

Legg Mason Investments
Sub-fund of UK authorised ICVC

Report Issued: January 2009

Peer Group:

South East Asian Equities

Fund Manager/Adviser:

Team

Location:

Boston

Launch Date: February 2004

Fund Size (November 2008):

£55.2m

Group Contact No:

+44 20 7070 7444

Website:

www.leggmason.co.uk

S&P ID Number: SB299014

Share class screened:

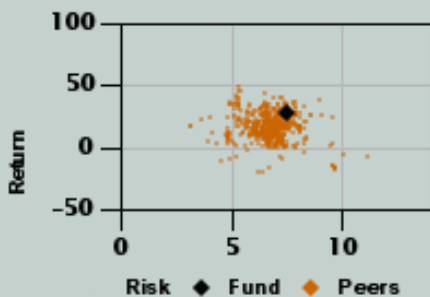
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INVESTMENT STYLE

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

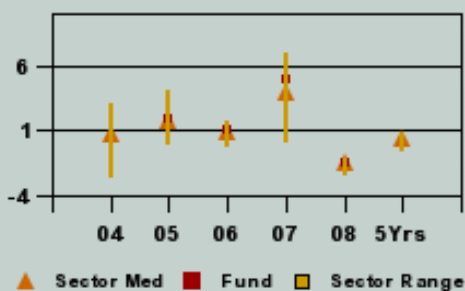
RISK RETURN (STD DEVIATION) OVER 3 YEARS



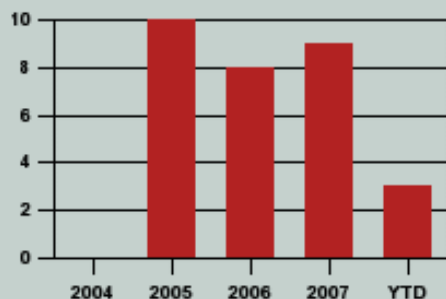
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Medium	-49.0
Volatility	Medium	26.1
Correlation	High	1.0
Beta	High	1.2

SHARPE RATIO VS PEER GROUP



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.funds.standardandpoors.com

Performance Data Source - © 2008 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 30/09/2008 on Bid to Bid basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (NOVEMBER 2008)

The fund is managed by Legg Mason's Boston-based Batterymarch emerging markets team. The investment approach uses the same disciplined quantitative process Batterymarch apply in developed markets, but incorporates a qualitative assessment to pick up more intangible factors.

Following Curtis Butler's departure, Ray Prasad is now lead manager of this Asia ex-Japan fund although it is a team approach. Butler's main analytical responsibility was coverage of South Korea, the second-largest market in the fund's benchmark. However, we are reassured that the experienced head of team David Lazenby has stepped in to cover this market and believe that the team is sufficiently experienced and resourced given the investment approach.

Although the team is relatively small, it covers a large number of companies through disciplined use of a

quant model. The model assesses four equally weighted metrics - value and cashflow; earnings growth; expectations; and technicals. This enables the managers to very quickly narrow down the universe to the most attractive stocks. Fundamental analysis is essentially a means of rejecting stocks the model suggests. This may take place for several reasons, ranging from the geo-political to management quality. Stock rankings are also aggregated up to provide a country ranking with the most attractive countries then overweighted in the portfolio.

This disciplined and consistent approach with an integrated qualitative assessment has resulted in strong stock selection and a strong peer relative ranking since launch. The fund retains an S&P AA 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: The fund is managed by Batterymarch's emerging markets team of five portfolio managers and one quant analyst. The team manages \$5.2bn in emerging market equities.

Fund Manager: Portfolio manager Ray Prasad has 13 years' experience. He is supported by David Lazenby who has 21 years' experience and Courtney Wei who has six years' experience.

Style: Primarily bottom-up, blending quantitative screening with qualitative fundamental analysis. The fund typically exhibits above-market growth characteristics and a bias to mid-/small-caps.

Performance: Over the three years to 30/09/2008, the fund has returned 28.0%, compared with 16.3% for the sector median and 13.5% for the index, ranking 82/541.

FUND MANAGER & TEAM

Batterymarch's emerging markets team is based in Boston and consists of five portfolio managers and one quantitative analyst. The team is headed by David Lazenby who is also responsible for covering the Korean market. Ray Prasad is the lead portfolio manager while also focusing on South East Asia and China, he joined in 1996 and has 13 years' investment experience. They are supported by Courtney Wei.

David Lazenby - graduate (Brigham Young University), CFA, has been on the emerging markets team since 1987, and became head in 2003.

Ray Prasad - (Delhi University), CFA, MBA, MS (Boston) joined Batterymarch in 1997 as an emerging markets analyst, becoming a portfolio manager in 2000. He has had primary responsibility for Asia since 2005, and has 13 years' investment experience.

