

Legg Mason Investments

UK-domiciled ICVC

Report Issued: August 2009

Peer Group:

Global Mainstream Equities

Fund Manager/Adviser:

Paul Ehrlichman (since launch),

George Foley (since launch)

Location:

Wilmington, Delaware

Launch Date: May 2008

Fund Size (June 2009):

£0.517m

Group Contact No:

+44 207 070 7444

Website:

www.leggmason.co.uk

S&P ID Number: SB274142

Share class screened:

A Acc



INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

AS THE FUND IS UNDER THREE YEARS OLD THERE IS INSUFFICIENT PERFORMANCE DATA FOR RISK/RETURN ANALYSIS.

CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Further information on S&P's fund coverage can be found at www.FundsInsights.com

Performance Data Source - © 2009 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 29/05/2009 on NAV to NAV basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (JULY 2009)

This fund follows a disciplined dividend strategy that is distinct from but highly compatible with the team's core quality/value approach. Income delivery is its prime responsibility and the managers emphasise protection of income over capital growth. The fund has a gross historic yield of 3.72%.

The fund is run by Global Currents, an autonomous business within the Legg Mason Group. It split off from Brandywine (another Legg Mason subsidiary) in October 2006; CIO Paul Ehrlichman and Sean Bodga worked together at Brandywine for 18 years, before setting up Global Currents with other team members. This fund is co-managed by Paul Ehrlichman and George Foley, with Foley responsible for day-to-day fund positioning.

The approach uses a quant model to guide fundamental research. In this fund the team's dedication to quality as well as value is reflected in

focus on dividend growth in addition to well-covered high dividend stocks.

These value characteristics are distinct from those apparent in the team's core approach, targeting dividend yield in favour of cashflow yield and having a more focused list of stocks. Tracking error is large and stock selection can lead to aggressive regional and sector bets. At present, for example, the fund has 13% in Asia and an off-benchmark position of 11% in emerging markets.

Highly volatile markets have led the team to reconfigure their quant model. However, the yield prerequisite on this strategy means it is less affected by these changes. The fund has made a good start, outperforming the peer group and benchmark by over 4% since launch. This is an encouraging start and the fund retains its S&P A (New) rating.

FACT FILE

Group: Legg Mason Investments is part of Legg Mason Inc, a global asset management company with a history stretching to 1899, and listed on the NYSE since 1983. After acquiring the asset management part of Citigroup in December 2005, Legg Mason became the fifth-largest money manager in the US.

Team: Global Currents' investment team has five portfolio managers (average 21 years' experience) and seven analysts (average 11 years). Four of these have joined since Q2 2008.

Fund Manager: Global equity CIO Ehrlichman manages this fund and has global research responsibilities for industrials and technology. He has 25 years' experience.

Style: This is a 40-80 stock portfolio built bottom-up through a disciplined value-oriented process, targeting stocks with current dividend yield above 1.5%.

Performance: Since launch to 29/05/2009, the fund has returned -31.6%, compared with -35.9% for the sector median and -34.2% for the index**, ranking 770/3620.

FUND MANAGER & TEAM

Global Currents Investment Management was set up in May 2008 by the global equity value team at another Legg Mason subsidiary, Brandywine. It is an autonomous affiliate within Legg Mason and its expertise is in global equity mandates run with a clear value bias and an emphasis on bottom-up stock selection. With over \$4.5bn assets under management, the investment team comprises five portfolio managers, seven research analysts and two traders.

Paul Ehrlichman - global equity CIO - finance & quant analysis (La Salle University), has been an analyst and manager of US and international equity portfolios since 1983 when he was at First Pennsylvania Bank. In 1984 he moved to Provident Capital Management, then to Brandywine in 1988.

George Foley - Portfolio Manager - B.S. Science (Lasalle University), MBA Finance (Drexel University). CFA. Began his career as an analyst at Cigna Corporation in 1980, moving to SEI Corporation, Walnut Asset Management and then Glenmede Trust Company in portfolio management roles. Joined Global Currents Investment Management as a portfolio manager in early 2008, with responsibility for the financial, energy and utility sectors.

