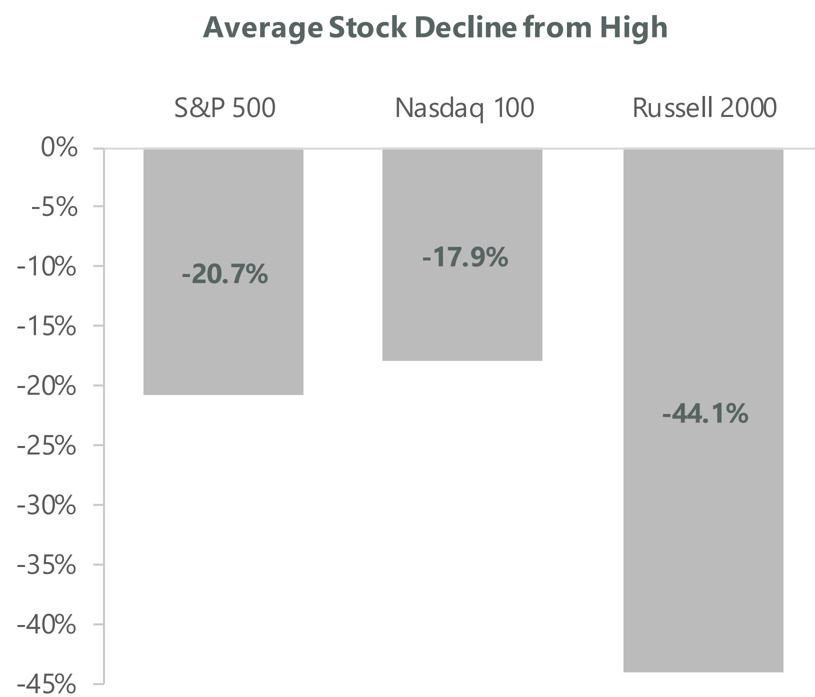
Data as of Sept. 30, 2021. Source: FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Average Stock Has Already Corrected





- **Although benchmarks remain near all-time highs, the average stock within the benchmark has experienced a substantial decline.**

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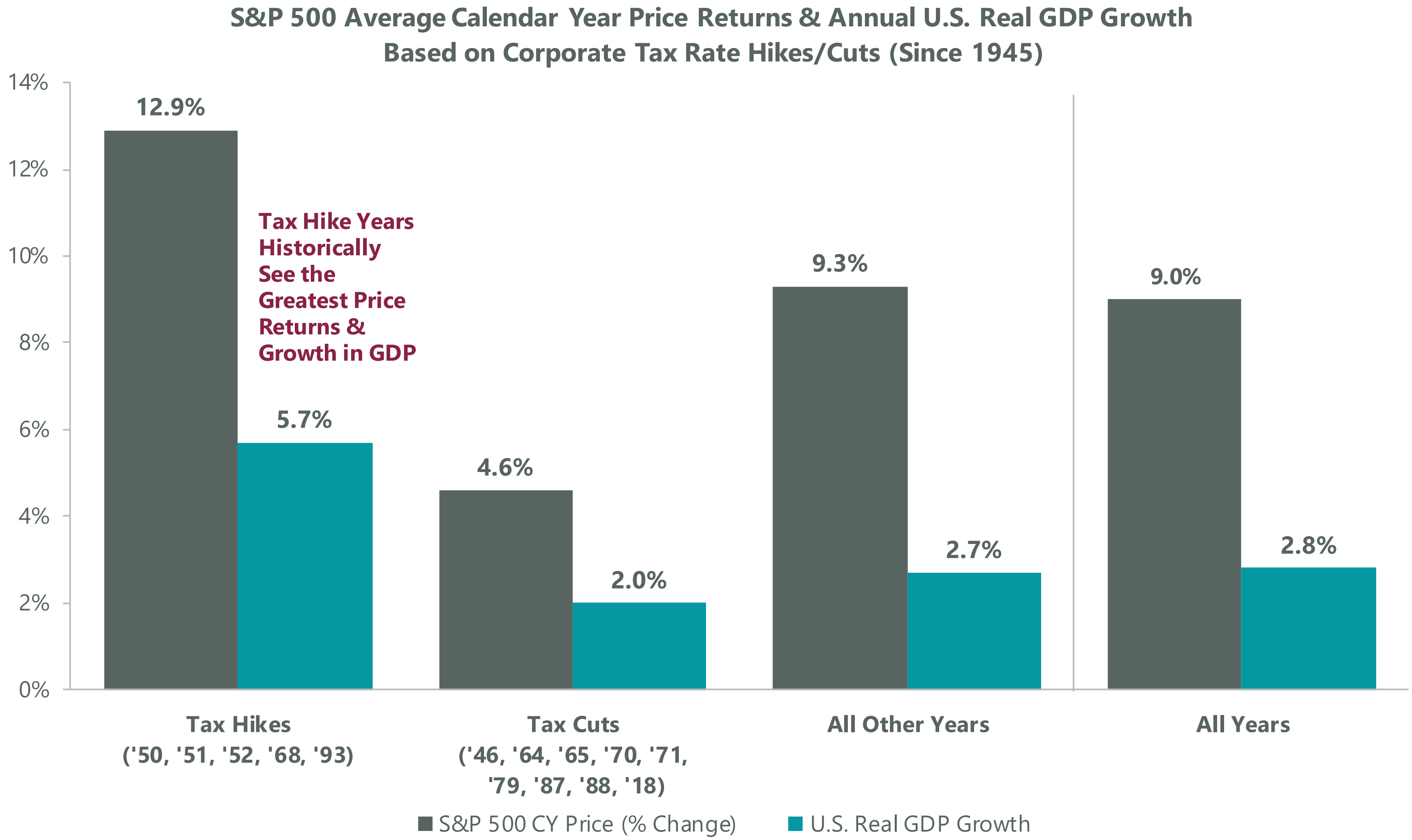
High for S&P 500 – Sept. 2, 2021; Russell 2000 – March 15, 2021; Nasdaq 100 – Sept. 7, 2021. Stock declines are an average of the individual declines from each stock's all-time high. Data as of Sept. 30, 2021. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

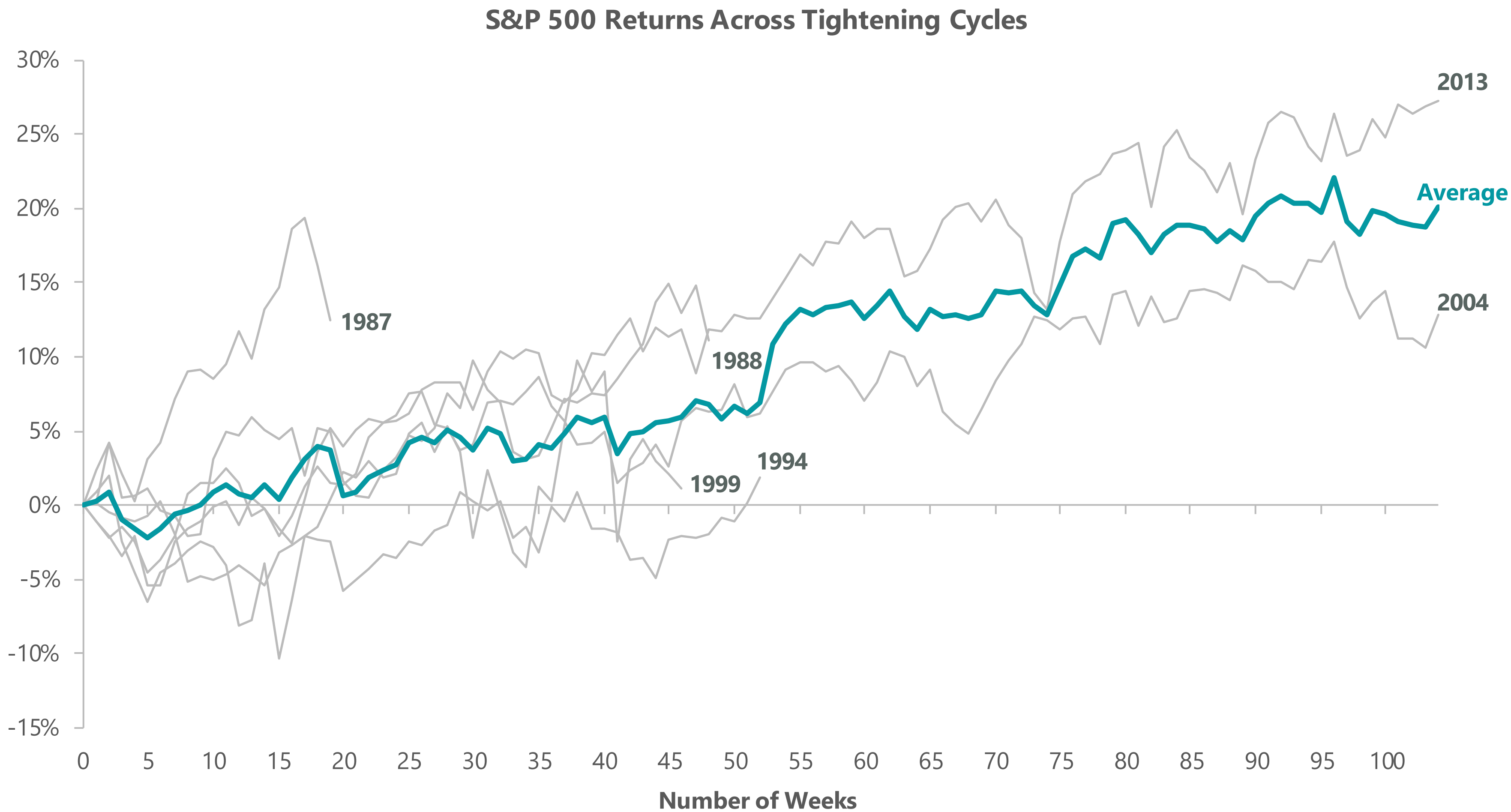
Higher Taxes, Higher Returns?



