

Western Asset US\$ High Yield Bond Fund

MANAGED BY WESTERN ASSET

DATA AS OF 31 OCTOBER 2010

FUND PROFILE

FUND AIM

To provide a high level of current income by investing primarily in US dollar denominated high yield debt securities.

INCEPTION DATE

29.12.2004

FUND INDEX

Barclays Capital U.S. Corporate High Yield - 2% Issuer Capped Index (Lehman Brothers U.S. High Yield Index prior 01/12/2005).

TOTAL NET ASSETS OF ALL SHARE CLASSES

383.50m USD

MONTH END NAV - LM USD ACCUMULATING SHARE CLASS

1,479.53 USD

SEDOL - LM USD ACCUMULATING SHARE CLASS

B06BVB4

ISIN - LM USD ACCUMULATING SHARE CLASS

IE00B06BVB44

TICKER SYMBOL - LM USD ACCUMULATING SHARE CLASS

WAUHYBU

RISK STATISTICS (WEIGHTED AVERAGE)

Life	5.79 Years
Effective Duration	4.17 Years
Current Yield (gross of expenses) ²	8.39%
Cashflow Yield (gross of expenses) ²	7.48%
S&P Credit Quality	B+

MINIMUM SUBSCRIPTION

INSTITUTIONAL SHARE CLASS

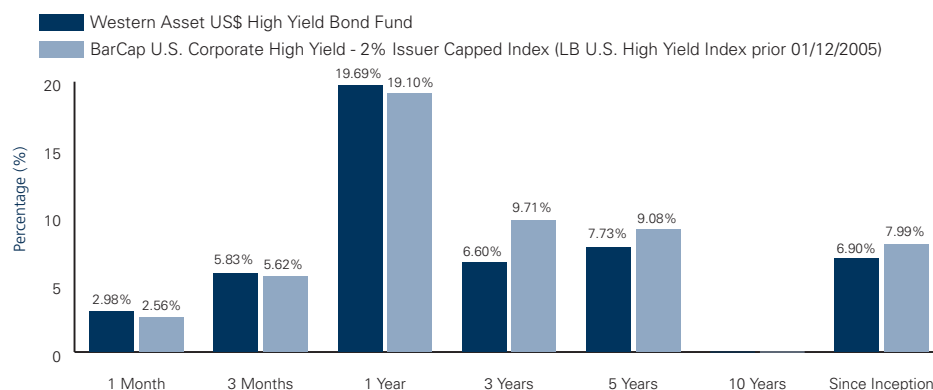
Initial Investment
- US\$5,000,000
Subsequent Investment
- US\$100,000

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	YTD
Fund - NAV	3.70%	12.92%	1.72%	-29.61%	54.00%	14.22%
Fund Index	2.74%	11.85%	1.87%	-25.88%	58.76%	14.20%

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	1 Mo	3 Mos	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 31.01.94
Composite	2.96%	5.83%	20.27%	7.53%	8.18%	7.60%	8.60%
Composite Index ¹	2.56%	5.62%	19.10%	9.71%	9.13%	8.58%	7.41%

Calendar Year Returns	2005	2006	2007	2008	2009	YTD
Composite	3.18%	12.73%	1.37%	-29.32%	56.72%	14.81%
Composite Index ¹	2.75%	10.76%	2.26%	-25.88%	58.76%	14.20%

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

COUNTRY OF ISSUE BREAKDOWN

Holding	Fund	Index
United States	84.90%	100.00%
Netherlands	1.99%	0.00%
United Kingdom	1.60%	0.00%
Mexico	1.51%	0.00%
Canada	1.00%	0.00%
Ireland	0.83%	0.00%
Germany	0.82%	0.00%
Luxembourg	0.68%	0.00%
France	0.61%	0.00%
Italy	0.57%	0.00%
Others	2.99%	0.00%
Cash & Cash Equivalents	2.51%	0.00%

CURRENCY OF ISSUE BREAKDOWN

Holding	Fund	Index
United States Dollar	96.34%	100.00%
Euro	1.16%	0.00%
Cash & Cash Equivalents	2.51%	0.00%

CURRENCY EXPOSURE

Holding	Fund	Index
United States Dollar	99.92%	100.00%
Euro	0.07%	0.00%
British Pound	0.01%	0.00%