PORTFOLIO CHARACTERISTICS

No. of holdings	71
Turnover ratio (%)	N/A
% in top 10	22

TOP 10 HOLDINGS (01/06/09)

	%
Total	2.8
Lorillard	2.5
Taiwan Semiconductor Manufacturing	2.5
BNP Paribas SA	2.4
Diamond Offshore Drilling	2.1
EnCana	2.1
Gold Fields	2.1
Bristol-Myers Squibb	2.0
PARK24	2.0
Schering Plough Corporation	1.9

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (01/06/09)

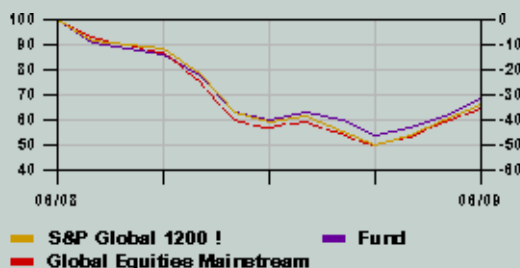
	Index %**	Fund %
Basic materials	6.3	8.7
Cash/bonds	-	6.4
Consumer discretionary	8.3	7.1
Consumer staples	11.2	8.6
Energy	11.9	10.2
Financials	18.2	22.2
Healthcare	11.4	6.0
Industrials	10.5	8.3
Information technology	10.4	7.2
Others	-	0.0
Telecoms	6.2	5.3
Utilities	5.7	10.0

Units III permits net fund exposure to be less or greater than 100%.

PERFORMANCE STATISTICS

	Launch
Fund	-31.6%
Standard & Poor's Peer Median	-35.9%
Index**	-34.2%
Fund Rank	770/3620
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

CUMULATIVE PERFORMANCE



LEGG MASON GLOBAL EQUITY INCOME FUND

Peer Group: Global Mainstream Equities



MANAGEMENT STYLE

The fund aims to outperform the MSCI World index by an average of 3% pa over a full market cycle and provide a yield of at least 3-4%.

The universe of over 17,000 stocks is screened for liquidity (minimum \$300m market cap). A quantitative model, run monthly, compares and scores each stock's P/E, P/B and P/CF ratios relative to sector, country and historic levels over rolling 60-month periods. For this product, the emphasis is on stocks with a dividend yield above 1.5%. Companies with deteriorating fundamentals are eliminated. Further in-depth fundamental analysis focuses on stocks ranked in the top half of the screen.

Company visits and meetings with suppliers and competitors help develop an understanding of the business.

The portfolio is built in a collegial fashion and consensus is sought. Stock weights tend to be within 1-3%, based on upside potential, downside risk, level of conviction and the impact on diversification.

Risk is controlled using formal maximums of 5% for stocks, 15% for industries and 35% for sectors. US exposure cannot exceed 75%, Europe and Asia 50% and emerging markets 15%. Tracking error ranges between 6-8%. Turnover is expected to be around 40-70%.

PORTFOLIO REVIEW

At 71 stocks, there has been a considerable expansion in the number of holdings. A year ago the US mutual fund (run on the same model) held 48.

Geographically, the fund has a half weight in both the US and the UK, favouring Japan, Asia and a 11% off-benchmark exposure to emerging markets.

Sector weightings favour utilities, financials and, to a smaller extent, materials. At review, the fund was underweight the defensive sectors of consumer staples and healthcare and was also underexposed to IT.

The cap split shows a heavy bias to smaller-cap companies, with 31% of the fund invested in companies capitalised below \$2bn, compared with 5% of the index. It is most underweight the top of the size range.

Unsurprisingly, valuation metrics show a substantially higher-than-index dividend yield (5.3% against 3.6%) and slightly lower P/B ratio. On P/E and P/CF ratios, however, the fund is above index, paying up for quality and earnings.

PERFORMANCE ANALYSIS (JUNE 2009)

The dividend yield strategy, with its mix of yield and dividend growth, has done well relative to benchmark since launch in May 2008. It has outperformed the sector median fund by 4.3%, placing it in the top quartile of the peer group. It has also outperformed the benchmark index by 4.6% after fees. The fund has a gross historic yield of 3.7%.

The real focus of performance for this fund is the dividend and the managers' first priority is to protect the income. The yield discipline

means that if stock selection leads to capital gains, these may not be locked in if the yield still falls within the fund's target range. Performance attribution is predominantly stock specific. Over the past 12 months Autobank 7, Diamond Offshore, DBS Group and Haw Par Corp all made strong contributions. Capital good stocks Shanghai Electric, MTU Aero Engines and Zhejiang Expressway also helped, though the exposure to materials detracted recently.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2005		2006		2007		2008		YTD 29/05/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/		/		/	9.2	1899/3601
Index**	10.2		21.5		10.2		-40.1		7.4	
Median	9.4		21.3		10.6		-43.6		9.5	

** S&P Global 1200 (Industry)

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