

Annual Report | December 31, 2018

CLEARBRIDGE VARIABLE SMALL CAP GROWTH PORTFOLIO

Portfolio objective

The Portfolio seeks long-term growth of capital.

Letter from the president



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Dear Shareholder,

We are pleased to provide the annual report of ClearBridge Variable Small Cap Growth Portfolio for the twelve-month reporting period ended December 31, 2018. Please read on for a detailed look at prevailing economic and market conditions during the Portfolio's reporting period and to learn how those conditions have affected Portfolio performance.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.leggmason.com. Here you can gain immediate access to market and investment information, including:

- Market insights and commentaries from our portfolio managers and
- A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

A handwritten signature in black ink, appearing to read "Jane Trust". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jane Trust, CFA
President and Chief Executive Officer
January 31, 2019

Investment commentary

Economic review

Economic activity in the U.S. was mixed during the twelve months ended December 31, 2018 (the "reporting period"). Looking back, the U.S. Department of Commerce reported that first quarter 2018 U.S. gross domestic product ("GDP")ⁱ growth was 2.2%. GDP growth then accelerated to 4.2% during the second quarter of 2018 — the strongest reading since the third quarter of 2014. Third quarter 2018 GDP growth was 3.4%. The deceleration in GDP growth in the third quarter of 2018 reflected a downturn in exports and decelerations in nonresidential fixed investment and personal consumption expenditures. Imports increased in the third quarter after decreasing in the second. These movements were partly offset by an upturn in private inventory investment. Finally, the U.S. Department of Commerce's initial reading for fourth quarter 2018 GDP growth was delayed due to the partial shut-down of the U.S. government.

Job growth in the U.S. was solid overall and supported the economy during the reporting period. As reported by the U.S. Department of Labor, when the reporting period ended on December 31, 2018, the unemployment rate was 3.9%, versus 4.1% when the period began. The percentage of longer-term unemployed also declined during the reporting period. In December 2018, 20.5% of Americans looking for a job had been out of work for more than six months, versus 21.5% when the period began.

The Federal Reserve Board (the "Fed")ⁱⁱ continued tightening monetary policy during the reporting period, as it raised interest rates four times in 2018 and further reduced its balance sheet. As widely expected, the Fed raised the federal funds rateⁱⁱⁱ at its meetings that ended on March 21, 2018 (to a range between 1.50% and 1.75%), June 13, 2018 (to a range between 1.75% and 2.00%), September 26, 2018 (to a range between 2.00% and 2.25%) and December 19, 2018 (to a range between 2.25% and 2.50%). At its meeting that concluded on January 30, 2019, after the reporting period ended, the Fed kept interest rates on hold and said, "In light of global economic and financial developments and muted inflation pressures, the Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate"

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,



Jane Trust, CFA
President and Chief Executive Officer

January 31, 2019

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results.

ⁱ Gross domestic product ("GDP") is the market value of all final goods and services produced within a country in a given period of time.

ⁱⁱ The Federal Reserve Board (the "Fed") is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

ⁱⁱⁱ The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

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Portfolio overview

Q. What is the Portfolio's investment strategy?

A. The Portfolio seeks long-term growth of capital. We use a growth-oriented investment style that emphasizes small capitalization U.S. companies. In selecting individual companies for investment, some of the sought after characteristics include:

- Superior management teams, evidenced by experience, capital discipline and definable strategy
- Good prospects for growth
- Dominant position in a niche market or customers that are very large companies
- Strong or improving financial conditions

In addition, the Portfolio may invest in companies that we believe to be emerging companies relative to potential markets. The Portfolio may also invest in companies we believe to be undervalued relative to their peers.

We generally use a concentrated "bottom-up" approach when selecting securities for the Portfolio. We focus on individual security selection rather than allow macro-economic considerations to strongly influence sector weights or individual security selection.

Under normal circumstances, the Portfolio invests at least 80% of its assets in equity securities of companies with small market capitalizations and related investments. The Portfolio may invest up to 20% of its assets in equity securities of companies that are not considered to be small capitalization companies. The Portfolio may also invest up to 20% of its assets in non-convertible bonds, notes and debt, when we believe that their total return potential equals or exceeds the potential return of equity securities.

Q. What were the overall market conditions during the Portfolio's reporting period?

A. A legendary investment strategist once famously opined "the market usually does whatever makes the most people most uncomfortable." And that has certainly been the case in the fourth quarter of 2018 as U.S. stocks finished the year with a resounding thud, erasing all gains from earlier in the year. With bond indices also flat to down this year, we've had a year of "profitless prosperity" in financial markets.

U.S. equity markets rallied for the first three quarters of 2018, riding a wave of favorable economic and corporate earnings reports, boosted in part by the tax cut stimulus. A host of negative considerations largely overlooked earlier in the year (tariff conflicts, cost pressures, ascending short-term interest rates, valuation, Washington dysfunction, political issues ex-U.S.) caught up with stocks in the fourth quarter of 2018 and a sharp decline ensued.

Small cap stocks, which had been the favored "risk on" trade of investors earlier in the year, bore the brunt of selling during the fourth quarter of 2018. The Russell 2000 Indexⁱ declined 20.20% while small cap growth stocks in the Russell 2000 Growth Indexⁱⁱ, the Portfolio's benchmark, declined 21.65%. By comparison larger-cap stocks in the Russell 1000 Indexⁱⁱⁱ declined a more modest but still substantial 13.82%. For the full reporting period, small cap growth stocks, as measured by the Russell 2000 Growth Index, declined 9.31%; the Portfolio delivered a modest, yet still positive return over the same time frame.

The euphoria of earlier this year has vanished, supplanted by investor pessimism

Portfolio overview (cont'd)

about decelerating economic growth. Interest rates are higher (modestly) and for the first time in a long while, cash equivalents provide a nominal return worth considering. Equities have experienced a sharp downward price adjustment, with valuations appearing quite attractive in aggregate for growth businesses. Yet we would caution those valuations are framed by the unknowable, whether trade frictions and slowdowns in major economies are the pause that refreshes or the glissade into a 2019 recession.

Q. How did we respond to these changing market conditions?

A. We have yet to hear of a material slowdown in economic velocity from the Portfolio's companies. Opportunities remain abundant. While there have been some dislocations to a variety of items (such as labor constraints and hurricane disruptions), we believe the investments in the Portfolio should continue to demonstrate above-industry growth dynamics. Strategic and private equity investors agree, as the Portfolio benefited from eight announced or closed takeovers during 2018.

During 2018, we made fourteen new investments. The positions are in some cases modest and we are planning to increase them over time, assuming continued good execution of the business case. As always, we look for i) businesses with growing and

large opportunities, ii) self-financing capital structures and iii) managements with well-defined strategies to expand the business and benefit shareholders.

As a reminder, the Portfolio does not hold "the market." Our practice is to invest with a concentrated number of progressive managements, developing and commercializing innovative products and services. Our investments generally have the financial resources to invest through a more guarded macro and capital markets environment. We structure the Portfolio with resilient businesses which, over time, can result in substantially higher firm values.

No one can know for sure when markets have reached bottom and prices have "cleared." We do know that the Portfolio's companies are energized by the large opportunities in front of them, notwithstanding recent stock price declines. We believe singular attention to innovative growth companies and risk aware portfolio construction is the best method to capitalize on those opportunities.

Performance review

For the twelve months ended December 31, 2018, Class I shares of ClearBridge Variable Small Cap Growth Portfolio¹ returned 3.44%. The Portfolio's unmanaged benchmark, the Russell 2000 Growth Index, returned -9.31% for the same period. The Lipper Variable

¹ The Portfolio is an underlying investment option of various variable annuity and variable life insurance products. The Portfolio's performance returns do not reflect the deduction of expenses imposed in connection with investing in variable annuity or variable life insurance contracts, such as fees, account charges and surrender charges, which, if reflected, would reduce the performance of the Portfolio. **Past performance is no guarantee of future results.**

Small Cap Growth Funds Category Average¹ returned -5.99% over the same time frame.

Performance Snapshot as of December 31, 2018
(unaudited)

6 months 12 months

ClearBridge Variable Small Cap Growth Portfolio²:

Class I	-12.77%	3.44%
Class II	-12.88%	3.21%
Russell 2000 Growth Index	-17.33%	-9.31%
Lipper Variable Small Cap Growth Funds Category Average ¹	-15.68%	-5.99%

The performance shown represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown above. Principal value and investment returns will fluctuate and investors' shares, when redeemed, may be worth more or less than their original cost.

All share class returns assume the reinvestment of all distributions at net asset value and the deduction of all Portfolio expenses. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

Total Annual Operating Expenses (unaudited)

As of the Portfolio's current prospectus dated May 1, 2018, the gross total annual fund operating expense ratios for Class I and Class II shares were 0.82% and 1.07%, respectively.

Actual expenses may be higher. For example, expenses may be higher than those shown if average net assets decrease. Net assets are more likely to decrease and Portfolio expense ratios are more likely to increase when markets are volatile.

Q. What were the leading contributors to performance?

A. On an absolute basis, the Portfolio had positive performance in three of the ten economic sectors in which it was invested for the reporting period (out of eleven economic sectors in total). The leading contributors came from the Information Technology ("IT") and Consumer Discretionary sectors.

Relative to the benchmark, overall stock selection and sector allocation contributed to performance for the reporting period. In particular, stock selection in the IT, Consumer Discretionary, Industrials and Health Care sectors and an overweight to the IT sector had positive impacts on relative performance.

In terms of individual holdings, leading contributors to performance for the reporting period included positions in Fortinet Inc., Wix.com Ltd. and Integrated Device Technology Inc. in the IT sector as well as Chegg Inc. and GrubHub Inc. in the Consumer Discretionary sector.

¹ Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the period ended December 31, 2018, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 94 funds for the six-month period and among the 93 funds for the twelve-month period in the Portfolio's Lipper category.

