

Western Asset Local Markets Bond Fund - US\$

MANAGED BY WESTERN ASSET

DATA AS OF 31 DECEMBER 2010

FUND PROFILE

FUND AIM

The Fund seeks to maximise total return, through income and capital appreciation by investing in debt securities located in Emerging Market Countries and Developed Countries that are denominated in the local currency of the issuer. The Fund seeks to achieve its investment objective through sector rotation, interest rates, currencies, yield curve positioning and issue selection.

INCEPTION DATE

27.03.2008

FUND INDEX

JPM GBI-EM Global Diversified Index

TOTAL NET ASSETS OF ALL SHARE CLASSES

9.77m USD

MONTH END NAV - J USD DISTRIBUTING SHARE CLASS

948.42 USD

SEDOL - J USD DISTRIBUTING SHARE CLASS

B2QK401

ISIN - J USD DISTRIBUTING SHARE CLASS

IE00B2QK4Q14

TICKER SYMBOL - J USD DISTRIBUTING SHARE CLASS

WALCMKJ

RISK STATISTICS (WEIGHTED AVERAGE)

Life	3.46 Years
Effective Duration	2.93 Years
Current Yield (gross of expenses) ¹	6.38%
Cashflow Yield (gross of expenses) ¹	6.74%
S&P Credit Quality	BBB+

MINIMUM SUBSCRIPTION

INSTITUTIONAL SHARE CLASS

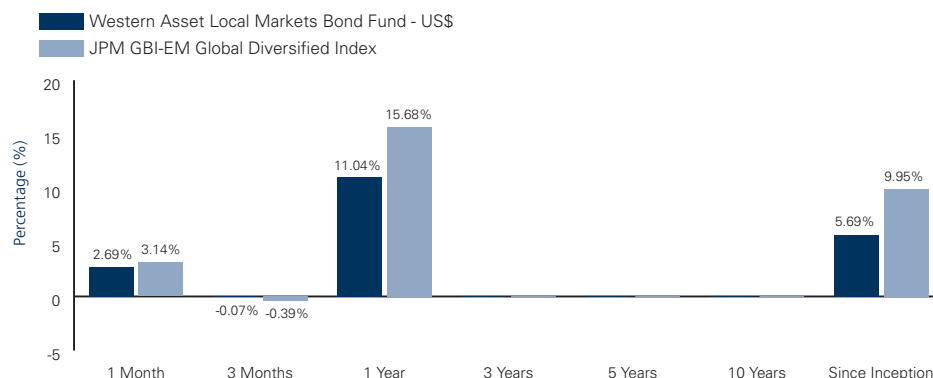
Initial Investment
- US\$5,000,000
Subsequent Investment
- US\$100,000

FINANCIAL INTERMEDIARY SHARE CLASS

Initial Investment
- US\$1,000,000
Subsequent Investment
- US\$100,000

NOT ALL SHARE CLASSES ARE AVAILABLE TO ALL INVESTORS OR DISTRIBUTION CHANNELS. PERFORMANCE OF OTHER SHARE CLASSES CAN VARY AS A RESULT OF DIFFERENCES IN FUND FEES.

FUND PERFORMANCE – USD



Calendar Year Returns	2005	2006	2007	2008*	2009	2010
Fund - NAV	N/A	N/A	N/A	-14.14%	20.30%	11.04%
Fund Index	N/A	N/A	N/A	-7.89%	21.98%	15.68%

* From 27.03.08

The Fund performance reflects the combined performance of all the active share classes that are available for this Fund. Investors in individual share classes may experience different performance due to various factors including currency, fees and inception dates.

COUNTRY OF ISSUE BREAKDOWN

Holding	Fund	Index
Indonesia	13.95%	9.87%
Brazil	13.87%	10.00%
Poland	10.62%	10.00%
Turkey	9.51%	10.00%
Mexico	8.94%	10.00%
Malaysia	8.12%	10.00%
South Africa	7.78%	10.00%
Hungary	7.61%	7.30%
Thailand	7.35%	10.00%
Others	7.51%	12.83%
Cash & Cash Equivalents	4.76%	0.00%

CURRENCY OF ISSUE BREAKDOWN

Holding	Fund	Index
Indonesian Rupiah	13.95%	9.93%
Brazilian Real	13.87%	10.00%
Polish Zloty	10.62%	10.00%
Turkish Lira	9.51%	10.00%
Mexican Peso	8.94%	10.00%
Malaysian Ringgit	8.12%	10.00%
South African Rand	7.78%	10.00%
Hungarian Forint	7.61%	6.98%
Thailand Baht	7.35%	10.00%
Others	7.51%	13.09%
Cash & Cash Equivalents	4.76%	0.00%

