

Legg Mason Investments
Sub-fund of Irish domiciled open-ended investment company

Report Issued: January 2009

Peer Group:

US High Yield

Fund Benchmark:

Lehman Brothers U.S. Corporate High

Investment Objective:

Total Return

Yield 2% Issuer Capped

Group Contact No:

+352 45 1414 332

Fund Manager/Adviser:

Michael Buchanan (since April 2005)

Website:

www.leggmason.co.uk

Location:

Pasadena

S&P ID Number: OS360481

Share Class screened:

A



Launch Date: February 2004

Fund Size (August 2008):

US\$74m

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

www.funds.standardandpoors.com

Performance Data Source - © 2008 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 31/07/2008 on NAV to NAV basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (SEPTEMBER 2008)

This fund has been managed since launch by Western Asset Management, Legg Mason's specialist fixed income subsidiary based in Pasadena. It is benchmarked against the Lehman US Corporate High Yield 2% Constrained index.

Legg Mason US\$ High Yield Fund, managed by the same team.

Michael Buchanan manages the fund. He heads Western's high yield team and is supported by another portfolio manager and a team of analysts. The team is unusually stable, with no departures in the past nine years. Western's process is very team driven and the investment committee sets top-down macro themes, which are then adapted to fit the various mandates. This is less relevant for this fund, where about 70% of predicted tracking error and returns comes from sector and security-specific positions generated by the analysts and approved by Buchanan. The portfolio is very similar to the Sicav

The fund has beaten its benchmark before fees in every calendar year since inception, including 2007, and has outperformed by 43bps annualised gross since April 2005. However, it underperformed in the second half of 2007 and is trailing by 172bps over 2008 to August. Most of this was due to credit spreads widening when the fund was overweight credit beta, particularly in CCC names. Security selection has been successful, save credit impairment to a couple of holdings.

Legg Mason's value approach to investing has adversely affected the fund's relative performance over the past nine months. Despite this, the stable experienced team and well-constructed process enable the fund to retain its S&P A/V5 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.

has been focused on high yield credit. He joined Western Asset Management in 2005.

Team: The global credit team of 19 is responsible for high yield. It includes two portfolio managers, 14 analysts, two dedicated traders and a risk analyst.

Style: The fund objective is to outperform the Lehman US Corporate High Yield 2% Constrained index. The investment style is driven by fundamental analysis of relative value.

Fund Manager: Michael Buchanan has 18 years' portfolio management experience, most of which

Performance: Over the three years to 31/07/2008, the fund has returned 7.1%, compared with 6.9% for the sector median and 11.0% for the index, ranking 43/93.

FUND MANAGER & TEAM

Western Asset Management, based in Pasadena, is owned by Legg Mason. It is a specialist fixed income manager with over 140 investment professionals managing over \$600bn.

The global credit team of 19 is responsible for high yield. It includes two portfolio managers, 14 analysts, two dedicated traders and a risk manager. Each analyst has sector responsibility for high yield and investment grade issues.

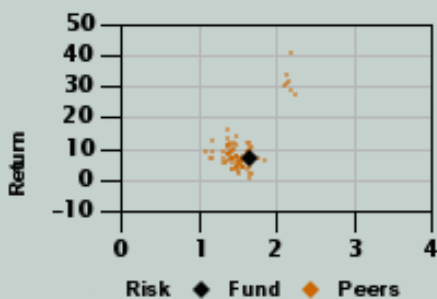
Michael Buchanan - graduate (Brown University), CFA, started with Conseco Asset Management in 1990. He was a high yield manager with BlackRock from 1998 to 2003. He joined Western Asset Management in 2005 from Credit Suisse.

Ian Edmonds - graduate (University College, London), started his career with Bacon & Woodrow. In 1994 he joined Lehman Brothers Global Asset Management, later acquired by Western Asset Management. He covers European high yield markets.

INVESTMENT STYLE

	Inv Grade	Blend	Sub Inv Grade
Govt			
Corp			
Emerging			

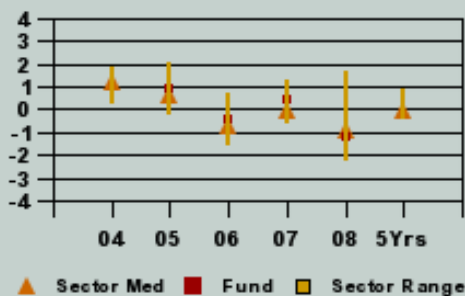
RISK RETURN (STD DEVIATION) OVER 3 YEARS



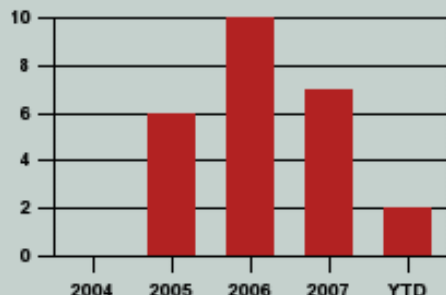
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown %	Medium	-8.1
Volatility	Medium	5.7
Correlation	High	1.0
Beta	High	1.1

SHARPE RATIO VS PEER GROUP



CALENDAR YEAR DECILE RANKS



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

PORTFOLIO CHARACTERISTICS

No. of holdings	359
Turnover ratio (%)	45
Modified duration (years)	4.43
Portfolio yield (%)	11.73

SOURCES OF RETURN (01/08/08)

	Low Emphasis	Average Emphasis	High Emphasis
Portfolio Duration	██████████		
Credit Spreads			██████████
Country / Sectors		██████████	
Yield Curve Positioning	██████████		
Currency Exposure			
Alt. Fixed Income	██████████		
Derivatives	██████████		
Trading Strategies			
Quant. Value Techniques			

BREAKDOWN BY CREDIT RATING (01/08/08)

	%
Debentures	0.0
AAA	0.0
AA	1.0
A	2.0
BBB	6.0
BB	25.0
B	51.0
CCC & below	15.0
Unrated securities	0.0

Units III permits net fund exposure to be less or greater than 100%.