² The Portfolio is an underlying investment option of various variable annuity and variable life insurance products. The Portfolio's performance returns do not reflect the deduction of expenses imposed in connection with investing in variable annuity or variable life insurance contracts, such as administrative fees, account charges and surrender charges, which, if reflected, would reduce the performance of the Portfolio. **Past performance is no guarantee of future results.**

Portfolio overview (cont'd)

Q. What were the leading detractors from performance?

A. Relative to the benchmark, stock selection in the Communication Services¹ and Financials sectors was the primary detractor from returns.

In terms of individual holdings, the leading detractors from performance for the reporting period included Portfolio positions in H&E Equipment Services Inc. and XPO Logistics, Inc. in the Industrials sector, Lions Gate Entertainment Corp., Class B Shares in the Communication Services sector, Western Alliance Bancorp in the Financials sector and Core-Mark Holding Co. in the Consumer Discretionary sector.

Q. Were there any significant changes to the Portfolio during the reporting period?

A. There were a number of positions bought and sold over the course of the reporting period. Among the largest, we initiated positions in BJ's Wholesale Club Holdings Inc. in the Consumer Staples sector, Hudson Ltd., Class A Shares and National Vision Holdings Inc. in the Consumer Discretionary sector, Forward Air Corp. in the Industrials sector and Trupanion Inc. in the Financials sector. The Portfolio also closed several positions during the reporting period with the largest sales in Integrated Device Technology Inc. and MAXIMUS Inc. in the IT sector, Zillow Group, Inc. Class C Shares in the Communication Services sector and MercadoLibre, Inc. in the Consumer Discretionary sector.

Thank you for your investment in ClearBridge Variable Small Cap Growth Portfolio.

As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Portfolio's investment goals.

Sincerely,



Jeffrey J. Russell, CFA
Portfolio Manager
ClearBridge Investments, LLC



Aram E. Green
Portfolio Manager
ClearBridge Investments, LLC

January 24, 2019

RISKS: *Equity securities are subject to price and market fluctuations. Investments in small-capitalization companies may involve a higher degree of risk and volatility than investments in larger, more established companies. Investments in foreign securities are subject to certain risks of overseas investing, including currency fluctuations and changes in social, political and economic conditions, which could result in significant market fluctuations. These risks are magnified in emerging markets. The Portfolio may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Portfolio performance. Please see the Portfolio's prospectus for a more complete discussion of*

¹ As of September 28, 2018, the Telecommunication Services sector was broadened to include some companies previously classified in the Consumer Discretionary and Information Technology sectors and renamed the Communication Services sector.

these and other risks and the Portfolio's investment strategies.

Portfolio holdings and breakdowns are as of December 31, 2018 and are subject to change and may not be representative of the portfolio managers' current or future investments. The Portfolio's top ten holdings (as a percentage of net assets) as of December 31, 2018 were: Trex Co. Inc. (3.4%), Medidata Solutions Inc. (3.2%), ICON PLC (3.2%), Fox Factory Holding Corp. (3.1%), Copart Inc. (3.0%), Insulet Corp. (2.8%), Monro Inc. (2.4%), Cornerstone OnDemand Inc. (2.4%), IDEX Corp. (2.3%) and Fortinet Inc. (2.3%). Please refer to pages 11 through 14 for a list and percentage breakdown of the Portfolio's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision.

Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Portfolio's top five sector holdings (as a percentage of net assets) as of December 31, 2018 were: Information Technology (30.4%), Health Care (21.8%), Industrials (18.6%), Consumer Discretionary (14.5%) and Financials (5.7%). The Portfolio's composition is subject to change at any time.

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

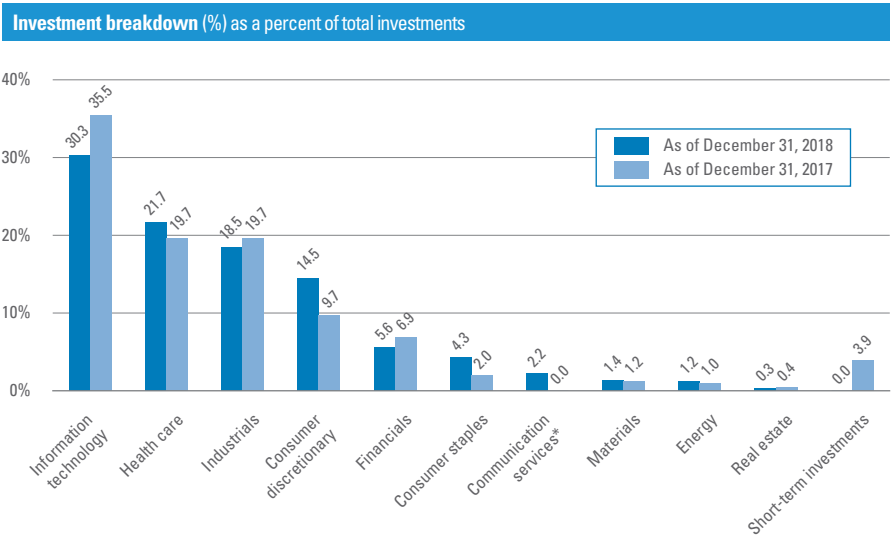
The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

ⁱ The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the U.S. equity market.

ⁱⁱ The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values. (A price-to-book ratio is the price of a stock compared to the difference between a company's assets and liabilities.)

ⁱⁱⁱ The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 90% of the U.S. market.

Portfolio at a glance[†] (unaudited)



[†] The bar graph above represents the composition of the Portfolio's investments as of December 31, 2018 and December 31, 2017. The Portfolio is actively managed. As a result, the composition of the Portfolio's investments is subject to change at any time.

^{*} As of September 28, 2018, the Telecommunication Services sector was broadened to include some companies previously classified in the Consumer Discretionary and Information Technology sectors and renamed the Communication Services sector.

Portfolio expenses (unaudited)

Example

As a shareholder of the Portfolio, you may incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; service and/or distribution (12b-1) fees; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

This example is based on an investment of \$1,000 invested on July 1, 2018 and held for the six months ended December 31, 2018.

Actual expenses

The table below titled “Based on Actual Total Return” provides information about actual account values and actual expenses. You may use the information provided in this table, together with the amount you invested, to estimate the expenses that you paid over the period. To estimate the expenses you paid on your account, divide your ending account value by \$1,000 (for example, an \$8,600 ending account value divided by \$1,000 = 8.6), then multiply the result by the number under the heading entitled “Expenses Paid During the Period”.

Hypothetical example for comparison purposes

The table below titled “Based on Hypothetical Total Return” provides information about hypothetical account values and hypothetical expenses based on the actual expense ratio and an assumed rate of return of 5.00% per year before expenses, which is not the Portfolio’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use the information provided in this table to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare the 5.00% hypothetical example relating to the Portfolio with the 5.00% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table below are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

Based on actual total return ¹					Expenses Paid During the Period ³
	Actual Total Return ²	Beginning Account Value	Ending Account Value	Annualized Expense Ratio	
Class I	-12.77%	\$1,000.00	\$872.30	0.83%	\$3.92
Class II	-12.88%	1,000.00	871.20	1.08	5.09

Based on hypothetical total return ¹					Expenses Paid During the Period ³
	Hypothetical Annualized Total Return	Beginning Account Value	Ending Account Value	Annualized Expense Ratio	
Class I	5.00%	\$1,000.00	\$1,021.02	0.83%	\$4.23
Class II	5.00	1,000.00	1,019.76	1.08	5.50

Portfolio expenses (unaudited) (cont'd)

- ¹ For the six months ended December 31, 2018.
- ² Assumes the reinvestment of all distributions, including returns of capital, if any, at net asset value. Total return is not annualized, as it may not be representative of the total return for the year. Total returns do not reflect expenses associated with separate accounts such as administrative fees, account charges and surrender charges, which, if reflected, would reduce the total returns. Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.
- ³ Expenses (net of compensating balance arrangements, fee waivers and/or expense reimbursements) are equal to each class' respective annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year (184), then divided by 365.

Portfolio performance (unaudited)

Average annual total returns ¹		
	Class I	Class II
Twelve Months Ended 12/31/18	3.44%	3.21%
Five Years Ended 12/31/18	6.24	5.97
Ten Years Ended 12/31/18	15.72	15.37

Cumulative total returns ¹	
Class I (12/31/08 through 12/31/18)	330.72%
Class II (12/31/08 through 12/31/18)	317.87

All figures represent past performance and are not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect expenses associated with separate accounts such as administrative fees, account charges and surrender charges, which, if reflected, would reduce the total returns. Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower.

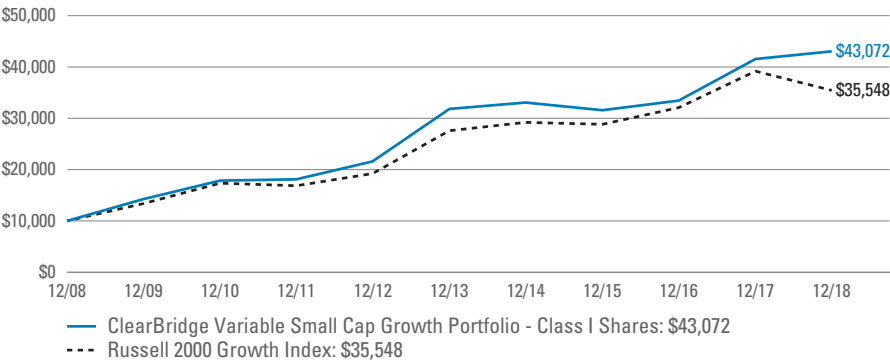
¹ Assumes the reinvestment of all distributions, including returns of capital, if any, at net asset value.

Portfolio performance (unaudited) (cont'd)

Historical performance

Value of \$10,000 invested in

Class I Shares of ClearBridge Variable Small Cap Growth Portfolio vs Russell 2000 Growth Index† — December 2008 — December 2018



All figures represent past performance and are not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect expenses associated with separate accounts such as administrative fees, account charges and surrender charges, which, if reflected, would reduce the total returns. Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower.

