

## Western Asset US\$ Shorter Duration Fund

MANAGED BY WESTERN ASSET

DATA AS OF 29 FEBRUARY 2008

## FUND PROFILE

## FUND AIM

To maximise current income, consistent with the preservation of capital, by investing primarily in high quality, short-term US Dollar denominated debt securities.

## INCEPTION DATE

24.05.2004

## FUND INDEX

Merrill Lynch USD LIBOR 3-Month Constant Maturity Index

## TOTAL NET ASSETS OF ALL SHARE CLASSES

36.90m USD

## MONTH END NAV - INSTITUTIONAL JPY HEDGED ACCUMULATING SHARE CLASS

93,649.62 JPY

## SEDOL - INSTITUTIONAL JPY HEDGED ACCUMULATING SHARE CLASS

B011Z84

## ISIN - INSTITUTIONAL JPY HEDGED ACCUMULATING SHARE CLASS

IE00B011Z848

## TICKER SYMBOL - INSTITUTIONAL JPY HEDGED ACCUMULATING SHARE CLASS

WAUSTIJ

## FUND STATISTICS

Average Duration

0.15 years

Average Credit Quality

AA

Yield to Maturity

11.40%

## MINIMUM SUBSCRIPTION

## INSTITUTIONAL SHARE CLASS

Initial Investment

- US\$5,000,000

Subsequent Investment

- US\$100,000

## FINANCIAL INTERMEDIARY SHARE CLASS

Initial Investment

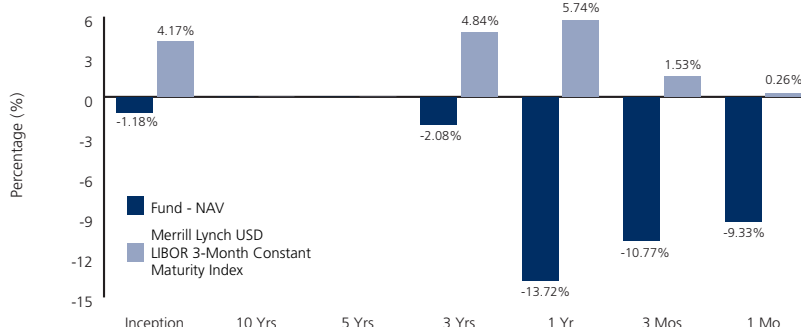
- US\$1,000,000

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	1.37%	2.95%	5.24%	-2.80%	-10.43%
Fund Index <sup>1</sup>	N/A	0.87%	3.14%	5.12%	5.61%	1.00%

\* From 24.05.04

## COMPOSITE PERFORMANCE (PRELIMINARY NET OF FEES IN USD)

Annualised Total Returns	Inception 31.12.87	10 Yrs	5 Yrs	3 Yrs	1 Yr	3 Mos	1 Mo
Composite	5.57%	3.40%	1.75%	1.35%	-5.50%	-3.71%	-3.02%
Composite Index <sup>2</sup>	5.02%	3.99%	3.55%	4.89%	5.20%	1.02%	0.25%

Calendar Year Returns	2003	2004	2005	2006	2007	YTD
Composite	2.61%	2.38%	3.60%	5.90%	-1.48%	-3.17%
Composite Index <sup>2</sup>	1.22%	1.68%	3.64%	5.40%	5.50%	0.59%

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	92.82%	100.00%
Euro-Zone	4.56%	0.00%
UK	2.03%	0.00%
Others	0.59%	0.00%

## CURRENCY ALLOCATION

Holding	Fund	Index
US	103.54%	100.00%
Euro	0.18%	0.00%
Japan	0.04%	0.00%
Australia	0.04%	0.00%
UK	-3.80%	0.00%

## SECTOR BREAKDOWN

Holding	Fund	Index
Mortgages	53.37%	0.00%
Investment Grade	23.14%	0.00%
Asset Backed	18.17%	0.00%
High Yield	3.69%	0.00%
Supranationals/Agencies	1.61%	0.00%
Governments	0.01%	0.00%
Cash & Other Securities	0.00%	100.00%

## CREDIT RATING BREAKDOWN

Holding	Fund	Index
AAA	55.55%	100.00%
AA	16.00%	0.00%
A	11.53%	0.00%
BBB	13.24%	0.00%
Not Rated	3.68%	0.00%

<sup>1</sup> Merrill Lynch USD LIBOR 3-Month Constant Maturity Index.<sup>2</sup> BBA LIBOR USD 3-Month Index.