SECTOR BREAKDOWN

Holding	Fund	Index
EM - Local Sovereign IG	81.40%	74.75%
EM - Local Sovereign Non-IG	11.32%	25.25%
Governments	2.53%	0.00%
Cash & Cash Equivalents	4.76%	0.00%

S&P CREDIT RATING BREAKDOWN

Holding	Fund	Index
AAA	2.53%	0.00%
AA	0.34%	0.00%
A	42.46%	40.14%
BBB	21.47%	34.61%
BB	28.44%	25.25%
Cash & Cash Equivalents	4.76%	0.00%

CURRENCY EXPOSURE

Holding	Fund	Index
Indonesian Rupiah	14.50%	9.93%
Brazilian Real	13.87%	10.00%
Polish Zloty	10.79%	10.00%
Turkish Lira	9.51%	10.00%
Mexican Peso	9.39%	10.00%
Malaysian Ringgit	8.32%	10.00%
Hungarian Forint	8.07%	6.98%
South African Rand	7.78%	10.00%
Thailand Baht	7.35%	10.00%
Others	10.42%	13.09%

¹ Yields (gross of expenses) are not representative for an individual share class as the yield does not deduct the Total Expense Ratio or any applicable taxes that an investor may be subject to.

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MANAGED BY WESTERN ASSET

INVESTMENT PHILOSOPHY

Western manages emerging market portfolios in an attempt to maximize total return while maintaining a disciplined risk control process, seeking to exceed benchmark returns while approximating benchmark risk. Western's approach to managing emerging market portfolios is to take a global perspective in determining whether the external environment is favorable for emerging market bonds. The process is focused on fundamental analysis of all countries in the emerging markets universe and on those issues offering attractive relative value.

Western believes value in the emerging market sector is added primarily through country and issue selection, and secondarily through term structure and duration management. Investment risks are minimized by diversifying across countries, issuers, instruments and maturities. The application of diversified strategies has ensured that Western's emerging market results have not been dependent on any one region, market or instrument.

PROCESS

The investment process begins with a topdown approach. Western determines its global investment outlook by pooling resources from Pasadena, London, Singapore and Sao Paulo. This process allows Western to analyze whether the global environment is favorable to emerging market bonds. The primary factors in this macroeconomic analysis are:

- Global growth trends and inflation
- Global interest rates
- Relative value analysis

A bottom-up approach of in-depth country analysis is also heavily used. This process is completed for each country in the emerging market universe. The main factors analyzed are:

- Debt profile
- Fiscal position
- External account vulnerability
- Politics
- Growth and inflation trends
- Monetary policy
- Local and external market technicals

Taking these fundamentals and current pricing into consideration, the country's relative value is determined. Local currency issues are influenced by local dynamics and consideration is given to technical factors, including heavy demand by local institutional investors as well as government efforts to pay off external debt in favor of local currency issues.

COUNTRY ALLOCATION

As value investors, the Firm looks to focus on trends within each country and abstract from the daily noise surrounding each and every data release. While Western certainly considers each new piece of information, the goal is not to micro-analyze each daily movement in price, but rather to find the underlying trend in valuations. The Firm tends to focus on certain types of indicators more than others depending on circumstances. For example, political developments move to the forefront during election cycles; or monetary policy action may be closely followed if central bank credibility becomes questionable.

ISSUE AND SUB-SECTOR ALLOCATION

A detailed comparison will typically examine inflation-linked versus nominal issues, sovereign versus quasi-sovereign issues, and swaps versus cash bonds. We view the interest rate and currency decision as distinct, and use currency forwards and interest rate swaps to separate exposure where appropriate. These decisions may be influenced by factors such as the likely direction of interest rates, and the latest inflation trends relative to the degree of central bank credibility. Needless to say, research teams, located globally, play an important role at this very important .

IMPORTANT INFORMATION

Legg Mason Institutional Funds plc are managed by Western Asset, which consists of the following entities: Western Asset Management Company (Pasadena), Western Asset Management Company Limited (London), Western Asset Management Company Pte. Ltd. (Singapore) and Western Asset Management Company Ltd (Tokyo).

This is a sub-fund (Fund) of Legg Mason Institutional Funds plc, an umbrella fund with segregated liability between sub-funds, established as an open-ended investment company with variable capital and incorporated with limited liability under the laws of Ireland with registered number 352814. It qualifies, and is authorised in Ireland by the Financial Regulator as an undertaking for collective investment in transferable securities and is a section 264 Scheme as recognised by the FSA.

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Source for performance figures: Legg Mason. Performance is calculated on a NAV to NAV basis. Performance calculations include reinvested dividends, without deduction of withholding tax, and the deduction of the Total Expense Ratio over the calculated period. Sales charges, taxes and other locally applied costs to be paid by an investor have not been deducted. Performance greater than one year is annualised.

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