PORTFOLIO CHARACTERISTICS

No. of holdings	108
Turnover ratio (%)	73
% in top 10	27

TOP 10 HOLDINGS (01/11/08)

	%
China Mobile	5.3
Samsung Electronics	4.3
Taiwan Semiconductor - SP ADR	2.9
Ind & Comm bank of China	2.6
KT&G	2.6
Taiwan Mobile	2.5
Samsung Fire & Marine Insurance	1.9
LG Corp	1.8
Shinhan Financial	1.8
LG Electronics	1.7

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (01/11/08)

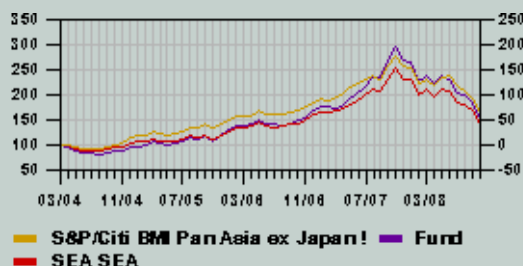
	Fund %
Cash	7.0
China	24.0
Hong Kong	10.0
India	8.0
Indonesia	2.0
Korea	24.0
Malaysia	2.0
Others	0.0
Philippines	1.0
Singapore	5.0
Taiwan	16.0
Thailand	1.0

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

PERFORMANCE STATISTICS

	3 Years
Fund	28.0%
Standard & Poor's Peer Median	16.3%
Index**	13.5%
Fund Rank	82/541
Standard Deviation	26.1
Relative Standard Deviation	1.1
Volatility Adjusted Ranking	111/541

CUMULATIVE PERFORMANCE



LEGG MASON FUNDS ICVC LEGG MASON ASIA PACIFIC FUND

Peer Group: South East Asian Equities



MANAGEMENT STYLE

• The approach blends disciplined quantitative screening with qualitative fundamental analysis.

• Around 1,500 South East Asian stocks are assessed. Only those stocks with over \$1m daily trading volume and minimum coverage by three analysts are considered for screening purposes. Stocks are ranked using four, equally weighted criteria: valuation and cashflows, earnings growth, expectations, and technicals.

• Stocks ranked in the first quintile are deemed potential "buys". Fundamental analysis, stressing management quality, business structure and the competitive environment, is then undertaken, supported by company visits.

• The portfolio contains 80-120 stocks and positions above 5% of assets generally trigger partial sales. Bottom- and second quartile stocks are also sold. A proprietary model ranks each market's outlook to ensure country exposure fits with the bottom-up results. Annual turnover is generally 80-120%.

• Deviations from the MSCI AC Asia ex-Japan index benchmark are typically +/-7% at country and industry level and +/-1.5% at stock level, ensuring exposure to the largest index constituents. Mega-caps are restrained within +/-10%. Cash is maintained at operating levels.

PORTFOLIO REVIEW

At review, the number of holdings had fallen from 119 to 108 as the fund's investable universe fell, with stocks capitalised above \$1m in daily trading volume declining from 1,500 to around 1,200.

At country level the largest change was to the weighing in India, which had fallen from an overweight to an underweight during the year as the model moved towards more defensive factors and consequently an increase in Taiwan. Cash at 7% was at a higher level than usual.

The telecom sector was most overweight, driven by value factors in the model, with Chunghwa and Taiwan mobile among the largest active bets. Financials remained underweight reflecting an overweight to insurance companies and an overweight to banks and real estate, although the portfolio was beginning to move back into Taiwan and Indian banks.

Style Research showed the small-cap bias to be less clear but mid-caps remained overweight and overall the portfolio had a growth tilt relative to benchmark.

PERFORMANCE ANALYSIS (OCTOBER 2008)

This fund ranks in the top decile over three years. Performance success can be attributed to the systematic and disciplined investment process and strong stock selection, while the portfolio's small- and mid-cap bias has also been helpful until more recently.

Taiwanese financials. 2007 returns held up during the market corrections. Stock selection in South Korea (insurance stocks) was also strong and the underweight to Taiwan added value.

In 2005 successful stockpicking in, and the overweight to, Korea contributed significantly to top-decile returns. However, in 2006 performance was held back by a couple of stock-specific Korean small-caps that misled the market in January and an early move into

Returns are behind median in 2008 but have improved after being hit in January by country positioning (overweight Korea and India and underweight Taiwan) and then hurt again as these markets bounced in February, after the portfolio had moved into more defensive value markets such as Taiwan.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 30/09/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/	34.2	6/548	36.1	142/612	49.6	79/689	-43.4	548/677
Index**	28.5		25.3		28.7		32.0		-35.8	
Median	15.3		19.6		31.2		36.4		-39.1	

** S&P/Citi BMI Pan Asia ex Japan!

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