Fidelity National Financial, Inc.
Form 4
October 29, 2008

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Ammerman Douglas K

(Last) (First) (Middle)

601 RIVERSIDE AVENUE

(Street)

JACKSONVILLE, FL 32204

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Fidelity National Financial, Inc. [FNF]

3. Date of Earliest Transaction (Month/Day/Year)
10/27/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/27/2008		A		5,333 (1)	A	$ 0	16,103	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to purchase)	$ 7.09	10/27/2008		A		42,667		(2)	10/27/2016	Common Stock	42,667
Stock Options (right to purchase)	(3)							(4)	(5)	Common Stock	107,962

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Ammerman Douglas K 601 RIVERSIDE AVENUE JACKSONVILLE, FL 32204	X			

Signatures

Douglas K. Ammerman	10/29/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Grant of restricted common stock vesting in three equal annual installments on October 27 of each of the next three years.

(2) The options vest in three equal annual installments beginning October 27, 2009.

(3) Represents options granted at various prices.

(4) Exercise dates vary for each of the option grants.

(5) Expiration dates vary for each of the option grants.

(6) Reflects Reporting Person's total derivative securities in Fidelity National Financial, Inc. as of October 27, 2008.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. pt;">Under the total return swap arrangements, Legg Mason receives the related investment gains and losses on investments in two of Legg Mason's ETFs with notional amounts totaling $38,327 as of June 30, 2018. See Note 13 for additional information regarding total return swaps.

The assets of these CIVs are primarily comprised of investment securities. Investors and creditors of these CIVs have no recourse to the general credit or assets of Legg Mason beyond its investment in these funds.

Legg Mason also consolidates certain VRE products with seed capital investments where Legg Mason maintains a controlling financial interest in the product.

See Notes 2 and 3 for additional information regarding VIEs, VREs, and the consolidation of investment products.

Table of Contents

The following tables reflect the impact of CIVs and other consolidated sponsored investment products in the Consolidated Balance Sheets as of June 30, 2018 and March 31, 2018, and the Consolidated Statements of Income for three months ended June 30, 2018, and 2017, respectively:

Consolidating Balance Sheets

	June 30, 2018				March 31, 2018			
	Balance Before Consolidation of CIVs and Other(1)	CIVs and Other(1)	Eliminations	Consolidated Totals	Balance Before Consolidation of CIVs and Other(1)	CIVs and Other(1)	Eliminations	Consolidated Totals
Current Assets	$1,598,751	$179,522	$(39,495)	$1,738,778	$1,808,918	$160,278	$(40,814)	$1,928,382
Non-current assets	6,181,149	9,413	(3,099)	6,187,463	6,217,935	9,257	(3,040)	6,224,152
Total Assets	$7,779,900	$188,935	$(42,594)	$7,926,241	$8,026,853	$169,535	$(43,854)	$8,152,534
Current Liabilities	$719,683	$629	$—	$720,312	$981,408	$634	$—	$982,042
Non-current liabilities	2,602,516	—	—	2,602,516	2,586,061	—	—	2,586,061
Total Liabilities	3,322,199	629	—	3,322,828	3,567,469	634	—	3,568,103
Redeemable Non-controlling interests	601,985	8,979	136,733	747,697	607,248	15,452	109,595	732,295
Total Stockholders' Equity	3,855,716	179,327	(179,327)	3,855,716	3,852,136	153,449	(153,449)	3,852,136
Total Liabilities and Equity	$7,779,900	$188,935	$(42,594)	$7,926,241	$8,026,853	$169,535	$(43,854)	$8,152,534

(1) Other represents consolidated sponsored investment products (VREs) that are not designated as CIVs.

39

Table of Contents

Consolidating Statements of Income
$51,439

	Three Months Ended June 30, 2018				June 30, 2017			
	Balance Before Consolidation of CIVs and Other(1)	CIVs and Other(1)	Eliminations	Consolidated Totals	Balance Before Consolidation of CIVs and Other(1)	CIVs and Other(1)	Eliminations	Consolidated Totals
Total Operating Revenues	$748,108	$—	$ (203)	$747,905	$793,886	$—	$ (44)	$793,842
Total Operating Expenses	621,816	692	(279)	622,229	686,614	68	(45)	686,637
Operating Income (Loss)	126,292	(692)	76	125,676	107,272	(68)	1	107,205
Total Non-Operating Income (Expense)	(19,784)	3,722	(574)	(16,636)	(16,127)	1,239	(525)	(15,413)
Income Before Income Tax Benefit	106,508	3,030	(498)	109,040	91,145	1,171	(524)	91,792
Income tax benefit	30,675	—	—	30,675	28,255	—	—	28,255
Net Income	75,833	3,030	(498)	78,365	62,890	1,171	(524)	63,537
Less: Net income attributable to noncontrolling interests	9,743	140	2,392	12,275	11,970	243	404	12,617
Net Income Attributable to Legg Mason, Inc.	$66,090	$2,890	$ (2,890)	$66,090	$50,920	$928	$ (928)	$50,920

(1) Other represents consolidated sponsored investment products (VREs) that are not designated as CIVs.

Non-Operating Income (Expense) includes interest income, interest expense, and net gains (losses) on investments.

The consolidation of CIVs has no impact on Net Income Attributable to Legg Mason, Inc.

As of June 30, 2018 and March 31, 2018, financial assets of CIVs carried at fair value totaling $153,583 and $128,397 respectively, were valued using Level 1 inputs, and totaling $19,769 and $20,692, respectively, were valued using NAV as a practical expedient. Legg Mason had no financial liabilities of CIVs carried at fair value as of June 30, 2018 or March 31, 2018.

There were no transfers between Level 1 and Level 2 during either of the three months ended June 30, 2018 and 2017.

Table of Contents

The NAVs used as a practical expedient by CIVs have been provided by the investees and have been derived from the fair values of the underlying investments as of the respective reporting dates. The following table summarizes, as of June 30, 2018 and 2017, the nature of these investments and any related liquidation restrictions or other factors, which may impact the ultimate value realized:

Category of Investment	Investment Strategy	Fair Value Determined Using NAV		As of June 30, 2018	
		June 30, 2018	March 31, 2018	Unfunded Commitments	Remaining Term
Hedge funds	Global macro, fixed income, long/short equity, systematic, emerging market, U.S. and European hedge	$ 19,769 (1)	$ 20,692	n/a	n/a

n/a - not applicable

(1) Redemption restrictions: 5% daily redemption; 10% monthly redemption; 49% quarterly redemption; and 36% are subject to three to five-year lock-up or side pocket provisions.

As of June 30, 2018 and March 31, 2018, for VIEs in which Legg Mason holds a variable interest, but for which it was not the primary beneficiary, Legg Mason's carrying value and maximum risk of loss were as follows:

	As of June 30, 2018		As of March 31, 2018	
	Equity Interests on the Consolidated Balance Sheet (1)	Maximum Risk of Loss (2)	Equity Interests on the Consolidated Balance Sheet (1)	Maximum Risk of Loss (2)
Real Estate Investment Trusts	$ 12,741	$ 14,479	$ 12,419	$ 14,332
Other investment funds	10,080	32,778	12,640	33,258
Total	$ 22,821	$ 47,257	$ 25,059	$ 47,590

(1) Amounts are related to investments in proprietary and other fund products.

(2) Includes equity investments the Company has made or is required to make and any earned but uncollected management fees.

The Company's total AUM of unconsolidated VIEs was $34,556,390 and $31,809,837 as of June 30, 2018 and March 31, 2018, respectively.

The assets of these VIEs are primarily comprised of cash and cash equivalents and investment securities, and the liabilities are primarily comprised of various expense accruals. These VIEs were not consolidated because Legg Mason does not have both the power to direct significant economic activities of the entity and rights/obligations associated with benefits/losses that could be significant to the entity.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements
We have made in this report, and from time to time may otherwise make in our public filings, press releases and statements by our management, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including information relating to anticipated growth in revenues or earnings per share, anticipated changes in our business or in the amount of our client assets under management ("AUM") or assets under advisement ("AUA"), anticipated future performance of our business, including expected earnings per share in future periods, anticipated future investment performance of our affiliates, our expected future net client cash flows, anticipated expense levels, changes in expenses, the expected effects of acquisitions and expectations regarding financial market conditions. The words or phrases “can be,” “may be,” “expects,” “may affect,” “may depend,” “believes,” “estimate,” “project,” “anticipate” and similar words and phrases are intended to identify such forward-looking statements. Such forward-looking statements are subject to various known and unknown risks and uncertainties and we caution readers that any forward-looking information provided by or on behalf of Legg Mason is not a guarantee of future performance.

Actual results may differ materially from those in forward-looking information as a result of various factors, some of which are beyond our control, including but not limited to those discussed under the heading "Risk Factors" and elsewhere herein, under the heading “Risk Factors” and elsewhere in our Annual Report on Form 10-K for the year ended March 31, 2018, and our other public filings, press releases and statements by our management. Due to such risks, uncertainties and other factors, we caution each person receiving such forward-looking information not to place undue reliance on such statements. Further, such forward-looking statements speak only as of the date on which such statements are made, and we undertake no obligations to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Executive Overview
Legg Mason, Inc., a holding company, with its subsidiaries (collectively, "Legg Mason") is a global asset management firm. Acting through our subsidiaries, we provide investment management and related services to institutional and individual clients, company-sponsored mutual funds and other investment products. We offer these products and services directly and through various financial intermediaries. We have operations principally in the U.S. and the U.K. and also have offices in Australia, Bahamas, Brazil, Canada, Chile, China, Dubai, France, Germany, Italy, Japan, Singapore, Spain, Switzerland and Taiwan. Terms such as "we," "us," "our," and "Company" refer to Legg Mason.

The financial services business in which we are engaged is extremely competitive. Our competition includes numerous global, national, regional and local asset management firms, commercial banks, insurance companies, and other financial services companies. The industry continues to experience disruption and challenges, including a shift to lower-fee passively managed products, increasing fee pressure (including pressure arising from the shift to lower fee passive products), the increased role of technology in asset management services, the constant introduction of new products and services, and the consolidation of financial services firms through mergers and acquisitions. The asset management industry is also subject to extensive and evolving regulation under federal, state, and foreign laws. Like most firms, we have been and will continue to be impacted by regulatory and legislative changes. Responding to these changes and keeping abreast of regulatory developments, has required, and will continue to require, us to incur costs that impact our profitability.

Our financial position and results of operations are materially affected by the overall trends and conditions of global financial markets. Results of any individual period should not be considered representative of future results. Our profitability is sensitive to a variety of factors, including the amount and composition of our AUM, and the volatility and general level of securities prices, interest rates, and changes in currency exchange rates, among other things. Periods of unfavorable market conditions are likely to have an adverse effect on our profitability. In addition, the

diversification of services, vehicles, and products offered, investment performance, access to distribution channels, reputation in the market, attraction and retention of key employees and client relations are significant factors in determining whether we are successful in the attraction and retention of clients. In the last few years, the industry has seen flows into products for which we do not currently garner significant market share, including, in particular, passive products, and corresponding flows out of products in which we do have market share. For a further discussion of factors that may affect our results of operations, refer to Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

Table of Contents

Our strategy is to expand client choice. We focus our strategic priorities on the four primary areas listed below. Management considers these strategic priorities when evaluating our operating performance and financial condition. Consistent with this approach, we have also presented in the table below initiatives on which management currently focuses in evaluating our performance and financial condition.

Strategic Priorities	Initiatives
- Products	- Create an innovative portfolio of investment products and promote revenue growth by developing new products and product vehicles and leveraging the capabilities of our affiliates - Identify and execute strategic acquisitions to strengthen our affiliates and increase product offerings
- Performance	- Deliver compelling and consistent performance against both relevant benchmarks and the products and services of our competitors
- Distribution	- Continue to maintain and enhance our top tier distribution function with the capability to offer solutions to relevant investment challenges and grow market share worldwide - Develop alternative and innovative distribution approaches for expanded client access
- Productivity	- Operate with a high level of effectiveness and improve ongoing efficiency - Align economic relationships with affiliate management teams, including retained affiliate management equity and the implementation of affiliate management equity plan agreements

The strategic priorities discussed above are designed to drive improvements in our net flows, earnings, cash flows, AUM and other key metrics, including operating margin. Certain of these key metrics are discussed in our quarterly results discussion below.

