

Western Asset US\$ Core Bond Fund

MANAGED BY WESTERN ASSET

DATA AS OF 31 DECEMBER 2008

FUND PROFILE

FUND AIM

To maximise total return, through income and capital appreciation, by investing primarily in debt securities denominated in US Dollars.

INCEPTION DATE

31.03.2004

FUND INDEX¹

Barclays Capital U.S. Aggregate Index

TOTAL NET ASSETS OF ALL SHARE CLASSES

113.45m USD

MONTH END NAV - INSTITUTIONAL USD ACCUMULATING SHARE CLASS

931.35 USD

SEDOL - INSTITUTIONAL USD ACCUMULATING SHARE CLASS

B011ZK6

ISIN - INSTITUTIONAL USD ACCUMULATING SHARE CLASS

IE00B011ZK69

TICKER SYMBOL - INSTITUTIONAL USD ACCUMULATING SHARE CLASS

WAUCBUA

RISK STATISTICS (WEIGHTED AVERAGE)

Life	6.56 Years
Effective Duration	3.28 Years
Current Yield (gross of expenses) ²	7.62%
Cashflow Yield (gross of expenses) ²	14.89%
S&P Credit Quality	AA

MINIMUM SUBSCRIPTION

INSTITUTIONAL SHARE CLASS

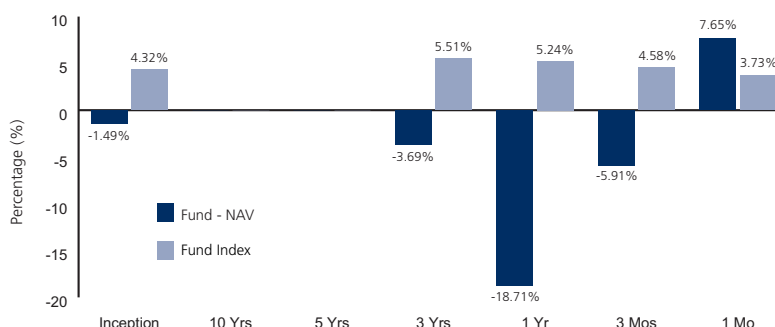
Initial Investment
- US\$5,000,000
Subsequent Investment
- US\$100,000

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	2003	2004*	2005	2006	2007	YTD
Fund - NAV	N/A	2.18%	2.02%	4.75%	4.90%	-18.71%
Fund Index	N/A	1.64%	2.43%	4.33%	6.97%	5.24%

* From 31.03.04

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.

COMPOSITE PERFORMANCE (PRELIMINARY NET OF FEES IN USD)

Annualised Total Returns	Inception 31.12.88	10 Yrs	5 Yrs	3 Yrs	1 Yr	3 Mos	1 Mo
Composite	6.96%	4.12%	1.15%	-0.46%	-9.24%	-2.62%	5.79%
Composite Index ¹	7.43%	5.63%	4.65%	5.51%	5.24%	4.58%	3.73%

Calendar Year Returns	2003	2004	2005	2006	2007	YTD
Composite	5.94%	5.24%	2.02%	5.45%	3.06%	-9.24%
Composite Index ¹	4.10%	4.34%	2.43%	4.33%	6.97%	5.24%

The returns of the above composite, managed similarly to the fund, are not indicative of the returns that could be gained from the fund.

GEOGRAPHICAL BREAKDOWN

Holding	Fund	Index
US	100.00%	100.00%

SECTOR BREAKDOWN

Holding	Fund	Index
Mortgages	50.62%	43.13%
Investment Grade	29.90%	17.67%
High Yield	6.68%	0.00%
Inflation Protected Securities	6.49%	0.00%
Asset Backed	3.73%	0.59%
Supranationals/Agencies	2.48%	13.54%
Governments	0.09%	25.07%

CREDIT RATING BREAKDOWN

Holding	Fund	Index
AAA	59.43%	80.94%
AA	4.04%	3.07%
A	12.63%	9.32%
BBB	15.94%	6.67%
BB	1.50%	0.00%
B	0.17%	0.00%
Below B	6.29%	0.00%

¹ Barclays Capital U.S. Aggregate Index. Please note effective October 31, 2008, all indices previously called "Lehman Brothers" have been renamed "Barclays Capital". This change is a name change only due to Barclays Capital's re-branding of its unified family of indices.

² 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.

PAST PERFORMANCE IS NO GUIDE TO FUTURE RETURNS AND MAY NOT BE REPEATED.
FOR USE BY ASSET MANAGERS, FUND DISTRIBUTORS AND AUTHORISED INTERMEDIARIES. NOT FOR USE BY PRIVATE CLIENTS.

Western Asset US\$ Core Bond Fund

MANAGED BY WESTERN ASSET

INVESTMENT PHILOSOPHY

Western's investment philosophy is to provide diversified, tightly controlled, value-oriented portfolios through:

- Long-term value investing. Long-term value investing is Western's fundamental approach. As sector rotators, the Firm seeks out the greatest long-term value by assiduously analysing all sectors of the fixed-income market.
- Multiple strategies. Western employs multiple strategies, proportioned so that results do not depend on one or two opportunities, and no single adverse market event would have an overwhelming effect. Western believes this approach can add incremental value over time and can reduce volatility in normal market conditions.

