

# WESTERN ASSET LONG DURATION CREDIT CIF R1

## Investment objective

The Western Asset Long Duration Credit CIF seeks to maximize risk-adjusted returns while adhering to a disciplined risk control process by investing to exceed Bloomberg Barclays U.S. Long Credit Index by 115 basis points annually over the medium term (3-7 years) while targeting annual tracking error volatility of 230 basis points. There is no guarantee or assurance that the CIF will achieve its objective.

## Average annual total returns & fund expenses<sup>^</sup> (%) as of Dec. 31, 2016

	3 Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Expenses		Inception date
								Gross	Net	
Class R1	-5.47	10.82	10.82	8.06	6.75	-	8.57	0.45	0.40	02/12/08
Bloomberg Barclays U.S. Long Credit	-5.40	10.22	10.22	6.95	5.19	-	7.50			

An investor making a \$1,000 investment would pay \$4.50/year based on the estimated gross expense ratio and \$4.00/year based on the net expense ratio shown above.

**Class R1 of the CIF commenced operations on July 27, 2016. The performance shown includes periods prior to the inception of Class R1 of the CIF, reflecting the performance of Class R of the CIF, which commenced operations on March 2, 2015, restated to reflect the fees and expenses of this unit class, as shown in the table above. This CIF is the successor to an institutional separately managed account (the "Predecessor Account") that was managed by Western Asset Management Company ("Western Asset"). On March 2, 2015 ("CIF Inception Date"), the Predecessor Account transferred its assets to the CIF in exchange for Class R units of the CIF. Prior to such transfer, the Predecessor Account was managed by the same Western Asset portfolio managers as the CIF and in accordance with investment policies, objectives, guidelines and restrictions that were substantially similar to those of the CIF. The performance shown above includes (1) the performance of the Predecessor Account for the periods prior to the CIF Inception Date, net of the Predecessor Account's annual investment management fee (0.23% on average), and (2) the performance of Class R of the CIF for the periods after the CIF Inception Date, net of all applicable Class R fees and expenses, as stated herein. The inception date shown above reflects the inception date of the Predecessor Account.**

**The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. The investment return and unit value of the CIF will fluctuate, and units may be worth more or less than their original cost when redeemed. Returns for periods less than one year are cumulative. Performance would have been lower if fees and expenses had not been waived in various periods. Total returns assume the reinvestment of all distributions at net asset value and deduction of all CIF expenses. Performance for other unit classes will vary due to differences in class expenses.**

<sup>^</sup>Expenses consist of the annual management fee and ordinary operating expenses for this particular unit class of the CIF. Gross expenses are the CIF's total annual operating expenses for the unit class indicated. Net expenses are the CIF's total annual operating expenses for the unit class indicated and reflect fee waivers and/or reimbursements, where these reductions reduce the CIF's gross expenses. Hand Benefits & Trust Company, the CIF's Trustee, has agreed to waive fees and/or reimburse operating expenses so that the CIF's annual net expenses do not exceed the value shown above. These waivers and/or reimbursements may be reduced or terminated at any time.

The **Bloomberg Barclays U.S. Long Credit Index** is a broad-based unmanaged index of investment-grade corporate bonds. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Tapering of the Federal Reserve Board's quantitative easing program and a general rise in interest rates may lead to increased portfolio volatility.

*Any information, statements and opinions set forth herein are general in nature, are not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.*

## Top Holdings (%)

US TSY N/B 2.25% 08/15/46	1.8
VERIZON COMMUNICATIONS	1.7
Anheuser-Busch InBev Finance Inc.	1.5
Microsoft Corp.	1.0
AT+T INC SR UNSECURED 03/48 4.	0.9
ANADARKO PETROLEUM CORP	0.9
GOLDMAN SACHS GROUP INC	0.8
U.S. Treasury Notes	0.8
TIME WARNER ENT	0.8
Ecopetrol SA	0.8

## Sector allocation (%) as of Dec. 31, 2016

Investment Grade Corporate Bonds	73.4
Emerging Market	9.2
Cash & Other Securities	6.5
High Yield Corporate Bonds	4.0
Government	3.0
Municipal	2.8
Mortgage-Backed Securities	0.5
Asset-Backed Securities	0.4
Bank Loans	0.2

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R1	41026E608

## Investment strategy

### Team management and intensive proprietary research

Western Asset's approach emphasizes team management and intensive proprietary research to identify undervalued securities with the potential to outperform over the long term. The teams employ multiple investment strategies in an effort to manage risk and create diversified portfolios, including sector rotation, issue selection and duration management.