In connection with our strategic priorities, in June 2018 we announced a strategic minority interest investment in Quantifeed Holdings Limited, a leading provider of digital wealth management solutions in Asia.

Net Income Attributable to Legg Mason, Inc. for the three months ended June 30, 2018, was $66.1 million, or $0.75 per diluted share, as compared to $50.9 million, or $0.52 per diluted share for the three months ended June 30, 2017. The three months ended June 30, 2018 included a regulatory charge of $4.0 million, or $0.04 per diluted share, and $1.5 million, or $0.01 per diluted share, of acquisition and transition-related costs associated with the combination of The Permal Group ("Permal") with EnTrust Capital ("EnTrust"). The three months ended June 30, 2017, included impairment charges totaling $34.0 million, or $0.24 per diluted share, related to the RARE Infrastructure Limited ("RARE Infrastructure") amortizable intangible and trade name assets and $2.6 million, or $0.02 per diluted share, of acquisition and transition-related costs associated with the combination of Permal with EnTrust. These items were offset in part by credits totaling $16.6 million, or $0.12 per diluted share, related to fair value adjustments to decrease the contingent consideration liabilities related to the acquisitions of RARE Infrastructure and QS Investors Holdings ("QS Investors").

Although average AUM increased for the three months ended June 30, 2018, as compared to the three months ended June 30, 2017, total operating revenues decreased due to a reduction in performance fees, as further discussed below.

During the 12-month period ended June 30, 2018, total AUM increased, primarily due to the positive impact of market performance and other, and net client inflows in fixed income AUM, which were offset in part by net client outflows in liquidity, equity and alternative AUM.

The following discussion and analysis provides additional information regarding our financial condition and results of operations.

43

Table of Contents

Business Environment

U.S. equity markets continued to increase during the three months ended June 30, 2018, largely due to continued growth in corporate earnings and an expanding economy. International equity markets also improved, due to signs of continuing economic growth.

Our industry continues to be impacted by the generally low growth and mixed return environment, with continued migration from active to passive strategies, which, together with regulatory reform, continues to put pressure on fees, contributing to the consolidation of products and managers on distribution platforms. These factors continue to create significant flow challenges for active managers like ourselves.

During both the three months ended June 30, 2018 and 2017, major U.S. equity market indices increased. During the three months ended June 30, 2018, bond markets decreased, while such markets increased during the three months ended June 30, 2017.

	% Change for the three months ended June 30:	
Indices[1]	2018	2017
Dow Jones Industrial Average[2]	0.7 %	3.3%
S&P 500[2]	2.9 %	2.6%
Nasdaq Composite Index[2]	6.3 %	3.9%
Barclays Capital U.S. Aggregate Bond Index	(0.2)%	1.5%
Barclays Capital Global Aggregate Bond Index	(2.8)%	2.6%

(1) Indices are trademarks of Dow Jones & Company, McGraw-Hill Companies, Inc., Nasdaq Stock Market, Inc., and Barclays Capital, respectively, which are not affiliated with Legg Mason.

(2) Excludes the impact of the reinvestment of dividends and stock splits.

In June 2018, the Federal Reserve Board increased the target federal funds rate from 1.75% to 2.00%. While the economic outlook for the U.S. has remained positive in recent years, it has been impacted by increased uncertainty. The financial environment in which we operate continues to reflect a heightened level of sensitivity and continued pressure on our fees, as discussed above.

Table of Contents

Quarter Ended June 30, 2018, Compared to Quarter Ended June 30, 2017

Assets Under Management and Assets Under Advisement

Assets Under Management

Our AUM is primarily managed across the following asset classes:

Equity	Fixed Income	Alternative	Liquidity
- Large Cap Growth	- U.S. Intermediate Investment Grade	- Real Estate	- U.S. Managed Cash
- Large Cap Value	- U.S. Credit Aggregate	- Hedge Funds	- U.S. Municipal Cash
- Equity Income	- Global Opportunistic Fixed Income	- Listed Infrastructure	
- International Equity	- Global Government		
- Small Cap Core	- U.S. Municipal		
- Large Cap Core	- Global Fixed Income		
- Sector Equity	- U.S. Long Duration		
- Mid Cap Core	- High Yield		
- Small Cap Value	- U.S. Limited Duration		
- Emerging Markets Equity	- Emerging Markets Debt		
- Small Cap Growth			
- Global Equity			

The components of the changes in our AUM (in billions) for the three months ended June 30, 2018 and 2017, were as follows:

	2018	2017
Beginning of period	$754.1	$728.4
Net client cash flows:		
Investment funds, excluding liquidity products[(1)]:		
Subscriptions	13.9	15.8
Redemptions	(16.2)	(13.0)
Long-term separate account flows, net	1.4	(2.3)
Total long-term flows	(0.9)	0.5
Liquidity fund flows, net	(0.9)	(11.6)
Liquidity separate account flows, net	(2.0)	0.1
Total liquidity flows	(2.9)	(11.5)
Total net client cash flows	(3.8)	(11.0)
Realizations[(2)]	(0.3)	(1.3)
Market performance and other[(3)]	1.1	24.7
Impact of foreign exchange	(6.5)	0.7
Disposition	—	(0.3)
End of period	$744.6	$741.2

(1) Subscriptions and redemptions reflect the gross activity in the funds and include assets transferred between funds and between share classes.

(2) Realizations represent investment manager-driven distributions primarily related to the sale of assets. Realizations are specific to our alternative managers and do not include client-driven distributions (e.g. client requested redemptions, liquidations or asset transfers).

(3) For the three months ended June 30, 2017, Other includes the reclassification, effective April 1, 2017, of $16.0 billion of certain assets which were previously included in AUA to AUM due to a change in our policy on classification of AUA and AUM. Other also includes the reinvestment of dividends, and for the three months

ended June 30, 2017, a $(3.7) billion reconciliation to previously reported amounts.

AUM at June 30, 2018 was $744.6 billion, a decrease of $9.5 billion, or 1%, from March 31, 2018. Total net client outflows were $3.8 billion, consisting of $2.9 billion of net client outflows from the liquidity asset class and $0.9 billion of net client outflows from long-term asset classes. Long-term asset net outflows were comprised of equity net outflows of $2.2 billion, offset in part by fixed income net inflows of $1.3 billion. Alternative net flows were flat. Equity net outflows were primarily

45

Table of Contents

in products managed by Martin Currie, ClearBridge Investments ("ClearBridge"), Brandywine Global Investment Management ("Brandywine"), Royce & Associates ("Royce") and QS Investors. Fixed income net inflows were primarily in products managed by Brandywine and Western Asset Management Company ("Western Asset"). Alternative flows were flat as net inflows into products managed by Clarion Partners and RARE Infrastructure were offset by net outflows from products managed by EnTrustPermal. We generally earn higher fees and profits per dollar of alternative and equity AUM and outflows in those asset classes will more negatively impact our revenues and Net Income Attributable to Legg Mason, Inc. than would outflows in the fixed income and liquidity asset classes. The positive impact of market performance and other was $1.1 billion and the negative impact of foreign currency exchange rate fluctuations was $6.5 billion.

Our net client cash flows reflect the significant industry-wide flow pressure for active managers of equity and fixed income assets discussed above under the heading "Business Environment".

AUM by Asset Class

AUM by asset class (in billions) as of June 30, 2018 and 2017, was as follows:

	2018	% of Total	2017	% of Total	% Change
Equity	$206.4	28 %	$196.2	27 %	5 %
Fixed income	412.3	55	403.6	54	2
Alternative	66.4	9	66.5	9	—
Total long-term assets	685.1	92	666.3	90	3
Liquidity	59.5	8	74.9	10	(21)
Total	$744.6	100%	$741.2	100%	— %

Average AUM by asset class (in billions) for the three months ended June 30, 2018 and 2017, was as follows:

	2018	% of Total	2017	% of Total	% Change
Equity	$205.0	27 %	$190.6	26 %	8 %
Fixed income	416.7	56	400.7	54	4
Alternative	66.0	9	67.4	9	(2)
Total long-term assets	687.7	92	658.7	89	4
Liquidity	61.8	8	81.6	11	(24)
Total	$749.5	100%	$740.3	100%	1 %

Table of Contents

The component changes in our AUM by asset class (in billions) for the three months ended June 30, 2018 and 2017, were as follows:

	Equity	Fixed Income	Alternative	Total Long-Term	Liquidity	Total
March 31, 2018	$203.0	$422.3	$ 66.1	$ 691.4	$ 62.7	$754.1
Investment funds, excluding liquidity funds(1):						
Subscriptions	5.0	7.8	1.1	13.9	—	13.9
Redemptions	(6.7)	(8.1)	(1.4)	(16.2)	—	(16.2)
Separate account flows, net	(0.5)	1.6	0.3	1.4	(2.0)	(0.6)
Liquidity fund flows, net	—	—	—	—	(0.9)	(0.9)
Net client cash flows	(2.2)	1.3	—	(0.9)	(2.9)	(3.8)
Realizations(2)	—	—	(0.3)	(0.3)	—	(0.3)
Market performance and other(3)	6.7	(6.7)	0.8	0.8	0.3	1.1
Impact of foreign exchange	(1.1)	(4.6)	(0.2)	(5.9)	(0.6)	(6.5)
June 30, 2018	$206.4	$412.3	$ 66.4	$ 685.1	$ 59.5	$744.6

(1) Subscriptions and redemptions reflect the gross activity in the funds and include assets transferred between funds and between share classes.

(2) Realizations represent investment manager-driven distributions primarily related to the sale of assets. Realizations are specific to our alternative managers and do not include client-driven distributions (e.g. client requested redemptions, liquidations or asset transfers).

(3) Other primarily includes the reinvestment of dividends.

	Equity	Fixed Income	Alternative	Total Long-Term	Liquidity	Total
March 31, 2017	$179.8	$394.3	$ 67.9	$ 642.0	$ 86.4	$728.4
Investment funds, excluding liquidity funds(1):						
Subscriptions	7.3	7.0	1.5	15.8	—	15.8
Redemptions	(5.6)	(6.0)	(1.4)	(13.0)	—	(13.0)
Separate account flows, net	(0.7)	(0.7)	(0.9)	(2.3)	0.1	(2.2)
Liquidity fund flows, net	—	—	—	—	(11.6)	(11.6)
Net client cash flows	1.0	0.3	(0.8)	0.5	(11.5)	(11.0)
Realizations(2)	—	—	(1.3)	(1.3)	—	(1.3)
Market performance and other(3)	15.6	8.3	0.6	24.5	0.2	24.7
Impact of foreign exchange	0.1	0.7	0.1	0.9	(0.2)	0.7
Disposition	(0.3)	—	—	(0.3)	—	(0.3)
June 30, 2017	$196.2	$403.6	$ 66.5	$ 666.3	$ 74.9	$741.2

(1) Subscriptions and redemptions reflect the gross activity in the funds and include assets transferred between funds and between share classes.

(2) Realizations represent investment manager-driven distributions primarily related to the sale of assets. Realizations are specific to our alternative managers and do not include client-driven distributions (e.g. client requested redemptions, liquidations or asset transfers).

(3) Other includes the reclassification, effective April 1, 2017, of $12.1 billion and $3.9 billion of certain equity and fixed income assets, respectively, which were previously included in AUA to AUM due to a change in our policy on classification of AUA and AUM. Other also includes the reinvestment of dividends and a $(3.7) billion reconciliation to previously reported amounts.

.

47

Explanation of Responses:

Table of Contents

The component changes in our AUM by asset class (in billions) for the trailing 12 months ended June 30, 2018 and 2017, were as follows:

	Equity	Fixed Income	Alternative	Total Long-Term	Liquidity	Total
June 30, 2017	$196.2	$403.6	$ 66.5	$ 666.3	$ 74.9	$741.2
Investment funds, excluding liquidity funds(1):						
Subscriptions	20.3	37.0	5.9	63.2	—	63.2
Redemptions	(28.3)	(25.5)	(5.8)	(59.6)	—	(59.6)
Separate account flows, net	(1.8)	(1.1)	(0.3)	(3.2)	(0.9)	(4.1)
Liquidity fund flows, net	—	—	—	—	(14.9)	(14.9)
Net client cash flows	(9.8)	10.4	(0.2)	0.4	(15.8)	(15.4)
Realizations(2)	—	—	(1.5)	(1.5)	—	(1.5)
Market performance and other(3)	20.0	(0.5)	1.6	21.1	0.9	22.0
Impact of foreign exchange	—	(1.2)	(0.1)	(1.3)	(0.5)	(1.8)
Acquisition	—	—	0.1	0.1	—	0.1
June 30, 2018	$206.4	$412.3	$ 66.4	$ 685.1	$ 59.5	$744.6

(1) Subscriptions and redemptions reflect the gross activity in the funds and include assets transferred between funds and between share classes.