† Hypothetical illustration of \$10,000 invested in Class I shares of ClearBridge Variable Small Cap Growth Portfolio on December 31, 2008, assuming the reinvestment of all distributions, including returns of capital, if any, at net asset value through December 31, 2018. The hypothetical illustration also assumes a \$10,000 investment in the Russell 2000 Growth Index. The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values. The index is unmanaged and is not subject to the same management and trading expenses as a fund. Please note that an investor cannot invest directly in an index. The performance of the Portfolio's other class may be greater or less than the Class I shares' performance indicated on this chart, depending on whether greater or lesser fees were incurred by shareholders investing in the other class.

Schedule of investments

December 31, 2018

ClearBridge Variable Small Cap Growth Portfolio

Security	Shares	Value
Common Stocks — 100.4%		
Communication Services — 2.2%		
<i>Entertainment — 1.4%</i>		
Lions Gate Entertainment Corp., Class A Shares	116,801	\$ 1,880,496
Lions Gate Entertainment Corp., Class B Shares	164,454	2,447,076
<i>Total Entertainment</i>		<i>4,327,572</i>
<i>Interactive Media & Services — 0.3%</i>		
Cargurus Inc.	26,651	898,938*
<i>Media — 0.5%</i>		
comScore Inc.	104,214	1,503,808 *
Turn Inc. (Escrow)	73,522	25,551 *(a)(b)(c)
<i>Total Media</i>		<i>1,529,359</i>
Total Communication Services		6,755,869
Consumer Discretionary — 14.5%		
<i>Auto Components — 3.1%</i>		
Fox Factory Holding Corp.	155,949	9,180,718*
<i>Distributors — 1.3%</i>		
Core-Mark Holding Co. Inc.	174,374	4,054,196
<i>Diversified Consumer Services — 2.2%</i>		
Chegg Inc.	234,763	6,671,964 *
<i>Internet & Direct Marketing Retail — 2.9%</i>		
GrubHub Inc.	64,975	4,990,730 *
Shutterstock Inc.	101,796	3,665,674
<i>Total Internet & Direct Marketing Retail</i>		<i>8,656,404</i>
<i>Specialty Retail — 5.0%</i>		
Hudson Ltd., Class A Shares	240,100	4,117,715 *
Monro Inc.	105,739	7,269,556
National Vision Holdings Inc.	131,142	3,694,270 *
<i>Total Specialty Retail</i>		<i>15,081,541</i>
Total Consumer Discretionary		43,644,823
Consumer Staples — 4.3%		
<i>Food & Staples Retailing — 3.8%</i>		
BJ's Wholesale Club Holdings Inc.	209,640	4,645,622 *
Casey's General Stores Inc.	52,803	6,766,177
<i>Total Food & Staples Retailing</i>		<i>11,411,799</i>
<i>Food Products — 0.5%</i>		
Calavo Growers Inc.	16,200	1,181,952
SunOpta Inc.	120,738	467,256 *
<i>Total Food Products</i>		<i>1,649,208</i>
Total Consumer Staples		13,061,007

See Notes to Financial Statements.

Schedule of investments (cont'd)

December 31, 2018

ClearBridge Variable Small Cap Growth Portfolio

Security	Shares	Value
Energy — 1.2%		
<i>Energy Equipment & Services — 1.2%</i>		
Cactus Inc., Class A Shares	30,996	\$ 849,600 *
Newpark Resources Inc.	389,910	2,678,682 *
Total Energy		3,528,282
Financials — 5.7%		
<i>Banks — 2.7%</i>		
SVB Financial Group	11,830	2,246,754 *
Western Alliance Bancorp	145,954	5,763,723 *
<i>Total Banks</i>		<i>8,010,477</i>
<i>Capital Markets — 0.9%</i>		
WisdomTree Investments Inc.	423,663	2,817,359
<i>Insurance — 2.1%</i>		
American Equity Investment Life Holding Co.	147,392	4,118,132
Trupanion Inc.	81,134	2,065,672 *
<i>Total Insurance</i>		<i>6,183,804</i>
Total Financials		17,011,640
Health Care — 21.8%		
<i>Biotechnology — 1.6%</i>		
Acorda Therapeutics Inc.	72,501	1,129,566 *
Genomic Health Inc.	25,040	1,612,826 *
Heron Therapeutics Inc.	76,210	1,976,887 *
<i>Total Biotechnology</i>		<i>4,719,279</i>
<i>Health Care Equipment & Supplies — 6.7%</i>		
Insulet Corp.	106,965	8,484,464 *
Integra LifeSciences Holdings Corp.	137,317	6,192,997 *
Penumbra Inc.	44,698	5,462,095 *
<i>Total Health Care Equipment & Supplies</i>		<i>20,139,556</i>
<i>Health Care Providers & Services — 0.8%</i>		
Surgery Partners Inc.	250,136	2,448,832 *
<i>Health Care Technology — 4.9%</i>		
Medidata Solutions Inc.	143,434	9,670,320 *
Vocera Communications Inc.	131,000	5,154,850 *
<i>Total Health Care Technology</i>		<i>14,825,170</i>
<i>Life Sciences Tools & Services — 6.2%</i>		
Cambrex Corp.	81,681	3,084,274 *
ICON PLC	74,652	9,645,785 *
Syneos Health Inc.	148,899	5,859,176 *
<i>Total Life Sciences Tools & Services</i>		<i>18,589,235</i>

See Notes to Financial Statements.

ClearBridge Variable Small Cap Growth Portfolio

Security	Shares	Value
<i>Pharmaceuticals — 1.6%</i>		
Pacira Pharmaceuticals Inc.	108,742	\$ 4,678,081 *
Total Health Care		65,400,153
Industrials — 18.6%		
<i>Air Freight & Logistics — 2.3%</i>		
Forward Air Corp.	47,640	2,613,054
XPO Logistics Inc.	75,630	4,313,935 *
<i>Total Air Freight & Logistics</i>		<i>6,926,989</i>
<i>Building Products — 4.5%</i>		
Masonite International Corp.	76,180	3,415,150 *
Trex Co. Inc.	169,942	10,087,757 *
<i>Total Building Products</i>		<i>13,502,907</i>
<i>Commercial Services & Supplies — 5.2%</i>		
Copart Inc.	190,329	9,093,920 *
US Ecology Inc.	101,849	6,414,450
<i>Total Commercial Services & Supplies</i>		<i>15,508,370</i>
<i>Electrical Equipment — 0.4%</i>		
Bloom Energy Corp.	126,480	1,262,270 *
<i>Machinery — 4.3%</i>		
Albany International Corp., Class A	28,700	1,791,741
IDEX Corp.	55,130	6,960,714
Tennant Co.	82,007	4,273,385
<i>Total Machinery</i>		<i>13,025,840</i>
<i>Trading Companies & Distributors — 1.9%</i>		
H&E Equipment Services Inc.	183,822	3,753,645
MRC Global Inc.	153,431	1,876,461 *
<i>Total Trading Companies & Distributors</i>		<i>5,630,106</i>
Total Industrials		55,856,482
Information Technology — 30.4%		
<i>Communications Equipment — 1.5%</i>		
Casa Systems Inc.	139,494	1,831,556 *
Viavi Solutions Inc.	268,358	2,696,998 *
<i>Total Communications Equipment</i>		<i>4,528,554</i>
<i>Electronic Equipment, Instruments & Components — 2.0%</i>		
MTS Systems Corp.	43,703	1,753,801
nLight Inc.	95,360	1,695,501 *
OSI Systems Inc.	34,913	2,559,123 *
<i>Total Electronic Equipment, Instruments & Components</i>		<i>6,008,425</i>

See Notes to Financial Statements.

Schedule of investments (cont'd)

December 31, 2018

ClearBridge Variable Small Cap Growth Portfolio

Security	Shares	Value
<i>IT Services — 2.8%</i>		
Cardtronics PLC, Class A Shares	80,525	\$ 2,093,650 *
Wix.com Ltd.	69,696	6,296,337 *
<i>Total IT Services</i>		<i>8,389,987</i>
<i>Semiconductors & Semiconductor Equipment — 3.4%</i>		
Inphi Corp.	120,117	3,861,762 *
Monolithic Power Systems Inc.	55,754	6,481,402
<i>Total Semiconductors & Semiconductor Equipment</i>		<i>10,343,164</i>
<i>Software — 20.7%</i>		
Aspen Technology Inc.	74,083	6,088,141 *
Cornerstone OnDemand Inc.	142,926	7,207,758 *
DocuSign Inc.	53,907	2,160,592 *
Envestnet Inc.	86,742	4,266,839 *
ForeScout Technologies Inc.	62,036	1,612,316 *
Fortinet Inc.	98,269	6,921,086 *
HubSpot Inc.	46,380	5,831,357 *
Imperva Inc.	52,723	2,936,144 *
MINDBODY Inc., Class A Shares	165,428	6,021,579 *
New Relic Inc.	50,538	4,092,062 *
Pluralsight Inc., Class A Shares	36,260	853,923 *
Qualys Inc.	91,726	6,855,601 *
SendGrid Inc.	31,025	1,339,349 *
Smartsheet Inc., Class A Shares	23,410	581,973 *
Varonis Systems Inc.	48,739	2,578,293 *
Yext Inc.	193,994	2,880,811 *
<i>Total Software</i>		<i>62,227,824</i>
Total Information Technology		91,497,954
Materials — 1.4%		
<i>Chemicals — 1.4%</i>		
Balchem Corp.	53,476	4,189,844
Real Estate — 0.3%		
<i>Real Estate Management & Development — 0.3%</i>		
Redfin Corp.	56,064	807,322 *
Total Investments — 100.4% (Cost — \$206,116,790)		301,753,376
Liabilities in Excess of Other Assets — (0.4)%		(1,092,782)
Total Net Assets — 100.0%		\$300,660,594

* Non-income producing security.

(a) Security is valued in good faith in accordance with procedures approved by the Board of Trustees (Note 1).

(b) Security is valued using significant unobservable inputs (Note 1).

(c) Restricted security (Note 8).

See Notes to Financial Statements.