## Hand Composite Employee Benefit Trust

The Western Asset Long Duration Credit CIF is a collective investment fund created by the Hand Composite Employee Benefit Trust and sponsored by Hand Benefits & Trust Company, a BPAS company (Trustee), that invests in strategies of Western Asset Management Company which serves as the Sub-Adviser to the CIF. The Trustee has appointed Western Asset to serve as the investment Sub-Adviser for the CIF, subject to the supervision and oversight of the Trustee. Neither the CIF nor the Trust are registered under the Investment Company Act of 1940, as amended, and their units are not registered under the Securities Act of 1933, as amended, or applicable securities laws of any state or other jurisdiction. As described in the Trust's governing documents, the CIF is only available for investment by eligible plan investors. The CIF is not insured by the Trustee or Western Asset, or any of their respective affiliates, the FDIC or any other person.

**This information is provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security. Risks are summarized on the next page.**

**The CIF is not a mutual fund. Its shares are not deposits of Hand Benefits & Trust Company, a Benefit Plans Administrative Services, Inc. (BPAS) company, or Western Asset Management Company, and are not insured by the Federal Deposit Insurance Corporation or any other agency. The CIF is a security which has not been registered under the Securities Act of 1933 and is exempt from investment company registration under the Investment Act of 1940. The CIF is newly organized and does not have a long-term operating history. As market conditions fluctuate, the investment return and principal value of any investment will change. Diversification may not protect against market risk. There are risks involved with investing, including possible loss of principal. Before investing in any investment portfolio, the client and the financial professional should carefully consider client investment objectives, time horizon, risk tolerance, and fees. For a more complete description of the investment strategy and principal risk factors, please consult the CIF's Investment Policy Statement, which is available upon request by calling Legg Mason Shareholder Services 1-866-807-0886.**

## Statistics as of Dec. 31, 2016

Net assets (\$ millions)	\$114.1M
Number of holdings	439
Effective duration	13.3 yrs
Weighted average life	22.9 yrs

## WESTERN ASSET LONG DURATION CREDIT CIF R1

**Western Asset US Long Investment Grade Credit Full Discretion Composite**  
**Average Annual Total Return (%) as of Dec. 31, 2016**

	YTD	1-Yr	3-Yr	5-Yr
Net of fees	10.88	10.88	8.08	6.75
Gross of fees	11.21	11.21	8.40	7.07
Barclays US Long Credit Bond Index	10.22	10.22	6.98	5.20

**Performance shown represents past performance and is no guarantee of future results.** Returns for periods of less than one year are cumulative.

**Western Asset US Long Investment Grade Credit Full Discretion Composite GIPS® Endnotes**  
 Composite Inception Date: 12/01/2007 Composite Creation Date: 04/01/2013

Year	No. of Accts	Gross of fees(%)	Net of fees(%)	Benchmark total return(%)	Gross total 3yr St.Dev(%)	Benchmark 3yr St.Dev(%)	Internal dispersion (%)	Mkt Value (US\$mil)	% of firm	Firm assets (US\$mil)
2005	-na-	-na-	-na-	-na-	-na-	-na-	-na-	-na-	-na-	249,233
2006	-na-	-na-	-na-	-na-	-na-	-na-	-na-	-na-	-na-	510,172
2007#	1	0.00	-0.03	0.13	-na-	-na-	-na-	139	0.02	621,493
2008	3	-4.44	-4.73	-3.92	-na-	-na-	-na-	438	0.09	505,660
2009	4	16.74	16.39	16.80	-na-	-na-	-na-	711	0.15	482,218
2010	4	13.60	13.26	10.69	16.10	14.16	-na-	857	0.19	453,909
2011	4	16.34	16.00	17.13	9.57	8.41	-na-	1,002	0.23	443,140
2012	7	16.36	16.01	12.73	7.51	6.97	-na-	1,840	0.40	461,891
2013	6	-5.06	-5.35	-6.62	8.63	8.28	0.22	1,499	0.33	451,632
2014	6	17.70	17.35	16.39	7.83	7.71	0.16	1,827	0.39	466,036
2015	6	-2.68	-2.97	-4.56	7.83	8.02	-na-	1,723	0.40	433,747

**REPRESENTATIVE PERFORMANCE:** Western Asset US Long Investment Grade Credit Full Discretion Composite Notes

**Description:** Western Asset's Long Investment Grade Credit Full Discretion Composite includes portfolios that employ an active, team-managed investment approach around a long-term value-oriented investment philosophy. These portfolios use diversified and all subsectors of the long credit market in seeking to add value while minimizing risk. The approach is to construct and maintain a diversified portfolio of primarily long-dated investment grade credit bonds. This strategy can allow for opportunistic investments in high yield securities. Value can be added through sector rotation, rating allocation, and issuer/issue selection. **Objective:** Exceed the benchmark by 75-100 basis points annually over the course of a market cycle while targeting a tracking error of 100-150 basis points.