(2) Realizations represent investment manager-driven distributions primarily related to the sale of assets. Realizations are specific to our alternative managers and do not include client-driven distributions (e.g. client requested redemptions, liquidations or asset transfers).

(3) Other primarily includes the reinvestment of dividends.

	Equity	Fixed Income	Alternative	Total Long-Term	Liquidity	Total
June 30, 2016	$161.1	$387.2	$ 72.6	$ 620.9	$ 121.0	$741.9
Investment funds, excluding liquidity funds (1):						
Subscriptions	29.1	31.7	6.4	67.2	—	67.2
Redemptions	(25.8)	(29.4)	(8.4)	(63.6)	—	(63.6)
Separate account flows, net	(4.5)	4.9	(4.0)	(3.6)	0.5	(3.1)
Liquidity fund flows, net	—	—	—	—	(47.4)	(47.4)
Net client cash flows	(1.2)	7.2	(6.0)	—	(46.9)	(46.9)
Realizations(2)			(1.3)	(1.3)	—	(1.3)
Market performance and other(3)	39.1	11.7	3.5	54.3	1.0	55.3
Impact of foreign exchange	(0.5)	(2.1)	—	(2.6)	(0.1)	(2.7)
Dispositions(4)	(2.3)	(0.4)	(2.3)	(5.0)	(0.1)	(5.1)
June 30, 2017	$196.2	$403.6	$ 66.5	$ 666.3	$ 74.9	$741.2

(1) Subscriptions and redemptions reflect the gross activity in the funds and include assets transferred between funds and between share classes.

(2) Realizations represent investment manager-driven distributions primarily related to the sale of assets. Realizations are specific to our alternative managers and do not include client-driven distributions (e.g. client requested redemptions, liquidations or asset transfers).

(3) Other includes the reclassification, effective April 1, 2017, of $12.1 billion and $3.9 billion of certain equity and fixed income assets, respectively, which were previously included in AUA to AUM due to a change in our policy on classification of AUA and AUM. Other also includes the reinvestment of dividends and a $(3.7) billion reconciliation to previously reported amounts.

(4) Related to the disposition of two small investment managers and our share of a joint venture.

AUM at June 30, 2018 was $744.6 billion, an increase of $3.4 billion, or less than 1%, from June 30, 2017. Total net client outflows were $15.4 billion, consisting of $15.8 billion of net client outflows from the liquidity asset class, offset in part by $0.4 billion of net client inflows into long-term asset classes. Long-term asset net inflows were comprised of fixed income net inflows of $10.4 billion, offset in part by equity net outflows of $9.8 billion and alternative net outflows of $0.2 billion. Fixed income net inflows were primarily in products managed by Western Asset and Brandywine, offset in part by net outflows in products managed by QS Investors. Alternative net outflows were primarily in products managed by EnTrustPermal, offset in part by net inflows into products managed by Clarion Partners and RARE Infrastructure. Equity net outflows were primarily in products managed by ClearBridge, Royce, QS Investors, Brandywine and Martin Currie.

Table of Contents

The positive impact of market performance and other was $22.0 billion. The negative impact of foreign currency exchange rate fluctuations totaled $1.8 billion.

AUM by Distribution Channel

Broadly, we have two principal distribution channels, Global Distribution and Affiliate/Other, through which we sell a variety of investment products and services. Global Distribution, which consists of our centralized global distribution operations, principally sells U.S. and international mutual funds and other commingled vehicles, retail separately managed account programs, and sub-advisory accounts for insurance companies and similar clients. Affiliate/Other consists of the distribution operations within our asset managers, which principally sell institutional separate account management, liquidity (money market) funds, real estate and other privately placed investment funds, and funds-of-hedge funds.

The component changes in our AUM by distribution channel (in billions) for the three months ended June 30, 2018 and 2017, were as follows:

	Global Distribution	Affiliate/Other	Total
March 31, 2018	$ 333.5	$ 420.6	$754.1
Net client cash flows, excluding liquidity funds	0.1	(3.0)	(2.9)
Liquidity fund flows, net	—	(0.9)	(0.9)
Net client cash flows	0.1	(3.9)	(3.8)
Realizations[(1)]	—	(0.3)	(0.3)
Market performance and other[(2)]	4.0	(2.9)	1.1
Impact of foreign exchange	(2.3)	(4.2)	(6.5)
June 30, 2018	$ 335.3	$ 409.3	$744.6

(1) Realizations represent investment manager-driven distributions primarily related to the sale of assets. Realizations are specific to our alternative managers and do not include client-driven distributions (e.g. client requested redemptions, liquidations or asset transfers).

(2) Other primarily includes the reinvestment of dividends.

	Global Distribution	Affiliate/Other	Total
March 31, 2017	$ 285.6	$ 442.8	$728.4
Net client cash flows, excluding liquidity funds	5.7	(5.1)	0.6
Liquidity fund flows, net	—	(11.6)	(11.6)
Net client cash flows	5.7	(16.7)	(11.0)
Realizations[(1)]	—	(1.3)	(1.3)
Market performance and other	20.0 (2)	4.7	24.7
Impact of foreign exchange	0.3	0.4	0.7
Disposition	—	(0.3)	(0.3)
June 30, 2017	$ 311.6	$ 429.6	$741.2

(1) Realizations represent investment manager-driven distributions primarily related to the sale of assets. Realizations are specific to our alternative managers and do not include client-driven distributions (e.g. client requested redemptions, liquidations or asset transfers).

(2) Other includes the reclassification, effective April 1, 2017, of $16.0 billion of certain assets which were previously included in AUA to AUM due to a change in our policy on classification of AUA and AUM. Other also includes the reinvestment of dividends and a $(3.7) billion reconciliation to previously reported amounts.

Table of Contents

Operating Revenue Yield

We calculate operating revenue yields as the ratio of the sum of annualized investment advisory fees, distribution and service fees, and other revenues, less performance fees, to average AUM. For each of the quarters ended June 30, 2018 and 2017, our overall operating revenue yield, less performance fees, across all asset classes and distribution channels was 39 basis points. Fees for managing alternative and equity assets are generally higher. Alternative assets averaged 63 basis points and 67 basis points for the three months ended June 30, 2018 and 2017, respectively, and fees for managing equity assets averaged 61 basis points and 64 basis points for the three months ended June 30, 2018 and 2017, respectively. The average fee rate for managing alternative and equity assets declined over the last year due to a shift in the mix of assets from higher fee to lower fee products. These compare to fees for managing fixed income assets, which averaged 28 basis points and 27 basis points for the quarters ended June 30, 2018 and 2017, respectively, and liquidity assets, which averaged 13 basis points for each of the three months ended June 30, 2018 and 2017. Equity assets are primarily managed by ClearBridge, Royce, Brandywine, QS Investors and Martin Currie; alternative assets are managed by Clarion Partners, EnTrustPermal and RARE Infrastructure; fixed income assets are primarily managed by Western Asset and Brandywine; and liquidity assets are managed by Western Asset. Fee rates for assets distributed through Legg Mason Global Distribution, which are predominately retail in nature, averaged 43 basis points and 44 basis points for the three months ended June 30, 2018 and 2017, respectively, while fee rates for assets distributed through the Affiliate/Other channel averaged 35 basis points for each of the quarters ended June 30, 2018 and 2017.

Investment Performance

Overall investment performance of our AUM for the three months ended June 30, 2018 and 2017, was mixed compared to relevant benchmarks.

For the three months ended June 30, 2018, U.S. equity indices produced positive returns. The best performing index was the Russell 2000, which returned 7.8% for the three months ended June 30, 2018. The lowest performing index was the Dow Jones Industrial Average, which returned 1.3% for the three months ended June 30, 2018. These positive returns reflect continuing growth of corporate earnings and an expanding economy.

In the U.S. fixed income markets, short-term interest rates rose more than long-term rates during the quarter, as growth remained solid. Generally, there was a level demand for more risky assets over the quarter and spreads in some risk sectors widened. The best performing fixed income sector for the quarter was U.S. High Yield as measured by the Barclays U.S. High Yield Index which returned 1.0% for the three months ended June 30, 2018. The lowest performing fixed income sector for the three months ended June 30, 2018, was U.S. Credit, as measured by the Barclays U.S. Credit Index which declined 0.9% for the quarter.

Table of Contents

The following table presents a summary of the percentages of our AUM by strategy[(1)] that outpaced their respective benchmarks as of June 30, 2018 and 2017, for the trailing 1-year, 3-year, 5-year, and 10-year periods:

	As of June 30, 2018				As of June 30, 2017			
	1-year	3-year	5-year	10-year	1-year	3-year	5-year	10-year
Total (includes liquidity)	56 %	69 %	73 %	84 %	75 %	73 %	81 %	84 %
Equity:								
Large cap	18 %	34 %	35 %	77 %	41 %	32 %	64 %	79 %
Small cap	32 %	62 %	32 %	44 %	45 %	18 %	25 %	49 %
Total equity (includes other equity)	25 %	41 %	38 %	72 %	45 %	37 %	63 %	75 %
Fixed income:								
U.S. taxable	88 %	88 %	88 %	89 %	93 %	88 %	88 %	86 %
U.S. tax-exempt (includes only one strategy)	100 %	100 %	100 %	100 %	0 %	100 %	100 %	100 %
Global taxable	13 %	52 %	70 %	87 %	81 %	75 %	75 %	83 %
Total fixed income	64 %	77 %	83 %	89 %	84 %	85 %	85 %	86 %
Alternative	65 %	68 %	91 %	59 %	75 %	85 %	89 %	63 %

The following table presents a summary of the percentages of our U.S. mutual fund assets[(2)] that outpaced their Lipper category averages[(2)] as of June 30, 2018 and 2017, for the trailing 1-year, 3-year, 5-year, and 10-year periods:

	As of June 30, 2018				As of June 30, 2017			
	1-year	3-year	5-year	10-year	1-year	3-year	5-year	10-year
Total (excludes liquidity)	30 %	64 %	60 %	59 %	61 %	64 %	69 %	68 %
Equity:								
Large cap	5 %	53 %	43 %	41 %	30 %	62 %	72 %	62 %
Small cap	66 %	80 %	44 %	44 %	74 %	33 %	32 %	48 %
Total equity (includes other equity)	24 %	58 %	44 %	42 %	45 %	56 %	61 %	57 %
Fixed income:								
U.S. taxable	35 %	90 %	88 %	86 %	93 %	87 %	84 %	85 %
U.S. tax-exempt	64 %	18 %	52 %	59 %	49 %	28 %	59 %	73 %
Global taxable	8 %	56 %	65 %	80 %	70 %	79 %	80 %	84 %
Total fixed income	37 %	71 %	77 %	78 %	79 %	73 %	78 %	82 %
Alternative (includes only three funds)	13 %	0 %	100 %	n/a	100 %	100 %	100 %	n/a

n/a - not applicable

(1) For purposes of investment performance comparisons, strategies are an aggregation of portfolios (separate accounts, investment funds, and other products) into a single group that represents a particular investment objective. In the case of separate accounts, the investment performance of the account is based upon the performance of the strategy to which the account has been assigned. Each of our asset managers has its own specific guidelines for including portfolios in their strategies. For those managers which manage both separate accounts and investment funds in the same strategy, the performance comparison for all of the assets is based upon the performance of the separate account.

As of each June 30, 2018 and 2017, approximately 88% and 87%, respectively, of total AUM is included in strategy AUM, although not all strategies have 3-, 5-, and 10-year histories. Total strategy AUM includes liquidity assets.