Western's fixed-income discipline emphasises a team approach that unites groups of specialists dedicated to different market sectors. The investment responsibilities of each sector group are distinct, yet results are derived from the constant interaction that unites the specialty groups into a cohesive investment management team.

INVESTMENT APPROACH TO US\$ CORE PORTFOLIOS

The strategic goal at Western is to add value to client portfolios while adhering to a disciplined risk control process. The key areas of focus are:

- Sector & Sub-Sector Allocation
- Issue Selection
- Duration
- Team Structure

These areas represent the primary sources of value added in active fixed-income management. Different investment approaches result from the weight attributed to each.

Sector & Sub-Sector Allocation. Western has been successfully rotating among and within sectors of the bond market, preferring non-government sectors because they typically offer higher relative yields and have tended to outperform the broad market over long market cycles. Members of the Investment Strategy Group continually analyse the broad economic environment to determine the potential impact on sector performance.

Issue Selection. Issue selection is a bottom-up process to determine mispriced or undervalued securities. The sector teams provide an ongoing assessment of securities. Armed with these analyses, the sector teams and portfolio manager select issues opportunistically.

Duration. The average interest rate risk is limited to a range of 3-7 years.

Team Structure. Western closely monitors shifts in the yield curve, for the relationship between short, intermediate and long maturity securities is essential to constructing a long-term investment horizon. Risk is managed by controlling term structure relative to a target portfolio and by assessing the convexity of the Firm's holdings.

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. 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.

This information does not constitute any investment advice or investment recommendations. The analysis of this document is based on historic data, collected by Legg Mason Investments (Europe) Ltd sourced from Western Asset Management Ltd for its own use; the data is communicated for information purposes only.

Source for performance figures: Legg Mason Inc. 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. **Composite performance figures:** Please note that the composite performance figures are for illustrative purposes only and have been used to demonstrate the longer term track record of the investment strategy followed by the investment manager. There are differences between the composite and the related Fund, including differences in the number of holdings, strategy, the amount of assets under management, cash flows fees and expenses and applicable regulatory requirements, including investment and borrowing restrictions – this means the past performance of the composite is not indicative of the future performance of the Fund. Please refer to the additional disclaimer relating to the composite performance figures at the back of this document.

Western Asset US\$ Core Bond Fund

MANAGED BY WESTERN ASSET

US Core Investment Grade Futures & Options
Composite
Composite Inception Date: 31/12/88
Composite Creation Date: 31/12/99

	No. of Accounts	Mkt. Value (mil.)	Net Total Return	Gross Total Return	Lehman US Aggregate	% Firm Assets	Dispersion	Firm Assets (mil.)
1998	12	\$3,629	8.46%	8.78%	8.69%	7.30%	0.34%	\$49,701
1999	23	\$5,614	-1.39%	-1.10%	-0.82%	9.44%	0.27%	\$59,435
2000	27	\$7,996	12.85%	13.19%	11.63%	10.45%	0.36%	\$76,504
2001	23	\$5,490	9.06%	9.39%	8.44%	5.83%	0.48%	\$94,186
2002	25	\$8,468	9.93%	10.25%	10.26%	7.55%	0.69%	\$112,087
2003	24	\$9,919	5.94%	6.26%	4.10%	6.69%	1.04%	\$148,333
2004	26	\$11,411	5.24%	5.55%	4.34%	5.77%	0.33%	\$197,837
2005	26	\$9,700	2.02%	2.33%	2.43%	3.89%	0.32%	\$249,233
2006	27	\$11,334	5.45%	5.76%	4.33%	2.22%	0.93%	\$510,172
2007	24	\$11,797	3.06%	3.37%	6.97%	1.90%	1.44%	\$621,493
Q3 2008	22	\$9,686	-6.80%	-6.59%	0.63%	1.68%	1.75%	\$575,255

Western Asset has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

- For GIPS® purposes, the firm is defined as Western Asset, a fixed-income investment manager comprised of Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd., Western Asset Management Company Ltd and Western Asset Management Company Pty Ltd, with offices in Pasadena, New York, London, Singapore, Tokyo and Melbourne. Each Western Asset company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason"), but operates autonomously and Western Asset, as a firm, is held out to the public as a separate entity. Western Asset Management Company was founded in 1971.

In February 1996, Legg Mason, Inc. acquired Lehman Brothers Global Asset Management, Ltd. and renamed the acquired entity Western Asset Management Company Limited, at which time it was incorporated into the definition of Western Asset. In September 2000, Western Asset established Western Asset Management Company (Asia) Pte. Ltd. in Singapore. The Singapore office expanded in December 2003 when Legg Mason acquired Rothschild Asset Management (Singapore) Limited, thereby forming Western Asset Management Company (Asia), a division of Legg Mason Asset Management (Asia) Pte Ltd ("LMAMA"). In October 2006, Legg Mason reorganized its Singapore operations, and LMAMA was renamed Western Asset Management Company Pte. Ltd. ("Western Singapore").