Statement of assets and liabilities

December 31, 2018

Assets:

Investments, at value (Cost — \$206,116,790)	\$ 301,753,376
Receivable for securities sold	393,341
Receivable for Portfolio shares sold	129,072
Dividends and interest receivable	48,329
Prepaid expenses	3,695
Total Assets	302,327,813

Liabilities:

Payable for Portfolio shares repurchased	1,141,494
Due to custodian	219,164
Investment management fee payable	199,262
Service and/or distribution fees payable	16,276
Trustees' fees payable	3,554
Accrued expenses	87,469
Total Liabilities	1,667,219

Total Net Assets **\$ 300,660,594**

Net Assets:

Par value (Note 7)	\$ 127
Paid-in capital in excess of par value	196,822,682
Total distributable earnings (loss)	103,837,785
Total Net Assets	\$ 300,660,594

Net Assets:

Class I	\$228,513,740
Class II	\$72,146,854

Shares Outstanding:

Class I	9,570,074
Class II	3,163,595

Net Asset Value:

Class I	\$23.88
Class II	\$22.81

See Notes to Financial Statements.

Statement of operations

For the Year Ended December 31, 2018

Investment Income:

Dividends and distributions	\$ 1,166,643
Return of capital	(128,592)
Net Dividends and Distributions	1,038,051
Interest	237,849
Less: Foreign taxes withheld	(10,015)
Total Investment Income	1,265,885

Expenses:

Investment management fee (Note 2)	2,599,030
Service and/or distribution fees (Notes 2 and 5)	211,883
Shareholder reports	63,976
Fund accounting fees	61,661
Audit and tax fees	44,504
Legal fees	25,416
Trustees' fees	22,850
Custody fees	5,760
Insurance	4,793
Transfer agent fees (Note 5)	4,783
Miscellaneous expenses	6,036
Total Expenses	3,050,692
Net Investment Loss	(1,784,807)

Realized and Unrealized Gain (Loss) on Investments and Written Options (Notes 1, 3 and 4):

Net Realized Gain From:	
Investment transactions	40,765,432
Written options	348,279
Net Realized Gain	41,113,711
Change in Net Unrealized Appreciation (Depreciation) From Investments	(30,665,652)
Net Gain on Investments and Written Options	10,448,059
Increase in Net Assets From Operations	\$ 8,663,252

See Notes to Financial Statements.

Statements of changes in net assets

For the Years Ended December 31,	2018	2017
Operations:		
Net investment loss	\$ (1,784,807)	\$ (1,391,085)
Net realized gain	41,113,711	13,224,638
Change in net unrealized appreciation (depreciation)	(30,665,652)	47,252,349
<i>Increase in Net Assets From Operations</i>	<i>8,663,252</i>	<i>59,085,902</i>
Distributions to Shareholders From (Notes 1 and 6):		
Total distributable earnings ^(a)	(35,996,223)	(6,121,903)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(35,996,223)</i>	<i>(6,121,903)</i>
Portfolio Share Transactions (Note 7):		
Net proceeds from sale of shares	111,930,470	49,450,050
Reinvestment of distributions	35,996,223	6,121,903
Cost of shares repurchased	(119,505,082)	(52,365,611)
<i>Increase in Net Assets From Portfolio Share Transactions</i>	<i>28,421,611</i>	<i>3,206,342</i>
<i>Increase in Net Assets</i>	<i>1,088,640</i>	<i>56,170,341</i>
Net Assets:		
Beginning of year	299,571,954	243,401,613
<i>End of year^(b)</i>	<i>\$ 300,660,594</i>	<i>\$299,571,954</i>

^(a) Distributions from net investment income and from realized gains are no longer required to be separately disclosed. See Note 10. For the year ended December 31, 2017, distributions from net realized gains was \$6,121,903.

^(b) Parenthetical disclosure of undistributed net investment income is no longer required. See Note 10. For the year ended December 31, 2017, end of year net assets included accumulated net investment loss of \$(66,190).

See Notes to Financial Statements.

Financial highlights

For a share of each class of beneficial interest outstanding throughout each year ended December 31:					
Class I Shares ¹	2018	2017	2016	2015	2014
Net asset value, beginning of year	\$25.94	\$21.31	\$20.95	\$22.40	\$24.07
Income (loss) from operations:					
Net investment loss	(0.13)	(0.11)	(0.08)	(0.09)	(0.03)
Net realized and unrealized gain (loss)	1.16	5.28	1.27	(0.86)	0.96
Total income (loss) from operations	1.03	5.17	1.19	(0.95)	0.93
Less distributions from:					
Net realized gains	(3.09)	(0.54)	(0.83)	(0.50)	(2.60)
Total distributions	(3.09)	(0.54)	(0.83)	(0.50)	(2.60)
Net asset value, end of year	\$23.88	\$25.94	\$21.31	\$20.95	\$22.40
Total return²	3.44%	24.26%	5.80%	(4.37)%	4.08%
Net assets, end of year (millions)	\$229	\$238	\$213	\$220	\$248
Ratios to average net assets:					
Gross expenses	0.82%	0.82%	0.83%	0.82%	0.82%
Net expenses ³	0.82	0.82	0.83	0.82	0.82
Net investment loss	(0.46)	(0.47)	(0.41)	(0.40)	(0.13)
Portfolio turnover rate	25%	20%	13%	18%	25%

¹ Per share amounts have been calculated using the average shares method.

² Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Total returns do not reflect expenses associated with separate accounts such as administrative fees, account charges and surrender charges which, if reflected, would reduce the total return for all periods shown. Past performance is no guarantee of future results.

³ As a result of an expense limitation arrangement, the ratio of total annual fund operating expenses, other than interest, brokerage, taxes, extraordinary expenses and acquired fund fees and expenses, to average net assets of Class I shares did not exceed 1.00%. This expense limitation arrangement cannot be terminated prior to December 31, 2020 without the Board of Trustees' consent.

See Notes to Financial Statements.

For a share of each class of beneficial interest outstanding throughout each year ended December 31:					
Class II Shares ¹	2018	2017	2016	2015	2014
Net asset value, beginning of year	\$ 24.96	\$ 20.58	\$ 20.31	\$ 21.78	\$ 23.54
Income (loss) from operations:					
Net investment loss	(0.20)	(0.16)	(0.13)	(0.14)	(0.09)
Net realized and unrealized gain (loss)	1.14	5.08	1.23	(0.83)	0.93
Total income (loss) from operations	0.94	4.92	1.10	(0.97)	0.84
Less distributions from:					
Net realized gains	(3.09)	(0.54)	(0.83)	(0.50)	(2.60)
Total distributions	(3.09)	(0.54)	(0.83)	(0.50)	(2.60)
Net asset value, end of year	\$ 22.81	\$ 24.96	\$ 20.58	\$ 20.31	\$ 21.78
Total return²	3.21%	23.91%	5.54%	(4.59)%	3.79%
Net assets, end of year (000s)	\$72,147	\$61,094	\$30,610	\$17,546	\$19,094
Ratios to average net assets:					
Gross expenses	1.07%	1.07%	1.08%	1.07%	1.11%
Net expenses ³	1.07	1.07	1.08	1.07	1.11
Net investment loss	(0.70)	(0.71)	(0.66)	(0.65)	(0.39)
Portfolio turnover rate	25%	20%	13%	18%	25%

¹ Per share amounts have been calculated using the average shares method.

² Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Total returns do not reflect expenses associated with separate accounts such as administrative fees, account charges and surrender charges which, if reflected, would reduce the total return for all periods shown. Past performance is no guarantee of future results.

³ As a result of an expense limitation arrangement, the ratio of total annual fund operating expenses, other than interest, brokerage, taxes, extraordinary expenses and acquired fund fees and expenses, to average net assets of Class II shares did not exceed 1.25%. This expense limitation arrangement cannot be terminated prior to December 31, 2020 without the Board of Trustees' consent.

See Notes to Financial Statements.

Notes to financial statements

1. Organization and significant accounting policies

ClearBridge Variable Small Cap Growth Portfolio (the "Portfolio") is a separate diversified investment series of Legg Mason Partners Variable Equity Trust (the "Trust"). The Trust, a Maryland statutory trust, is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company.

Shares of the Portfolio may only be purchased or redeemed through variable annuity contracts and variable life insurance policies offered by the separate accounts of participating insurance companies or through eligible pension or other qualified plans.

The following are significant accounting policies consistently followed by the Portfolio and are in conformity with U.S. generally accepted accounting principles ("GAAP"). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ. Subsequent events have been evaluated through the date the financial statements were issued.

(a) Investment valuation. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Investments in open-end funds are valued at the closing net asset value per share of each fund on the day of valuation. When the Portfolio holds securities or other assets that are denominated in a foreign currency, the Portfolio will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Portfolio calculates its net asset value, the Portfolio values these securities as determined in accordance with procedures approved by the Portfolio's Board of Trustees.

The Board of Trustees is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North Atlantic Fund Valuation Committee (the "Valuation Committee"). The Valuation Committee, pursuant to the policies

adopted by the Board of Trustees, is responsible for making fair value determinations, evaluating the effectiveness of the Portfolio's pricing policies, and reporting to the Board of Trustees. When determining the reliability of third party pricing information for investments owned by the Portfolio, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Trustees, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Trustees quarterly.

The Portfolio uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

- Level 1 — quoted prices in active markets for identical investments
- Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments)

Notes to financial statements (cont'd)

The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used in valuing the Portfolio's assets carried at fair value:

ASSETS				
Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Long-term investments†:				
Common stocks:				
Communication services	\$ 6,730,318	—	\$25,551	\$ 6,755,869
Other common stocks	294,997,507	—	—	294,997,507
Total investments	\$301,727,825	—	\$25,551	\$301,753,376

† See Schedule of Investments for additional detailed categorizations.

(b) Written options. When the Portfolio writes an option, an amount equal to the premium received by the Portfolio is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium received is recorded as a realized gain. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Portfolio's basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is recognized as a realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Portfolio from the exercise of the written put option to form the Portfolio's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Portfolio.