Certain assets are not included in reported performance comparisons. These include: accounts that are not managed in accordance with the guidelines outlined above; accounts in strategies not marketed to potential clients; accounts that have not yet been assigned to a strategy; and certain smaller products at some of our affiliates.

Past performance is not indicative of future results. For AUM included in institutional and retail separate accounts and investment funds managed in the same strategy as separate accounts, performance comparisons are based on gross-of-fee performance. For investment funds which are not managed in a separate account format, performance comparisons are based on net-of-fee performance. Funds-of-hedge funds generally do not have specified benchmarks.

For purposes of this comparison, performance of those products is net of fees, and is compared to the relevant HFRX Index. These performance comparisons do not reflect the actual performance of any specific separate account or investment fund; individual separate account and investment fund performance may differ.

(2) Source: Lipper Inc. includes open-end, closed-end, and variable annuity funds. Effective April 1, 2018, Lipper Investment Management ("LIM") is being used for comparative performance reporting, replacing Lipper Analytical New Applications ("LANA") which was discontinued by Lipper Inc., which resulted in changes to the composition of the comparative categories. For comparison purposes, prior periods reflect the categories as reported in LIM. As of both June 30, 2018 and 2017, the U.S. long-term mutual fund assets represented in the data accounted for 18% of our total AUM. The performance of our U.S. long-term mutual fund assets is included in the strategies.

51

Table of Contents

The following table presents a summary of the absolute and relative performance compared to the applicable benchmark for a representative sample of funds within our AUM, net of management and other fees as of the end of the period presented, for the 1-year, 3-year, 5-year, and 10-year periods, and from each fund's inception. The table includes a representative sample of funds from each significant subclass of our investment strategies (i.e., large cap equity, small cap equity, etc.). The funds within this group are representative of the performance of significant investment strategies we offer, that as of June 30, 2018, constituted an aggregate of approximately $426 billion, or approximately 57% of our total AUM. The most meaningful exclusion of funds are our alternative fund strategies, which primarily involve privately placed hedge funds and privately placed real estate funds and represent only 5% of our total AUM as of June 30, 2018, for which investment performance is not made publicly available. Providing investment returns of funds provides a relevant representation of our performance while avoiding the many complexities relating to factors such as multiple fee structures, bundled pricing, and asset level break points that would arise in reporting performance for strategies or other product aggregations.

			Annualized Absolute/Relative Total Return (%) vs. Benchmark				
Fund Name/Index[1]	Inception Date	Performance Type[2]	1-year	3-year	5-year	10-year	Inception
Equity							
Large Cap							
ClearBridge Large Cap Growth Fund	8/29/1997	Absolute	20.32%	14.08%	16.08%	12.48%	8.94%
Russell 1000 Growth		Relative	(2.19)%	(0.89)%	(0.26)%	0.66%	1.68%
ClearBridge Aggressive Growth Fund	10/24/1983	Absolute	11.99%	5.95%	10.63%	10.02%	11.92%
Russell 3000 Growth		Relative	(10.48)%	(8.66)%	(5.50)%	(1.76)%	1.46%
ClearBridge Appreciation Fund	3/10/1970	Absolute	11.39%	9.77%	11.12%	8.80%	10.34%
S&P 500		Relative	(2.98)%	(2.14)%	(2.30)%	(1.37)%	(0.23)%
ClearBridge Dividend Strategy	11/6/1992	Absolute	8.18%	9.96%	10.09%	7.85%	8.66%
S&P 500		Relative	(6.20)%	(1.96)%	(3.32)%	(2.31)%	(0.96)%
ClearBridge Value Trust	4/16/1982	Absolute	4.93%	5.93%	9.93%	6.78%	11.45%
S&P 500		Relative	(9.44)%	(5.99)%	(3.48)%	(3.38)%	(0.44)%
ClearBridge All Cap Value	11/12/1981	Absolute	7.14%	8.52%	9.56%	7.23%	10.08%
Russell 3000 Value		Relative	(0.12)%	0.05%	(0.84)%	(1.36)%	(1.60)%
ClearBridge Large Cap Value Fund	12/31/1988	Absolute	5.27%	7.18%	9.67%	8.50%	9.53%
Russell 1000 Value		Relative	(1.50)%	(1.07)%	(0.67)%	0.01%	(0.67)%
Legg Mason Brandywine Diversified Large Cap Value Fund	9/7/2010	Absolute	9.68%	8.81%	10.78%	n/a	13.03%
Russell 1000 Value		Relative	2.91%	0.55%	0.45%	n/a	0.65%
Small Cap							
ClearBridge Small Cap Growth	7/1/1998	Absolute	32.75%	13.75%	13.71%	11.55%	11.13%
Russell 2000 Growth		Relative	10.89%	3.16%	0.07%	0.31%	3.70%
Royce Premier Fund	12/31/1991	Absolute	16.81%	11.43%	10.55%	8.62%	11.80%
Russell 2000		Relative	(0.76)%	0.48%	(1.90)%	(1.97)%	1.82%
Royce Total Return Fund	12/15/1993	Absolute	11.23%	9.84%	9.74%	8.70%	10.83%
Russell 2000		Relative	(6.34)%	(1.11)%	(2.71)%	(1.89)%	1.53%
Royce Pennsylvania Mutual	6/30/1967	Absolute	17.23%	11.20%	10.62%	8.91%	11.78%
Russell 2000		Relative	(0.33)%	0.25%	(1.83)%	(1.68)%	0.01%
Royce Special Equity	5/1/1998	Absolute	7.92%	7.79%	7.70%	9.67%	9.18%
Russell 2000		Relative	(9.65)%	(3.17)%	(4.75)%	(0.93)%	1.18%

52

Table of Contents

Fund Name/Index (continued)[1]	Inception Date	Performance Type[2]	Annualized Absolute/Relative Total Return (%) vs. Benchmark				
			1-year	3-year	5-year	10-year	Inception
Fixed Income							
U.S. Taxable							
Western Asset Core Plus Fund	7/8/1998	Absolute	(0.46)%	3.28%	3.77%	6.09%	5.89%
Barclays US Aggregate		Relative	(0.06)%	1.56%	1.50%	2.37%	1.19%
Western Asset Core Bond Fund	9/4/1990	Absolute	0.15%	2.72%	3.35%	5.29%	6.61%
Barclays US Aggregate		Relative	0.55%	1.00%	1.08%	1.57%	0.73%
Western Asset Total Return Unconstrained	7/6/2006	Absolute	(0.64)%	2.87%	2.69%	4.53%	4.38%
Barclays US Aggregate		Relative	(0.24)%	1.16%	0.42%	0.82%	0.27%
Western Asset Intermediate Bond Fund	7/1/1994	Absolute	0.12%	2.15%	2.46%	4.32%	5.48%
Barclays Intermediate Gov't/Credit		Relative	0.70%	1.00%	0.86%	1.24%	0.65%
Western Asset Short Term Bond Fund	11/11/1991	Absolute	0.90%	1.26%	1.18%	2.08%	3.42%
FTSE Treasury Gov't/Cedit 1-3 YR		Relative	0.67%	0.55%	0.35%	0.44%	(0.54)%
Western Asset Corporate Bond Fund	11/6/1992	Absolute	(1.12)%	3.45%	4.40%	5.49%	6.21%
Barclays US Credit		Relative	(0.47)%	0.59%	1.04%	0.35%	0.14%
Western Asset Inflation Index Plus Bond Fund	3/1/2001	Absolute	2.17%	1.17%	1.02%	2.65%	4.63%
Barclays US TIPS		Relative	0.06%	(0.76)%	(0.65)%	(0.38)%	(0.32)%
Western Asset Mortgage Defined Opportunity Fund Inc.	2/24/2010	Absolute	13.28%	9.73%	11.71%	n/a	14.52%
BOFAML Floating Rate Home Loan Index		Relative	6.17%	5.29%	8.03%	n/a	9.06%
Western Asset High Yield Fund	9/28/2001	Absolute	3.27%	4.13%	4.15%	6.81%	7.00%
Barclays US Corp High Yield		Relative	0.65%	(1.39)%	(1.36)%	(1.38)%	(1.28)%
Western Asset Adjustable Rate Income	6/22/1992	Absolute	2.07%	2.17%	1.73%	1.95%	2.73%
Citi T-Bill 6-Month		Relative	0.72%	1.46%	1.27%	1.53%	0.07%
U.S. Tax-Exempt Fixed Income							
Western Asset Managed Municipals Fund	3/4/1981	Absolute	2.00%	2.56%	3.57%	4.62%	7.45%
Barclays Municipal Bond		Relative	0.43%	(0.29)%	0.04%	0.19%	0.45%
Global Taxable Fixed Income							
Legg Mason Western Asset Macro Opportunities Bond	11/30/2013	Absolute	(3.65)%	4.08%	n/a	n/a	4.64%
3-Month LIBOR		Relative	(5.39)%	3.01%	n/a	n/a	3.85%
Legg Mason Brandywine Global Opportunities Bond	11/1/2006	Absolute	(0.56)%	2.98%	2.15%	4.84%	5.15%
FTSE World Gov't Bond		Relative	(2.46)%	0.16%	1.05%	2.78%	2.19%
Legg Mason Brandywine Absolute Return Opportunities Fund	2/28/2011	Absolute	(2.09)%	1.05%	1.29%	n/a	2.81%
FTSE 3-Month T-Bill		Relative	(3.42)%	0.41%	0.90%	n/a	2.52%
Legg Mason Brandywine Global Fixed Income	10/31/2003	Absolute	(1.52)%	1.29%	0.51%	2.99%	3.84%
FTSE World Gov't Bond		Relative	(3.42)%	(1.52)%	(0.59)%	0.93%	0.38%
Legg Mason Western Asset Global Multi Strategy Fund	8/31/2002	Absolute	(2.59)%	2.36%	2.45%	4.01%	5.79%
		Relative	(2.84)%	(1.34)%	(0.71)%	(0.96)%	0.95%

50% Bar. Global Agg./ 25% Bar. HY 2%/25% JPM EMBI +							
Legg Mason Western Asset Australian Bond Trust	6/30/1983	Absolute	3.35%	3.66%	4.68%	6.79%	6.03%
UBS Australian Composite Bond Index		Relative	0.26%	0.25%	0.29%	0.70%	0.36%
Western Asset Global High Yield Bond Fund	2/22/1995	Absolute	0.51%	3.77%	3.32%	5.95%	6.83%
Barclays Global High Yield		Relative	(0.60)%	(1.72)%	(1.83)%	(1.95)%	(1.91)%
Legg Mason Western Asset Global Core Plus Bond Fund	12/31/2010	Absolute	(2.28)%	1.46%	2.99%	n/a	3.51%
Barclays Global Aggregate Index		Relative	(3.94)%	(1.36)%	(0.32)%	n/a	(0.01)%
Western Asset Emerging Markets Debt	10/17/1996	Absolute	(4.03)%	3.19%	2.34%	4.98%	8.72%
JPM EMBI Global		Relative	(1.59)%	(1.14)%	(2.07)%	(1.52)%	0.25%

53

Table of Contents

Fund Name/Index (continued)[1]	Inception Date	Performance Type[2]	Annualized Absolute/Relative Total Return (%) vs. Benchmark				
			1-year	3-year	5-year	10-year	Inception
Liquidity							
Western Asset Institutional Liquid Reserves Ltd.	12/31/1989	Absolute	1.46%	0.85%	0.54%	0.54%	3.12%
FTSE 3-Month T-Bill		Relative	0.14%	0.21%	0.14%	0.22%	0.29%

n/a not applicable

(1) Listed in order of size based on AUM of fund within each subcategory.

(2) Absolute performance is the actual performance (i.e., rate of return) of the fund. Relative performance is the difference (or variance) between the performance of the fund and its stated benchmark.

Assets Under Advisement

AUA was $12 billion and $28 billion as of June 30, 2018 and 2017, respectively. AUA was comprised of approximately $6 billion related to Western Asset, approximately $3 billion related to QS Investors, approximately $2 billion related to Brandywine and approximately $1 billion related to EnTrustPermal as of June 30, 2018; and approximately $18 billion related to QS Investors, approximately $6 billion related to Western Asset, approximately $3 billion related to EnTrustPermal, and approximately $1 billion related to Brandywine as of June 30, 2017. AUA fee rates vary with the level of non-discretionary service provided and other factors, and our average annualized fee rate related to AUA was approximately nine basis points and four basis points for the three months ended June 30, 2018 and 2017, respectively.

