

# Western Asset UK£ Credit Plus Bond Fund

MANAGED BY WESTERN ASSET

DATA AS OF 30 NOVEMBER 2009

## FUND PROFILE

### FUND AIM

To maximise total return through income and capital appreciation by investing at least 50 per cent of the Fund in corporate debt securities and in debt securities issued by supranational organizations and denominated in sterling. The Fund is limited to a maximum 20 per cent exposure to non-sterling currencies.

### INCEPTION DATE

14.10.2008

### FUND INDEX

iBoxx Sterling Non-Gilts Total Return Index

### TOTAL NET ASSETS OF ALL SHARE CLASSES

42.64m GBP

### MONTH END NAV - INSTITUTIONAL GBP ACCUMULATING SHARE CLASS

1,279.15 GBP

### SEDOL - INSTITUTIONAL GBP ACCUMULATING SHARE CLASS

B65CH67

### ISIN - INSTITUTIONAL GBP ACCUMULATING SHARE CLASS

IE00B65CH671

### TICKER SYMBOL - INSTITUTIONAL GBP ACCUMULATING SHARE CLASS

WAUKIDG

### RISK STATISTICS (WEIGHTED AVERAGE)

Life	11.50 Years
Effective Duration	6.87 Years
Current Yield (gross of expenses) <sup>1</sup>	5.59%
Cashflow Yield (gross of expenses) <sup>1</sup>	6.22%
S&P Credit Quality	A-

### MINIMUM SUBSCRIPTION

#### INSTITUTIONAL SHARE CLASS

Initial Investment  
 - £5,000,000  
 Subsequent Investment  
 - £100,000

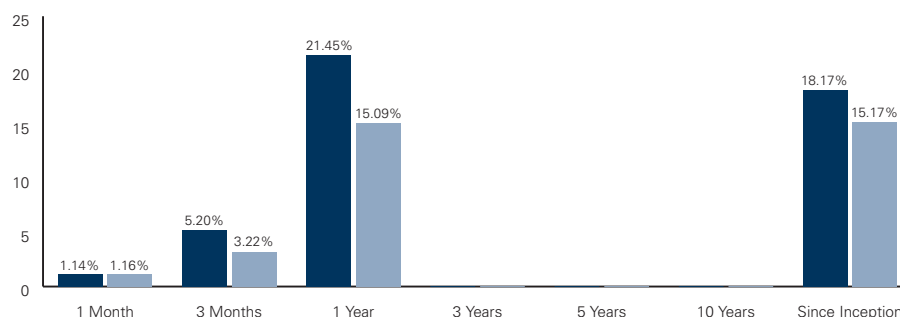
#### FINANCIAL INTERMEDIARY SHARE CLASS

Initial Investment  
 - £1,000,000  
 Subsequent Investment  
 - £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 – (GBP)

Western Asset UK£ Credit Plus Bond Fund  
 iBoxx Sterling Non-Gilts Total Return Index



### Calendar Year Returns

	2004	2005	2006	2007	2008*	YTD
Fund - NAV	N/A	N/A	N/A	N/A	2.49%	17.81%
Fund Index	N/A	N/A	N/A	N/A	4.57%	12.17%

\* From 14.10.08

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
United Kingdom	40.32%	100.00%
United States	19.80%	0.00%
Ireland	8.62%	0.00%
France	6.41%	0.00%
Germany	4.88%	0.00%
Netherlands	3.31%	0.00%
Japan	2.55%	0.00%
Italy	2.23%	0.00%
Switzerland	2.14%	0.00%
Others inc. Cash	9.74%	0.00%

### CURRENCY OF ISSUE BREAKDOWN

Holding	Fund	Index
British Pound	82.26%	100.00%
United States Dollar	11.29%	0.00%
Euro	3.95%	0.00%
Others inc. Cash	2.50%	0.00%

### CURRENCY EXPOSURE

Holding	Fund	Index
British Pound	99.86%	100.00%
United States Dollar	3.05%	0.00%
Euro	-2.78%	0.00%
Others	-0.13%	0.00%