The risk in writing a covered call option is that the Portfolio may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Portfolio may incur a loss if the market price of the underlying security decreases and the option is exercised. The risk in writing an uncovered call option is that the Portfolio is exposed to the risk of loss if the market price of the underlying security increases. In addition, there is the risk that the Portfolio may not be able to enter into a closing transaction because of an illiquid secondary market.

(c) Foreign currency translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

The Portfolio does not isolate that portion of the results of operations resulting from fluctuations in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Portfolio's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, other than investments in securities, on the date of valuation, resulting from changes in exchange rates.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

(d) Foreign investment risks. The Portfolio's investments in foreign securities may involve risks not present in domestic investments. Since securities may be denominated in foreign currencies, may require settlement in foreign currencies or pay interest or dividends in foreign currencies, changes in the relationship of these foreign currencies to the U.S. dollar can significantly affect the value of the investments and earnings of the Portfolio. Foreign investments may also subject the Portfolio to foreign government exchange restrictions, expropriation, taxation or other political, social or economic developments, all of which affect the market and/or credit risk of the investments.

(e) Counterparty risk and credit-risk-related contingent features of derivative instruments. The Portfolio may invest in certain securities or engage in other transactions, where the Portfolio is exposed to counterparty credit risk in addition to broader market risks. The Portfolio may invest in securities of issuers, which may also be considered counterparties as trading partners in other transactions. This may increase the risk of loss in the event of default or bankruptcy by the counterparty or if the counterparty otherwise fails to meet its contractual obligations. The Portfolio's subadviser attempts to mitigate counterparty risk by (i) periodically assessing the creditworthiness of its trading partners, (ii) monitoring and/or limiting the amount of its net exposure to each individual counterparty based on its assessment and (iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of such counterparty risk by the subadviser. In addition, declines in the values of underlying collateral received may expose the Portfolio to increased risk of loss.

With exchange traded and centrally cleared derivatives, there is less counterparty risk to the Portfolio since the exchange or clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the

Notes to financial statements (cont'd)

seller of the contract; therefore, the credit risk is limited to failure of the clearinghouse. While offset rights may exist under applicable law, the Portfolio does not have a contractual right of offset against a clearing broker or clearinghouse in the event of a default of the clearing broker or clearinghouse.

The Portfolio has entered into master agreements, such as an International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement, with certain of its derivative counterparties that govern over-the-counter derivatives and provide for general obligations, representations, agreements, collateral posting terms, netting provisions in the event of default or termination and credit related contingent features. The credit related contingent features include, but are not limited to, a percentage decrease in the Portfolio's net assets or NAV over a specified period of time. If these credit related contingent features were triggered, the derivatives counterparty could terminate the positions and demand payment or require additional collateral.

Under an ISDA Master Agreement, the Portfolio may, under certain circumstances, offset with the counterparty certain derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment. However, absent an event of default by the counterparty or a termination of the agreement, the terms of the ISDA Master Agreements do not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the Portfolio and the applicable counterparty. The enforceability of the right to offset may vary by jurisdiction.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearinghouse for exchange traded derivatives while collateral terms are contract specific for over-the-counter traded derivatives. Cash collateral that has been pledged to cover obligations of the Portfolio under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities. Securities pledged as collateral, if any, for the same purpose are noted in the Schedule of Investments.

As of December 31, 2018, the Portfolio did not have any open OTC derivative transactions with credit related contingent features in a net liability position.

(f) Security transactions and investment income. Security transactions are accounted for on a trade date basis. Interest income (including interest income from payment-in-kind securities), adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date for dividends received in cash and/or securities. Foreign dividend income is recorded on the ex-dividend date or as soon as practicable after the Portfolio determines the existence of a dividend declaration after exercising reasonable due diligence. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults or a credit event occurs that impacts the issuer, the Portfolio may halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default or credit event.

(g) Distributions to shareholders. Distributions from net investment income and distributions of net realized gains, if any, are declared at least annually. Distributions to shareholders of the Portfolio are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

(h) Share class accounting. Investment income, common expenses and realized/unrealized gains (losses) on investments are allocated to the various classes of the Portfolio on the basis of daily net assets of each class. Fees relating to a specific class are charged directly to that share class.

(i) Compensating balance arrangements. The Portfolio has an arrangement with its custodian bank whereby a portion of the custodian's fees is paid indirectly by credits earned on the Portfolio's cash on deposit with the bank.

(j) Federal and other taxes. It is the Portfolio's policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986 (the "Code"), as amended, applicable to regulated investment companies. Accordingly, the Portfolio intends to distribute its taxable income and net realized gains, if any, to shareholders in accordance with timing requirements imposed by the Code. Therefore, no federal or state income tax provision is required in the Portfolio's financial statements.

Management has analyzed the Portfolio's tax positions taken on income tax returns for all open tax years and has concluded that as of December 31, 2018, no provision for income tax is required in the Portfolio's financial statements. The Portfolio's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

(k) Reclassification. GAAP requires that certain components of net assets be reclassified to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. During the current year, the Portfolio had no reclassifications.

2. Investment management agreement and other transactions with affiliates

Legg Mason Partners Fund Advisor, LLC ("LMPFA") is the Portfolio's investment manager and ClearBridge Investments, LLC ("ClearBridge") is the Portfolio's subadvisor. Western Asset Management Company, LLC (formerly Western Asset Management Company) ("Western Asset") manages the portion of the Portfolio's cash and short-term instruments allocated to it. LMPFA, ClearBridge and Western Asset are wholly-owned subsidiaries of Legg Mason, Inc. ("Legg Mason").

Under the investment management agreement, the Portfolio pays an investment management fee, calculated daily and paid monthly, at an annual rate of 0.75% of the Portfolio's average daily net assets.

Notes to financial statements (cont'd)

LMPFA provides administrative and certain oversight services to the Portfolio. LMPFA delegates to the subadviser the day-to-day portfolio management of the Portfolio, except for the management of the portion of the cash and short-term instruments allocated to Western Asset. For their services, LMPFA pays ClearBridge and Western Asset monthly an aggregate fee equal to 70% of the net management fee it receives from the Portfolio.

As a result of expense limitation arrangements between the Portfolio and LMPFA, the ratio of total annual fund operating expenses, other than interest, brokerage, taxes, extraordinary expenses and acquired fund fees and expenses, to average net assets of Class I and Class II shares did not exceed 1.00% and 1.25%, respectively. These expense limitation arrangements cannot be terminated prior to December 31, 2020 without the Board of Trustees' consent.

LMPFA is permitted to recapture amounts waived and/or reimbursed to a class during the same fiscal year if the class' total annual operating expenses have fallen to a level below the expense limitation ("expense cap") in effect at the time the fees were earned or the expenses incurred. In no case will LMPFA recapture any amount that would result, on any particular business day of the Portfolio, in the class' total annual operating expenses exceeding the expense cap or any other lower limit then in effect.

Legg Mason Investor Services, LLC, a wholly-owned broker-dealer subsidiary of Legg Mason, serves as the Portfolio's sole and exclusive distributor.

All officers and one Trustee of the Trust are employees of Legg Mason or its affiliates and do not receive compensation from the Trust.

3. Investments

During the year ended December 31, 2018, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) were as follows:

Purchases	\$85,314,542
Sales	81,551,882

At December 31, 2018, the aggregate cost of investments and the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

	Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
Securities	\$206,389,887	\$114,257,564	\$(18,894,075)	\$95,363,489

4. Derivative instruments and hedging activities

At December 31, 2018, the Portfolio did not have any derivative instruments outstanding.

The following table provides information about the effect of derivatives and hedging activities on the Portfolio's Statement of Operations for the year ended December 31, 2018. The table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period.

AMOUNT OF REALIZED GAIN (LOSS) ON DERIVATIVES RECOGNIZED

	Equity Risk
Written options	\$348,279

During the year ended December 31, 2018, the volume of derivative activity for the Portfolio was as follows:

	Average Market Value
Written options [†]	\$54,460

[†] At December 31, 2018, there were no open positions held in this derivative.

5. Class specific expenses, waivers and/or expense reimbursements

The Portfolio has adopted a Rule 12b-1 shareholder services and distribution plan and under that plan the Portfolio pays service and/or distribution fees with respect to its Class II shares calculated at the annual rate of 0.25% of the average daily net assets of the class. Service and/or distribution fees are accrued daily and paid monthly.

For the year ended December 31, 2018, class specific expenses were as follows:

	Service and/or Distribution Fees	Transfer Agent Fees
Class I	—	\$3,388
Class II	\$211,883	1,395
Total	\$211,883	\$4,783

6. Distributions to shareholders by class

	Year Ended December 31, 2018	Year Ended December 31, 2017
Net Realized Gains:		
Class I	\$26,832,765	\$4,844,866
Class II	9,163,458	1,277,037
Total	\$35,996,223	\$6,121,903

7. Shares of beneficial interest

At December 31, 2018, the Trust had an unlimited number of shares of beneficial interest authorized with a par value of \$0.00001 per share. The Portfolio has the ability to issue multiple classes of shares. Each class of shares represents an identical interest and has the same rights, except that each class bears certain direct expenses, including those specifically related to the distribution of its shares.

Notes to financial statements (cont'd)

Transactions in shares of each class were as follows:

	Year Ended December 31, 2018		Year Ended December 31, 2017	
	Shares	Amount	Shares	Amount
Class I				
Shares sold	1,556,916	\$ 46,807,158	772,094	\$ 18,345,073
Shares issued on reinvestment	1,060,116	26,832,765	188,296	4,844,866
Shares repurchased	(2,240,966)	(65,756,694)	(1,751,908)	(41,472,854)
Net increase (decrease)	376,066	\$ 7,883,229	(791,518)	\$(18,282,915)
Class II				
Shares sold	2,264,139	\$ 65,123,312	1,386,970	\$ 31,104,977
Shares issued on reinvestment	377,957	9,163,458	51,577	1,277,037
Shares repurchased	(1,925,888)	(53,748,388)	(478,796)	(10,892,757)
Net increase	716,208	\$ 20,538,382	959,751	\$ 21,489,257

8. Restricted securities

The following Portfolio investment is restricted as to resale and, in the absence of a readily ascertainable market value, is valued in good faith in accordance with procedures approved by the Board of Trustees.