Results of Operations

In accordance with financial accounting standards on consolidation, we consolidate and separately identify amounts relating to certain sponsored investment products. The consolidation of these investment products has no impact on Net Income Attributable to Legg Mason, Inc. and does not have a material impact on our consolidated operating results. We also hold investments in other consolidated sponsored investment funds and the change in the value of these investments, which is recorded in Non-operating income (expense), is reflected in our Net Income Attributable to Legg Mason, Inc. See Notes 2, 3, and 14 of Notes to Consolidated Financial Statements for additional information regarding the consolidation of investment products.

Operating Revenues

The components of Total Operating Revenues (in millions), and the dollar and percentage changes between periods were as follows:

	Three Months Ended June 30,			
	2018	2017	$ Change	% Change
Investment advisory fees:				
Separate accounts	$259.9	$250.1	$9.8	4 %
Funds	383.6	382.2	1.4	—
Performance fees	24.0	81.5	(57.5)	(71)
Distribution and service fees	79.2	78.9	0.3	—
Other	1.2	1.1	0.1	9
Total Operating Revenues	$747.9	$793.8	$(45.9)	(6)%

n/m - not meaningful

Total operating revenues for the three months ended June 30, 2018, were $747.9 million, a decrease of 6% from $793.8 million for the three months ended June 30, 2017, primarily due to a $57.5 million decrease in performance

fees, the significant portion of which were performance fees earned by Clarion Partners that were fully passed through as compensation expense, as further discussed below. Despite an increase in long-term average AUM as a percentage of our total average AUM, our operating revenue yield, excluding performance fees, remained flat at 39 basis points for each of the three months ended June 30, 2018 and 2017, as a result of a less favorable product mix, with lower yielding products comprising a higher percentage of our long-term average AUM for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017.

Table of Contents

Investment advisory fees from separate accounts increased $9.8 million, or 4%, to $259.9 million, as compared to $250.1 million for the three months ended June 30, 2017. Of this increase, $7.5 million was due to higher average equity assets managed by ClearBridge and $6.8 million was due to higher average fixed income assets managed by Western Asset. These increases were offset in part by a decrease of $3.6 million due to lower average alternative assets managed by RARE Infrastructure and EnTrustPermal and a decrease of $1.6 million due to lower average fixed income assets managed by Brandywine.

Investment advisory fees from funds increased $1.4 million to $383.6 million, as compared to $382.2 million for the three months ended June 30, 2017. Of this increase, $14.9 million was due to higher average fixed income assets managed at Western Asset and $6.4 million was due to higher average alternative assets managed at Clarion Partners. These increases were significantly offset by a decrease of $10.5 million due to lower average alternative assets managed by EnTrustPermal, a net decrease of $6.1 million in fees from liquidity assets due to lower average liquidity assets managed by Western Asset, and a decrease of $3.9 million due to lower average equity assets managed by Royce and QS Investors.

As of June 30, 2018 and 2017, approximately 11% and 12%, respectively, of our long-term average AUM was in accounts that were eligible to earn performance fees at some point during the respective fiscal year. Performance fees earned on pre-close AUM at Clarion Partners are fully passed through to the Clarion Partners management team, per the terms of the acquisition agreement, and recorded as compensation expense, and therefore have no impact on Net Income Attributable to Legg Mason, Inc. We expect the full pass through of performance fees at Clarion Partners to phase out approximately five years post-closing. Exclusive of these pass-through performance fees, approximately 7% and 8% of our long-term average AUM was in accounts that were performance-fee eligible as of June 30, 2018 and 2017, respectively. During the three months ended June 30, 2018 and 2017, 18% and 21%, respectively, of the performance-fee eligible AUM earned a performance fee.

Investment advisory performance fees decreased $57.5 million, to $24.0 million, as compared to $81.5 million for the three months ended June 30, 2017, primarily due to a $52.8 million decrease in performance fees earned by Clarion Partners on assets invested with them prior to the acquisition closing, which were passed through as compensation expense.

Operating Expenses

The components of Total Operating Expenses (in millions), and the dollar and percentage changes between periods were as follows:

	Three Months Ended June 30,			
	2018	2017	$ Change	% Change
Compensation and benefits	$361.6	$413.3	$(51.7)	(13)%
Distribution and servicing	116.6	122.4	(5.8)	(5)
Communications and technology	56.7	50.3	6.4	13
Occupancy	24.9	24.4	0.5	2
Amortization of intangible assets	6.2	6.3	(0.1)	(2)
Impairment charges	—	34.0	(34.0)	n/m
Contingent consideration fair value adjustments	0.4	(16.6)	17.0	n/m
Other	55.8	52.5	3.3	6
Total Operating Expenses	$622.2	$686.6	$(64.4)	(9)%

n/m - not meaningful

Operating expenses for the three months ended June 30, 2018 and 2017, incurred at the investment management affiliate level represented approximately 70% of total operating expenses in each period, excluding impairment

charges. The remaining operating expenses, excluding impairment charges, are corporate costs, including costs of our global distribution operations.

Table of Contents

The components of Compensation and benefits (in millions) for the three months ended June 30 were as follows:

	Three Months Ended June 30,			
	2018	2017	$ Change	% Change
Salaries and incentives	$255.7	$250.0	$5.7	2 %
Benefits and payroll taxes (including deferred compensation)	89.5	88.0	1.5	2
Transition and severance costs	2.5	4.5	(2.0)	(44)
Performance fee pass through	12.6	65.4	(52.8)	(81)
Gains on deferred compensation and seed capital investments	1.3	5.4	(4.1)	(76)
Compensation and benefits	$361.6	$413.3	$(51.7)	(13)%

n/m - not meaningful

Compensation and benefits decreased 13% to $361.6 million for the three months ended June 30, 2018, as compared to $413.3 million for the three months ended June 30, 2017, as a result of the following:

- Salaries and incentives increased $5.7 million, to $255.7 million, as compared to $250.0 million for the three months ended June 30, 2017, primarily due to an increase of $7.3 million in net compensation at investment affiliates, which was primarily driven by the impact of increased revenues at certain revenue-share based affiliates, which usually creates a corresponding increase in compensation per the applicable revenue share agreements, offset in part by a $1.8 million decrease in incentive compensation expense related to corporate and distribution personnel.
- Benefits and payroll taxes increased $1.5 million, to $89.5 million, as compared to $88.0 million for the three months ended June 30, 2017, primarily due to an increase in health insurance costs and costs associated with our profit sharing and 401K plans.
- Transition costs and severance decreased $2.0 million, to $2.5 million, as compared to $4.5 million for the three months ended June 30, 2017, with $0.9 million and $2.4 million for the three months ended June 30, 2018 and 2017, respectively, associated with the restructuring of Permal for the combination with EnTrust, which is now substantially complete. The remaining amounts in each period were primarily severance costs for corporate personnel.

Compensation as a percentage of operating revenues decreased to 48.3%, as compared to 52.1% for the three months ended June 30, 2017, due to a decrease in performance fees earned by Clarion Partners that are passed through as compensation expense that was offset in part by the impact of increased revenues at certain revenue-share based affiliates that retain a relatively higher percentage of revenues as compensation.

Distribution and servicing expense decreased $5.8 million, or 5%, to $116.6 million, as compared to $122.4 million for the three months ended June 30, 2017, primarily due to lower average AUM in certain products for which we pay fees to third-party distributors.

Communications and technology expense increased $6.4 million, or 13%, to $56.7 million, as compared to $50.3 million for the three months ended June 30, 2017, primarily due to a $4.1 million increase in technology consulting and maintenance costs and a $1.6 million increase in market data costs.

Impairment charges of $34.0 million for the three months ended June 30, 2017 were comprised of $32.0 million related to the RARE Infrastructure amortizable management contracts asset and $2.0 million related to the RARE Infrastructure trade name asset. The impairments to these assets resulted from losses of separate account AUM and other factors at RARE Infrastructure, and the related decline in projected revenues. A revised estimate of the remaining useful life of the RARE Infrastructure separate account contracts intangible asset also contributed to the impairment of that asset. See Note 5 of Notes to Consolidated Financial Statements for further discussion of these impairment charges.

Contingent consideration fair value adjustments for the three months ended June 30, 2018 included an expense of $0.4 million which increased the contingent consideration liability associated with the acquisition of QS Investors, and for the three months ended June 30, 2017 included credits totaling $16.6 million which reduced the contingent consideration liabilities related to the acquisitions of RARE Infrastructure and QS Investors.

Table of Contents

Other expense increased $3.3 million, or 6%, to $55.8 million, as compared to $52.5 million for the three months ended June 30, 2017, primarily due to a $4.0 million charge for the regulatory matter further discussed in Note 7 of Notes to Consolidated Financial Statements and a $2.2 million increase in advertising expenses, offset in part by $2.8 million of foreign currency gains.

Non-Operating Income (Expense)

The components of Total Non-Operating Income (Expense) (in millions), and the dollar and percentage changes between periods were as follows:

	Three Months Ended June 30,			
	2018	2017	$ Change	% Change
Interest income	$2.4	$1.5	$ 0.9	60 %
Interest expense	(29.9)	(29.3)	(0.6)	2
Other income, net	7.3	11.4	(4.1)	(36)
Non-operating income of consolidated investment vehicles, net	3.6	1.0	2.6	n/m
Total Non-Operating Income (Expense)	$(16.6)	$(15.4)	$ (1.2)	8 %

n/m - not meaningful

Other income, net, totaled $7.3 million for the three months ended June 30, 2018, as compared to $11.4 million for the three months ended June 30, 2017. The change was primarily due to a $4.2 million decrease in net market gains on seed capital investments and assets invested for deferred compensation plans, which are offset by a corresponding increase in compensation expense.

Non-operating income of consolidated investment vehicles, net, totaled $3.6 million for the three months ended June 30, 2018, as compared to $1.0 million for the three months ended June 30, 2017. The change was due to activity of the CIVs during the respective periods. See Notes 2 and 14 of Notes to Consolidated Financial Statements for additional information regarding the consolidation of sponsored investment vehicles and net market gains on investments of certain CIVs.

Income Tax Provision

The income tax provision was $30.7 million for the three months ended June 30, 2018, as compared to $28.3 million for the three months ended June 30, 2017. The effective tax rate was 28.1% for the three months ended June 30, 2018, as compared to 30.8% for the three months ended June 30, 2017. The effective tax rate for the three months ended June 30, 2018, reflects current estimates of the impact of H.R. 1 "An Act to Provide for the Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" (the "Tax Law"). The Tax Law changes are wide ranging and complex, and the assessment of their impact could change in subsequent quarters as more detailed information and guidance is obtained and analyzed. For the three months ended June 30, 2018, discrete tax expense of $0.5 million was also recognized for vested stock awards with a grant date exercise price higher than the vesting date stock prices and $0.6 million was recognized for the state of Maryland law change from a three-factor apportionment factor to a single sales apportionment factor, which together increased the effective tax rate by 1.0 percentage point.

Noncontrolling interests in EnTrustPermal, Clarion Partners and Royce are structured as partnerships that pass an allocable portion of tax attributes and obligations to the related noncontrolling interest holders. As such, the consolidated financial statements do not generally include any tax provision/benefit associated with the net income allocated to these noncontrolling interests. For the three months ended June 30, 2018 and 2017, the impact of noncontrolling interests resulted in a reduction in the effective tax rate of 3.8 percentage points and 3.5 percentage points, respectively.

CIVs and other consolidated sponsored investment products reduced the effective tax rate by 0.7 percentage points and 0.2 percentage points for the three months ended June 30, 2018 and 2017, respectively.

Net Income Attributable to Legg Mason, Inc. and Operating Margin

Net Income Attributable to Legg Mason, Inc. for the three months ended June 30, 2018, totaled $66.1 million, or $0.75 per diluted share, as compared to $50.9 million, or $0.52 per diluted share, for the three months ended June 30, 2017. The increase in Net Income Attributable to Legg Mason, Inc. was largely due to the impairment charges of $34.0 million, or

Table of Contents

$0.24 per diluted share, recognized in the three months ended June 30, 2017, offset in part by the credits totaling $16.6 million, or $0.12 per diluted share, related to the previously mentioned fair value adjustments also recognized in the three months ended June 30, 2017. Net Income Attributable to Legg Mason, Inc. per diluted share also benefited from a reduction in weighted-average shares outstanding as a result of share repurchases during fiscal 2018. Operating margin was 16.8% for the three months ended June 30, 2018, as compared to 13.5% for the three months ended June 30, 2017.