- **Although many investors fear corporate tax hikes, history suggests they tend to occur during periods of strong economic growth. This typically offsets the potential drag on equity markets.**

Source: FactSet Standardized Economics, FRED. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Fed Liftoff, Brief Pullbacks



- **The beginning of a monetary tightening cycle has historically led to a brief (< 2 months) stock market selloff.**
- **These have historically proved to be good buying opportunities for long-term investors.**

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Data as of June 18, 2021, latest available as of Sept. 30, 2021. Source: Factset, S&P Global. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Higher Rates, Higher Equities

Stock Returns During Historical Rising Rate Environments (10-Year Yield Change > 1.5%)

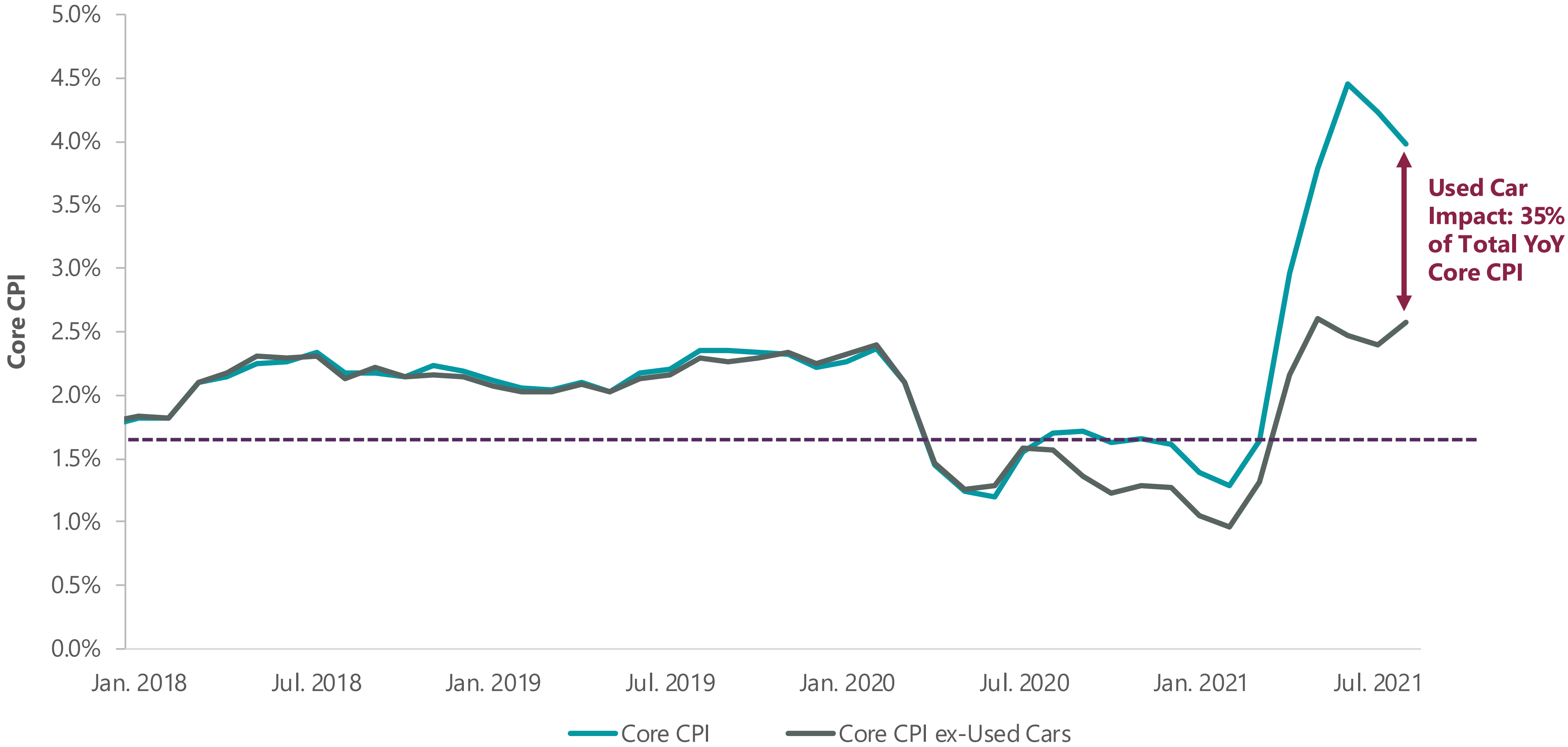
Rising Rates Start Date	Rising Rates End Date	Duration (Months)	Change in 10-Year Treasury Yield	S&P 500 Gain/Loss (Annualized)	Russell 2000 Gain/Loss (Annualized)
Dec. 1962	Aug. 1966	45	1.7%	8.1%	-
March 1967	Dec. 1969	34	3.6%	3.6%	-
March 1971	Sept. 1975	55	3.2%	-0.9%	-
Dec. 1976	Sept. 1981	58	9.0%	7.3%	-
May 1983	May 1984	13	3.9%	-3.5%	-11.8%
Aug. 1986	Oct. 1987	14	3.3%	13.6%	5.9%
Oct. 1993	Nov. 1994	13	2.9%	1.5%	-3.1%
Jan. 1996	July 1996	6	1.5%	6.7%	10.1%
Oct. 1998	Jan. 2000	16	2.6%	35.5%	44.5%
June 2003	June 2006	37	2.1%	9.8%	16.3%
Dec. 2008	April 2010	15	1.9%	28.5%	35.7%
July 2012	Dec. 2013	18	1.6%	28.0%	35.5%
July 2016	Oct. 2018	27	1.9%	16.8%	17.2%
Average:		**27**	**3.0%**	**11.9%**	**16.7%**
% Positive:			**100%**	**84.6%**	**77.8%**

- **During periods of rising rates, equities have delivered above-average returns with particular strength in small cap stocks.**

ClearBridge Investments

Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

2022 Inflation Risks Skew Lower



- **A handful of small components of the core CPI basket, such as used cars (4.4% weight), have materially contributed to the rise in inflation.**
- **If prices in these areas simply stabilize, inflation will return towards the Fed's 2% target next year. For example, flat used car prices would shave 140 bps from core CPI over the next year.**

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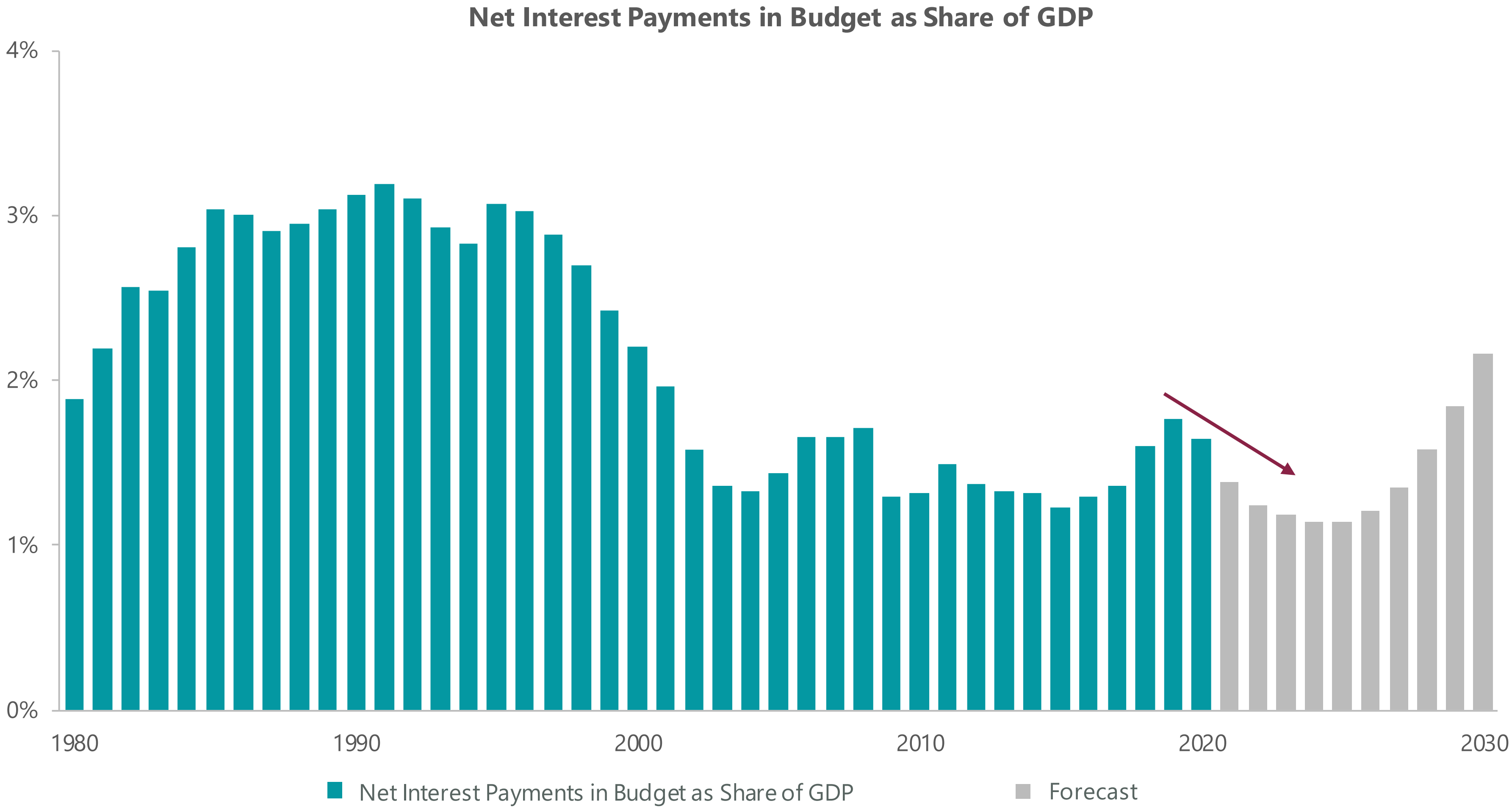
Data as of Aug. 31, 2021. Source: BLS and Bloomberg. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Is U.S. Debt Really an Issue?