Security	Number of Shares	Acquisition Date	Cost	Fair Value at 12/31/2018	Value Per Share	Percent of Net Assets
Turn Inc. (Escrow), Common Stock	73,522	12/13	\$108,102	\$25,551	\$0.35	0.01%

9. Income tax information and distributions to shareholders

The tax character of distributions paid during the fiscal years ended December 31, was as follows:

	2018	2017
Distributions paid from:		
Ordinary income	\$ 2,008,269	—
Net long-term capital gains	33,987,954	\$6,121,903
Total distributions paid	\$35,996,223	\$6,121,903

As of December 31, 2018, the components of accumulated earnings (losses) on a tax basis were as follows:

Undistributed ordinary income — net	\$ 145,928
Undistributed long-term capital gains — net	8,366,502
Total undistributed earnings	8,512,430
Other book/tax temporary differences ^(a)	(38,134)
Unrealized appreciation (depreciation) ^(b)	95,363,489
Total accumulated earnings (losses) — net	\$103,837,785

^(a) Other book/tax temporary differences are attributable to the book/tax differences in the timing of the deductibility of various expenses.

^(b) The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable to the tax deferral of losses on wash sales.

10. Recent accounting pronouncement

In August 2018, the Securities and Exchange Commission released its Final Rule on Disclosure Update and Simplification (the “Final Rule”) which is intended to simplify an issuer’s disclosure compliance efforts by removing redundant or outdated disclosure requirements without significantly altering the mix of information provided to investors. Effective with the current reporting period, the Portfolio adopted the Final Rule with the most notable impacts being that the Portfolio is no longer required to present the components of distributable earnings on the Statement of Assets and Liabilities or the sources of distributions to shareholders and the amount of undistributed net investment income on the Statements of Changes in Net Assets. The tax components of distributable earnings and distributions to shareholders continue to be disclosed within the Notes to Financial Statements.

Report of independent registered public accounting firm

To the Board of Trustees of Legg Mason Partners Variable Equity Trust and Shareholders of ClearBridge Variable Small Cap Growth Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of ClearBridge Variable Small Cap Growth Portfolio (one of the funds constituting Legg Mason Partners Variable Equity Trust, referred to hereafter as the “Fund”) as of December 31, 2018, the related statement of operations for the year ended December 31, 2018 and the statement of changes in net assets and the financial highlights for each of the two years in the period ended December 31, 2018, including the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2018, the results of its operations for the year then ended, and the changes in its net assets and the financial highlights for each of the two years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the Fund as of and for the year ended December 31, 2016 and the financial highlights for each of the periods ended on or prior to December 31, 2016 (not presented herein, other than the financial highlights) were audited by other auditors whose report dated February 16, 2017 expressed an unqualified opinion on those financial statements and financial highlights.

Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

Baltimore, Maryland
February 13, 2019

We have served as the auditor of one or more investment companies in Legg Mason investment company group since at least 1973. We have not been able to determine the specific year we began serving as auditor.

Board approval of management and subadvisory agreements (unaudited)

At a meeting of the Trust's Board of Trustees, the Board considered the re-approval for an annual period of the management agreement of ClearBridge Variable Small Cap Growth Portfolio (the "Fund"), pursuant to which Legg Mason Partners Fund Advisor, LLC (the "Manager") provides the Fund with investment advisory and administrative services, the sub-advisory agreement pursuant to which ClearBridge Investments, LLC ("ClearBridge") provides day-to-day management of the Fund's portfolio, and the sub-advisory agreement pursuant to which Western Asset Management Company, LLC ("Western Asset" and, together with ClearBridge, the "Sub-Advisers") provides day-to-day management of the Fund's cash and short-term instruments allocated to it by the Manager. (The management agreement and sub-advisory agreements are collectively referred to as the "Agreements.") The Manager and the Sub-Advisers are wholly-owned subsidiaries of Legg Mason, Inc. The Trustees who are not "interested persons" (as defined in the Investment Company Act of 1940, as amended (the "Independent Trustees")) of the Fund were assisted in their review by Fund counsel and independent legal counsel and met with independent legal counsel in executive sessions separate from representatives of the Manager and the Sub-Advisers. The Independent Trustees requested and received information from the Manager and the Sub-Advisers they deemed reasonably necessary for their review of the Agreements and the performance of the Manager and the Sub-Advisers. Included was information about the Manager, the Sub-Advisers and the Fund's distributor, as well as the management, sub-advisory and distribution arrangements and services provided to the Fund and other funds overseen by the Board. This information was initially reviewed by a special committee of the Independent Trustees and then by the full Board.

In voting to approve the Agreements, the Independent Trustees considered whether the approval of the Agreements would be in the best interests of the Fund and its shareholders, an evaluation based on several factors including those discussed below.

Nature, extent and quality of the services provided to the fund under the management agreement and sub-advisory agreements

The Board received and considered information regarding the nature, extent and quality of services provided to the Fund by the Manager and the Sub-Advisers under the Management Agreement and Sub-Advisory Agreements, respectively, during the past year. The Trustees also considered the Manager's supervisory activities over the Sub-Advisers. In addition, the Independent Trustees received and considered other information regarding the administrative and other services rendered to the Fund and its shareholders by the Manager. The Board noted information received at regular meetings throughout the year related to the services rendered by the Manager in its management of the Fund's affairs and the Manager's role in coordinating the activities of the Sub-Advisers and the Fund's other service providers. The Board's evaluation of the services provided by the Manager and the Sub-Advisers took into account the Board's knowledge and familiarity gained as Trustees of funds in the Legg Mason fund complex, including the scope and quality of the investment management and other capabilities of the Manager and the Sub-Advisers and the quality of the Manager's administrative and other services. The Board observed that the scope of services

Board approval of management and subadvisory agreements (unaudited) (cont'd)

provided by the Manager had expanded over time as a result of regulatory and other developments, including maintaining and monitoring its own and the Fund's compliance programs. The Board reviewed information received from the Manager and the Fund's Chief Compliance Officer regarding the Fund's compliance policies and procedures established pursuant to Rule 38a-1 under the Investment Company Act of 1940, as amended.

The Board reviewed the qualifications, backgrounds and responsibilities of the Fund's senior personnel and the portfolio management team primarily responsible for the day-to-day portfolio management of the Fund. The Board considered the services provided to the Legg Mason fund complex and the Manager's commitment to continue to provide effective and efficient investment management and shareholder services. The Board also considered, based on its knowledge of the Manager and the Manager's affiliates, the financial resources available to the Manager's parent organization, Legg Mason, Inc.

The Board considered the division of responsibilities among the Manager and the Sub-Advisers and the oversight provided by the Manager. The Board also considered the Manager's and ClearBridge's brokerage policies and practices, the standards applied in seeking best execution, their policies and practices regarding soft dollars, and the existence of quality controls applicable to brokerage allocation procedures. In addition, management also reported to the Board on, among other things, its business plans, recent organizational changes, portfolio manager compensation plan and policy regarding portfolio managers' ownership of fund shares.

The Board concluded that, overall, it was satisfied with the nature, extent and quality of services provided (and expected to be provided) under the respective Agreement by the Manager and the Sub-Advisers.

Fund performance

The Board received and reviewed performance information for the Fund and for all small-cap growth funds underlying variable insurance products (the "Performance Universe") selected by Broadridge Financial Solutions Inc. ("Broadridge"), an independent provider of investment company data. The Board was provided with a description of the methodology Broadridge used to determine the similarity of the Fund with the funds included in the Performance Universe. The Trustees noted that they also had received and discussed with management at periodic intervals information on the investment performance of the Fund in comparison to similar mutual funds and benchmark performance indices. The information comparing the Fund's performance to that of the Performance Universe was for the one-, three-, five- and ten-year periods ended June 30, 2018. The Fund performed better than the median performance of the funds in the Performance Universe for each period, and was ranked in the first quintile of the funds in the Performance Universe for the one- and three-year periods. The Board reviewed performance information provided by the Manager for periods ended September 30, 2018, which showed that the Fund's performance was better than the Broadridge category average during the third quarter. The Board also reviewed information prepared by Broadridge comparing the Fund's annualized

total return for the three-year period ended June 30, 2018 in relation to the Fund's standard deviation to that of the funds in the Performance Universe. The Trustees noted that the Manager and ClearBridge were committed to providing the resources necessary to assist the Fund's portfolio managers. Based on its review, the Board was satisfied with the Fund's performance. The Board determined to continue to evaluate the Fund's performance and directed the Independent Trustees' performance committee to continue to periodically review Fund performance with the Manager and report to the full Board during periods between Board meetings.

Management fees and expense ratios

The Board reviewed and considered the contractual management fee rate (the "Contractual Management Fee") payable by the Fund to the Manager in light of the nature, extent and quality of the management and sub-advisory services provided by the Manager and the Sub-Advisers, respectively. The Board noted that the Manager, and not the Fund, pays the sub-advisory fees to the Sub-Advisers and, accordingly, that the retention of the Sub-Advisers does not increase the fees and expenses incurred by the Fund.

The Board also reviewed information regarding the fees the Manager and ClearBridge charged any of their U.S. clients investing primarily in an asset class similar to that of the Fund including, where applicable, institutional separate and commingled accounts and retail managed accounts. The Manager reviewed with the Board the significant differences in the scope of services provided to the Fund and to such other clients, noting that the Fund is provided with regulatory compliance and administrative services, office facilities and Fund officers (including the Fund's chief financial, chief legal and chief compliance officers), and that the Manager coordinates and oversees the provision of services to the Fund by other fund service providers, including the Sub-Advisers. The Board considered the fee comparisons in light of the scope of services required to manage these different types of accounts.

The Board received an analysis of complex-wide management fees provided by the Manager, which, among other things, set out a framework of fees based on asset classes. Management also discussed with the Board the Fund's distribution arrangements, including how amounts received by the Fund's distributor are expended, and the fees received and expenses incurred in connection with such arrangements by affiliates of the Manager.

