

Legg Mason Investments
Sub-fund of Dublin IFSC domiciled umbrella unit trust

Report Issued: January 2009

Peer Group:

US Mainstream Equities

Fund Manager/Adviser:

John Goode (since launch)

Location:

San Francisco

Launch Date: November 1996

Fund Size (September 2008):

US\$165m

Group Contact No:

+353 539 149 999

Website:

www.leggmason.co.uk

S&P ID Number: OS305604

Share class screened:

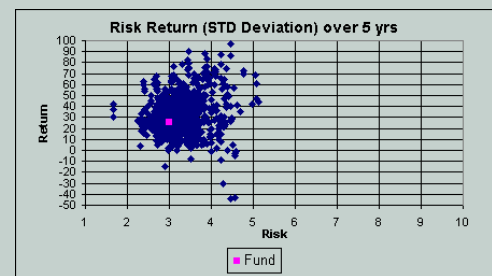
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INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

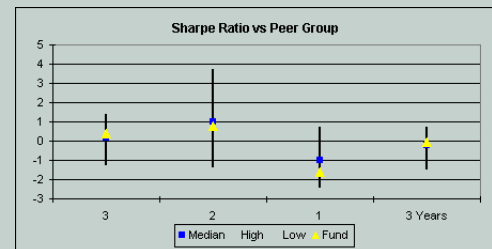
RISK RETURN (STD DEVIATION) OVER 5 YEARS



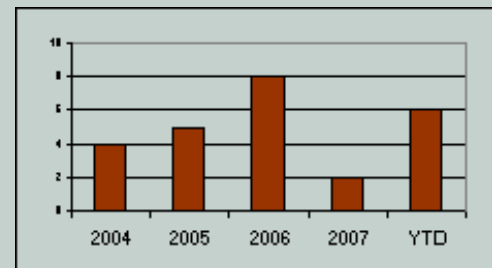
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	-12.0
Volatility	9.9
Correlation	-
Beta	0.9

SHARPE RATIO VS PEER GROUP



CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Further information on S&P's fund coverage can be found at

www.funds.standardandpoors.com

All statistical data on this report has been run to 31/08/2008 on NAV to NAV basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (DECEMBER 2008)

Legg Mason Clearbridge US Fundamental Value Fund was, until April 2007, the Salomon Brothers Global Horizons US Fundamental Value Fund. It was, and still is, outsourced to the Legg Mason subsidiary Clearbridge and is run in a flexible value style that ranges from deep value recovery stocks (in 2003) to its present concentration on relative value, according to the conditions prevailing at the time.

The manager, CIO John Goode, has run the fund since launch and has worked alongside Peter Hable as joint managing director since 1983. They are supported by a team of four analysts who average five to 10 years' experience. Goode and Hable have spoken of enlarging this team, specifically to include a pharma and a technology specialist, but this has not come to fruition.

The fund combines Goode's top-down thematic strategy with the team's stock selection and uses quantitative value screens to identify a mix of cash generation and value.

The fund has scope to vary widely from its Russell 3000 benchmark and is free to raise up to 20% in cash if it cannot find value to buy. Despite lower-than-average maximum drawdown, the fund has struggled to find sustained outperformance against either the peer group or the index and, given the amount of risk it is able to take, returns have been middle of the road. Stock disappointments in 2007 leave it in the third quartile over three and five years.

Although we recognise that the style suffers in highly volatile markets, longer-term performance causes concern. As a result the fund slips a rating band to S&P A.

FACT FILE

Group: Legg Mason Investments is part of Legg Mason Inc, a global asset management company with a history stretching to 1899, and listed on the NYSE since 1983. After acquiring the asset management part of Citigroup in December 2005, Legg Mason became the fifth-largest money manager in the US.

Team: Based in San Francisco, the two managers are supported by four analysts with between five and 10 years' experience. The team is responsible for \$13bn.

Fund Manager: Goode is an experienced fund manager, who has over 35 years' experience. He joined Davis Skaggs (now a division of Clearbridge) in 1969 and is now CIO and joint managing director.

Style: The fund is managed in a flexible, value-driven style. Top-down and bottom-up elements are combined to build the portfolio, which at times can show wide deviations from the Russell 3000 index.

Performance: Over the five years to 31/08/2008, the fund has returned 25.3%, compared with 31.2% for the sector median and 39.7% for the index, ranking 675/1019.

FUND MANAGER & TEAM

Davis Skaggs Asset Management is a subsidiary of Legg Mason. Its style is value-driven, though not deeply contrarian and it has \$13bn under management.

Two senior fund managers, John Goode and Peter Hable, have worked together since 1983. They are supported by four analysts and an associate analyst. They continue to look to recruit further research specialists, particularly to cover the pharma and technology sectors.

John Goode - CIO, joint MD - economics, MBA (Stanford University), has over 35 years' investment experience, joining Davis Skaggs in 1969.

Peter Hable - joint MD - economics (Southern Methodist University), MBA (Wharton Business School), joined Davis Skaggs in 1983. He is a senior portfolio manager.