- **Despite a dramatic increase in government debt outstanding, total debt servicing costs as a percent of GDP have declined due to falling rates.**
- **While this could become a risk in the next decade, the intermediate-term outlook appears less troubling.**

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Source: Congressional Budget Office. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Retail Put Replacing Fed Put?

- **Investors have allocated more capital to equities in 2021 than over the previous 25 years combined.**
- **With retail investors stepping in to buy the dips, the market has not experienced a significant drawdown this year.**

As of Sep. 30, 2021. Source: Goldman Sachs. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

The Terrible Twos?

S&P 500 Performance 1st & 2nd Year Following Bear Market Low

Bear Market Low	Selloff	1st Year Off Low	2nd Year Off Low	2nd Year Max Drawdown
Jun. 1949	29.6%	42.1%	11.9%	-13.4%
Oct. 1957	21.6%	31.0%	9.7%	-9.2%
Jun. 1962	28.0%	32.7%	17.4%	-6.5%
Oct. 1966	22.2%	32.9%	6.6%	-10.0%
May 1970	36.1%	43.7%	11.1%	-11.0%
Oct. 1974	48.2%	38.0%	21.2%	-5.1%
Aug. 1982	27.1%	58.3%	2.0%	-14.7%
Dec. 1987	33.5%	21.4%	29.3%	-9.2%
Oct. 1990	19.9%	29.1%	5.6%	-6.8%
Oct. 2002	49.1%	33.7%	8.0%	-8.8%
Mar. 2009	56.8%	68.6%	15.7%	-17.1%
Mar. 2020	33.9%	74.8%	?	?
Average (All Periods):		**42.2%**	**12.6%**	**-10.2%**
% Positive (All Periods):		**100%**	**100%**	
Average (30%+ Selloffs):		**41.1%**	**17.1%**	**-10.2%**
% Positive (30%+ Selloffs):		**100%**	**100%**	

- **The first year of a new bull market typically sees strong equity performance despite economic malaise.**
- **The second year often sees robust economic growth but a more volatile (but higher) equity market, particularly following larger selloffs.**

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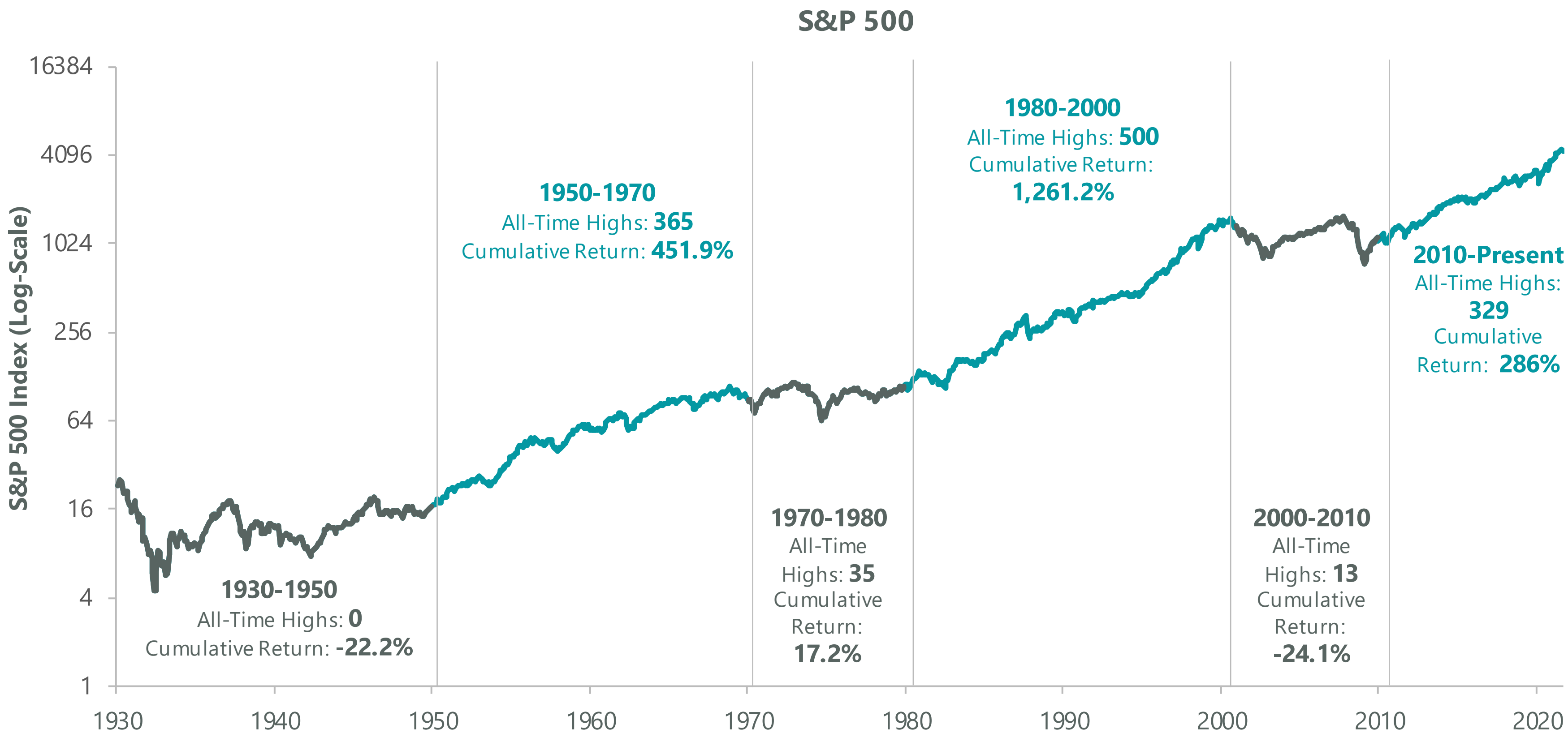
Source: FactSet.
Data as of June 30, 2021. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

New Secular Bull Market?



Secular Bear: Average Drawdown -46.1%
Secular Bull: Average Drawdown -26.1%

- **In the 12 months following an all-time high, stocks have historically been up 8.6% on average with positive returns 71% of the time.**

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Secular bear market average drawdown includes selloff beginning September 1929. Data as of Sept. 30, 2021. Source: Bloomberg, FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Economic and Market Summary

Fourth Quarter 2021

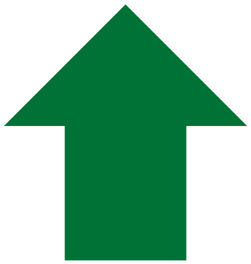
U.S. Economic Outlook

- U.S. recession risks are well below average
- The economy should reaccelerate as Delta subsides
- Consumer Headwinds < Consumer Tailwinds
- Business investment (capex) should remain robust with strong global demand and more reliable supply chains

U.S. Market Outlook

- U.S. markets have often experienced a consolidation at this point in a new bull market
- Current headwinds include rising corporate taxes, tightening monetary policy, and potential sustained inflation
- In our view, this sell-off is a buying opportunity due to multiple positive market factors