SECTOR BREAKDOWN

Holding	Fund	Index
High Yield - Communications	16.00%	15.94%
High Yield - Consumer Cyclical	12.57%	18.11%
High Yield - Consumer Non Cyc.	11.17%	11.15%
High Yield - Energy	11.17%	8.42%
High Yield - Basic Industry	7.73%	9.33%
Corporate - Investment Grade	7.23%	0.00%
High Yield - Transportation	6.83%	2.28%
High Yield - Electric	6.68%	5.79%
High Yield - Finance Companies	3.63%	6.11%
High Yield - Capital Goods	3.24%	7.40%
High Yield - Technology	2.13%	5.42%
High Yield - Natural Gas	2.00%	3.25%
Others	7.12%	6.80%
Cash & Cash Equivalents	2.51%	0.00%

S&P CREDIT RATING BREAKDOWN

Holding	Fund	Index
A	0.27%	0.00%
BBB	1.52%	0.00%
BB	37.07%	38.54%
B	41.62%	41.01%
CCC & Below	17.01%	20.45%
Not Rated	0.00%	0.37%
Cash & Cash Equivalents	2.51%	0.00%

¹ Barclays Capital U.S. Corporate High Yield - 2% Issuer Capped Index (Lehman Brothers U.S. High Yield Index prior 01/12/2005).

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.

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INVESTMENT PHILOSOPHY

Western's high-yield credit philosophy is that the ability to integrate superior fundamental credit research with accurate relative value analysis should generate relative outperformance over a market cycle when proper risk controls are applied.

INVESTMENT APPROACH TO US\$ HIGH YIELD PORTFOLIOS

Macro overlay provides the framework for portfolio construction and biases sector overweights and underweights. Individual security selection based on fundamental credit research and relative value analysis directs Western's bottom-up process.

Western's High Yield portfolios are constructed using top-down economic and industry knowledge integrated with bottom-up fundamental credit research. Portfolio managers combine the Firm's economic assessment along with industry sector insights from its dedicated research staff to derive the general framework for portfolio construction. This framework provides the foundation for how the portfolio will be positioned with respect to risk (aggressive, neutral, conservative) as well as identifying sector overweights and underweights. Risk and weightings are formally re-visited on a monthly basis, but informally evaluated on a continual basis.

Once the general framework of the portfolio has been established, Western's bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with the portfolio managers to determine which credits provide clients with the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortisation schedule, underlying asset value, and management integrity/track record.

Western adheres to a rigorous sell discipline. Credits are considered for sale when they satisfy one of three objectives: the security meets or exceeds its respective relative value target, the risk associated with holding the security no longer justifies the expected return, or a material change has been made to the original investment premise that affects its fundamental valuation. In situations where a company is experiencing a perceived rapid credit deterioration (i.e., it breaks below a pre-determined price threshold), a team approach is employed to implement an immediate and comprehensive review within 24 hours. The goal of these reviews is to quickly allocate the necessary resources needed to make a timely and informed re-assessment of Western's position and determine the appropriate course of action.

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. 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. 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 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.

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MANAGED BY WESTERN ASSET

US High Yield Composite
 Composite Inception Date: 31/01/94
 Composite Creation Date: 31/01/94

	No. of Accounts	Mkt. Value (mil.)	Net Total Return	Gross Total Return	Custom Index	% Firm Assets	Dispersion	Firm Assets (mil.)
2000	7	\$1,060	-5.73%	-5.36%	-5.86%	1.39%	-na-	\$76,504
2001	6	\$619	5.09%	5.51%	5.28%	0.66%	-na-	\$94,186
2002	7	\$601	-2.16%	-1.77%	-1.41%	0.54%	-na-	\$112,087
2003	4	\$457	23.99%	24.47%	28.97%	0.31%	-na-	\$148,333
2004	2	\$533	11.01%	11.45%	11.13%	0.27%	-na-	\$197,837
2005	5	\$1,152	3.18%	3.59%	2.75%	0.46%	-na-	\$249,233
2006	16	\$7,627	12.71%	13.16%	10.76%	1.49%	-na-	\$510,172
2007	14	\$7,425	1.37%	1.78%	2.26%	1.19%	0.64%	\$621,493
2008	15	\$4,573	-29.32%	-29.03%	-25.88%	0.90%	0.75%	\$505,660
2009	10	\$4,893	56.72%	57.32%	58.76%	1.01%	2.23%	\$482,218
Q3 2010	9	\$2,949	11.50%	11.83%	11.35%	0.63%	0.37%	\$469,406

