

Legg Mason Investments
Luxembourg domiciled FCP - Part 1

Report Issued: January 2009

Peer Group:

US Mainstream Equities

Fund Manager/Adviser:

Michael Kagan (since August 2002)

Location:

New York

Launch Date: January 2001

Fund Size (September 2008):

US\$23m

Group Contact No:

+353 539 149 999

Website:

www.leggmason.co.uk

S&P ID Number: OS358136

Share class screened:

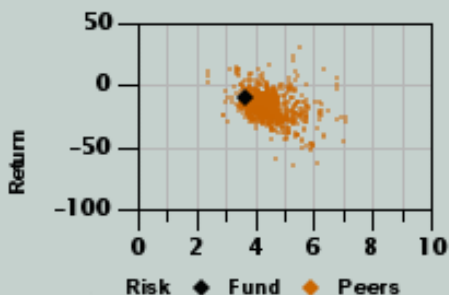
Ins Ord USD



INVESTMENT STYLE

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

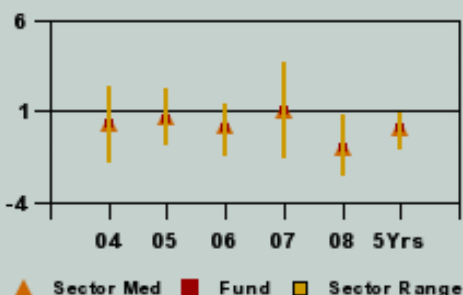
RISK RETURN (STD DEVIATION) OVER 5 YEARS



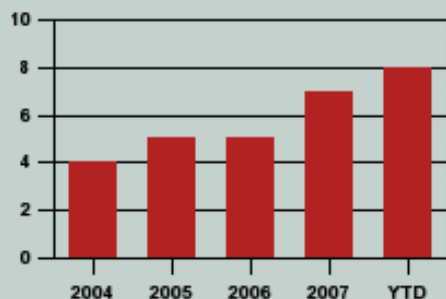
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-14.8
Volatility	Medium	10.1
Correlation	High	1.0
Beta	Medium	1.0

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.

Please see page 2 for required research analyst certification disclosure.

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 29/08/2008 on NAV to NAV basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (NOVEMBER 2008)

This fund continues to be managed in an institutionally minded yet active fashion by the experienced Michael Kagan at ClearBridge Advisors, a Legg Mason subsidiary.

Kagan is co-director of research of a team of 19 managers and sector analysts. The team was assembled around two years ago following the merger of Legg Mason and Citigroup Asset Management. Over the past 12 months there have been some voluntary departures and some of the vacant positions have been filled, although two openings remain. CEO Brian Posner has also left.

Around 80% of the idea generation comes from the analysts. Kagan nevertheless enjoys doing his own additional research on the recommendations provided by the analysts, running through models and getting a full understanding of the rationale

behind their views. He also adds his own top-down perspective, as was the case recently with a position in a gold stock or with the fund's overseas exposure. The portfolio is built in a benchmark-aware fashion with most of the risk taken at the stock level. Kagan is very decisive and disciplined in his actions, following a change in stock recommendations or when target prices are approaching.

Relative performance of the fund has historically been around sector median but it seems to have benefited from a deliberate move to make it more concentrated and raise its risk profile. The past 12 months have been successful, with stock selection the main driver of returns. Kagan was also quick at adapting his views to the rapidly changing conditions.

The fund deservedly retains its S&P A rating.

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: Michael Kagan and Scott Glasser co-head ClearBridge Advisors' team of 19 among managers and analysts based in San Francisco and New York. They support both growth and value strategies.

Fund Manager: Kagan has 23 years' experience of the US market. He has managed this fund since August 2002, and is also co-director of research.

Style: The fund is managed bottom-up in an institutionally minded fashion and with an emphasis on large-/mid-cap companies. The manager aims for a balance between growth and value and no extreme sector bets.

Performance: Over the five years to 29/08/2008, the fund has returned 31.9%, compared with 30.8% for the sector median and 39.7% for the index, ranking 516/1086.

FUND MANAGER & TEAM

The team numbers 19 between managers and analysts based between New York and San Francisco and co-headed by Scott Glasser and Michael Kagan. Kagan is responsible for institutional large cap core strategies (including a 130/30 mandate) for around \$2.5bn.

Every Thursday afternoon the whole team meets to discuss stock ideas, market developments and review a sector. Analysts are sector specialists and are paid based on a combination of qualitative and quantitative criteria.

Michael Kagan - economics (Harvard College), was an equity analyst at Zweig Advisors and a portfolio manager at Fidelity Investments, before joining in 1994 what became part of Citigroup Asset Management. He has 20 years' investment experience.

