LEGG MASON
GLOBAL ASSET MANAGEMENT

News Release

For Immediate Release

Contact:
Joe Collins
River Communications
(914) 686-5599
jcollins@riverinc.com

U.S. INVESTORS CALL U.S. EQUITIES BEST OPPORTUNITY FOR 2015, MAINTAINING OR INCREASING EQUITY ALLOCATION

Signs of Confidence or Complacency Creep?

NEW YORK – **February 11, 2015** – According to the 2015 Legg Mason Global Investor Survey, 85% of 458 affluent U.S. investors surveyed said U.S. equities "offer the best opportunities over the next 12 months" among all domestic and global asset classes. This is an increase over the 74% who said the same going into 2014.

In addition, 63% said they are maintaining their equity allocation in 2015, while more investors (32%) expect to increase their allocation to equities over any other asset class. Only 6% said they intend to decrease their allocation to equities in 2015. The majority (89%) said they are optimistic about their investments for 2015.

"Investors are looking for the U.S. equity market's strong run to continue," said Matthew Schiffman, Global Head of Marketing for Legg Mason. "Last year, investors told us they had great confidence in U.S. equities for 2014 and they were right: The S&P 500 was up over 11 percent. This year, we're seeing even more investors expressing confidence in the U.S. equity markets, and this is concerning."

Mr. Schiffman continued: "Overconfidence can lead to a degree of complacency that could prevent investors from paying close attention to their overall financial plan and how they have allocated their assets as their own needs change. Investors have not changed their asset allocation since we started measuring investor sentiment three years ago, which could be another sign of complacency creep."

U.S. Investor Asset Allocation

U.S. investors entered 2015 with an average asset allocation almost identical to their allocation going into 2014 and slightly more aggressive than in 2013.

	2015	2014	2013
Equities	41%	41%	39%
Cash	22	22	25
Fixed income	16	20	19
Other (including Investment RE, Non-traditional, Gold/precious metals)	21	17	17

--more –

The average asset allocation among investors who considered themselves “aggressive” included 52% in equities going into 2015; 40% of aggressive investors said they intend to increase their allocation to equities in 2015.

The top three issues that investors worry could “derail the progress” of their investments in 2015 are:

1. Global economic instability
2. Economic instability in the U.S.
3. Increasing market volatility

Only 11% are concerned about inflation and just 5% are concerned about rising interest rates/yields.

Going Global

Investors surveyed have an average of 13% of their assets invested internationally; 41% of investors said they “will be more focused on international investments in the next year compared to last year.”

“Investors may be more willing to travel abroad than invest there,” Mr. Schiffman said. “This goes back to the potential for complacency creep as investors continue to show a preference for investing at home. Opportunities abound globally and should be a consideration in any strategic asset allocation.”

The top three benefits respondents hope to gain by investing internationally are:

1. Diversifying risk across different markets
2. Potential for higher returns than in the U.S.
3. Greater range of investment choices

Investors see China and Japan as the countries representing the best non-U.S. market investment opportunities over the next 12 months. According to the respondents, the top ten countries (excluding the U.S.) are:

1. China
2. Japan
3. Australia
4. Brazil
5. India
6. Europe excluding the UK
7. UK
8. Hong Kong
9. Singapore
10. Mexico

--more—

Good News for Income-Oriented Investors: Investment "Income Gap" Shrinks Again

Since 2012, Legg Mason has been measuring the investment "income gap" – the difference between what investors seek from their income-producing investments and what they actually receive. This year's survey reveals that the income gap has been cut in half since inception.

	2014	2013	2012
Average rate of return on income-producing investments sought:	7.8%	8.3%	8.5%
Average rate of return on income-producing investments received:	6.5%	6.4%	5.9%
Income gap:	1.3%	1.9%	2.6%

Having income-generating investments is considered a priority to 82% of investors surveyed. Investors also said that on average, 51% of their portfolios are invested in income-producing assets. The top three asset classes they invest in to meet their income needs are:

1. Equity income funds
2. Investment grade bonds
3. High yield bonds

Mr. Schiffman stated: "Clearly, only time will tell if investor confidence in the U.S. equity markets will be rewarded again. Regardless of the market's performance, we encourage investors to be mindful of overconfidence and complacency creep. We also encourage investors to work with financial advisors who will help them take a realistic, active approach to managing their assets recognizing that markets, and their needs, change over time."

About the Legg Mason Global Investor Survey

The U.S. portion of the Legg Mason Global Investor Survey was conducted among 458 affluent investors with a minimum of $200,000 in investable assets. The online survey was conducted by Northstar Research Partners from December 2014 to January 2015.

About Legg Mason

Legg Mason is a global asset management firm with $709 billion in assets under management as of December 31, 2014. 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).

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

Survey results are not intended to be a forecast of future events, a guarantee of future results, or investment advice and are not intended and should not be relied upon as the basis for anyone to buy, sell or hold any security. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

Equity securities are subject to price fluctuation and possible loss of principal. International investments are subject to special risks including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. Fixed income securities involve interest rate, credit, inflation and reinvestment risks; and possible loss of principal. As interest rates rise the value of fixed income securities falls.

@2015 Legg Mason Investor Services, LLC. Member FINRA, SIPC. Legg Mason Investor Services, LLC is a subsidiary of Legg Mason, Inc

FN1510505

###