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News Release

For Immediate Release

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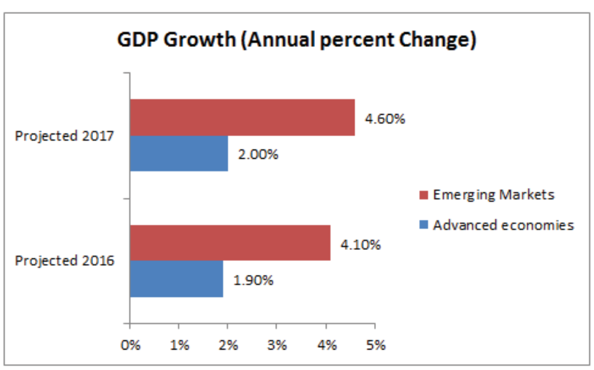
Emerging Markets ETFs Gaining Appeal After Strong 2016 Start

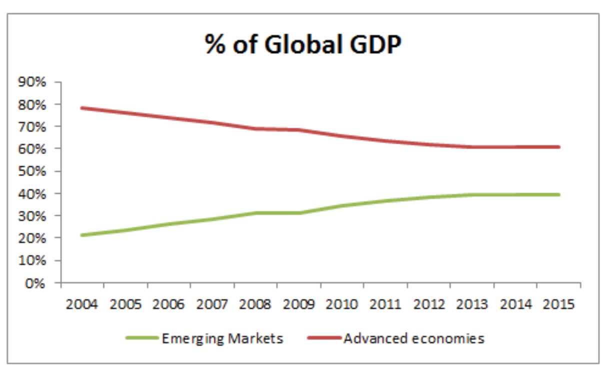
Country Allocation Key Driver of Performance

(New York, NY, May 23, 2016) – After a seven-year bull market at home, U.S. investors are looking overseas again for equity opportunities. Encouraged by a strong first quarter, emerging market (EM) equities saw inflows for the first time in 5 years. Following several years of lackluster returns, investors are wondering whether it's time to reconsider allocations to the asset class. With nearly 85 percent of the world's population, emerging markets are too big to ignore.

"Economic development over the last two decades has made emerging markets significant drivers of global growth," said Michael LaBella, a portfolio manager at QS Investors and manager of the Legg Mason Emerging Markets Diversified Core ETF (EDBI). "Ten years ago EMs represented 25 percent of global gross domestic product – but they now account for nearly 40 percent. With annual growth rates double those of the U.S., emerging markets' share of global gross domestic product ("GDP") has the potential to grow. That can create opportunities."

"Many emerging markets are doing well, offering American investors a wider range of choices," Mr. LaBella said. "Whether using individual stocks, mutual funds or exchange traded funds (ETFs), EM allocations can offer enhanced growth and diversification possibilities – if the countries and sectors are smartly chosen, with an eye to balancing overall portfolio risk."





Source: International Monetary Fund, World Economic Outlook Database

Positive momentum is not shared equally. EMs have long been a heterogonous landscape with significant economic, political, and developmental differences across regions and countries. Examining the most recent rebound highlights the high degree of dispersion among countries.

“Peru and Brazil have risen sharply this year: up nearly 40 percent,” Mr. LaBella reported. “That’s in stark contrast to China, down 9 percent, and Greece, down 5 percent. While a 50 percent spread between the best and worst performing countries may seem high, it is actually quite normal in EM. Last year Hungry (+52 percent) and Russia (+5 percent) were up despite the market turbulence elsewhere. With Greece (-57 percent) and Brazil (-41 percent) falling sharply, with a spread of 108 percent between the best and worst performing countries.”

This divergence highlights both a key opportunity and risk of investing in the asset class. The opportunity is investing in parts of the world with higher potential returns, which can be invaluable in achieving investment goals in a low-return climate. Since these economies are less integrated into the global economy they can provide real opportunities for equity diversification, something that has become more difficult in an increasingly interconnected world.

“The clear danger is the increased macro and country-specific risks that come with emerging markets,” Mr. LaBella said. “This can be of particular concern for investors who may attempt to pick individual country positions, getting overly excited about a small number of prospects, without taking into account the unpredictability of macroeconomic events. Think how difficult it was to forecast oil’s abrupt decline a few years ago and the severe impact it had on commodity economies. Investors must weigh these potential opportunities and risks carefully.”

QS Investors believes it makes sense to approach the space broadly, diversifying across the many EM opportunities, while guarding against too much risk in any one country or region. In particular, ETFs can offer cost-effective, diversified means of investing in emerging markets.

“However, all EM ETFs are not created equal,” Mr. LaBella warned. “Many of the most popular ETFs are highly concentrated regarding country or region-specific risk. The MSCI Emerging Market Index has over 50 percent exposure to just three Asian countries: China, South Korea and Taiwan. When you add in the rest of the BRICS (Brazil, Russia, India, China and South Africa), only seven countries account for nearly 80 percent. That leaves just 20 percent for the remaining 16 countries. The FTSE Emerging Market Index is no better: after the addition of China A shares next year, China’s weight in the index may rise from 25 to 50 percent over time. This puts a significant amount of reliance on the China or commodity trade, and provides very little exposure to all the other opportunities in the space.”