Description: Western Asset's US High Yield composite includes portfolios that employ an actively managed approach that is risk controlled and assimilates the Firm's top-down macro-economic views with credit analysts' fundamental and relative value views regarding industry and issuer opportunities in an effort to build and maintain a portfolio that generates superior risk-adjusted returns.

Objective: Exceed the benchmark return by 150 basis points annually over a 3- to 7-year period while approximating benchmark risk.

Benchmark Description: The current benchmark is the Barclays Capital U.S. High Yield 2% Issuer Cap Index. The Barclays Capital U.S. High Yield 2% Issuer Cap Index is the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield index. The Barclays Capital U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets are excluded, but Canadian and global bonds of issuers in non-EMG countries are included. Prior to 6/1/2005, the benchmark was the Lehman Brothers US High Yield Index. Prior to 6/1/2005, the benchmark was the Lehman Brothers US High Yield Index.

Base Currency: USD | **Composite Minimum:** US\$20 million

Fee Schedule: .40 of 1% on first US\$100 million, .20 of 1% on amounts over US\$100 million. The minimum separate account size is US\$50 million.

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

The Firm has been verified for the period from January 1, 1993 to December 31, 2009. Past investment results are not indicative of future investment results.

For GIPS® purposes, the Firm is defined as Western Asset, a primarily 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, Western Asset Management Company Pty Ltd, and Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários (DTVM) Limitada, with offices in Pasadena, New York, London, Singapore, Tokyo, Melbourne and São Paulo. 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.

The former Citigroup Brazil's asset management business, located in São Paulo, was integrated into Western Asset Management Company DTVM Limitada (previously known as Western Asset Management Company Limitada), and was subsequently incorporated into the definition of the Firm in March 2009.

The Firm is comprised of several entities as a result of various historical acquisitions made by Western Asset and their respective performance has been integrated into the Firm in line with the portability requirements set forth by GIPS.

The Composite is valued monthly. The Composite returns are the asset-weighted average of the performance results of all the accounts in the Composite. Investment advisory fees are not deducted in computing the gross of fee performance results. Net of fee results are calculated using the highest tier structure of the composite fee schedule. 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. Composite performance results are time-weighted net of trading commissions and other transaction costs including non-recoverable withholding taxes. Additional information regarding policies for calculating and reporting returns is available upon request.

The returns for the account in the Composite are calculated using a time-weighted rate of return adjusted for weighted cash flows. Prior to September 1, 2001, the Firm revalued each account when an external cash flow equal to or greater than 10% occurred in an account. Monthly performance returns prior to and after the date of the cash flow were calculated and geometrically linked to derive a monthly performance return. Effective September 1, 2001, the cash flow threshold was changed to 5% of each account's market value. The decrease in the threshold was made to enhance the accuracy of the accounts' returns. Trade date accounting is used since inception and market values include interest income accrued on securities held within the accounts. Performance is calculated using asset values denominated in a base currency. Composite assets at year-end presented in the Schedule are translated to U.S. dollars using end of year exchange rates.

Composite returns are measured against a market index. The market index is unmanaged and provided to represent the investment environment existing during the time periods shown. For comparison purposes, the market index is a fully invested index, which includes reinvestment of income, and its performance has been linked in the same manner as the Composite. The returns for this unmanaged index do not include any transaction costs, management fees or other costs.

The Composite dispersion of annual returns is measured by the standard deviation of asset-weighted account 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. Where account guidelines permit, futures and options are used to implement new account strategies with minimum cost to the account. Futures and options may also be used occasionally to hedge market exposure or add incremental value at the margin. At no time would the use of derivatives result in the accounts included in the Composite being leveraged.

A complete list and description of Western Asset's composites is available upon request. Please contact Veronica A. Amici at 626•844•9535 or ramici@westernasset.com. All returns for strategies with inception prior to January 1, 2000 are available upon request.