LEGG MASON FUNDS ICVC LEGG MASON STERLING CORPORATE PLUS BOND FUND

Sub-fund of UK-authorised Oeic
Legg Mason Investments

STANDARD & POOR'S

STANDARD & POOR'S NR FUND MANAGEMENT RATING

Named portfolio manager(s):
Ian Edmonds (since October 2003) / Team
Peer group: Global Bond Funds in Sterling Hedged

Location: London
Launch date: February 1998
Fund size (January 2009): £96m

Report date April 2009

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

Investment Style

	Inv Grade	Blend	Sub Inv Grade
Govt			
Corp			
Emerging			
ABS/MBS			

Performance Statistics

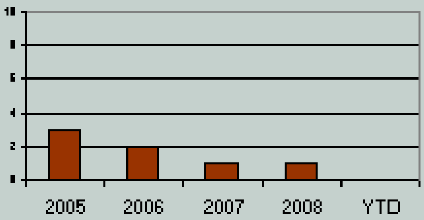
	3 Years
Fund	-22.1%
Standard & Poor's Peer Median	6.6%
Index**	21.6%
Fund Rank	11/11
Volatility Adjusted Ranking	-/11

Note: returns are cumulative

3 Year Risk Characteristics

Maximum Drawdown (%)	-24.1
Volatility	7.5
Correlation	-0.1
Beta	-0.1

Calendar Year Decile Ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank 9, with tenth decile as rank 1.

Standard & Poor's opinion (March 2009)

The fund has undergone mandate and benchmark changes over recent years. Legg Mason changed it to a corporate bond fund in 2002, before adding high yield and currency-hedged non-sterling bonds to its investable universe a year later. The benchmark was reconfigured again in May 2007, by reallocating 10% from high yield to investment grade sterling bonds. Its latest composite benchmark (applicable from January 2008) is 25% Barcap Global Aggregate (GBP hedged), 60% Merrill Lynch Sterling Non-Gilts and 15% Barcap Global High Yield xCMBS xEMB 2% Cap (GBP hedged). The fund was previously known as the Legg Mason Strategic Bond Fund.

Stephen Walsh has been promoted to CIO from his position as deputy, but Western Asset Management's fixed income capability otherwise remains relatively stable and well resourced.

Western subscribes to a deep value investment approach, but began adding to beta risk very early on into the credit bear market, with a particular preference for subordinated financials, MBS and high yield.

Performance ranks bottom quartile over three and five years cumulatively following a very difficult 2008 when it trailed its benchmark by 17.8% before fees.

Notwithstanding a deep value bias, the team has also been guilty of overweighting the worst-performing spread sectors. In our opinion, Western has not demonstrated enough flexibility and pragmatism in its investment process to help mitigate the significant capital erosion suffered. The fund has been downgraded to Not Rated by S&P.

Fund manager & team

Western Asset Management, based in Pasadena, is owned by Legg Mason. It is a specialist fixed income manager with more than 120 investment professionals managing over $500bn.

Ian Edmonds - graduate (University College, London), started his career with Bacon & Woodrow. In 1994 he joined Lehman Brothers Global Asset Management, later acquired by Western Asset Management. He covers European high yield markets.

Stephen Walsh - CIO - BS finance (University of Colorado), started his career in 1981 as a portfolio manager at Atlantic Richfield, running limited-duration portfolios, and moved to Security Pacific Investment Managers in 1988. He joined Western Asset Management in 1991.

Management style

The fund invests in a broad range of fixed income securities, with the aim of achieving a high income while mitigating capital erosion. The internal composite benchmark comprises 25% Barcap Global Aggregate (GBP hedged), 60% Merrill Lynch Sterling Non-Gilts and 15% Barcap Global High Yield xCMBS xEMB 2% Cap (GBP hedged). It was originally an income fund, so it is managed with an eye to maintaining reasonable dividends.

The approach is team based. The portfolio manager applies the yield curve and credit positioning targets set by Western Asset Management's investment strategy committee and selects securities from those favoured by the research analysts. The analysts cover markets regionally, but make cross-currency comparisons to identify undervalued securities.

Western Asset Management adopt a long-term value driven investment approach, with a bias toward spread sectors, including corporate bonds, asset-backed and mortgage-backed paper and emerging markets debt. Unhedged currency exposure is capped at 20% but is unlikely to reach this.

Holdings are diversified, with individual high-yield issuers limited to a maximum 1% of assets. Up to 2% may be held in a BBB-rated issue.

Please see page 3 for required research analyst certification disclosure.

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STANDARD & POOR'S **NR** FUND MANAGEMENT RATING

Portfolio & performance analysis (January 2009)

Western Asset Management began adding credit risk in the fourth quarter of 2007 at the expense of government bonds and emerging markets debt. The team had been wary of LBO risk affecting industrials earlier in the year and maintained its preference for financials during late 2007/early 2008. A significant proportion of the financials exposure is in Tier 1 paper. The manager stopped adding to the sector in the first quarter of 2008. More generally, he thinks new issues will represent the best opportunities in corporate credit because they will be priced at a discount to the secondary market.

