

## KEY FACTS

**Portfolio Management Team:** Aram Green, Jeffrey Russell, CFA

### Fundamental Research Platform:

- Co-portfolio managers leverage the firm's proprietary research team of experienced analysts for investment ideas and insights
- Two portfolio analysts dedicated exclusively to supporting the Small Cap Growth strategy and related small- and mid-cap portfolios

**Experience:** Co-portfolio managers average 20 years of investment experience

**Benchmark:** Russell 2000 Growth Index

**Performance:** The Institutional Small Cap Growth Composite (gross of fees) has outperformed the Russell 2000 Growth Index over the 1-, 3-, 5-, 7- and 10-year average annual periods through December 31, 2011<sup>2</sup>

## OBJECTIVE

Seeks long-term growth of capital<sup>3</sup>

## PHILOSOPHY & STRATEGY

- Small cap stock prices may vary significantly from fair value, in the short run, due to the mis-pricing of risk in the market, the deluge of short-term data, and market illiquidity
- Through fundamental analysis and stock selection, ClearBridge can identify companies with superior prospects for capital appreciation
- Risk control conducted at the portfolio level through rigorous business analysis and broad diversification
- Proprietary fundamental research team provides investment input

## INVESTMENT PROCESS SUMMARY

### Find Quality Growth Companies with Large Exploitable Opportunities

- Identify category leaders or those with leadership potential
- Understand capital allocation discipline and ability to sustain long-term growth

### Patient Approach to Security Selection, Anchored by Valuation

- Seek multi-year opportunities, allowing for compounding effect of earnings; leads to lower turnover than Small Cap Growth peer group
- Take deliberate approach to understand company fundamentals, key competitors, and industry structure
- Focus on cash flow returns minimizes risk of chasing momentum driven stocks

### Defined Risk Management at Security and Portfolio Level

- De-risk stock via understanding broad range of outcomes, including assumptions in downside case
- Rigorous maintenance review of existing holdings to ensure fundamental and valuation case intact
- Explicit limits at position and sector level
- Diversification of business models and customer bases throughout portfolio

<sup>1</sup> Source: FactSet. Representative portfolio characteristics, holdings, sector weightings, turnover and market capitalization are based on a representative portfolio and are subject to change at any time. Holdings, sector weightings, market capitalization, turnover and portfolio characteristics of individual client portfolios may differ, sometimes significantly, from those shown. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities and sectors listed.

P/E ratios are weighted harmonic average. Price/Book is weighted average.

<sup>2</sup> Past performance is no guarantee of future results. Please see GIPS endnotes.

<sup>3</sup> There is no guarantee that the Portfolio's objectives will be met.

## PORTFOLIO CHARACTERISTICS & RISK STATISTICS<sup>1,2</sup>

As of December 31, 2011

Characteristics	Representative Portfolio	Russell 2000 Growth Index
P/E Ratio (trailing 12 mos.)	23.1	16.5
P/E Ratio (forward 12 mos.)	19.6	17.4
Price/Book	4.2	3.7
EPS Growth Next 3-5 Years (%)	18.1	17.7
Weighted Median Market Cap (\$ bn)	1.7	1.2
Weighted Average Market Cap (\$ bn)	2.2	1.4
ROE	11.3	11.8
Dividend Yield	0.3	0.8

3 Year Risk Statistics	Composite	Russell 2000 Growth Index
Standard Deviation (%)	20.81	24.65
Sharpe Ratio	1.10	0.82
Tracking Error (%)	6.18	--
R <sup>2</sup>	0.95	--
Alpha (%)	6.29	--
Beta	0.82	--

## TOP TEN HOLDINGS<sup>1</sup>

Security	(%) of Total Representative Portfolio
Taleo Corp. (CI A)	3.27
Sourcefire Inc.	2.69
IDEX Corp.	2.61
SBA Communications Corp.	2.58
Mednax Inc.	2.44
MSC Industrial Direct Co. CI A	2.41
ITC Holdings Corp.	2.36
Bally Technologies Inc.	2.34
MercadoLibre Inc.	2.30
Hibbett Sports Inc.	2.03
<b>Total</b>	<b>25.04</b>
<b>Total Number of Holdings</b>	<b>83</b>

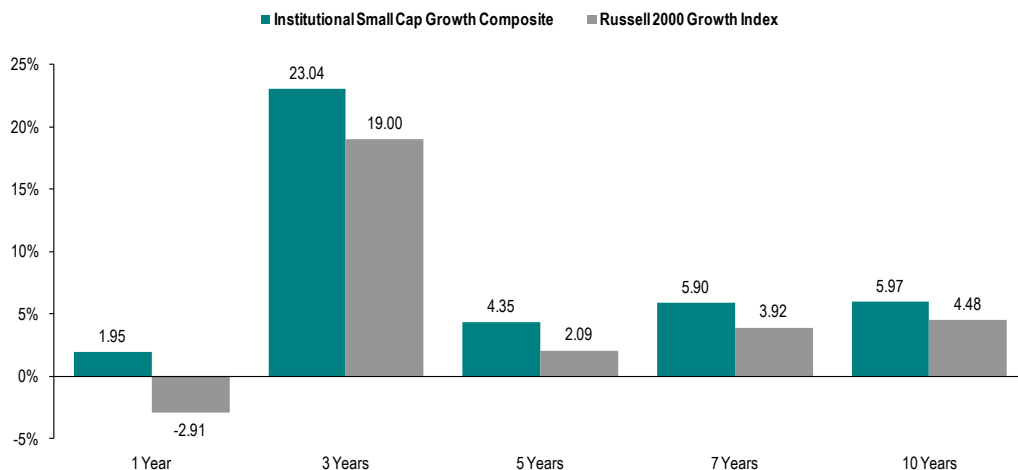
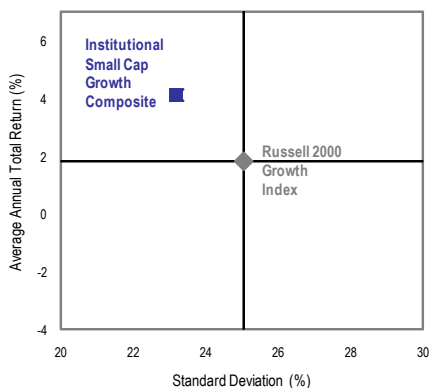
## SECTOR WEIGHTINGS<sup>1</sup>