**Benchmark Description:** The current benchmark is the Bloomberg Barclays US Long Credit Bond Index. The index is the long component of the US Credit Bond Index. The Bloomberg Barclays US Credit Bond Index includes publicly issued US corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. **Base Currency:** USD | **Composite Minimum:** US\$25 million **Current Fee Schedule:** .30 of 1% on first US \$100 million, .15 of 1% on amounts over US\$100 million. **Examination Period:** The Composite has been examined for the period from January 1, 2012 to December 31, 2013. \* Partial period return (December 1, 2007 to December 31, 2007).

**Western Asset claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Western Asset has been independently verified for the periods from January 1, 1993 to December 31, 2013.**

Verification assesses whether (1) the Firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The verification and performance examination reports are available upon request. For GIPS® purposes, the Firm is defined as Western Asset, a primarily fixed-income investment manager comprised of Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd., Western Asset Management Company Ltd, Western Asset Management Company Pty Ltd, and Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários (DTVM) Limitada, with offices in Pasadena, New York, London, Singapore, Tokyo, Melbourne, São Paulo, Hong Kong, and Dubai. Each Western Asset company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason") but operates autonomously, and Western Asset, as a Firm, is held out to the public as a separate entity. Western Asset Management Company was founded in 1971. The Firm is comprised of several entities as a result of various historical acquisitions made by Western Asset, and their respective performance has been integrated into the Firm in line with the portability requirements set forth by GIPS. The Composite is valued monthly. The Composite returns are the asset-weighted average of the performance results of all the accounts in the Composite. Gross-of-fees returns are presented before management fees, but after all trading expenses. Net of fees results are calculated using a model approach whereby the current highest tier of the appropriate strategy's fee schedule is used. This model fee does not reflect the deduction of performance-based fees. The portfolios in the Composite are all actual, fee-paying and performance fee-paying, fully discretionary accounts managed by the Firm for at least one full month. Investment results shown are for taxable and tax-exempt accounts and include the reinvestment of all earnings. Any possible tax liabilities incurred by the taxable accounts have not been reflected in the net performance. Composite performance results are time-weighted net of trading commissions and other transaction costs including non-recoverable withholding taxes. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The returns for the accounts in the Composite are calculated using a time-weighted rate of return adjusted for weighted cash flows. The returns for the commingled funds in the Composite are calculated daily using net asset values (NAV), adding back the funds' total expense ratio or equivalent. Trade date accounting is used since inception and market values include interest income accrued on securities held within the accounts. Performance is calculated using asset values denominated in a base currency. Composite market value at year-end presented in the schedule are translated to U.S. dollars using end of year exchange rates.

**For use only with eligible qualified retirement plan sponsors and participants.**
**INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE**
**Western Asset**

Western Asset Management Company (Western Asset), a subsidiary of Legg Mason, Inc., acts as the sub-advisor to the Western Asset Long Duration Credit CIF (CIF) and uses a team-based approach. One of the world's leading fixed-income managers, Western Asset has focused exclusively on fixed income since its founding in 1971. They offer investors a broad range of core and specialized bond portfolios from across the fixed-income universe, all managed using a long-term, value-oriented investment process.

**Principal investment risks**

Investments in fixed-income securities involve interest rate, credit, inflation and reinvestment risks; and possible loss of principal. An increase in interest rates will reduce the value of fixed income securities. High-yield bonds possess greater price volatility, illiquidity and possibility of default. Asset-backed, mortgage-backed or mortgage-related securities are subject to prepayment and extension risks. International investments are subject to special risks, including currency fluctuations, as well as social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. The CIF may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on CIF performance. Potential active and frequent trading may result in higher transaction costs and increased investor liability. Diversification does not assure a profit or protect against market loss. Plans and their participants could lose money by investing in the CIF. **A more complete description of the principal risks of investing in the CIF can be found in the CIF's Investment Policy Statement, which is available upon request by calling Legg Mason Shareholder Services at 1-866-807-0886.**

This information is not intended as authoritative guidance or tax or legal advice. You should consult with your attorney or tax advisor for guidance on your specific situation.

(GIPS endnote continued)

Composite returns are measured against a benchmark. The benchmark is unmanaged and provided to represent the investment environment in existence during the time periods shown. For comparison purposes, its performance has been linked in the same manner as the Composite. The benchmark presented was obtained from third party sources deemed reliable but not guaranteed for accuracy or completeness. Benchmark returns and benchmark three-year annualized ex-post standard deviation are not covered by the report of independent accountants. Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the Composite for the entire year. For each annual period, accounts with less than 12 months of returns are not represented in the dispersion calculation. Periods with five or fewer accounts are not statistically representative and are not presented. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Any gross total three-year annualized ex-post standard deviation measures prior to 2011, included within the "Examination Period" identified above, are not covered by the report of independent accountants. Past investment results are not indicative of future investment results. Western Asset's list of composite descriptions is available upon request. Please contact Jan Pieterse at 626-844-9977 or jan.pieterse@westernasset.com. All returns for strategies with inception prior to January 1, 2005 are available upon request.