### SECTOR BREAKDOWN

Holding	Fund	Index
Corporate - Investment Grade	63.80%	61.31%
Asset-Backed Securities	15.38%	9.65%
Corporate - High Yield	10.83%	0.00%
Governments	5.59%	0.00%
Emerging Markets Non - IG	1.36%	0.00%
Emerging Markets - IG	0.71%	0.00%
Supranationals & Agencies	0.00%	28.80%
Mortgage-Backed Securities	0.00%	0.24%
Cash & Other Securities	2.33%	0.00%

### S&P CREDIT RATING BREAKDOWN

Holding	Fund	Index
AAA	9.74%	32.29%
AA	10.64%	16.71%
A	39.78%	34.27%
BBB	24.44%	16.73%
BB	3.01%	0.00%
B	8.81%	0.00%
CCC & Below	1.25%	0.00%
Cash & Other Securities	2.33%	0.00%

<sup>1</sup> 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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## INVESTMENT PHILOSOPHY

The strategic goal at Western is to exceed benchmark returns while approximating benchmark risk. In an investment-grade corporate bond portfolio, this goal is achieved through the use of two primary strategies: subsector allocation and issue selection. These strategies are in turn shaped by five key elements: a team approach to investment management, a top-down macroeconomic outlook, bottom-up fundamental research, a relative value orientation, and extensive risk management support. The Firm's Investment-Grade Corporate Sector Team is responsible for the selection and management of all investment-grade corporate assets. Operating within the general investment outlook set by the Firm's Investment Strategy Group, they base their decisions on fundamental research covering industry, business and financial factors and temper this research with a careful examination of relative value: is the price of an issue attractive given Western's outlook relative to other opportunities? Underlying all of these is extensive risk management support from the Firm's Analytics team. Together, these allow Western to pursue its strategic goal.

## INVESTMENT APPROACH TO UK£ CREDIT PLUS PORTFOLIOS

Western's corporate investment philosophy combines traditional fundamental value orientation with credit research driven ideas in an effort to exceed benchmark returns while approximating benchmark risk. Western believes inefficiencies exist in the corporate bond market and attempts to add incremental value by exploiting these inefficiencies. The key areas of focus are:

- Issuer Selection
- Sub-sector Allocation
- Issuer Selection
- Rating Selection
- Duration

The Firm's dedicated Corporate Investment-Grade Sector Team makes all investment decisions in the sector - with the aid of both dedicated risk analysts and the broader investment and analytics teams that support them.

The two main sources of focus during the construction process are sub-sector allocation and issue selection. It is these areas that represent the main sources of value for a UK corporate portfolio.

During sub-sector allocation, portfolio manager/research analysts examine the current index weighting for each industry. They then take each industry's dynamics into account. First, operating against the backdrop of Western's top-down macroeconomic outlook - and their team's sub-sector research they formulate an outlook for each specific industry. Second, they examine the industry's maturity and trends, with an eye towards determining where the industry lies in its business cycle. Third, they examine its profitability in the form of margin predictability. Fourth, they examine the industry's risks in the form of both competition and regulatory risk. As a final step, they conduct a relative value assessment. At the end of this process, the Firm will have positioned its corporate exposure in those subsectors it feels positions the portfolio to generate the best returns on a risk-adjusted basis.

During issue selection, portfolio managers and research analysts narrow the universe from the approved list by focusing on those bonds that are currently available and will properly diversify a portfolio by issuer, industry, and rating. The end result of this step is a 'build' list or model portfolio. As with the information upon which analysts' recommendations are based, these lists are dynamic and change on a continual basis. All new client portfolios are constructed from these build lists, with appropriate adjustments for client guidelines and restrictions, and all existing portfolios are monitored and adjusted with reference to them.

## 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.

This Fund is offered solely to non-US investors under the terms and conditions of the Fund's current prospectus. This document does not constitute an invitation to invest. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested. The value of investments and the income from them can be affected by changes in interest rates, in exchange rates, general market conditions, political, social and economic developments and other variable factors. This Fund may invest in non-investment grade' bonds, which carry a higher degree of default risk than 'investment grade' bonds. This Fund may invest in certain types of financial derivative instruments (FDIs) for efficient portfolio management or investment purposes. These instruments may involve a higher degree of risk. Please refer to the Simplified Prospectus and Prospectus documentation, which describe the full objective and risk factors associated with this Fund. This document is for use by professional clients and eligible counterparties only - it is not aimed at or for use by retail clients.

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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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