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\$ Shorter Duration Fund

MANAGED BY WESTERN ASSET

## INVESTMENT PHILOSOPHY

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

- Value investing. Value investing for the long horizon is Western's fundamental approach. As sector rotators, the Firm seeks out the greatest 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.

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\$ SHORT TERM 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.** Western recognises that capital preservation is fundamental to the management of a short duration portfolio. At Western, the research professionals work with the Investment Strategy Group and portfolio managers to ensure that only the most credit-worthy securities are purchased. Given Western's bias toward preservation of capital in shorter maturity portfolios, securities are evaluated exhaustively to ensure against inherent risk factors that might violate the spirit of the investment guidelines.

**Duration.** Western recommends a duration of 0.50 years as the neutral position and a range of 0.2 year to 1 year, depending on market outlook. In short duration portfolios, Western typically maintains a duration slightly longer than that of the index because, even in neutral interest rate environment, the short end of the curve tends to have a positive slope resulting from a variety of technical factors including Money Market Rule 241, market segmentation theory, and liquidity premiums.

**Term 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 established as an open-ended investment company with variable capital incorporated with limited liability under the laws of Ireland. 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 information must be read in conjunction with the Prospectus and Simplified Prospectus which describes the full objective and risk factors associated with this Fund. 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. Fluctuations in exchange rates can affect the value of the Fund and the income from it. This document is for use by professional clients and eligible counterparties only - it is not aimed at or for use by retail clients. Source for performance figures: Legg Mason, NAV to NAV with gross income reinvested without initial charges but reflecting annual management fees. 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.

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US Enhanced Cash  
 Composite Inception Date: 31/12/87  
 Composite Creation Date: 01/01/94

	No. of Accounts	Mkt. Value (mil.)	Net Total Return	Gross Total Return	90 Day LIBOR	Dispersion	% of Assets Firm Assets (mil.)
1998	5	\$706	5.44%	5.65%	5.52%	-na-	\$49,701
1999	7	\$701	4.71%	4.92%	5.47%	0.77%	\$59,435
2000	9	\$2,488	7.44%	7.66%	6.56%	-na-	\$76,504
2001	10	\$5,958	5.96%	6.17%	3.61%	0.84%	\$94,186
2002	11	\$3,882	2.26%	2.46%	1.78%	0.44%	\$112,087
2003	19	\$6,217	2.61%	2.82%	1.22%	0.57%	\$148,333
2004	26	\$12,898	2.38%	2.59%	1.68%	0.43%	\$197,837
2005	35	\$20,240	3.60%	3.81%	3.64%	0.34%	\$249,233
2006	42	\$27,249	5.90%	6.12%	5.40%	0.31%	\$510,172
2007	48	\$29,379	-1.48%	-1.28%	5.50%	1.66%	\$621,493

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

1. 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 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 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") and Western Asset Management Company Ltd ("Western Japan"), located in Melbourne, Australia and Tokyo, Japan, respectively. The fixed income asset management business of Citigroup Asset Management Australia Limited was integrated into Western Australia, and the fixed income asset management business of Citigroup Advisors Co., Ltd. was integrated into Western Japan. Similarly, the fixed income asset management business of Citicorp Investment Bank (Singapore) Limited, and its affiliates in Singapore, was 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 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. These portfolio managers have access to Western Asset's fixed income investment resources, expertise and investment outlook and follow Western Asset's investment process. Effective April 2007, Western Asset manages these portfolios as sub-adviser to its affiliate, Legg Mason Private Portfolio Group, LLC.

- Western Asset Management Company, Western Asset Management Company Limited and Western Asset Management Company Pte. 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 registered investment advisor in Japan (KLF 1319), a licensed discretionary investment adviser (Prime Minister 71), a member of JSIAA (membership number 011-01319) and is currently applying for registration with the SEC.
- The Firm has been verified for the period from January 1, 1993 to December 31, 2006.
- 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. 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 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 necessarily 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.