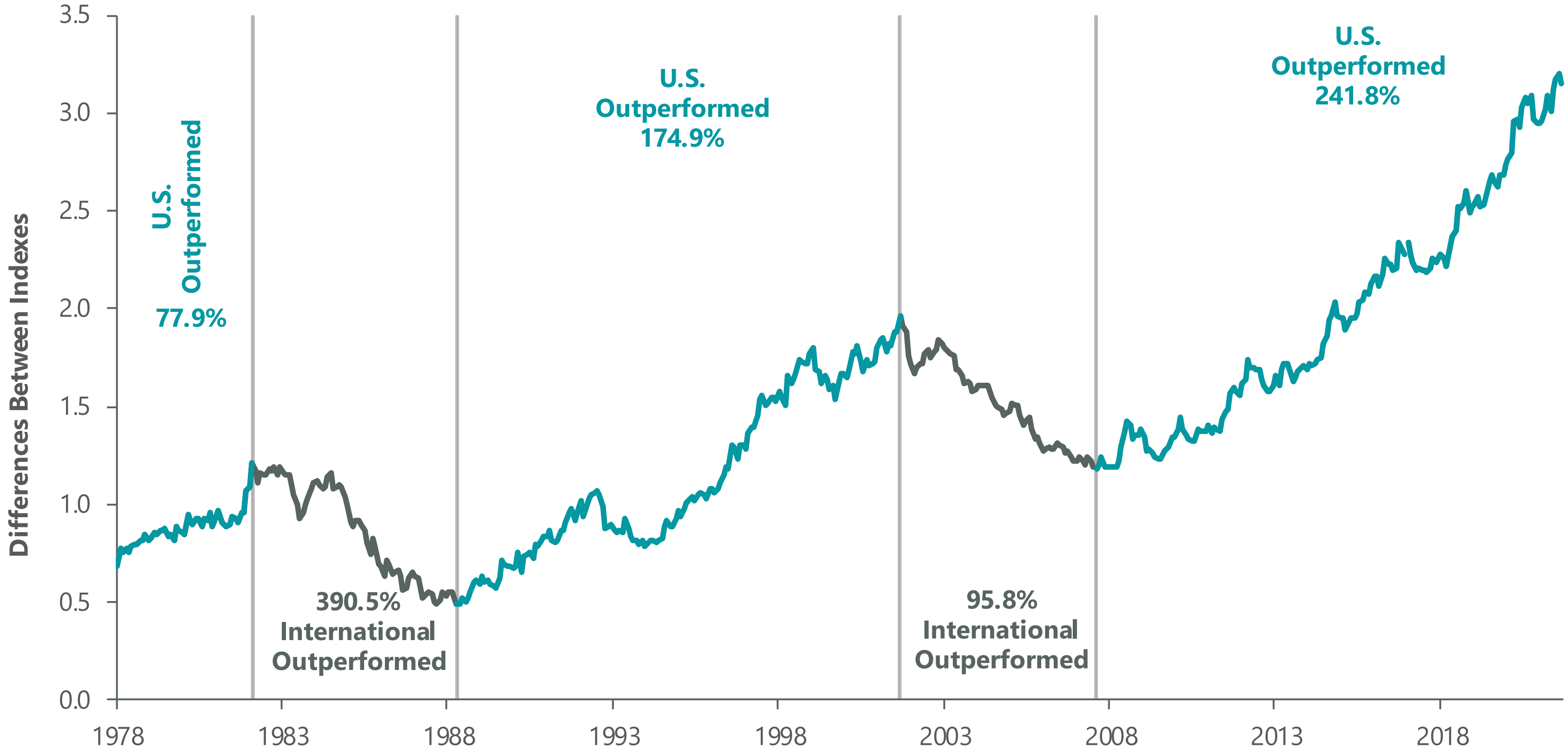
Recession Dashboard Overall Signal



Expansion

International Outlook

U.S. vs. International Equity Performance



Geographic leadership tends to persist for multiple years.

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S&P 500 vs. MSCI EAFE. Data as of Sept. 30, 2021. Source: FactSet. Past performance is not a guarantee of future results.
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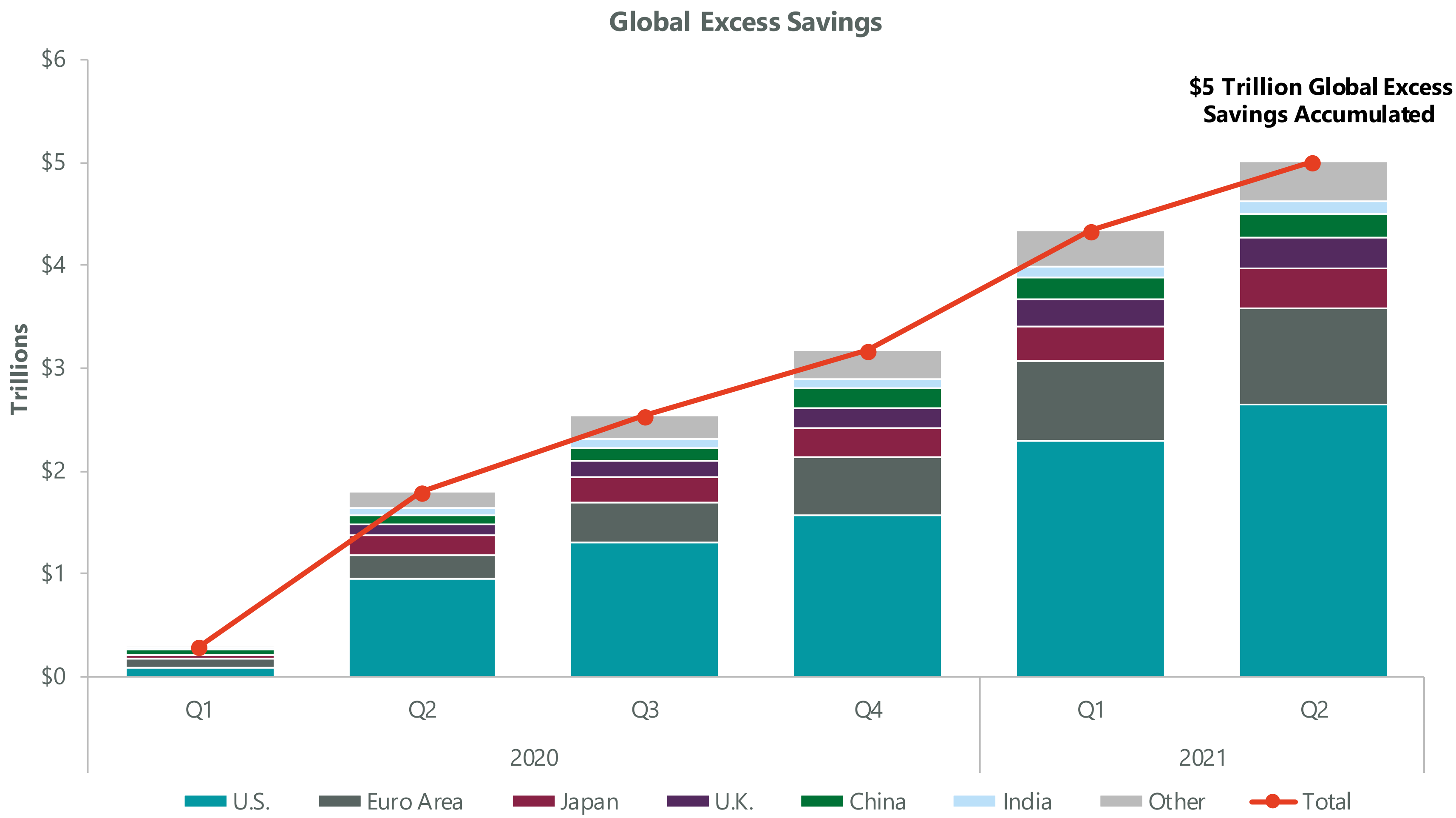
Global Consumers Flush



- **The inability to spend, combined with government transfer payments, has resulted in an abundance of savings globally.**
- **As the global economy re-normalizes, some of these reserves will be drawn which should further fuel the recovery.**

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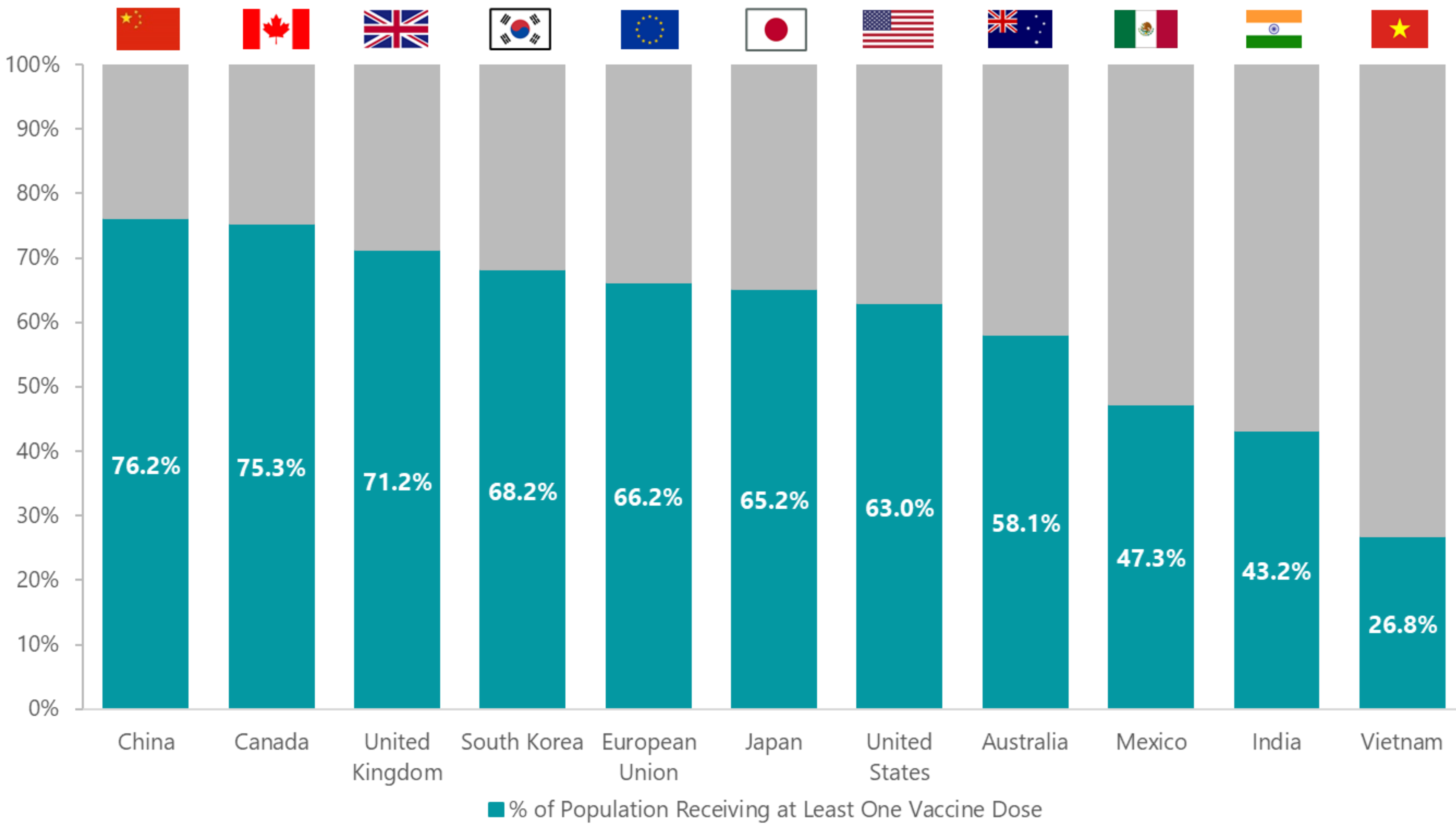
Note: Other includes Canada, Australia, Sweden, Norway, and South Africa.
Source: Goldman Sachs. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Herd Immunity Within Reach