Sector	Representative Portfolio (%)	Russell 2000 Growth Index (%)	Relative Weight (%)
Information Technology	31.6	23.3	8.2
Health Care	15.4	20.0	-4.5
Industrials	13.4	16.6	-3.2
Consumer Discretionary	13.1	14.4	-1.3
Financials	8.6	7.5	1.0
Energy	5.0	8.8	-3.8
Materials	4.5	4.1	0.5
Telecommunication Services	2.6	1.0	1.6
Utilities	2.4	0.1	2.2
Consumer Staples	1.7	4.2	-2.6
Unassigned	0.0	0.0	0.0
Cash	1.8	0.0	1.8

## INSTITUTIONAL SMALL CAP GROWTH COMPOSITE AVERAGE ANNUAL TOTAL RETURN (GROSS OF FEES) As of December 31, 2011

### Risk vs. Reward Since Current Manager

March 1, 2007 - December 31, 2011 (Gross of Fees)



Performance source: Internal.  
Benchmark source: Frank Russell. Past performance is no guarantee of future results.

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### ClearBridge Advisors, LLC

620 Eighth Ave., 48th Floor  
New York, New York 10018  
Phone: 1-800-691-6960

[www.ClearBridgeAdvisors.com](http://www.ClearBridgeAdvisors.com)

### ENDNOTES:

#### Institutional Small Cap Growth

#### Annualized Returns:

Net-of-fees  
Gross-of-fees  
Russell 2000 Growth

#### ClearBridge Advisors

	1 Year (ending 31-Dec-11)	3 Years (ending 31-Dec-11)	5 Years (ending 31-Dec-11)	10 Years (ending 31-Dec-11)
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Net-of-fees	1.1%	22.0%	3.5%	5.0%
Gross-of-fees	1.9%	23.0%	4.4%	6.0%
Russell 2000 Growth	-2.9%	19.0%	2.1%	4.5%

For purposes of compliance with GIPS, the "firm" is defined as ClearBridge Advisors, which encompasses all assets managed or advised on a discretionary or non-discretionary basis by ClearBridge Advisors, LLC and ClearBridge Asset Management Inc (collectively, "ClearBridge Advisors"). In June 2008, ClearBridge Advisors combined its separate institutional and retail firms to form a single GIPS firm, CBA. The two predecessor firms were "ClearBridge Advisors Institutional" and "ClearBridge Advisors Retail". ClearBridge Advisors Institutional ("CBA-Inst") encompassed ClearBridge Advisors' mutual fund and other collective investment vehicle businesses and separately managed accounts contracted directly with ClearBridge Advisors. ClearBridge Advisors Retail ("CBA-Retail") was created in 2008 and encompassed separately managed accounts for which ClearBridge Advisors served as sub-advisor under sponsored programs ("retail separately managed accounts"). CBA-Retail's claim of GIPS compliance is effective as of January 2006. In accordance with GIPS, CBA-Retail's historical performance returns prior to January 2006 are presented as non-compliant information. The ClearBridge Advisors entities are wholly-owned subsidiaries of Legg Mason, Inc. ("Legg Mason") and are not affiliated with Citigroup Inc. ("Citigroup").

For the institutional business only, CBA-Inst's predecessor "firm" for GIPS purposes was CAM Institutional ("CAM-NA"). CAM-NA encompassed assets managed by North America-based units of Citigroup Asset Management ("CAM"), the worldwide asset management business of Citigroup that was conducted through various subsidiaries of Citigroup on behalf of certain of its institutional, mutual fund and other collective investment vehicle clients. The CAM-NA "firm" definition was substantially similar to the "firm" definition of CBA-Inst. On December 1, 2005, Citigroup completed the sale of CAM, including CAM-NA, to Legg Mason. In connection with the transaction, ClearBridge Advisors became the manager of a significant portion of the institutional, mutual fund and other collective investment vehicle accounts, including most active equity accounts that were managed by CAM-NA up until the date of the Citigroup-Legg Mason transaction. Assets that were not transitioned to ClearBridge Advisors in connection with the transaction transitioned to other Legg Mason affiliates that were not part of CBA-Inst. Prior to January 2001, CAM maintained three separate AIMR (the predecessor to GIPS) firms. These firms were combined to form CAM-NA effective January 2001.

The linking of the historical track records of CBA, CBA-Inst., CAM-NA and CAM-NA's predecessor firms meets the portability requirements set forth by GIPS®.

The Institutional Small Cap Growth Composite consists of fully discretionary accounts with an account minimum of US \$1 million (prior to June 08, the account minimum was \$2 million). All accounts within the composite are primarily invested in small capitalization stocks, non-U.S. equity securities and cash, with an objective of outperforming the Russell 2000 Growth Index. Total assets in the composite at quarter end are \$921.3 million. Results are calculated in U.S. dollars and reflect realized and unrealized gains and losses, including those derived from cash positions.

CBA claims compliance with the Global Investment Performance Standards (GIPS®).

To receive a complete list and description of CBA composites and/or a presentation that adheres to the GIPS standards, please contact ClearBridge Institutional Marketing.