Quarter Ended June 30, 2018, Compared to Quarter Ended March 31, 2018
Net Income Attributable to Legg Mason, Inc. for the three months ended June 30, 2018, was $66.1 million, or $0.75 per diluted share, as compared to $9.3 million, or $0.10 per diluted share, for the three months ended March 31, 2018. The increase in Net Income Attributable to Legg Mason, Inc. was largely driven by a regulatory charge of $67.0 million, or $0.76 per diluted share, recognized during the three months ended March 31, 2018.

Operating revenues decreased to $747.9 million in the three months ended June 30, 2018, as compared to $785.1 million in the three months ended March 31, 2018. The decrease in operating revenues was primarily due to a decrease of $21.6 million in performance fees that were not passed through as compensation expense, primarily at Brandywine, Martin Currie, and EnTrustPermal. A $12.7 million decrease in advisory revenue, reflecting a 2% decrease in average AUM, also contributed to the decrease.

Operating expenses decreased to $622.2 million for the three months ended June 30, 2018, as compared to $685.3 million for the three months ended March 31, 2018, primarily due to a regulatory charge of $67.0 million recognized during the three months ended March 31, 2018.

Non-operating expense, net, decreased $26.5 million, to $16.6 million for the three months ended June 30, 2018, as compared to $43.1 million for the three months ended March 31, 2018, primarily due to net market gains of corporate investments of $17.1 million, which are not offset in compensation, a $3.5 million increase due to net market gains on seed capital investments and assets invested for deferred compensation plans, which are offset by a corresponding increase in compensation. In addition, non-operating income (expense) of CIVs, which has no impact on Net Income Attributable to Legg Mason, Inc., as the gains are fully attributable to noncontrolling interests, increased $5.1 million.

Operating margin was 16.8% for the three months ended June 30, 2018, as compared to 12.7% for the three months ended March 31, 2018, which reflects the impact of the regulatory charge recognized in the three months ended March 31, 2018, as discussed above.

Supplemental Non-GAAP Financial Information
As supplemental information, we are providing a performance measure for "Operating Margin, as Adjusted" and a liquidity measure for "Adjusted EBITDA", each of which are based on methodologies other than generally accepted accounting principles (“non-GAAP”). Our management uses these measures as benchmarks in evaluating and comparing our period-to-period operating performance and liquidity.

Operating Margin, as Adjusted
We calculate "Operating Margin, as Adjusted," by dividing (i) Operating Income, adjusted to exclude the impact on compensation expense of gains or losses on investments made to fund deferred compensation plans, the impact on compensation expense of gains or losses on seed capital investments by our affiliates under revenue sharing arrangements, amortization related to intangible assets, income (loss) of CIVs, the impact of fair value adjustments of contingent consideration liabilities, if any, certain unusual and other non-core charges (including the previously disclosed regulatory charge), and impairment charges by (ii) our operating revenues, adjusted to add back net investment advisory fees eliminated upon consolidation of investment vehicles, less distribution and servicing expenses which we use as an approximate measure of revenues that are passed through to third parties, and less

performance fees that are passed through as compensation expense or net income (loss) attributable to noncontrolling interests, which we refer to as "Operating Revenues, as Adjusted." The deferred compensation items are removed from Operating Income in the calculation because they are offset by an equal amount in Non-operating income (expense), net, and thus have no impact on Net Income Attributable to Legg Mason, Inc. We adjust for the impact of the amortization of management contract assets and the impact of fair value adjustments of contingent consideration liabilities, if any, which arise from acquisitions to reflect the fact that these items distort comparison of our operating results with the results of other asset management firms that have not engaged in significant acquisitions. Impairment charges, certain unusual and other non-core charges (including the previously disclosed regulatory charge), and income (loss) of CIVs are removed from Operating Income in the calculation because these items are not reflective of our

58

Table of Contents

core asset management operations. We use Operating Revenues, as Adjusted, in the calculation to show the operating margin without distribution and servicing expenses, which we use to approximate our distribution revenues that are passed through to third parties as a direct cost of selling our products, although distribution and servicing expenses may include commissions paid in connection with the launching of closed-end funds for which there is no corresponding revenue in the period. We also use Operating Revenues, as Adjusted, in the calculation to show the operating margin without performances fees which are passed through as compensation expense or net income (loss) attributable to noncontrolling interests per the terms of certain more recent acquisitions. Operating Revenues, as Adjusted, also include our advisory revenues we receive from consolidated investment vehicles that are eliminated in consolidation under GAAP.

We believe that Operating Margin, as Adjusted, is a useful measure of our performance because it provides a measure of our core business activities. It excludes items that have no impact on Net Income Attributable to Legg Mason, Inc. and indicates what our operating margin would have been without distribution revenues that are passed through to third parties as a direct cost of selling our products, performance fees that are passed through as compensation expense or net income (loss) attributable to noncontrolling interests per the terms of certain more recent acquisitions, amortization related to intangible assets, changes in the fair value of contingent consideration liabilities, if any, impairment charges, certain unusual and other non-core charges (including the previously disclosed regulatory charge), and the impact of the consolidation of certain investment vehicles described above. The consolidation of these investment vehicles does not have an impact on Net Income Attributable to Legg Mason, Inc. This measure is provided in addition to our operating margin calculated under GAAP, but is not a substitute for calculations of margins under GAAP and may not be comparable to non-GAAP performance measures, including measures of adjusted margins of other companies.

The calculation of Operating Margin and Operating Margin, as Adjusted, is as follows (dollars in thousands):

	Three Months Ended		
	June 30, 2018	March 31, 2018	June 30, 2017
Operating Revenues, GAAP basis	$747,905	$785,052	$793,842
Plus (less):			
Pass-through performance fees	(12,620)	(13,482)	(65,431)
Operating revenues eliminated upon consolidation of investment vehicles	203	228	44
Distribution and servicing expense, excluding consolidated investment vehicles	(116,558)	(119,312)	(122,349)
Operating Revenues, as Adjusted	$618,930	$652,486	$606,106
Operating Income, GAAP basis	$125,676	$99,710	$107,205
Plus (less):			
Gains on deferred compensation and seed investments, net	1,272	(2,240)	5,428
Impairment of intangible assets	—	—	34,000
Amortization of intangible assets	6,180	6,112	6,339
Charge related to regulatory matter	4,000	67,000	—
Contingent consideration fair value adjustments	426	(15,518)	(16,550)
Operating (income) loss of consolidated investment vehicles, net	616	(40)	67
Operating Income, as Adjusted	$138,170	$155,024	$136,489
Operating Margin, GAAP basis	16.8 %	12.7 %	13.5 %
Operating Margin, as Adjusted	22.3	23.8	22.5

Operating Margin, as Adjusted, for the three months ended June 30, 2018, March 31, 2018, and June 30, 2017, was 22.3%, 23.8%, and 22.5%, respectively. Operating Margin, as Adjusted, for the three months ended June 30, 2018,

March 31, 2018 and June 30, 2017, was reduced by 0.2 percentage points, 0.3 percentage points and 0.4 percentage points, respectively, due to transition-related costs incurred in connection with the restructuring of Permal for the combination with EnTrust.

59

Table of Contents

Adjusted EBITDA

We define Adjusted EBITDA as cash provided by (used in) operating activities plus (minus) interest expense, net of accretion and amortization of debt discounts and premiums, current income tax expense (benefit), the net change in assets and liabilities, net (income) loss attributable to noncontrolling interests, net gains (losses) and earnings on investments, net gains (losses) on consolidated investment vehicles, and other. The net change in assets and liabilities adjustment aligns with the Consolidated Statements of Cash Flows. Adjusted EBITDA is not reduced by equity-based compensation expense, including management equity plan non-cash issuance-related charges. Most management equity plan units may be put to or called by us for cash payment, although their terms do not require this to occur.

We believe that this measure is useful to investors and us as it provides additional information with regard to our ability to meet working capital requirements, service our debt, and return capital to our shareholders. This measure is provided in addition to Cash provided by operating activities and may not be comparable to non-GAAP performance measures or liquidity measures of other companies, including their measures of EBITDA or Adjusted EBITDA. Further, this measure is not to be confused with Net Income, Cash provided by operating activities, or other measures of earnings or cash flows under GAAP, and are provided as a supplement to, and not in replacement of, GAAP measures.

The calculation of Adjusted EBITDA is as follows (dollars in thousands):

	Three Months Ended		
	June 30, 2018	March 31, 2018	June 30, 2017
Cash provided by (used in) operating activities, GAAP basis	$(102,170)	$197,550	$(115,484)
Plus (less):			
Interest expense, net of accretion and amortization of debt discounts and premiums	29,356	29,880	28,330
Current tax expense	8,878	14,426	6,072
Net change in assets and liabilities	215,016	(128,797)	215,255
Net change in assets and liabilities of consolidated investment vehicles	14,580	16,569	31,761
Net income attributable to noncontrolling interests	(12,275)	(7,374)	(12,617)
Net gains (losses) and earnings on investments	6,792	(3,179)	5,546
Net gains on consolidated investment vehicles	3,583	(1,535)	997
Other	(374)	(1,981)	77
Adjusted EBITDA	$163,386	$115,559	$159,937

Adjusted EBITDA for the three months ended June 30, 2018, March 31, 2018, and June 30, 2017, was $163.4 million, $115.6 million, and $159.9 million, respectively. The increase for both the three months ended June 30, 2018, as compared to the three months ended March 31, 2018, and the three months ended June 30, 2018, as compared to the three months ended June 30, 2017, was primarily due to an increase in net income, adjusted for non-cash items.

Liquidity and Capital Resources

The primary objective of our capital structure is to appropriately support our business strategies and to provide needed liquidity at all times, including maintaining required capital in certain subsidiaries. Liquidity and the access to liquidity are important to the success of our ongoing operations. Our overall funding needs and capital base are continually reviewed to determine if the capital base meets the expected needs of our businesses. We intend to continue to explore potential acquisition opportunities as a means of diversifying and strengthening our asset management business. These opportunities may from time to time involve acquisitions that are material in size and may require, among other things, and subject to existing covenants, the raising of additional equity capital and/or the issuance of additional debt.

The consolidation of variable interest entities discussed above does not impact our liquidity and capital resources. However, we have executed total return swap arrangements with investors in two ETFs, and as a result we receive the related investment gains and losses on the ETFs and are required to consolidate these ETFs. At June 30, 2018, the total return swap notional values aggregate $38.2 million. Otherwise, we have no rights to the benefits from, nor do we bear the risks associated with,

60

---

the assets and liabilities of the CIVs and other consolidated sponsored investment products beyond our investments in and investment advisory fees generated from these products, which are eliminated in consolidation. Additionally, creditors of the CIVs and other consolidated sponsored investment products have no recourse to our general credit beyond the level of our investment, if any, so we do not consider these liabilities to be our obligations.

Our assets consist primarily of intangible assets, goodwill, cash and cash equivalents, investment securities, and investment advisory and related fee receivables. Our assets have been principally funded by equity capital, long-term debt and the results of our operations. At June 30, 2018, cash and cash equivalents, total assets, long-term debt, net, and stockholders' equity were $0.6 billion, $7.9 billion, $2.2 billion and $3.8 billion, respectively. Total assets include amounts related to CIVs and other consolidated sponsored investment products of $0.2 billion.

Cash and cash equivalents are primarily invested in liquid domestic and non-domestic money market funds that hold principally domestic and non-domestic government and agency securities, bank deposits and corporate commercial paper. We have not recognized any losses on these investments. Our monitoring of cash and cash equivalents partially mitigates the potential that material risks may be associated with these balances.