- **With vaccination efforts accelerating globally, many countries have or will attain herd immunity by year-end.**
- **This should help bolster the prospects for a synchronized global recovery in 2022.**

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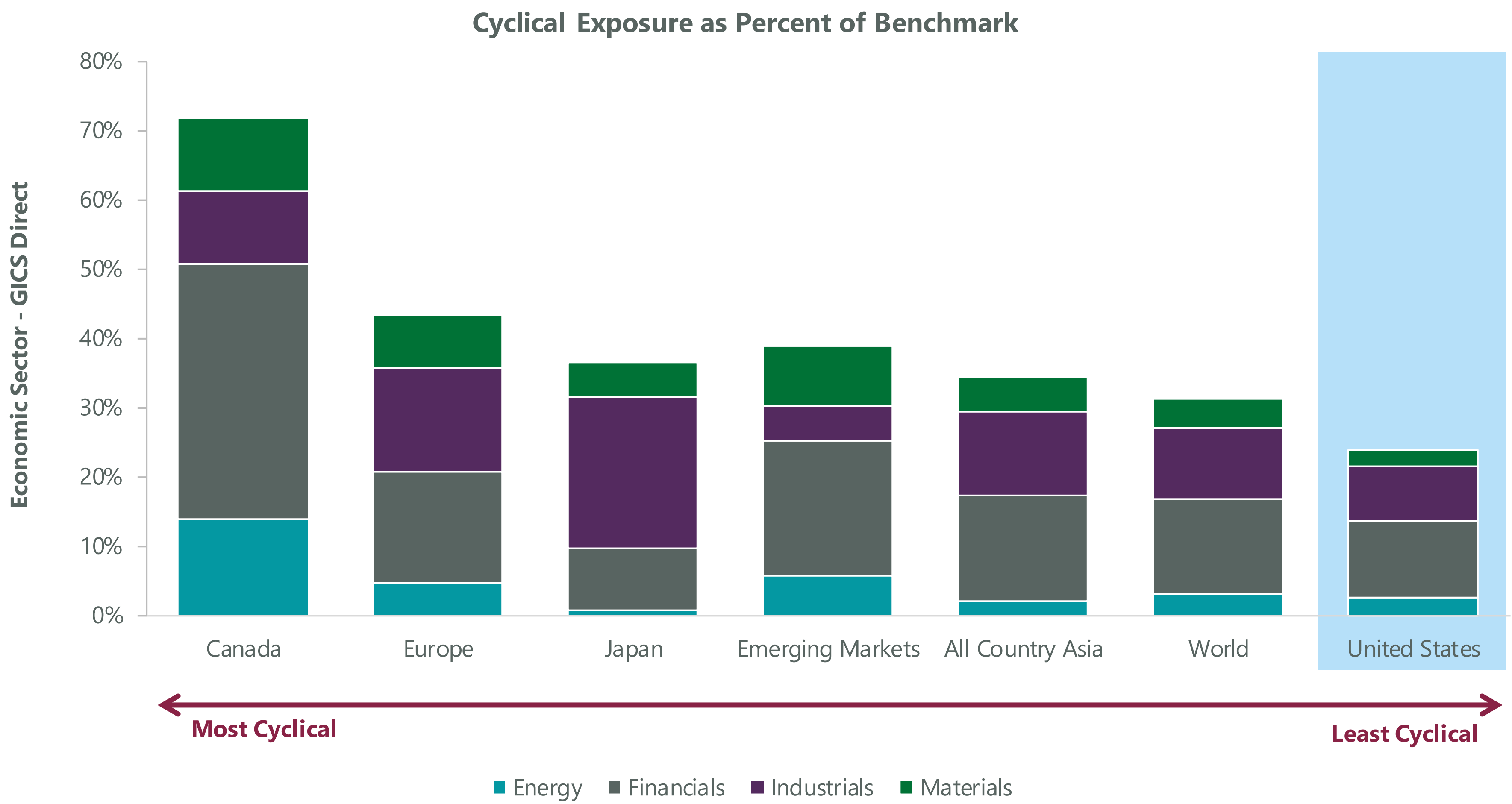
Data as of Sept. 15, 2021, latest available as of Sept. 30, 2021. Source: Our World in Data. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Global Markets More Cyclical



- **In periods of accelerating economic growth, non-U.S. markets tend to lead given greater cyclical exposure.**

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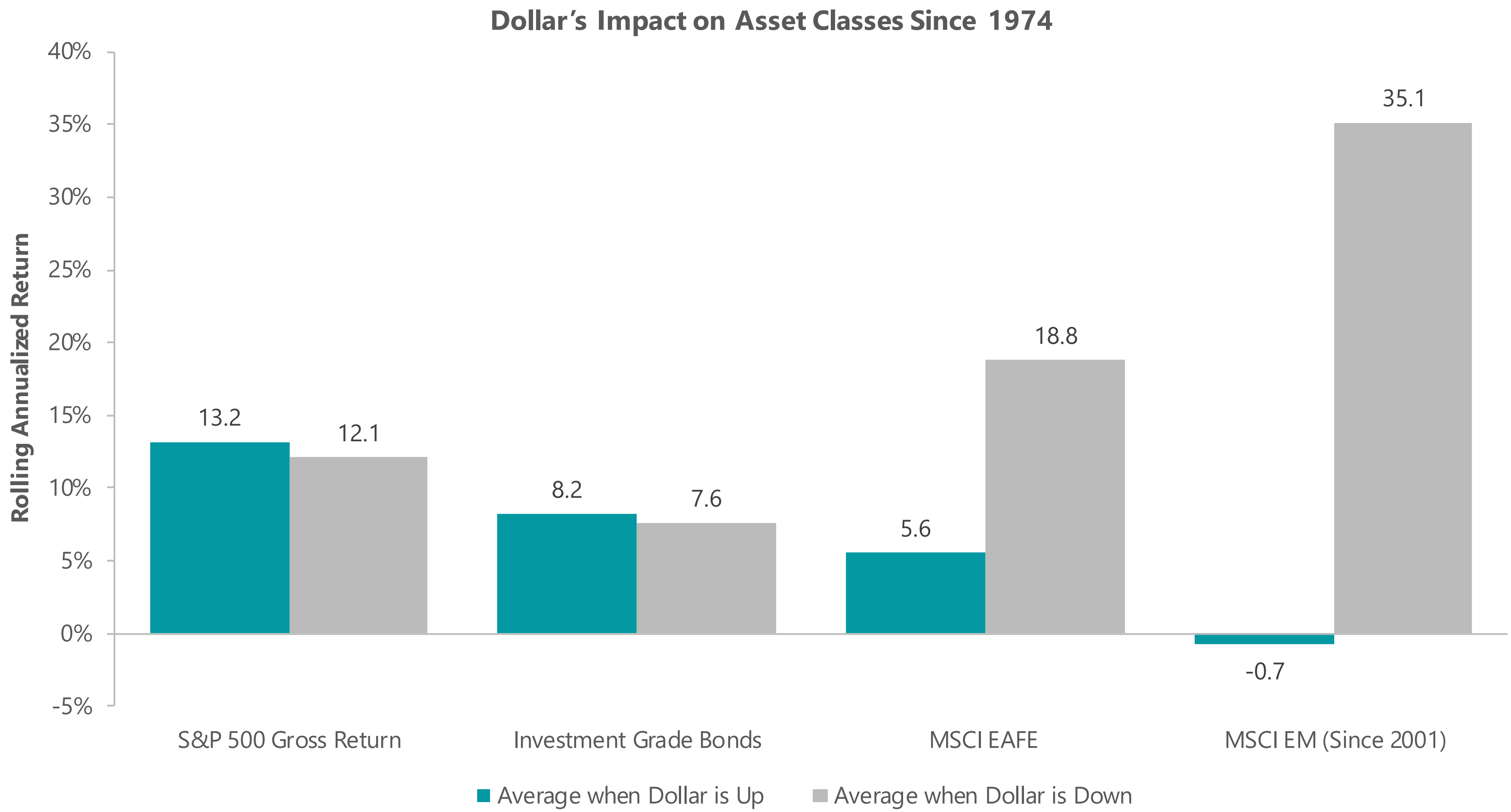
Cyclical sectors: Financials, Materials, Industrials, Energy. Cyclical exposure by MSCI Region. Data as of Sept. 30, 2021. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Weaker Dollar Supercharges Non-U.S. Stocks

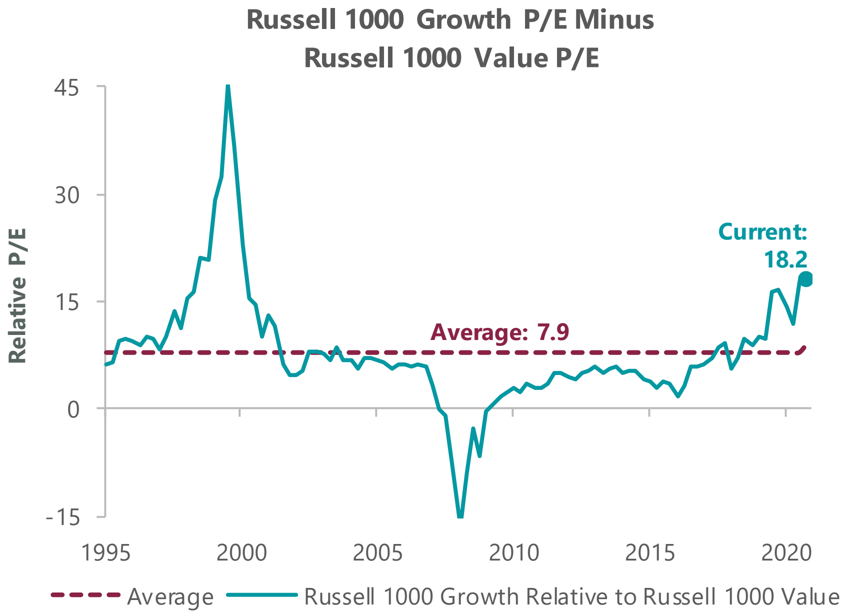


International equities tend to outperform during periods of dollar weakness.