In December 2005, Legg Mason, Inc. acquired a substantial part of Citigroup's worldwide asset management business. Citigroup's North American fixed-income asset management business was integrated into the legal entity Western Asset Management Company, and the fixed-income asset management business of Citigroup Asset Management Limited ("CAM Ltd"), located in London, was integrated into Western Asset Management Company Limited. As part of the Citigroup acquisition, Western Asset opened Western Asset Management Company Pty Ltd ("Western Australia") located in Melbourne, Australia. The fixed-income asset management business of Citigroup Asset Management Australia Limited was integrated into Western Australia. Similarly, the fixed-income asset management business of Citicorp Investment Bank (Singapore) Limited, and its affiliates in Singapore, were integrated into Western Singapore. In 2006, the accounts from these Citigroup offices transitioned to Western Asset and were incorporated into the definition of the Firm. Consequently, the historical composite performance records of accounts previously managed by Citigroup Asset Management meet the portability requirements set forth by GIPS®.

Western Asset's retail separately managed account business was integrated into the Firm in January 2006. From January 2006 through March 2007, Western Asset portfolio managers managed these portfolios as dual employees of ClearBridge Advisors, LLC and ClearBridge Asset Management Inc. (each a Western Asset affiliate). The portfolio managers follow Western Asset's investment process and have access to Western Asset's investment resources, expertise and investment outlook. Previously, these portfolios were managed by an unaffiliated business that was acquired by Legg Mason in December 2005 and subsequently integrated into Western Asset. Effective April 2007, Western Asset manages these portfolios as sub-adviser to its affiliate, Legg Mason Private Portfolio Group, LLC.

In March 2007 the fixed-income asset management business of Citigroup Advisors Co., Ltd. was integrated into Western Asset Management Company Ltd ("Western Japan") located in Tokyo, Japan and subsequently became part of the Firm.

- Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd., and Western Asset Management Company Ltd are registered investment advisors and are regulated by the Securities and Exchange Commission ("SEC"). Western Asset Management Company Limited is authorized and regulated by the Financial Services Authority in the United Kingdom. Western Asset Management Company Pte. Ltd. is registered as an investment advisor in Singapore and regulated by the Monetary Authority of Singapore. Western Asset Management Company Pty Ltd is regulated by the Australian Securities & Investments Commission and is the holder of Australian Financial Services License 303160. Western Asset Management Company Ltd is a financial instruments dealer whose business is investment advisory or agency business and investment management business with the registration number KLFID (FID) No. 427, and a member of JSIAA (membership number 011-01319).
- The Firm has been verified for the period from January 1, 1993 to December 31, 2007.
- Net investment results reflect the deduction of investment advisory fees, while the gross investment results do not. Actual returns will be reduced by advisory fees and any other expenses that may be incurred in the management of an investment account. For each strategy shown, net performance results have been reduced by the amount of the highest fee charged to any Western Asset client employing that particular strategy during the period under consideration. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Western Asset's fees are available upon request and also may be found in Part II of Western's Form ADV (only applicable to SEC registered entities).
- Composite performance results are time-weighted net of trading commissions and other transaction costs including non-recoverable withholding taxes.
- Investment fees have an effect on investment results. For example, assume that a client places \$1,000,000 under Western's management and the firm achieves a 10% compound annual return on a gross basis over ten years. If an advisory fee of 0.325% of average assets under management for the ten years was charged and deducted from the gross returns, the resulting compound return would be reduced from 10.0% per year to 9.6425% per year. The final dollar value of the account would be reduced from \$2,593,742 to \$2,510,668.
- The portfolios in the composites are all actual, fee-paying and performance fee-paying, fully discretionary accounts managed by the Firm for at least one full month. Investment results shown are for taxable and tax-exempt accounts and include the reinvestment of all earnings. Any possible tax liabilities incurred by the taxable accounts have not been reflected in the net performance.
- Additional information regarding policies for calculating and reporting returns is available upon request.
- The dispersion of annual returns is measured by the standard deviation of the asset-weighted portfolio returns represented within the composite. For each annual period, accounts with less than 12 months of returns are not represented in the dispersion calculation. Periods with five or fewer accounts are not statistically representative and are not presented.
- Futures and options may be used occasionally to hedge market exposure or in an effort to add incremental value to the portfolio. Generally, Western Asset does not use derivatives in a manner that would result in the portfolios being leveraged. Where portfolio guidelines permit, futures and options are used from time to time to implement new portfolio strategies with minimum cost to the portfolio. Multi-currency portfolios use forward foreign exchange transactions frequently to hedge currency risk.
- For strategies starting mid-year, the return shown in the inception year is for the composite and index since inception.
- All returns for strategies with inception prior to January 1, 1998 are available upon request.
- All data shown is as of period-end.
- Past investment results are not indicative of future investment results.
- To receive a complete list and description of Western Asset's composites and/or a presentation that complies with GIPS® standards, please contact Veronica A. Amici at 626•844•9535 or ramici@westernasset.com.