Additionally, the Board received and considered information comparing the Fund's Contractual Management Fee and the Fund's overall expense ratio with those of a group of 16 small-cap growth funds underlying variable insurance products selected by Broadridge as comparable to the Fund (the "Expense Group"), and a broader group of funds selected by Broadridge consisting of all small-cap growth funds underlying variable insurance products (the "Expense Universe"). This information showed that the Fund's Contractual Management Fee was lower than the median of management fees paid by the funds in the Expense Group and the funds in the Expense Universe, and that the Fund's total expense ratio was lower than the median of the total expense ratios of the funds in the Expense Group and the funds in the Expense Universe.

Board approval of management and subadvisory agreements (unaudited) (cont'd)

Manager profitability

The Board received and considered a profitability analysis of the Manager and its affiliates in providing services to the Fund. The Board also received profitability information with respect to the Legg Mason fund complex as a whole. In addition, the Board received information with respect to the Manager's allocation methodologies used in preparing this profitability data as well as a report from an outside consultant that had reviewed the Manager's methodology. The Board noted the profitability percentage ranges determined by appropriate court cases to be reasonable given the services rendered to investment companies. The Board determined that the Manager's profitability was not excessive in light of the nature, extent and quality of the services provided to the Fund.

Economies of scale

The Board received and considered information regarding whether there have been economies of scale with respect to the management of the Fund as the Fund's assets grow, whether the Fund has appropriately benefited from any economies of scale, and whether there is potential for realization of any further economies of scale. The Board considered whether economies of scale in the provision of services to the Fund were being passed along to the shareholders.

The Board noted that to the extent the Fund's assets increase over time, the Fund and its shareholders should realize economies of scale as certain expenses, such as fixed fund fees, become a smaller percentage of overall assets. The Board noted that it appeared that the benefits of any economies of scale also would be appropriately shared with shareholders through increased investment in fund management and administration resources.

Taking all of the above into consideration, the Board determined that the management fee was reasonable in light of the comparative performance and expense information and the nature, extent and quality of the services provided to the Fund under the Agreements.

Other benefits to the manager

The Board considered other benefits received by the Manager and its affiliates, including the Sub-Advisers, as a result of the Manager's relationship with the Fund, including the opportunity to offer additional products and services such as 529 College Savings Plans and retail managed accounts.

In light of the costs of providing investment management and other services to the Fund and the Manager's ongoing commitment to the Fund, the profits and other ancillary benefits that the Manager and its affiliates received were considered reasonable.

Based on their discussions and considerations, including those described above, the Trustees approved the Management Agreement and the Sub-Advisory Agreements to continue for another year.

No single factor reviewed by the Board was identified by the Board as the principal factor in determining whether to approve the Management Agreement and the Sub-Advisory Agreements.

Additional information (unaudited)

Information about Trustees and Officers

The business and affairs of ClearBridge Variable Small Cap Growth Portfolio (the “Portfolio”) are conducted by management under the supervision and subject to the direction of its Board of Trustees. The business address of each Trustee is c/o Jane Trust, Legg Mason, 100 International Drive, 11th Floor, Baltimore, Maryland 21202. Information pertaining to the Trustees and officers of the Portfolio is set forth below.

The Statement of Additional Information includes additional information about Trustees and is available, without charge, upon request by calling the Portfolio at 1-877-721-1926.

Independent Trustees[†]

Paul R. Ades

Year of birth	1940
Position(s) with Trust	Trustee
Term of office ¹ and length of time served ²	Since 1983
Principal occupation(s) during past five years	Paul R. Ades, PLLC (law firm) (since 2000)
Number of funds in fund complex overseen by Trustee	48
Other board memberships held by Trustee during past five years	None

Andrew L. Breech

Year of birth	1952
Position(s) with Trust	Trustee
Term of office ¹ and length of time served ²	Since 1991
Principal occupation(s) during past five years	President, Dealer Operating Control Service, Inc. (automotive retail management) (since 1985)
Number of funds in fund complex overseen by Trustee	48
Other board memberships held by Trustee during past five years	None

Dwight B. Crane

Year of birth	1937
Position(s) with Trust	Trustee
Term of office ¹ and length of time served ²	Since 1981
Principal occupation(s) during past five years	Professor Emeritus, Harvard Business School (since 2007); formerly, Professor, Harvard Business School (1969 to 2007); Independent Consultant (since 1969)
Number of funds in fund complex overseen by Trustee	48
Other board memberships held by Trustee during past five years	None

Additional information (unaudited) (cont'd)

Information about Trustees and Officers

Independent Trustees' cont'd

Althea L. Duersten

Year of birth	1951
Position(s) with Trust	Trustee
Term of office ¹ and length of time served ²	Since 2014
Principal occupation(s) during past five years	Retired (since 2011); formerly, Chief Investment Officer, North America, JPMorgan Chase (investment bank) and member of JPMorgan Executive Committee (2007 to 2011)
Number of funds in fund complex overseen by Trustee	48
Other board memberships held by Trustee during past five years	None

Frank G. Hubbard

Year of birth	1937
Position(s) with Trust	Trustee
Term of office ¹ and length of time served ²	Since 1993
Principal occupation(s) during past five years	President, Fealds, Inc. (business development) (since 2016); formerly, President, Avatar International Inc. (business development) (1998 to 2015)
Number of funds in fund complex overseen by Trustee	48
Other board memberships held by Trustee during past five years	None

Howard J. Johnson

Year of birth	1938
Position(s) with Trust	Trustee and Chairman
Term of office ¹ and length of time served ²	From 1981 to 1998 and since 2000 (Chairman since 2013)
Principal occupation(s) during past five years	Chief Executive Officer, Genesis Imaging LLC (technology company) (since 2003)
Number of funds in fund complex overseen by Trustee	48
Other board memberships held by Trustee during past five years	None

Jerome H. Miller

Year of birth	1938
Position(s) with Trust	Trustee
Term of office ¹ and length of time served ²	Since 1995
Principal occupation(s) during past five years	Retired
Number of funds in fund complex overseen by Trustee	48
Other board memberships held by Trustee during past five years	None

Independent Trustees' cont'd

Ken Miller

Year of birth	1942
Position(s) with Trust	Trustee
Term of office ¹ and length of time served ²	Since 1983
Principal occupation(s) during past five years	Retired; formerly, President, Young Stuff Apparel Group, Inc. (apparel manufacturer), division of Li & Fung (1963 to 2012)
Number of funds in fund complex overseen by Trustee	48
Other board memberships held by Trustee during past five years	None

Thomas F. Schlafly

Year of birth	1948
Position(s) with Trust	Trustee
Term of office ¹ and length of time served ²	Since 1983
Principal occupation(s) during past five years	Chairman, The Saint Louis Brewery, LLC (brewery) (since 2012); formerly, President, The Saint Louis Brewery, Inc. (1989 to 2012); Senior Counsel (since 2017) and formerly, Partner (2009 to 2016), Thompson Coburn LLP (law firm)
Number of funds in fund complex overseen by Trustee	48
Other board memberships held by Trustee during past five years	Director, Citizens National Bank of Greater St. Louis (since 2006)

Interested Trustee and Officer

Jane Trust, CFA³

Year of birth	1962
Position(s) with Trust	Trustee, President and Chief Executive Officer
Term of office ¹ and length of time served ²	Since 2015
Principal occupation(s) during past five years	Senior Managing Director of Legg Mason & Co., LLC ("Legg Mason & Co.") (since 2018); Managing Director of Legg Mason & Co. (2016 to 2018); Officer and/or Trustee/Director of 146 funds associated with Legg Mason Partners Fund Advisor, LLC ("LMPFA") or its affiliates (since 2015); President and Chief Executive Officer of LMPFA (since 2015); formerly, Senior Vice President of LMPFA (2015); Director of ClearBridge, LLC (formerly, Legg Mason Capital Management, LLC) (2007 to 2014); Managing Director of Legg Mason Investment Counsel & Trust Co. (2000 to 2007)
Number of funds in fund complex overseen by Trustee	137
Other board memberships held by Trustee during past five years	None

Additional information (unaudited) (cont'd)

Information about Trustees and Officers

Additional Officers

Ted P. Becker

Legg Mason

620 Eighth Avenue, 49th Floor, New York, NY 10018

Year of birth	1951
Position(s) with Trust	Chief Compliance Officer
Term of office ¹ and length of time served ²	Since 2007
Principal occupation(s) during past five years	Director of Global Compliance at Legg Mason (since 2006); Chief Compliance Officer of LMPFA (since 2006); Managing Director of Compliance of Legg Mason & Co. (since 2005); Chief Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006)

Susan Kerr

Legg Mason

620 Eighth Avenue, 49th Floor, New York, NY 10018

Year of birth	1949
Position(s) with Trust	Chief Anti-Money Laundering Compliance Officer
Term of office ¹ and length of time served ²	Since 2013
Principal occupation(s) during past five years	Assistant Vice President of Legg Mason & Co. and Legg Mason Investor Services, LLC ("LMIS") (since 2010); Chief Anti-Money Laundering Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2013) and Anti-Money Laundering Compliance Officer of LMIS (since 2012); Senior Compliance Officer of LMIS (since 2011); formerly, AML Consultant, DTCC (2010); AML Consultant, Rabobank Netherlands, (2009); First Vice President, Director of Marketing & Advertising Compliance and Manager of Communications Review Group at Citigroup Inc. (1996 to 2008)

Jenna Bailey

Legg Mason

100 First Stamford Place, 5th Floor, Stamford, CT 06902

Year of birth	1978
Position(s) with Trust	Identity Theft Prevention Officer
Term of office ¹ and length of time served ²	Since 2015
Principal occupation(s) during past five years	Identity Theft Prevention Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2015); Compliance Officer of Legg Mason & Co. (since 2013); Assistant Vice President of Legg Mason & Co. (since 2011); formerly, Associate Compliance Officer of Legg Mason & Co. (2011 to 2013)