PORTFOLIO CHARACTERISTICS

No. of holdings	60
Turnover ratio (%)	N/A
% in top 10	27

TOP 10 HOLDINGS (01/09/08)

	%
Qualcomm	3.4
Toll Brothers	3.0
Cisco Systems	2.8
General Electric Co.	2.7
JPMorgan Chase	2.7
Total	2.7
Staples	2.6
Procter & Gamble	2.5
Sempra Energy	2.5
Wells Fargo .	2.4

* In top 10 holdings a year ago

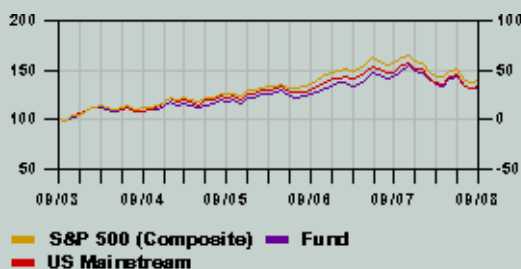
ALLOCATION BREAKDOWN (01/09/08)

	Fund %
Cash	1.0
Consumer discretionary	13.0
Consumer staples	12.0
Energy	13.0
Financials	18.0
Healthcare	9.0
Industrials	11.0
Information technology	18.0
Materials	0.0
Other	0.0
Telecoms	0.0
Utilities	5.0

PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	10.7%	31.9%
Standard & Poor's Peer Median	7.4%	30.8%
Index**	11.4%	39.7%
Fund Rank	471/1371	516/1086
Standard Deviation	10.1	-
Relative Standard Deviation	0.9	-
Volatility Adjusted Ranking	406/1371	-

CUMULATIVE PERFORMANCE



LEGG MASON GLOBAL FUNDS FCP (LUXEMBOURG) LEGG MASON US GROWTH AND VALUE FUND

Peer Group: US Mainstream Equities



MANAGEMENT STYLE

- The fund is managed primarily bottom-up, using the team's research to identify stocks misunderstood by the market.
- Kagan builds a portfolio with broadly similar attributes to the S&P 500 index, but at the margin he will incorporate his own macro themes into stock selection decisions and sub-sector positioning.
- Characteristics of favoured companies vary between sectors. For growth stocks, sustainable market share growth and unassailable franchises are important. For value stocks, high free cashflow, dominance in a slow growth industry and a discount to liquidation value are key.

- To raise the tracking error to its 3.5-4% preferred range, Kagan now targets a portfolio of around 60 stocks, with a top 20 concentration above 50%. Sector weights can now vary by +/-4% relative to the benchmark. Up to 10% of the portfolio can be in ADRs, held typically as better value substitutes for US domestic companies.
- There is a limit of +/-3% on active stock positions. Sales are often decisive and triggered by declining fundamentals.
- Cash is kept below 4% of portfolio assets. Turnover is usually around one third of the portfolio per year.

PORTFOLIO REVIEW

The overall shape of the portfolio is little changed in terms of number of holdings, sector deviations and top 10 concentration. However, this masks some considerable intra-year activity, as Kagan has three times changed his view on the market over the past 12 months, gradually reducing the pro-cyclical stance of the portfolio and emphasising safer areas such as consumer staples and healthcare.

Economically sensitive stocks, smaller and leveraged names (particularly among industrials) were sold in mid-May but the

overweight in financials and industrials was retained.

A cut from overweight in energy to underweight was made in June on concerns following China's move to raise the price cap on energy. The position in consumer discretionary and financials was cut during the summer. Overseas exposure has been cut as Kagan expects the US dollar to strengthen. As a result, portfolio turnover has been higher than usual and is estimated around 50% since the start of the year.

PERFORMANCE ANALYSIS (SEPTEMBER 2008)

Stronger returns over the past 12 months have brought the fund's three- and five-year rankings back above sector median.

negative side, positions in Thornburg Mortgage, AIG, Morgan Stanley and Lehman have hurt.

Sound broad-based stock selection in all but one sector (industrials) has been the main driver of returns, with the majority of outperformance coming from the top 10 holdings. Qualcomm, Barrick Gold (bought on Kagan's view on gold) and Elan have been among the main contributors. Aggressively selling out of Elan was well-timed, allowing Kagan to lock in decent returns before the stock collapsed in mid-summer. On the

The previous 12 months were just above median. The underweight to energy held back returns, while positives came from the underweight to banks and stock selection in healthcare (Schering-Plough), materials (Barrick Gold) and the holding in Dolby. In the year to September 2006, the modest underperformance was mostly the result of a sharp downturn in June.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 29/08/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	8.0	701/1133	3.3	772/1285	12.0	793/1425	7.5	685/1683	-10.5	528/1836
Index**	10.9		4.9		15.8		5.5		-11.4	
Median	9.0		4.5		12.7		6.1		-12.1	

** S&P 500 (Composite)

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