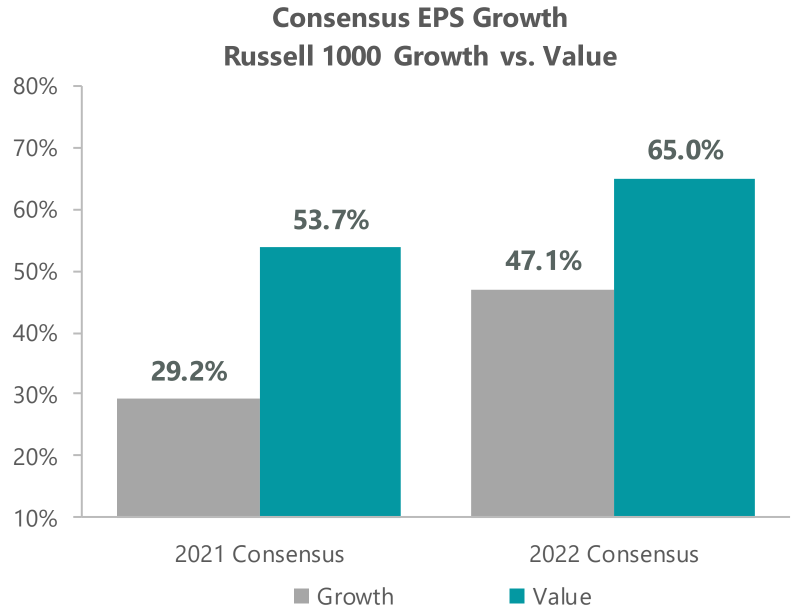
Data as of Sept. 30, 2021. MSCI EAFE and MSCI EM are net returns; MSCI EM data starts in 2001. Investment Grade Bonds refers to the Bloomberg Barclays U.S. Corporate Investment Grade Bond Index. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Market Leadership

Fundamentals Favor Value



Source: Bloomberg.



Source: FactSet, Russell.

- **Relative P/E and EPS growth point to further upside for Value stocks relative to Growth.**
- **Each multiple point of relative P/E equates to between approximately 4-5% of relative performance between Growth and Value.**

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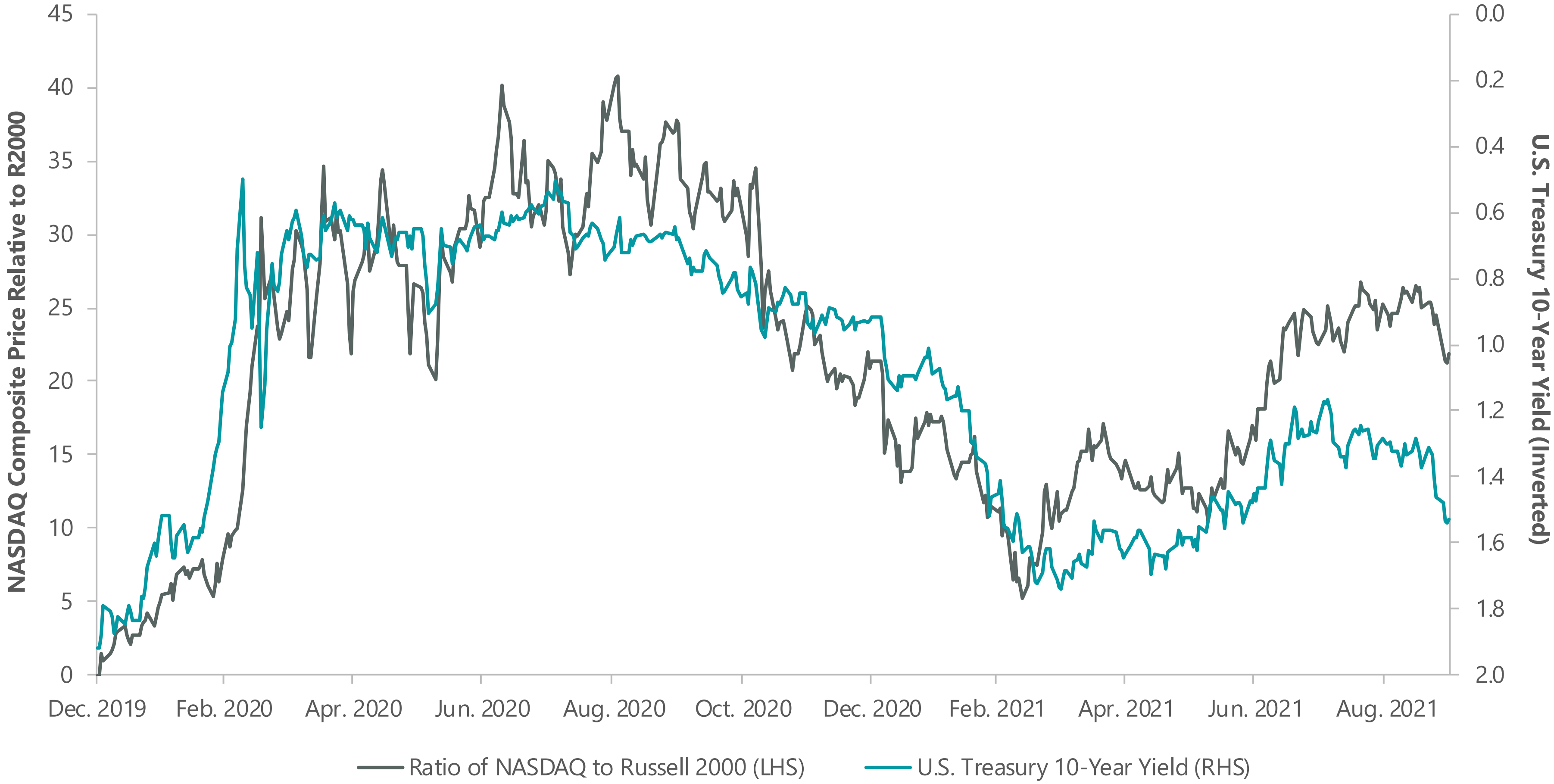
Data as of Sept. 30, 2021. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Rates Drive Growth/Value Debate

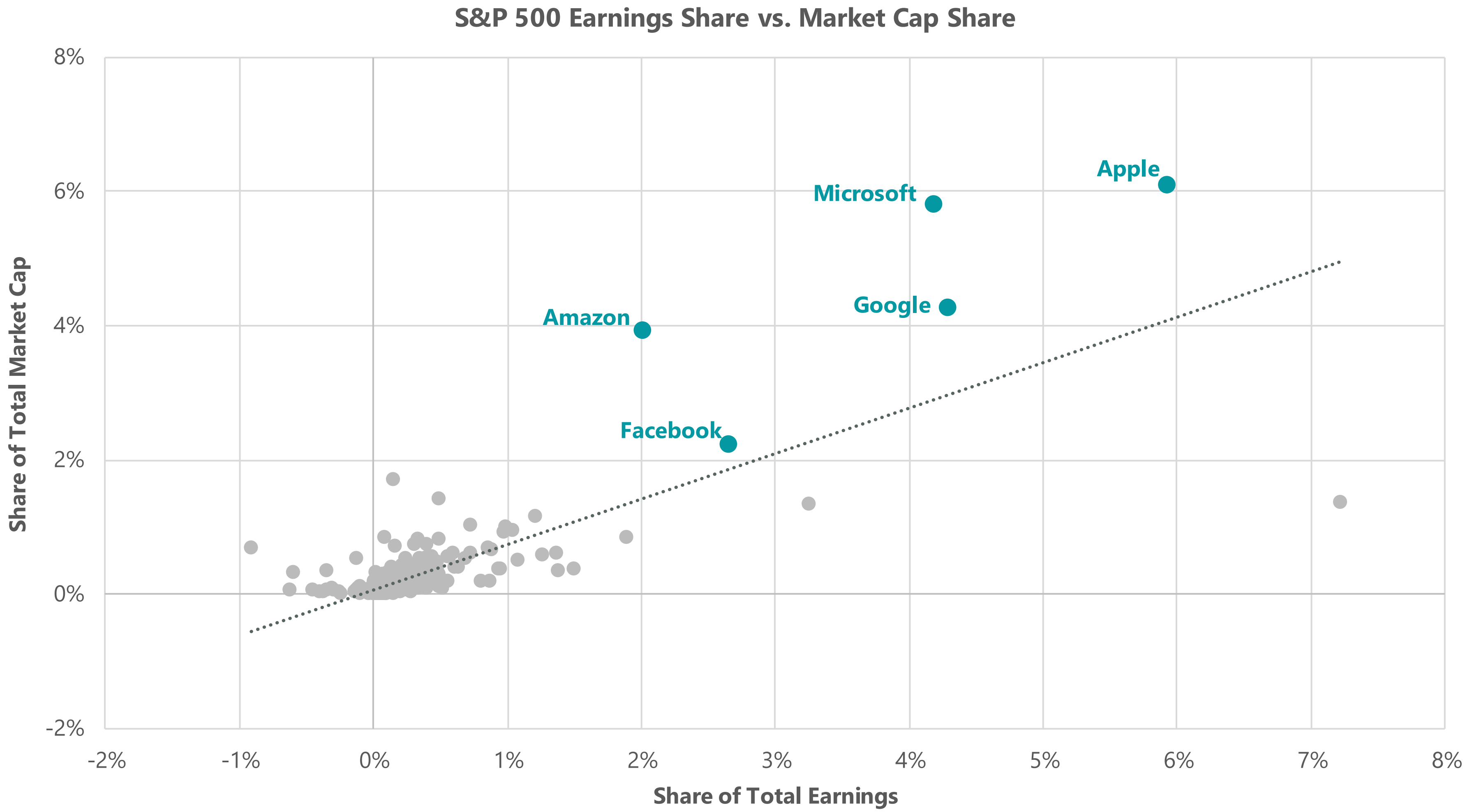


- **Since 2020, equity market leadership has moved in tandem with the 10-year Treasury yield.**
- **Economic renormalization as the Delta wave subsides could lift rates and help reignite cyclical/value leadership.**

ClearBridge Investments

Data as of Sept. 30, 2021. Source: S&P, Russell, FactSet, and Bloomberg. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Are Valuations Justified by Earnings?