Additional Officers cont'd

Robert I. Frenkel

Legg Mason

100 First Stamford Place, 6th Floor, Stamford, CT 06902

Year of birth	1954
Position(s) with Trust	Secretary and Chief Legal Officer
Term of office ¹ and length of time served ²	Since 2007
Principal occupation(s) during past five years	Vice President and Deputy General Counsel of Legg Mason (since 2006); Managing Director and General Counsel — U.S. Mutual Funds for Legg Mason & Co. (since 2006) and Legg Mason & Co. predecessors (since 1994); Secretary and Chief Legal Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006)

Thomas C. Mandia

Legg Mason

100 First Stamford Place, 6th Floor, Stamford, CT 06902

Year of birth	1962
Position(s) with Trust	Assistant Secretary
Term of office ¹ and length of time served ²	Since 2007
Principal occupation(s) during past five years	Managing Director and Deputy General Counsel of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005); Secretary of LMPFA (since 2006); Assistant Secretary of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006); Secretary of LM Asset Services, LLC ("LMAS") (since 2002) and Legg Mason Fund Asset Management, Inc. ("LMFAM") (since 2013) (formerly registered investment advisers)

Richard F. Sennett

Legg Mason

100 International Drive, Baltimore, MD 21202

Year of birth	1970
Position(s) with Trust	Principal Financial Officer
Term of office ¹ and length of time served ²	Since 2011
Principal occupation(s) during past five years	Principal Financial Officer and Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011 and since 2013); Managing Director of Legg Mason & Co. and Senior Manager of the Treasury Policy group for Legg Mason & Co.'s Global Fiduciary Platform (since 2011); formerly, Chief Accountant within the SEC's Division of Investment Management (2007 to 2011); Assistant Chief Accountant within the SEC's Division of Investment Management (2002 to 2007)

Additional information (unaudited) (cont'd)

Information about Trustees and Officers

Additional Officers cont'd

Christopher Berarducci

Legg Mason

620 Eighth Avenue, 49th Floor, New York, NY 10018

Year of birth	1974
Position(s) with Trust	Treasurer
Term of office ¹ and length of time served ²	Since 2014
Principal occupation(s) during past five years	Director of Legg Mason & Co. (since 2015); Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2010); formerly, Vice President of Legg Mason & Co. (2011 to 2015); Assistant Controller of certain mutual funds associated with Legg Mason & Co. or its affiliates (prior to 2010)

Jeanne M. Kelly

Legg Mason

620 Eighth Avenue, 49th Floor, New York, NY 10018

Year of birth	1951
Position(s) with Trust	Senior Vice President
Term of office ¹ and length of time served ²	Since 2007
Principal occupation(s) during past five years	Senior Vice President of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2007); Senior Vice President of LMPFA (since 2006); President and Chief Executive Officer of LMAS and LMFAM (since 2015); Managing Director of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005); formerly, Senior Vice President of LMFAM (2013 to 2015)

† Trustees who are not “interested persons” of the Portfolio within the meaning of Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”).

¹ Each Trustee and officer serves until his or her respective successor has been duly elected and qualified or until his or her earlier death, resignation, retirement or removal.

² Indicates the earliest year in which the Trustee became a board member for a fund in the Legg Mason fund complex or the officer took such office.

³ Ms. Trust is an “interested person” of the Portfolio, as defined in the 1940 Act, because of her position with LMPFA and/or certain of its affiliates.

Important tax information (unaudited)

The following information is provided with respect to the distributions paid during the taxable year ended December 31, 2018:

Record date:	6/20/2018	12/13/2018
Payable date:	6/21/2018	12/14/2018
Ordinary income:		
Dividends qualifying for the dividends		
received deduction for corporations	100.00%	61.41%
Long-term capital gain dividend	\$0.377120	\$2.541830

Please retain this information for your records.

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ClearBridge

Variable Small Cap Growth Portfolio

Trustees

Paul R. Ades
Andrew L. Breech
Dwight B. Crane
Althea L. Duersten
Frank G. Hubbard
Howard J. Johnson
Chairman
Jerome H. Miller
Ken Miller
Thomas F. Schiafly
Jane Trust

Investment manager

Legg Mason Partners Fund Advisor, LLC

Subadviser

ClearBridge Investments, LLC

Distributor

Legg Mason Investor Services, LLC

Custodian

The Bank of New York Mellon ("BNY")*

Transfer agent

BNY Mellon Investment
Servicing (US) Inc.
4400 Computer Drive
Westborough, MA 01581

Independent registered public accounting firm

PricewaterhouseCoopers LLP
Baltimore, MD

* Effective March 12, 2018, BNY became custodian.

ClearBridge Variable Small Cap Growth Portfolio

The Portfolio is a separate investment series of Legg Mason Partners Variable Equity Trust, a Maryland statutory trust.

ClearBridge Variable Small Cap Growth Portfolio
Legg Mason Funds
620 Eighth Avenue, 49th Floor
New York, NY 10018

The Portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Portfolio's Forms N-Q are available on the SEC's website at www.sec.gov. To obtain information on Form N-Q, shareholders can call the Portfolio at 1-877-721-1926.

Information on how the Portfolio voted proxies relating to portfolio securities during the prior 12-month period ended June 30th of each year and a description of the policies and procedures that the Portfolio uses to determine how to vote proxies related to portfolio transactions are available (1) without charge, upon request, by calling the Portfolio at 1-877-721-1926, (2) at www.leggmason.com/variablefunds and (3) on the SEC's website at www.sec.gov.

This report is submitted for the general information of the shareholders of ClearBridge Variable Small Cap Growth Portfolio. This report is not authorized for distribution to prospective investors in the Portfolio unless preceded or accompanied by a current prospectus.

Investors should consider the Portfolio's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the Portfolio. Please read the prospectus carefully before investing.

www.leggmason.com

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Legg Mason Funds Privacy and Security Notice

Your Privacy and the Security of Your Personal Information is Very Important to the Legg Mason Funds

This Privacy and Security Notice (the “Privacy Notice”) addresses the Legg Mason Funds’ privacy and data protection practices with respect to nonpublic personal information the Funds receive. The Legg Mason Funds include any funds sold by the Funds’ distributor, Legg Mason Investor Services, LLC, as well as Legg Mason-sponsored closed-end funds. The provisions of this Privacy Notice apply to your information both while you are a shareholder and after you are no longer invested with the Funds.

The Type of Nonpublic Personal Information the Funds Collect About You

The Funds collect and maintain nonpublic personal information about you in connection with your shareholder account. Such information may include, but is not limited to:

- Personal information included on applications or other forms;
- Account balances, transactions, and mutual fund holdings and positions;
- Bank account information, legal documents, and identify verification documentation;
- Online account access user IDs, passwords, security challenge question responses; and
- Information received from consumer reporting agencies regarding credit history and creditworthiness (such as the amount of an individual’s total debt, payment history, etc.).

How the Funds Use Nonpublic Personal Information About You

The Funds do not sell or share your nonpublic personal information with third parties or with affiliates for their marketing purposes, or with other financial institutions or affiliates for joint marketing purposes, unless you have authorized the Funds to do so. The Funds do not disclose any nonpublic personal information about you except as may be required to perform transactions or services you have authorized or as permitted or required by law. The Funds may disclose information about you to:

- Employees, agents, and affiliates on a “need to know” basis to enable the Funds to conduct ordinary business or to comply with obligations to government regulators;
- Service providers, including the Funds’ affiliates, who assist the Funds as part of the ordinary course of business (such as printing, mailing services, or processing or servicing your account with us) or otherwise perform services on the Funds’ behalf, including companies that may perform statistical analysis, market research and marketing services solely for the Funds;
- Permit access to transfer, whether in the United States or countries outside of the United States to such Funds’ employees, agents and affiliates and service providers as required to enable the Funds to conduct ordinary business, or to comply with obligations to government regulators;
- The Funds’ representatives such as legal counsel, accountants and auditors to enable the Funds to conduct ordinary business, or to comply with obligations to government regulators;
- Fiduciaries or representatives acting on your behalf, such as an IRA custodian or trustee of a grantor trust.

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Legg Mason Funds Privacy and Security Notice (cont'd)

Except as otherwise permitted by applicable law, companies acting on the Funds' behalf, including those outside the United States, are contractually obligated to keep nonpublic personal information the Funds provide to them confidential and to use the information the Funds share only to provide the services the Funds ask them to perform.

The Funds may disclose nonpublic personal information about you when necessary to enforce their rights or protect against fraud, or as permitted or required by applicable law, such as in connection with a law enforcement or regulatory request, subpoena, or similar legal process. In the event of a corporate action or in the event a Fund service provider changes, the Funds may be required to disclose your nonpublic personal information to third parties. While it is the Funds' practice to obtain protections for disclosed information in these types of transactions, the Funds cannot guarantee their privacy policy will remain unchanged.

Keeping You Informed of the Funds' Privacy and Security Practices

The Funds will notify you annually of their privacy policy as required by federal law. While the Funds reserve the right to modify this policy at any time they will notify you promptly if this privacy policy changes.

The Funds' Security Practices

The Funds maintain appropriate physical, electronic and procedural safeguards designed to guard your nonpublic personal information. The Funds' internal data security policies restrict access to your nonpublic personal information to authorized employees, who may use your nonpublic personal information for Fund business purposes only.

Although the Funds strive to protect your nonpublic personal information, they cannot ensure or warrant the security of any information you provide or transmit to them, and you do so at your own risk. In the event of a breach of the confidentiality or security of your nonpublic personal information, the Funds will attempt to notify you as necessary so you can take appropriate protective steps. If you have consented to the Funds using electronic communications or electronic delivery of statements, they may notify you under such circumstances using the most current email address you have on record with them.

In order for the Funds to provide effective service to you, keeping your account information accurate is very important. If you believe that your account information is incomplete, not accurate or not current, if you have questions about the Funds' privacy practices, or our use of your nonpublic personal information, write the Funds using the contact information on your account statements, email the Funds by clicking on the Contact Us section of the Funds' website at www.leggmason.com, or contact the Funds at 1-877-721-1926.

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