John Rutledge - government (Hamilton College), joined the group in 2000 with seven years' experience.

Paul Tiao - quantitative analyst - legal studies (University of Berkeley), joined the firm in 1991.

PORTFOLIO CHARACTERISTICS

No. of holdings	62
Turnover ratio (%)	N/A
% in top 10	29

TOP 10 HOLDINGS (01/09/08)

	%
JPMorgan Chase *	3.5
Chubb	3.3
Walmart Stores	3.1
Novartis AG (ADS)	2.9
State Street	2.7
Walt Disney *	2.7
Wyeth	2.7
Applied Materials *	2.6
Johnson & Johnson	2.6
Texas Instruments	2.6

* In top 10 holdings a year ago

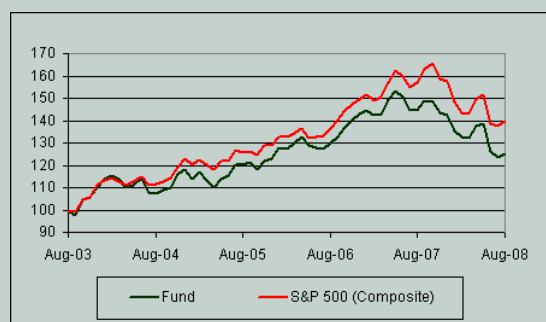
ALLOCATION BREAKDOWN (01/09/08)

	Fund %
Cash	4.0
Consumer discretionary	10.0
Consumer staples	6.0
Energy	12.0
Financials	15.0
Healthcare	13.0
Industrials	14.0
Information technology	20.0
Materials	4.0
Other	0.0
Telecoms	2.0
Utilities	0.0

PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	4.3%	25.3%
Standard & Poor's Peer Median	7.5%	31.2%
Index**	11.4%	39.7%
Fund Rank	861/1294	675/1019
Standard Deviation	9.9	-
Relative Standard Deviation	-	-
Volatility Adjusted Ranking	-/1294	-

CUMULATIVE PERFORMANCE



LEGG MASON FUNDAMENTAL VALUE FUND

Peer Group: US Mainstream Equities



MANAGEMENT STYLE

The fund is managed with a long-term buy-and-hold approach to intrinsic value. Stocks are selected bottom-up but portfolio construction aims to diversify earnings drivers. Internal research on momentum and valuation led to a new policy of finding stocks with good intrinsic value in low-valued sectors to benefit from upward momentum in a recovery period.

Analysts only cover 10-15 stocks each, studying each business in great depth. Intrinsic value is assessed using a variety of valuation approaches, including dividend discount and discounted cashflow models and ratio analysis.

Purchases typically trade at a 30-50% discount to long-term intrinsic value. The portfolio is diversified across 30-50 stocks and weightings are primarily driven by the discount to intrinsic value. Risk is assessed primarily at the stock level and may lead to significant deviations from the benchmark S&P 500 at both stock and sector level.

Investments will range from traditional value/restructuring ideas to high-growth stocks where the market is underestimating their potential.

Turnover is low, with minimal topping and tailing on valuation grounds.

PORTFOLIO REVIEW

Preparing to face a period of deflation, followed by a period of inflation, the manager continued to shift the portfolio up the cap scale and concentrate holdings in higher-conviction names. However, he also sought to emphasise domestic plays, which kept him out of many of the largest names. This again reduced the number of holdings - down from 75 a year ago to 62 - and the tail of stale minor holdings was mostly eliminated.

At sector level, the fund invested in the IT sector on a relative-value basis, taking the weighting up from 15% a year ago to its current position of 20%. Within healthcare, pharmaceuticals were also increased. Within financials, insurance was preferred over banks, though JPMorgan remains the top holding. Goode started nibbling at regional banks (Sinofus) in the expectation that there is likely to be consolidation within the sector.

PERFORMANCE ANALYSIS (SEPTEMBER 2008)

Performance before April 2007 is based on the identically run Legg Mason Fundamental Value Fund, although this overstates returns as it reflects the present lower fee structure. In the past five full calendar years, the fund has had two years of top-quartile performance: these were 2003 and 2006. However, sustained outperformance has eluded the fund and it now ranks in the third quartile over both three and five years.

Underperformance against the Russell 3000 index also accelerated, despite useful outperformance between November 2007

and February 2008. 2008 to September saw modest recovery against the peer group.

In 2007 five stocks were particular disappointments: Apple, Amazon, Google, Rimage Corp and Motorola, all now dropped from the portfolio. Additionally, the fund's move up the cap scale was not helpful, as liquid stocks were hit harder than the small-caps.

2008 has been better, with stock selection in all but three sectors making a positive contribution.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 31/08/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	7.5	708/1065	4.0	647/1215	16.2	287/1342	-0.5	1316/1555	-11.9	802/1722
Index**	10.9		4.9		15.8		5.5		-11.4	
Median	8.8		4.4		12.7		6.0		-12.2	

** S&P 500 (Composite)

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