The following table summarizes our Consolidated Statements of Cash Flows for the three months ended June 30 (in millions):

	2018	2017
Cash flows used in operating activities	$(102.2)	$(115.5)
Cash flows used in investing activities	(14.3)	(3.7)
Cash flows used in financing activities	(30.1)	(123.5)
Effect of exchange rate changes	(10.1)	(0.4)
Net change in cash, cash equivalents, and restricted cash	(156.7)	(243.1)
Cash, cash equivalents and restricted cash, beginning of period	773.8	754.3
Cash, cash equivalents and restricted cash, end of period	$617.1	$511.2

Cash outflows used in operating activities during the three months ended June 30, 2018, were $102.2 million, primarily related to annual payments for accrued and deferred compensation, offset in part by Net Income, adjusted for non-cash items. Cash outflows used in operating activities during the three months ended June 30, 2017, were $115.5 million, primarily related to annual payments for accrued and deferred compensation, offset in part by Net Income, adjusted for non-cash items.

Cash outflows used in investing activities during the three months ended June 30, 2018, were $14.3 million, primarily related to payments made for fixed assets, offset in part by returns of capital received on certain investments in partnerships and limited liability companies. Cash outflows used in investing activities during the three months ended June 30, 2017, were $3.7 million, primarily related to payments made for fixed assets, offset in part by a contingent payment received in connection with the prior sale of a business.

Cash outflows used in financing activities during the three months ended June 30, 2018, were $30.1 million, primarily related to dividends paid of $24.6 million. Cash outflows used in financing activities during the three months ended June 30, 2017, were $123.5 million, primarily related to the repurchase of 2.4 million shares of our common stock for $89.6 million and dividends paid of $21.2 million.

We expect that over the next 12 months cash generated from our operating activities and available cash on hand will be adequate to support our operating cash needs. We currently intend to utilize our available resources for any number of potential activities, including, but not limited to, repayment of outstanding debt, acquisitions, seed capital investments in new and existing products, or payment of increased dividends. In addition to our ordinary operating cash needs and resolution of the regulatory matter discussed in Note 7 of Notes to Consolidated Financial Statements,

we anticipate other cash needs during the next 12 months, as discussed below.

61

Table of Contents

Contingent Consideration

As of June 30, 2018, we had various commitments to pay contingent consideration relating to business acquisitions. The following table presents a summary of the maximum remaining aggregate contingent consideration and the Contingent consideration liability (in millions). Additional details regarding contingent consideration are discussed below.

	RARE Infrastructure	QS Investors	Other[(2)]	Total
Maximum Remaining Contingent Consideration[(1)]	$ 78.4	$ 23.4	$ 1.9	$ 103.7
Contingent consideration liability				
Current Contingent consideration	$ —	$ 4.2	$ —	$ 4.2
Non-current Contingent consideration	—	—	1.9	1.9
Balance as of June 30, 2018	$ —	$ 4.2	$ 1.9	$ 6.1

(1) Using the applicable exchange rate as of June 30, 2018 for amounts denominated in currencies other than the U.S. dollar.

(2) Includes amounts related to two small acquisitions completed in December 2017.

On October 21, 2015, we acquired a majority interest in RARE Infrastructure. Contingent consideration catch-up adjustments of up to $78.4 million (using the foreign exchange rate as of June 30, 2018 for the maximum 106 million Australia dollar amount per the contract), may be due through March 31, 2019, dependent on the achievement of certain net revenue targets; however, as of June 30, 2018, no such payments are expected to be due.

Effective May 31, 2014, we completed the acquisition of QS Investors. Contingent consideration of up to $20 million for the fourth anniversary payment, and up to $3 million for a potential catch-up adjustment for the second anniversary payment shortfall, may be due in July 2018 (expected to be paid in August 2018), dependent on the achievement of certain net revenue targets.

See Note 7 of Notes to Consolidated Financial Statements for additional information.

Noncontrolling Interests

As further described below, we may be obligated to settle noncontrolling interests related to certain affiliates. The following table presents a summary of our affiliate noncontrolling interests (in millions), excluding amounts related to management equity plans, as of June 30, 2018. The ultimate timing of noncontrolling interest settlements are generally too uncertain to project with any accuracy.

	EnTrustPermal	Clarion Partners	RARE Infrastructure	Other	Total
Affiliate noncontrolling interests as of June 30, 2018	$ 387.5	$ 113.1	$ 65.7	$ 1.4	$ 567.7

Noncontrolling interests of 35% of the outstanding equity of EnTrust Permal, 18% of the outstanding equity of Clarion Partners and 25% of RARE Infrastructure are subject to put and call provisions that may result in future cash outlays.

On July 2, 2018, we were notified that the corporate minority owner in RARE Infrastructure was exercising the put option for its 10% ownership interest. The ultimate settlement value is subject to an independent fair value determination which is expected to be less than the recorded balance of approximately $29 million. The transaction is expected to be completed during the quarter ended September 30, 2018.

See Notes 7 and 12 of Notes to Consolidated Financial Statements for additional information.

62

Explanation of Responses:

Table of Contents

Affiliate Management Equity Plans

In conjunction with the acquisition of Clarion Partners in April 2016, we implemented an affiliate management equity plan that entitles certain key employees of Clarion Partners to participate in 15% of the future growth, if any, of the enterprise value (subject to appropriate discounts) subsequent to the date of the grant. In March 2016, we implemented an affiliate management equity plan with Royce. Under this management equity plan, as of June 30, 2018, noncontrolling interests equivalent to 19.0% in the Royce entity have been issued to its management team. In addition, we implemented an affiliate management equity plan in March 2014, that entitles certain key employees of ClearBridge to participate in 15% of the future growth, if any, of the enterprise value (subject to appropriate discounts). As of June 30, 2018, the estimated redemption value for units under management equity plans aggregated $90 million. Repurchases of units granted under the plans may impact future liquidity requirements, however, the amounts and timing of repurchases are too uncertain to project with any accuracy. See Note 8 of Notes to Consolidated Financial Statements for additional information regarding affiliate management equity plans.

Future Outlook

As of June 30, 2018, we had approximately $315 million in cash and cash equivalents in excess of our working capital and regulatory requirements. We plan to continue to apply funds that otherwise would have been allocated to share repurchases to repay the outstanding borrowings under our Credit Agreement through the end of calendar year 2018. After the outstanding borrowings under our Credit Agreement have been fully repaid, we intend to accumulate cash to repay the $250 million of outstanding 2.7% Senior Notes due July 2019. Accordingly, we do not currently intend to repurchase significant shares of our common stock prior to June 2019. As of June 30, 2018, we have approximately $375 million of available borrowing capacity under our Credit Agreement, which terminates in December 2020, and can be increased by another $500 million with the approval of the lenders. While we do not currently expect to raise incremental debt or equity financing over the next 12 months, we intend to continue to grow our ETF business and are exploring various options to facilitate the launch of and provide capital to these new products. Going forward, there can be no assurances of these expectations as our projections could prove to be incorrect, events may occur that require additional liquidity in excess of amounts available under our Credit Agreement, such as an opportunity to refinance indebtedness, or market conditions might significantly worsen, affecting our results of operations and generation of available cash. If these events result in our operations and available cash being insufficient to fund liquidity needs, we may seek to manage our available resources by taking actions such as further reducing future share repurchases, reducing operating expenses, reducing our expected expenditures on investments, selling assets (such as investment securities), repatriating earnings from foreign subsidiaries, reducing our dividend, or modifying arrangements with our affiliates and/or employees. Should these types of actions prove insufficient, or should an acquisition or refinancing opportunity arise, we would likely utilize borrowing capacity under our revolving credit facility or seek to raise additional equity or debt.

Our liquid assets include cash, cash equivalents, and certain current investment securities. As of June 30, 2018, our total liquid assets of approximately $763 million, included $308 million of cash, cash equivalents, and investments held by foreign subsidiaries. Other net working capital amounts of foreign subsidiaries were not significant. In order to supplement cash available in the U.S. for general corporate purposes, we plan to utilize up to approximately $66 million of foreign cash over the next several years and anticipate that $33 million will be in the form of debt service payments by foreign affiliates, with the remainder provided from distribution of forecasted future offshore earnings. No further repatriation of foreign earnings is currently planned.

Other

In connection with the acquisition of Clarion Partners in April 2016, we committed to provide $100 million of seed capital to Clarion Partners products, after the second anniversary of the transaction closing. We also committed to contribute up to $5 million of additional working capital to Financial Guard, to be paid over the two-year period following the acquisition, the final $2.5 million of which was paid during the three months ended June 30, 2018.

As of June 30, 2018, less than 1% of total assets (5% of financial assets at fair value) and less than 1% of total liabilities (63% of financial liabilities measured at fair value) meet the definition of Level 3.

On July 31, 2018, the Board of Directors approved a regular quarterly cash dividend in the amount of $0.34 per share, payable on October 23, 2018.

63

Table of Contents

Contractual and Contingent Obligations

We have contractual obligations to make future payments, principally in connection with our long-term debt, non-cancelable lease agreements, acquisition agreements and service agreements. See Notes 6 and 7 of Notes to Consolidated Financial Statements for additional disclosures related to our commitments.

The following table sets forth these contractual obligations (in millions) by fiscal year, and excludes contractual obligations of CIVs and other consolidated sponsored investment products, as we are not responsible or liable for these obligations:

	Remaining 2019	2020	2021	2022	2023	Thereafter	Total
Contractual Obligations							
Short-term borrowings by contract maturity[1]	$ 125.5	$—	$—	$—	$—	$—	$125.5
Long-term borrowings by contract maturity	—	250.0	—	—	—	2,000.0	2,250.0
Interest on long-term borrowings and credit facility commitment fees	103.0	109.7	106.1	105.4	105.4	2,167.4	2,697.0
Minimum rental and service commitments	106.8	124.0	106.3	96.2	86.9	120.6	640.8
Contributions to pension plan[2]	—	3.1	3.1	3.1	3.1	8.0	20.4
Total Contractual Obligations	335.3	486.8	215.5	204.7	195.4	4,296.0	5,733.7
Contingent Obligations							
Payments related to business acquisitions:[3]							
RARE Infrastructure	78.4	—	—	—	—	—	78.4
Other	24.0	0.7	0.6	—	—	—	25.3
Total payments related to business acquisitions	102.4	0.7	0.6	—	—	—	103.7
Total Obligations[4][5][6]	$ 437.7	$487.5	$216.1	$204.7	$195.4	$4,296.0	$5,837.4

(1) Represents borrowings under our Credit Agreement, which does not expire until December 2020.

(2) Represents contributions to be made by Martin Currie to its legacy pension plan on an annual basis through May 2024, with a final payment due November 2024 (using the exchange rate as of June 30, 2018 for the £2.3 million annual committed contribution amount and the £1.5 million final payment amount).

(3) The amount of contingent payments reflected for any year represents the maximum amount that could be payable at the earliest possible date under the terms of the business purchase agreements, using the applicable exchange rate as of June 30, 2018, for amounts denominated in currencies other than the U.S. dollar. The related contingent consideration liabilities had an aggregate fair value of $6.1 million as of June 30, 2018. See Note 7 of Notes to Consolidated Financial Statements.

(4) The table above does not include approximately $44.3 million in capital commitments to investment partnerships in which we are a limited partner, which will be outstanding, or funded as required, through the end of the commitment periods running through fiscal 2030 or $100 million of co-investment commitment associated with the Clarion Partners acquisition.

(5) The table above does not include amounts for uncertain tax positions of $53.5 million (net of the federal benefit for state tax liabilities), because the timing of any related cash outflows cannot be reliably estimated.

(6) The table above does not include redeemable noncontrolling interests related to minority equity interests in our affiliates and affiliate management equity plans with key employees of Clarion Partners and ClearBridge of $602 million as of June 30, 2018, because the timing and amount of any related cash outflows cannot be reliably estimated. Redeemable noncontrolling interests of CIVs of $145.7 million as of June 30, 2018, are also excluded from the table above because we have no obligations in relation to these amounts. Potential obligations arising from the ultimate settlement of awards under the affiliate management equity plan with key employees of Royce are also excluded due to the uncertainty of the timing and amounts ultimately payable. See Note 8 of Notes to Consolidated Financial Statements for additional information regarding affiliate management equity plans.

64

Explanation of Responses:

Table of Contents

Critical Accounting Policies

The following Critical Accounting Policies have been updated from our Annual Report on Form 10-K for the year ended March 31, 2018.