- **The 5 largest stocks are expected to account for 22% of 2021 earnings.**
- **The top 5 contribute more income than market cap.**

ClearBridge Investments

Data as of Sept. 30, 2021. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Not a recommendation to buy or sell any security.

Typical Market Leadership in a Downturn

← Less Defensive — **Most Defensive**

Market Cap	Value	Blend	Growth
Large	**Large Cap Value** **-13.0%** Avg. Perf. **41%** Hit Rate	**Large Cap** **-12.3%** Avg. Perf. **76%** Hit Rate	**Large Cap Growth** **-11.7%** Avg. Perf. **69%** Hit Rate
Mid	**Mid Cap Value** **-14.2%** Avg. Perf. **24%** Hit Rate	**Mid Cap** **-13.7%** Avg. Perf. **31%** Hit Rate	**Mid Cap Growth** **-13.2%** Avg. Perf. **35%** Hit Rate
Small	**Small Cap Value** **-14.8%** Avg. Perf. **21%** Hit Rate	**Small Cap** **-14.2%** Avg. Perf. **24%** Hit Rate	**Small Cap Growth** **-13.7%** Avg. Perf. **41%** Hit Rate

Less Defensive ↓

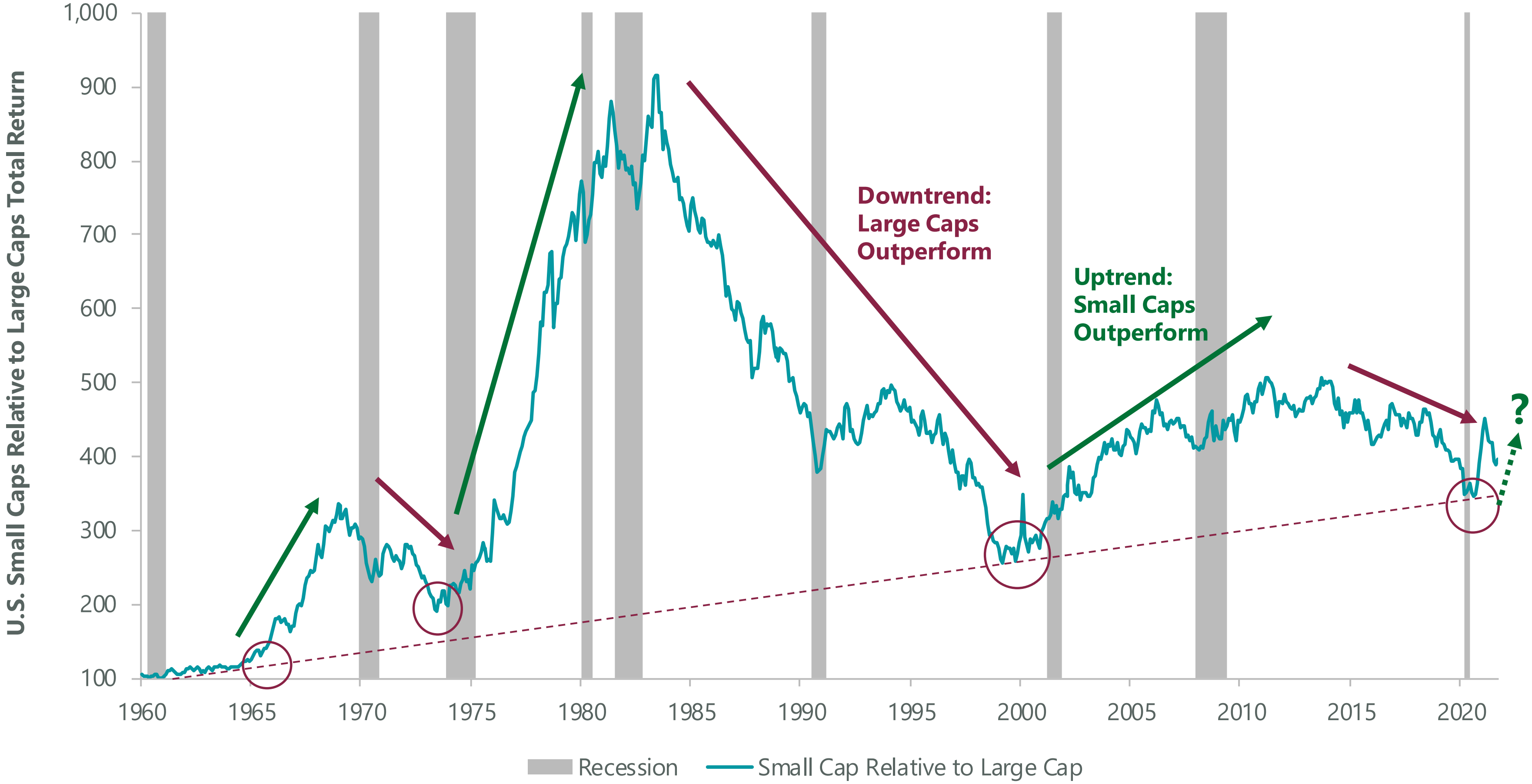
Least Defensive

Investment Style

Note: Average performance: average performance during selloffs of 5% or more, Hit Rate: Hit rate of outperformance during 5%+selloffs, 2005 – present. Benchmarks used: Large Value: S&P 500 Value, Large Blend: S&P 500, Large Growth: S&P 500 Growth; Mid Value: S&P 400 Value, Mid Blend: S&P 400, Mid Growth: S&P 400 Growth; Small Value: S&P 600 Value, Small Blend: S&P 600, Small Growth: S&P 600 Growth. Outperformance frequency calculated relative to S&P 1500 index. Data as of Sept. 30, 2021. Source: S&P, Bloomberg. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

ClearBridge Investments

Time for Small Caps to Shine?

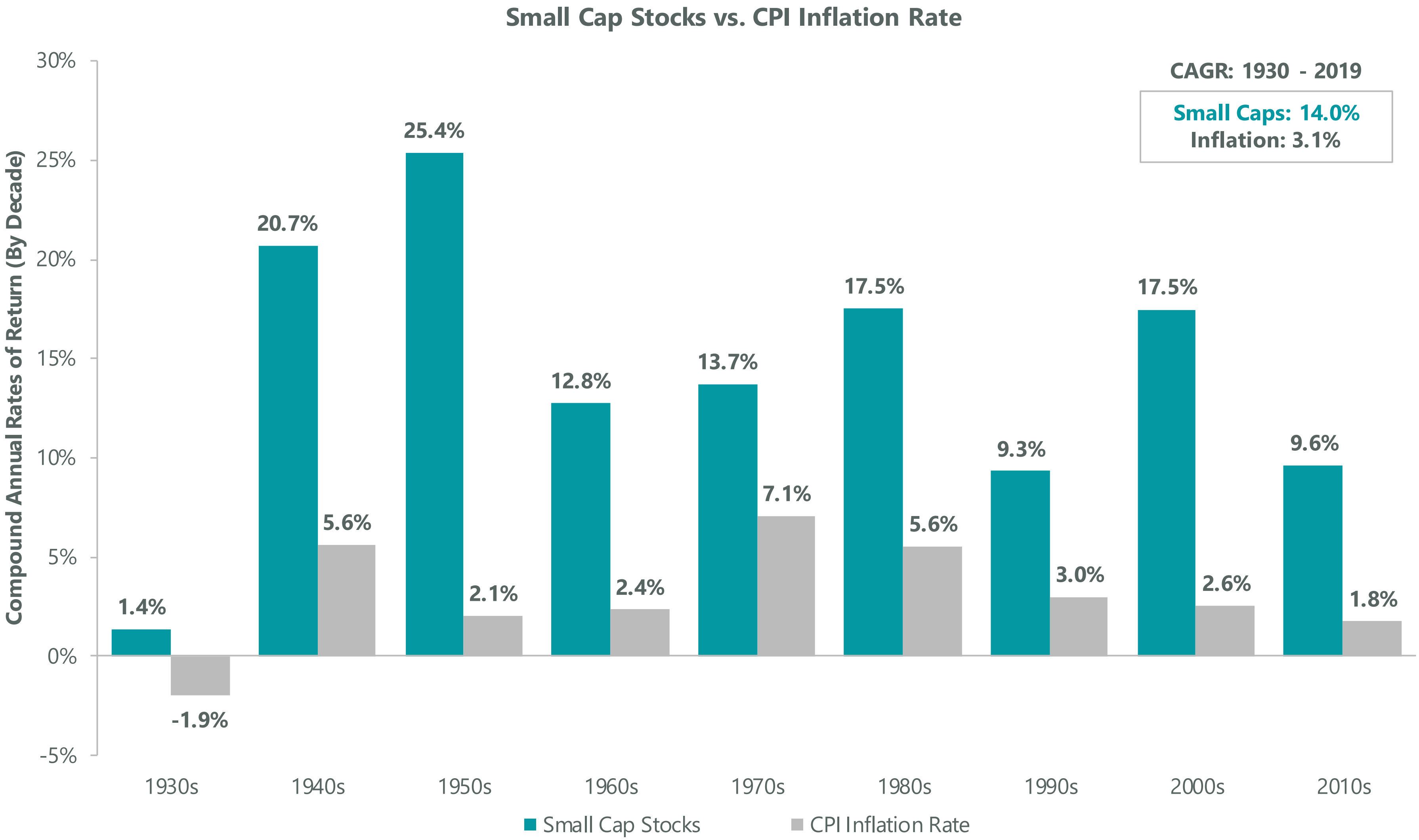


- **Over the last 60 years, markets have experienced three full Small Cap cycles.**
- **Recent Small Cap outperformance following the COVID-19 recession could be the start of a new cycle.**