QS Investors believe it is essential to take macro risks (such as country or sector exposure) into account when investing in emerging markets to fully take advantage of the asset class
“Our index is rules-based, but not market-cap weighted which can be overly concentrated,” Mr. LaBella explained. “We group stocks by country and sector, and then evaluate their historical correlations to one another so that we can build a portfolio that is balanced across macro factors in the market.”

For over a decade, institutional investors have followed these approaches, seeking to achieve broad yet balanced market exposure. Retail investors can now use ETFs to the same ends.

QS Investors approach puts China at the top of the country list for the Legg Mason Emerging Markets Diversified Core ETF, about 13 percent of the total allocation. Next come Malaysia, India, Turkey and South Africa. In cap-weighted products China's exposure can be doubled, trailed by South Korea and Taiwan.

Sector allocations are led by financials, at almost 16 percent, followed by consumer staples, materials, consumer discretionary and telecommunications. In the MSCI Emerging Markets Index, financials still lead but with close to 27 percent, and information technology is second at over 20 percent.

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About Michael LaBella, CFA
A portfolio manager and strategist at QS Investors, Mike LaBella focuses on investment and product strategy for the equity platform, and is a member of the investment oversight committee. Mr. LaBella formerly worked at Deutsche Bank as a portfolio manager for the Quantitative Strategies group, and as an institutional sales trader in its Corporate and Investment Bank. He received his B.S. in financial economics from Binghamton University.

About QS Investors
A wholly-owned, independently-managed affiliate of Legg Mason, Inc., QS Investors, LLC was formed in 1999 as the quantitative platform of a global asset manager. As an investment firm providing asset management and advisory services to a diverse array of institutional clients, QS Investors delivers disciplined, systematic solutions that address clients' complex challenges. The QS team has developed unique approaches to integrating quantitative and behavioral investment insights and dynamically weighting opportunities in response to changing economic and market conditions. Risk identification, assessment and management are intrinsic to their process. Based in New York, QS Investors offers a broad spectrum of strategies to clients worldwide, including actively managed U.S. and global equities, liquid alternatives and customized solutions.

About Legg Mason
Legg Mason is a global asset management firm with $707 billion in assets under management as of April 30, 2016. The Company provides active asset management in many major investment centers throughout the world. Legg Mason is headquartered in Baltimore, Maryland, and its common stock is listed on the New York Stock Exchange (symbol: LM).

MSCI Emerging Markets Index
Morgan Stanley Capital International (MSCI) Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. Please note an investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

FTSE Emerging Market Index
FTSE Emerging Markets indices are part of the FTSE Global Equity Index Series (GEIS). The series includes large and mid cap securities from advanced and secondary emerging markets,

classified in accordance with FTSE's transparent Country Classification Review Process. The FTSE
Emerging Index provides investors with a comprehensive means of measuring the performance of the most liquid companies in the emerging markets.

All investments involve risk, including loss of principal. Past performance is no guarantee of future results.

The Fund is newly organized, with a limited history of operations. Equity securities are subject to price fluctuation and possible loss of principal. International investments are subject to special risks including currency fluctuations, social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. In rising markets, the value of large-cap stocks may not rise as much as smaller-cap stocks. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. Diversification does not guarantee a profit or protect against a loss. The Fund may focus its investments in certain industries, increasing its vulnerability to market volatility. Potential frequent trading may result in higher transaction costs and increased investor liability. There is no guarantee that the Fund will achieve a high degree of correlation to the index it seeks to track. The Fund does not seek to outperform the index it tracks, and does not seek temporary defensive positions when markets decline or appear overvalued. Derivatives, such as options and futures, can be illiquid, may disproportionately increase losses and have a potentially large impact on Fund performance.

Legg Mason Emerging Markets Diversified Core ETF (EDBI)
Sector Allocation (%)
As of Apr-30-2016

Financials	15.85
Consumer Staples	12.60
Materials	12.45
Consumer Discretionary	11.93
Telecommunication Services	11.56
Energy	9.47
Industrials	9.40
Utilities	8.25
Health Care	3.71
Information Technology	3.58

Country Allocation (%)
As of Apr-30-2016

China	13.38
Malaysia	9.29
India	8.91
Turkey	7.81
South Africa	7.05
South Korea	6.13
Brazil	5.79
Chile	5.04
Mexico	4.97
Thailand	4.78

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Before investing, carefully consider a Fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, which is available at www.leggmason.com/etfs. Please read it carefully.

Portfolio holdings are subject to change at any time. Percentages are based on total investments. This information is provided for information purposes only and should not be construed as a recommendation to purchase or sell any security.

The differences between the products mentioned could significantly impact performance. These differences include but are not limited to investment strategy, tax implications, fees and expenses, cash flows, trading structure and transparency requirements. All investments involve risks, including loss of principal.

Please note that an investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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