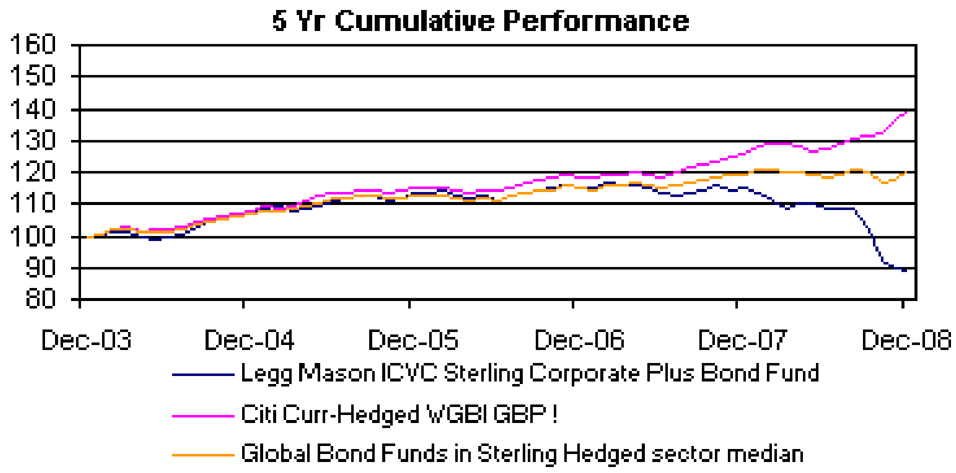
The fund had a substantial inflow before Christmas 2008, most of which was invested in mortgages. Government bond exposure is in gilts and bunds. The team had favoured euro exposure as the ECB's initial hawkish stance meant German government debt, in particular, presented strong upside potential.

Exposure to TIPS was increased towards the end of 2008 on the view they provided cheap insurance against future inflation. The portfolio currently has a small allocation to Turkey but otherwise has no other emerging markets debt exposure. All currency risk was hedged back into sterling at the time of review.

On the back of a particularly tough 2008, the fund now ranks bottom quartile over three and five years cumulatively. Over three years, it lags its composite benchmark by 730bps annualised (before fees).

All spread sectors lost ground to Treasuries last year, although this fund was invested heavily in those worst hit, namely subordinated financials and high yield. An underweight in high-quality government debt meant the fund missed out on the flight to quality, while the decision to hedge out all currency risk meant the team was also unable to benefit from sterling's weakness during 2008.

Cumulative performance



Discrete Performance (calendar years)

	2005		2006		2007		2008		YTD 31/12/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	5.4	7/10	1.5	9/11	-0.1	11/11	-23.1	12/12		/
Index**	6.6		2.7		6.1		11.5			
Median	5.6		2.4		3.2		-0.2			

** Citi Curr-Hedged WGBI GBP!

Fund Benchmark: 25% Barcap Glbl Agg (£ hdgd) + 60% ML £ Non-Gilts + 15% Barcap Glbl HY xEMB xCMBS 2% Cap (£ hdgd)

Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
A	4.25	0	1.25	1.64	3,000		GB0033505313

Registered for sale	United Kingdom,

Sources of return (01/01/09)

	Low	Average	High
Portfolio Duration		■	
Credit Spreads			■
Country / Sectors			■
Yield Curve Positioning		■	
Currency Exposure	■		
Derivatives	■		

Portfolio characteristics

Effective duration (years)	5.59

Credit rating breakdown by CTD* (01/01/09)

	Long	Short	Net
AAA	0.18	0.00	0.18
AA	0.13	0.00	0.13
A	1.96	0.00	1.96
BBB	1.46	0.00	1.46
BB	0.30	0.00	0.30
B & below	0.44	0.00	0.44

Duration breakdown (01/01/09)

	Long	Short	Net
0-3 years	0.46	0.00	0.46
3-5 years	0.98	0.00	0.98
5-10 years	2.58	0.00	2.58
10+ years	1.57	0.00	1.57

Asset allocation by CTD (01/01/09)

	Long	Short	Net
Governments/supranationals	1.16	0.00	1.16
Corporates	3.43	0.00	3.43
ABS/MBS/covered	0.97	0.00	0.97
Emerging market debt	0.03	0.00	0.03

Regional breakdown by CTD* (01/01/09)

	Long	Short	Net	Curr %
Europe ex-UK	0.34	0.00	0.34	0
Japan	0.05	0.00	0.05	0
North America	1.36	0.00	1.36	0
UK	3.81	0.00	3.81	100

* CTD = Contribution to duration. Credit rating exposures are expressed in spread duration terms.

STANDARD & POOR'S

Symbols and Definitions

Long-Only Fund Ratings

AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and performance consistency of the management team and/or approach as compared to funds with similar objectives.

AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-Hedge-Fund Ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Absolute Return Fund Ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

All Fund Ratings

NR Funds designated as NR (Not Rated) currently do not meet the requisite performance standards and/or the minimum qualitative criteria.

UR Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

New Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

Bond Fund Volatility Ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of the highest quality fixed-income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or liquid securities.

V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute Return Fund N Ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.

10/14/2008