ClearBridge Investments

Data as of Sept. 30, 2021. Source: Morningstar, Bloomberg. Ibbotson Small Cap from 1960 to 1978, then Russell 2000. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Small Caps Unfazed by Inflation



- **Since the 1930s, Small Cap stocks are the only major asset class to outperform inflation in each decade.**

ClearBridge Investments

Source: Ibbotson Small Cap Index-Morningstar, Bureau Labor Statistics. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Valuations Support Small & Mid Cap Stocks

- **Small & Mid Cap stocks typically trade at a premium to Large. This is not currently the case.**

ClearBridge Investments

Data as of Sept. 21, 2021. Source: FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Small & Mid Cap Leadership Typically Lasts Longer

Small vs. Large Cap

Recession End	First 12 Months	Second 12 Months	Next 12 Months
Nov. 1982	10.4%	-9.3%	0.1%
March 1991	9.7%	0.4%	10.6%
Nov. 2001	5.6%	19.7%	5.2%
June 2009	6.9%	6.3%	-5.7%
April 2020	25.8%	-5.4%*	?
Average (Prior 4 Recessions)	**8.2%**	**4.3%**	**2.6%**

*5-month period

Mid vs. Large Cap

Recession End	First 12 Months	Second 12 Months	Next 12 Months
Nov. 1982	3.4%	-3.7%	1.8%
March 1991	6.7%	5.2%	4.0%
Nov. 2001	6.8%	13.8%	6.2%
June 2009	10.1%	6.9%	-5.5%
April 2020	10.1%	-1.9%*	?
Average (Prior 4 Recessions)	**6.8%**	**5.6%**	**1.6%**

*5-month period

- **Following a recession, Small and Mid cap stocks typically outpace their Large cap brethren over the next three years.**
- **Given weakness in year two so far, an opportunity could exist if the historical trend holds.**

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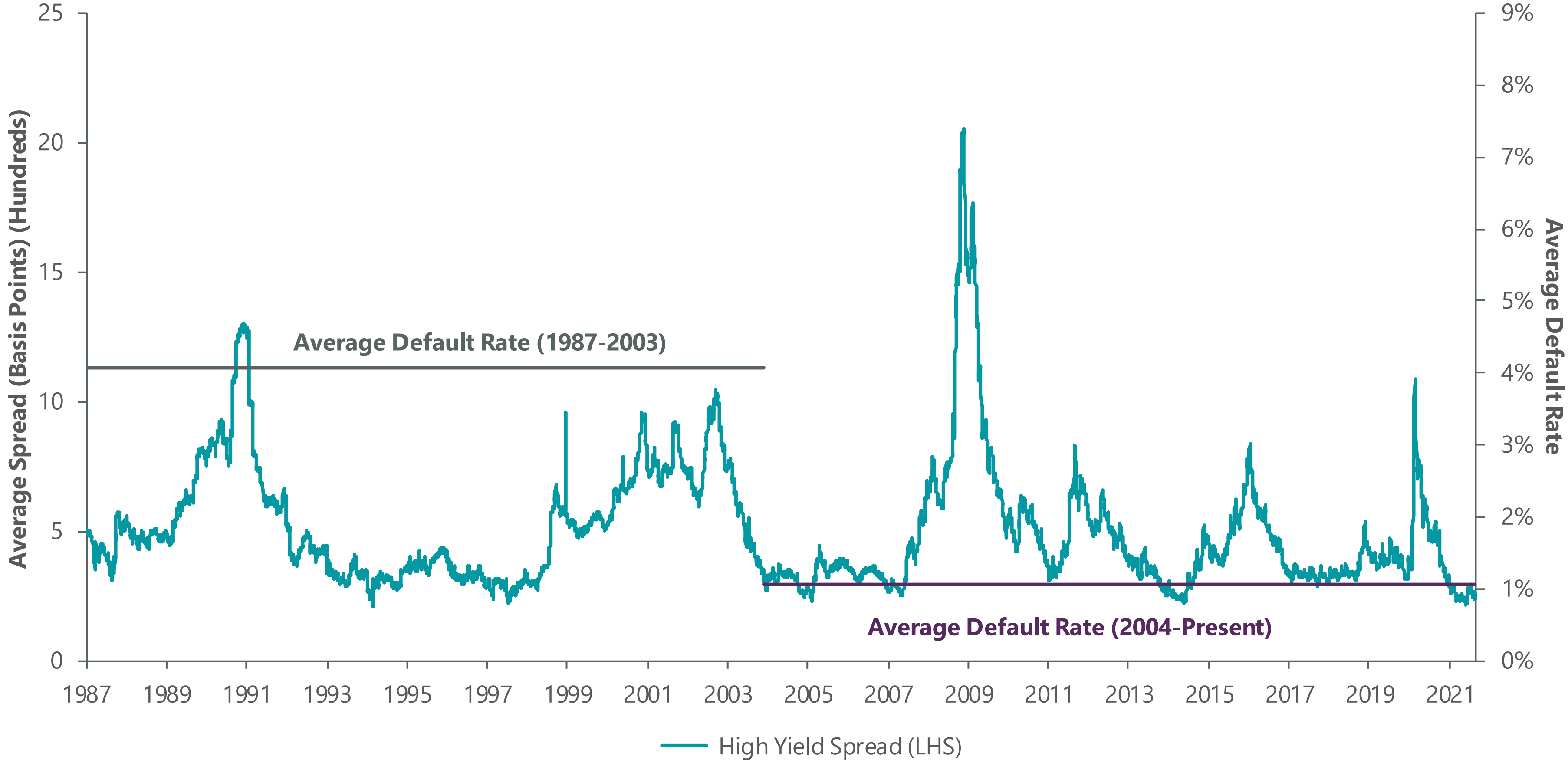
Small Cap = Russell 2000 Index, Mid Cap = Russell Mid Cap Index, and Large Cap = Russell 1000 Index. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Not a recommendation to buy or sell any security.

Could Spreads Go Even Lower?



- **While credit spreads are near the low end of their historical range, default rates have been substantially lower since 2004.**
- **Lower default rates mean investors may demand less compensation in order to take credit risk.**

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Data as of Sept. 30, 2021. Source: Federal Reserve Bank of St. Louis, FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Glossary of Terms

BEA: Bureau of Economic Analysis

Bloomberg Barclays US Corporate Investment Grade Bond Index: an unmanaged index of U.S. investment-grade corporate bond securities

Capex (Capital expenditures): corporate spending on productive assets (such as buildings, machinery and equipment, vehicles) intended to increase capacity or efficiency for more than one accounting period.

EPS (Earnings per Share): the portion of a company's profit allocated to each outstanding share of common stock.

GDP: Gross Domestic Product

GFC (Great Financial Crisis): the severe economic and market downturn experienced in 2007-2008.

LEI Index: Conference Board Leading Economic Indicators index.

MSCI All Country World Index: unmanaged index of large- and mid-cap stocks in developed and emerging markets.

MSCI EM Index: unmanaged index of large- and mid-cap stocks in 27 emerging market countries.

MSCI EAFE Index: unmanaged index of equity securities from developed countries in Western Europe, the Far East, and Australasia.

MSCI USA Index: unmanaged index of US large- and mid-cap equity securities.

NFIB (National Federation of Independent Business): a U.S. small business advocacy association, representing over 350,000 small and independent business owners.

NFIB Small Business Optimism Index: measure of small business sentiment produced by the National Federation of Independent Business based on its monthly survey of small business owners.

P/E Ratio: Price/Earnings ratio

PMI: Purchasing Manager's Index

Quantitative easing (QE): Monetary policy implemented by a central bank in which it increases the excess reserves of the banking system through the direct purchase of debt securities.

Russell 2000 Index: unmanaged index of small-cap stocks.

Shibor: Shanghai Interbank Offered Rate

S&P 500 Index: Unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S.

VIX: VIX is the ticker symbol and the popular name for the Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

Yield Curve: Comparison of interest rates at a point in time of bonds with equal credit quality but different maturity dates.

YoY: Year Over Year

U.S. Treasurys: Direct debt obligations issued and backed by the "full faith and credit" of the U.S. government. The U.S. government guarantees the principal and interest payments on U.S. Treasuries when the securities are held to maturity. Unlike U.S. Treasury securities, debt securities issued by the federal agencies and instrumentalities and related investments may or may not be backed by the full faith and credit of the U.S. government. Even when the U.S. government guarantees principal and interest payments on securities, this guarantee does not apply to losses resulting from declines in the market value of these securities.

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