Revenue Recognition

Effective April 1, 2018, we adopted updated accounting guidance on revenue recognition on a modified retrospective basis for any contracts that were not complete as of the April 1, 2018 adoption date. The updated guidance provides a single, comprehensive revenue recognition model for all contracts with customers, improves comparability and removes inconsistencies in revenue recognition practices across entities, industries, jurisdictions, and capital markets. The guidance also specifies the accounting for certain costs to obtain or fulfill a contract with a customer and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements. The adoption of the updated guidance did not result in significant changes to our prior revenue recognition practices, except for the timing of the recognition of certain performance and incentive fees, the capitalization and amortization of certain sales commissions for separate accounts, and the net presentation of certain fund expense reimbursements which were previously presented on a gross basis. Each of these changes to our previous revenue recognition practices is further discussed below.

We primarily earn revenues by providing investment management services and distribution and shareholder services for its customers, which are generally investment funds or the underlying investors in separately managed accounts. As further discussed below, revenues are calculated based on the value of the investments under management and are recognized when obligations under the terms of contracts with customers are satisfied, which is generally over time as the services are rendered.

We have responsibility for the valuation of AUM, substantially all of which is based on observable market data from independent pricing services, fund accounting agents, custodians or brokers.

Investment Advisory Fees

We earn investment advisory fees on assets in separately managed accounts, investment funds, and other products managed for our clients. Generally, investment management services are a single performance obligation, as they include a series of distinct services that are substantially the same and are transferred to the customer over time using the same time-based measure of progress. Investment management services are satisfied over time as the customer simultaneously receives and consumes the benefits as the advisory services are performed.

Separate Account and Funds Advisory Fees

Separate account and funds advisory fees are variable consideration which is primarily based on predetermined percentages of the daily, monthly or quarterly average market value of the AUM, as defined in the investment management agreements. The average market value of AUM is subject to change based on fluctuations and volatility in financial markets, and as such, separate account and funds advisory fees are constrained until the end of the month or quarter when the actual average market value of the AUM is known and a significant revenue reversal is no longer probable. Therefore, separate account and funds advisory fees are included in the transaction price and allocated to the investment management services performance obligation at the end of each monthly or quarterly reporting period, as specified in the investment management contract. Payment for services under investment management contracts is due once the variable consideration is allocated to the transaction price, and generally within 30 days. Recognition of separate account and funds advisory fee revenue under the updated guidance is consistent with our prior revenue recognition process.

Performance and Incentive Fees

Performance and incentive fees are variable consideration that may be earned on certain investment management contracts for exceeding performance benchmarks on a relative or absolute basis or for exceeding contractual return thresholds. Performance and incentive fees are estimated at the inception of a contract however, a range of outcomes

is possible due to factors outside the control of the investment manager, particularly market conditions. Performance and incentive fees are therefore excluded from the transaction price until it becomes probable that a significant reversal in the cumulative amount of revenue recognized will not occur. A portion of performance and incentive fees are earned based on 12-month performance periods that end in differing quarters during the year, with a portion also based on quarterly performance periods. We also earn performance and incentive fees on alternative and certain other products that lock at the earlier of the investor’s termination date or the liquidation of the fund or contract, in multiple-year intervals, or specific events, such as the sale of assets. For certain of these products, performance and incentive fees may be recognized as revenue earlier under the updated guidance than under prior revenue recognition practices, which deferred recognition until all contingencies were resolved.

65

Table of Contents

Any such performance and incentive fees recognized prior to the resolution of all contingencies are recorded as a contract asset in Other current assets or Other non-current assets in the Consolidated Balance Sheet.

Fee Waivers and Fund Expense Reimbursements
We may waive certain fees for investors or may reimburse our investment funds for certain operating expenses when such expenses exceed a certain threshold. Fee waivers continue to be reported as a reduction in advisory fee revenue under the updated guidance. Under prior accounting guidance, fund expense reimbursements in excess of recognized revenue were recorded as Other expense in the Consolidated Statements of Income. Under the updated accounting guidance, these fund expense reimbursements that exceed the recognized revenue represent a change in the transaction price and are therefore reported as a reduction of Investment advisory fees - Funds in the Consolidated Statements of Income.

Distribution and Service Fees Revenue and Expense
Distribution and service fees are fees earned from funds to reimburse the distributor for the costs of marketing and selling fund shares and are generally determined as a percentage of client assets. Reported amounts also include fees earned from providing client or shareholder servicing, including record keeping or administrative services to proprietary funds, and non-discretionary advisory services for assets under advisement. Distribution and service fees earned on company-sponsored investment funds are reported as revenue. Distribution services and marketing services are considered a single performance obligation as the success of selling the underlying shares is highly dependent upon the sales and marketing efforts. Ongoing shareholder servicing is a separate performance obligation as these services are not highly interrelated and interdependent on the sale of the shares. Fees earned related to distribution and shareholder serving are considered variable consideration because they are calculated based on the average market value of the fund. The average market value of the fund is subject to change based on fluctuations and volatility in financial markets, and as such, distribution and shareholder service fees are generally constrained until the end of the month or quarter when the actual market value of the fund is known, and the related revenue is no longer subject to a significant reversal. Therefore, distribution and service fees are generally included in the transaction price at the end of each monthly or quarterly reporting period and are allocated to the two performance obligations based on the amount specified in each agreement. While distribution services are largely satisfied at the inception of an investment, the ultimate amounts of revenue are subject to the variable consideration constraint. Accordingly, a portion of distribution and service revenue will be recognized in periods subsequent to the satisfaction of the performance obligation.

Certain fund share classes only charge for distribution services at the inception of the investment based on a fixed percentage of the share price. This fixed price is allocated to the performance obligation, which is substantially satisfied at the time of the initial investment.

Recognition of distribution and service fee revenue under the updated guidance is consistent with our prior revenue recognition process.

When we enter into arrangements with broker-dealers or other third parties to sell or market proprietary fund shares, distribution and servicing expense is accrued for the amounts owed to third parties, including finders' fees and referral fees paid to unaffiliated broker-dealers or introducing parties and is recorded as Distribution and servicing expense in the Consolidated Statements of Income. Distribution and servicing expense also includes payments to third parties for certain shareholder administrative services and sub-advisory fees paid to unaffiliated asset managers.

Contract Costs and Deferred Sales Commissions
We incur ordinary costs to obtain investment management contracts and for services provided to customers in accordance with investment management agreements. These costs include commissions paid to wholesalers, employees and third-party broker dealers and administration and placement fees. Depending on the type of services

provided, these fees may be paid at the time the contract is obtained or on an ongoing basis. Under the updated guidance, costs to obtain a contract should be capitalized if the costs are incremental and would not have been incurred if the contract had not been obtained, and costs to fulfill the contract should be capitalized if they relate directly to a contract, the costs will generate or enhance resources of the entity that will be used in satisfying performance obligations in the future, and the costs are expected to be recovered. Consistent with prior accounting procedures, fund launch costs, including organizational and underwriting costs, placement fees and commissions paid to employees, wholesalers and broker-dealers for sales of fund shares are expensed as incurred, as these costs would be incurred regardless of the investor. However, commissions paid to employees and retail wholesalers in connection with the sale of retail separate accounts are considered incremental, as these fees relate to obtaining a specific contract, are calculated based on specific rates and are recoverable through the management fees earned, and are therefore capitalized under the updated accounting guidance. Such commissions were expensed as incurred under our prior accounting

66

Table of Contents

practices. Capitalized sales commissions are amortized based on the transfer of services to which the assets relate, which averages four years.

Commissions we pay to financial intermediaries in connection with sales of certain classes of company-sponsored mutual funds are capitalized as deferred sales commissions. The asset is amortized over periods not exceeding six years, which represent the periods during which commissions are generally recovered from distribution and service fee revenues and from contingent deferred sales charges ("CDSC") received from shareholders of those funds upon redemption of their shares. CDSC consideration is generally variable, and is based on the timing of when investors redeem their investment. Therefore, the variable consideration is included in the transaction price once the investors redeem their shares and is satisfied at a point in time. CDSC receipts are recorded as distribution and service fee revenue when received and a reduction of the unamortized balance of deferred sales commissions, with a corresponding expense. Under the updated accounting guidance, Legg Mason has elected to expense sales commissions related to certain share classes with amortization periods of one year or less as incurred.

Valuation of Financial Instruments

Effective April 1, 2018, we adopted accounting guidance on a prospective basis which requires equity investments to be measured at fair value, with changes recognized in earnings. This guidance does not apply to investments accounted for under the equity method of accounting or underlying investments of consolidated entities. The updated guidance also provides entities the option to elect to measure equity investments that do not have readily determinable fair values and do not qualify for the net asset value practical expedient at "adjusted cost". Under this adjusted cost method, which we have adopted, investments are initially recorded at cost, and subsequently adjusted (increased or decreased) when there is an observable transaction involving the same investment, or similar investment from the same issuer. Adjusted cost investment carrying values are also adjusted for impairments, if any.

Recent Accounting Developments

See discussion of Recent Accounting Developments in Note 2 of Notes to Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the three months ended June 30, 2018, there were no material changes to the information contained in Part II, Item 7A of Legg Mason’s Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

Item 4. Controls and Procedures

As of June 30, 2018, Legg Mason's management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of Legg Mason's disclosure controls and procedures. In evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, Legg Mason's management, including its Chief Executive Officer and its Chief Financial Officer, concluded that Legg Mason's disclosure controls and procedures were effective on a reasonable assurances basis. There have been no changes in Legg Mason's internal controls over financial reporting that occurred during the quarter ended June 30, 2018, that have materially affected, or are reasonably likely to materially affect, Legg Mason's internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1A. Risk Factors

During the three months ended June 30, 2018, there were no material changes to the information contained in Part I, Item 1A of Legg Mason's Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets out information regarding our purchases of Legg Mason common stock in each month during the quarter ended June 30, 2018:

Period	Total number of shares purchased (1)	Average price paid per share (1)(2)	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value that may yet be purchased under the plans or programs
April 1, 2018 through April 30, 2018	6,981	$ 40.25	—	$ —
May 1, 2018 through May 31, 2018	382,591	39.40	—	—
June 1, 2018 through June 30, 2018	297	37.63	—	—
Total	389,869	$ 39.42	—	

(1) Includes shares of vesting restricted stock, and shares received on vesting of restricted stock units, surrendered to Legg Mason to satisfy related income tax withholding obligations of employees via net share transactions.

(2) Amounts exclude fees.

Item 6. Exhibits

3.1 Articles of Incorporation of Legg Mason, as amended (incorporated by reference to Legg Mason's Current Report on Form 8-K for the event on July 26, 2011)

3.2 By-laws of Legg Mason, as amended and restated June 12, 2018 (incorporated by reference to Legg Mason's Current Report on Form 8-K for the event on June 12, 2018)

12 Computation of consolidated ratios of earnings to fixed charges

31.1 Certification of Chief Executive Officer

31.2 Certification of Principal Financial Officer

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 Financial statements from the quarterly report on Form 10-Q of Legg Mason, Inc. for the quarter ended June 30, 2018, filed on August 6, 2018, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements tagged in detail

* These exhibits are management contracts or compensatory plans or arrangements.

Explanation of Responses:

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LEGG MASON, INC.

DATE: August 6, 2018	/s/ Joseph A. Sullivan Joseph A. Sullivan President, Chief Executive Officer, and Chairman of the Board
DATE: August 6, 2018	/s/ Peter H. Nachtwey Peter H. Nachtwey Senior Executive Vice President and Chief Financial Officer

Table of Contents

INDEX TO EXHIBITS

3.1	Articles of Incorporation of Legg Mason, as amended (incorporated by reference to Legg Mason's Current Report on Form 8-K for the event on July 26, 2011)
3.2	By-laws of Legg Mason, as amended and restated June 12, 2018 (incorporated by reference to Legg Mason's Current Report on Form 8-K for the event on June 12, 2018)
12	Computation of consolidated ratios of earnings to fixed charges
31.1	Certification of Chief Executive Officer
31.2	Certification of Principal Financial Officer
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Financial statements from the quarterly report on Form 10-Q of Legg Mason, Inc. for the quarter ended June 30, 2018, filed on August 6, 2018, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements tagged in detail

* These exhibits are management contracts or compensatory plans or arrangements.