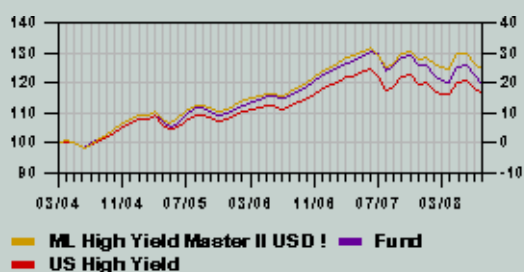
ALLOCATION BREAKDOWN (01/08/08)

	Fund %
Cash	1.0
Corporate Bonds	99.0
Other	0.0
Governments/Supranational	0.0
Preference shares	0.0
Convertibles	0.0

PERFORMANCE STATISTICS

	3 Years
Fund	7.1%
Standard & Poor's Peer Median	6.9%
Index**	11.0%
Fund Rank	43/93
Annualised Standard Deviation	5.7
Relative Standard Deviation	1.1
Volatility Adjusted Ranking	54/93

CUMULATIVE PERFORMANCE



LEGG MASON GLOBAL FUNDS PLC WESTERN ASSET US HIGH YIELD BOND FUND

Report Issued: January 2009



MANAGEMENT STYLE

- The fund objective is to outperform the Lehman US Corporate High Yield 2% Constrained index.
- The investment style is driven by fundamental analysis of relative value.
- The manager applies a team-based approach, taking bets relative to the benchmark index based on the credit analysts' research convictions.
- The investment process begins with broad top-down themes and sector views, but the main emphasis is on relative value-driven stock selection. The team favours companies that show stable free cashflow over a market cycle and have good covenants.
- The global credit team meets weekly to discuss stock selection ideas, typically focusing on a different sector at each session.
- The portfolio is normally broadly diversified, with about 140-180 issuers held. The fund guidelines allow it to have up to 25% in non-US names, but the manager mainly sticks to US-based investments. Portfolio duration is usually kept within 10% of the benchmark position.
- Risk control focuses on bets taken relative to the index. Off-benchmark bets, such as EMD investments, will not normally exceed 15% in aggregate. Tools used by the manager include Credit Delta, Lehman Point and an in-house attribution model.

PORTFOLIO REVIEW

The team was marginally overweight credit in the first half of 2007 and bought high coupon issues to keep spread duration within bounds. They increased beta further in October after the first leg down of the credit crunch, on the expectation the downturn would not be so deep or prolonged.

The fund was overweight building materials at the end of the year, but underweight homebuilders. It was also overweight energy and aerospace/defence but was underweight

in financials, although did hold high-beta names such as GMAC and ResCap.

Credit beta has remained overweight; the team are reasonably sanguine about fundamentals and note companies generally have better cashflow compared to the 2001 and 2002 bear market in credit. However, with the fund being close to its tracking error limit, the manager would be unlikely to extend risk if markets cheapened further.

PERFORMANCE ANALYSIS (AUGUST 2008)

Performance has been above median in each of the past three calendar years, although it was bottom quartile in the first seven months of 2008. The fund ranks second quartile over three years cumulatively.

It has outperformed its benchmark by 43bps annualised (before fees) since April 2005 to end July 2008. It has also outperformed before fees in calendar 2005, 2006 and 2007.

However, it has trailed before fees in the first half of 2007 and by 172bps in 2008 to end July as credit spreads widened. During this time the fund was overweight in CCC names and overall credit beta. Some security-specific stories, including Buffets and Leiner Health, weighed on returns, although an overweight in the capital goods, utilities and energy sectors have recovered some performance. The overweight in building materials has detracted, however.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 31/07/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/	1.9	39/93	11.6	10/97	1.3	39/99	-4.9	86/99
Index*	10.9		2.7		11.8		2.2		-2.9	
Median	8.5		1.6		9.1		0.8		-2.8	

** ML High Yield Master II USD!

All of the views expressed in this research report accurately reflect our committee's views regarding any and all of the subject securities or issuers. No part of the committee's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. © [2008] The McGraw-Hill Companies, Ltd trading as Standard & Poor's ("S&P") 20 Canada Square, Canary Wharf, London, E14 5LH Tel: +44 (0)20-7176 3800. All rights reserved. No part of this publication shall be reproduced, stored in any retrieval system or transmitted in any form electronic or otherwise without the prior written consent of S&P. Any part of the publication by S&P of which this page is a part is made accessible subject to the terms and conditions which are accessible at the url address below ("S&P Terms") - by accessing and viewing this page and/or pages associated with or attached to it you accept the S&P Terms. Go to <http://www.funds-info.standardandpoors.com> Performance Data Source - © 2008 Morningstar, Inc. All Rights Reserved. The performance information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.