

Legg Mason Investments
Sub-fund of Irish domiciled open-ended investment company

Report Issued: July 2009

Peer Group:
Global Emerging Markets Equities

Group Contact No:

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Fund Manager/Adviser:

Website:

Team

www.leggmason.co.uk

Location:

S&P ID Number: EM276121

Boston

Share class screened:

Launch Date: April 2008

A USD Acc

Fund Size (May 2009):

US\$43m



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 30/04/2009 on NAV to NAV basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (JUNE 2009)

The fund is managed by Legg Mason's Boston-based BatteryMarch, using the same robust quantitative approach it applies to asset management in all areas. However, as in Asia, the process in emerging markets is tempered with a qualitative component at the final stock selection stage.

The emerging markets team remains six strong, although both Curtis Butler and Emin Rasulov left the firm over the last year. However, with Nathalie Wallace returning in early 2009, average portfolio management experience within the team has actually gone up. Although relatively small, the disciplined use of the quant model allows the team to cover a lot of ground.

At year-end, the team increased the number of "dimensions" in the model from four to five with cashflow becoming a separate equally weighted

component. Increased frequency of reporting from companies within the investment universe has convinced the team it could bring the model into line with the developed markets model. This enhancement has worked so far in 2009.

The quant model is rigorously followed, even in difficult conditions such as now, with the fundamental analysis essentially a means of rejecting stocks the model suggests. This may take place for several reasons, ranging from the geopolitical to management quality. The managers have used this to good effect and have added value over and above the models recommendations.

Despite this fund's underperformance since launch, the disciplined and consistent approach has produced strong returns over the longer term, allowing the fund to retain 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 quantitative analyst. The team manages around \$3.4bn in global emerging markets including Asia ex-Japan.

Fund Manager: The fund is managed by the Boston-based emerging markets team of six. The five portfolio managers have an average of over 14 years' investment experience. The team is headed by David Lazenby.

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: Since launch to 30/04/2009, the fund has returned -49.6%, compared with -45.4% for the sector median and -42.6% for the index**, ranking 456/571.

FUND MANAGER & TEAM

BatteryMarch's Boston-based emerging markets team headed by David Lazenby consists of portfolio managers Ray Prasad, Nathalie Wallace, Claudio Brocado and Courtney Wei. They are supported by quantitative analyst Jana Minn. The team manages some \$3.4bn in GEM including Asia ex-Japan.

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.

Nathalie Wallace - BBA (ISG Business School, Paris), CFA French equivalent 17 years' investment experience. Held EM research and portfolio responsibilities at Wellington Management Company and Baring Asset Management before moving to BatteryMarch as a portfolio manager on the EM team. She then joined Delta Partners, becoming a partner and manager for an EM hedge fund, before rejoining BatteryMarch in 2009.

PORTFOLIO CHARACTERISTICS

No. of holdings	194
Turnover ratio (%)	N/A
% in top 10	24

TOP 10 HOLDINGS (01/05/09)

	%
Petrobras	4.0
Samsung Electronics	3.2
Cia Vale do Rio Doce	2.9
Gazprom	2.9
America Movil	2.4
Itau Unibanco Banco Multiplo	2.1
China Mobile	1.8
Lukoil	1.7
Mobile Telesystems	1.5
MTN	1.4

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (01/05/09)

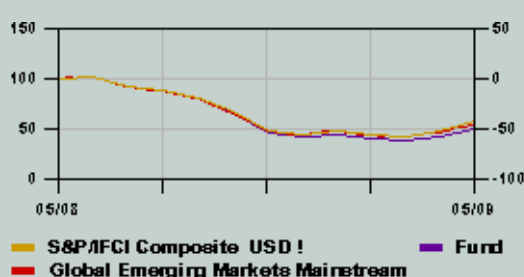
	Fund %
Brazil	17.1
Cash	1.0
Chile	0.9
China	17.7
Egypt	0.3
India	5.6
Indonesia	2.4
Israel	0.9
Kazakhstan	0.3
Malaysia	0.2
Mexico	4.6
Pakistan	0.6
Phillippines	0.3
Russia	8.8
South Africa	9.0
South Korea	15.3
Taiwan	10.8
Thailand	1.0
Turkey	3.2

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

PERFORMANCE STATISTICS

	Launch
Fund	-49.6%
Standard & Poor's Peer Median	-45.4%
Index**	-42.6%
Fund Rank	456/571
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

CUMULATIVE PERFORMANCE



LEGG MASON GLOBAL FUNDS PLC BATTERYMARCH EMERGING MARKETS EQUITY FUND

Peer Group: Global Emerging Markets Equities



MANAGEMENT STYLE

- The approach blends disciplined quantitative screening with qualitative fundamental analysis. The aim is to outperform the MSCI Emerging Markets index.
- Over 1,750 emerging markets stocks are assessed daily. Only stocks with over \$1m daily trading volume and minimum coverage by three analysts are considered for screening purposes.
- Stocks are ranked using five equally-weighted criteria - value, cashflow, earnings growth, expectations and technicals. Factors within each criterion are considered monthly and altered as necessary.
- Stocks ranked first quintile are potential buys. Fundamental analysis - stressing management quality, business structure and the competitive environment - is then undertaken and is supported by company visits.
- A proprietary model ranks each market's outlook to ensure country exposure fits with the results bottom-up. Annual turnover is 80-100%.
- A portfolio of 180-200 stocks is constructed within the following risk controls, against the benchmark: top quintile (buy) +1%; top half (hold) neutral; remainder (sell) zero; stocks exceeding 2% of the benchmark will always be held, with the exact weight depending on the manager's convictions.

PORTFOLIO REVIEW

The number of stocks in the portfolio increased from 161 to 194 as smaller bets were taken at stock level.

On a country basis, positioning was relatively restrained with all countries within 2.5% of their benchmark weighting, compared to the 5% allowance. This reflected the manager's caution. The largest overweights were Brazil, which represents an indirect play on China, and Russia on relative valuation grounds. Within the strategy, direct exposure to China has shifted the most over time, moving from a

5% overweight to underweight in October 2007 and back to overweight in October 2008.

The largest sector overweight was to consumer discretionary. All other sectors, including the materials and financials weightings, the largest bets at launch, were closed to neutral.

Turnover picked up a little in 2008 and was about 20% above the 100% average as a result of diversifying and also because of the cashflow factor being split out.

PERFORMANCE ANALYSIS (APRIL 2009)

The fund was only launched in April 2008 and performance since then is what we would expect from a fund that relies on a quantitative process given the extreme volatility in markets. The rotations in December and March were particularly difficult for the model.

The group's emerging markets strategy, in line with which the Oeic is managed, has a longer track record. Composite returns are ahead of the MSCI Emerging Markets index by 5% a year (gross) annualised over 10 years. In discrete terms, it has outperformed

the index in seven of 11 calendar years. Particularly strong performance was achieved in 2007 (28% against 22%) when the overweighting to capital goods, and stock selection contributed strongly in Taiwan, Brazil and South Africa.

Performance is driven by stock selection. However, there are times when industries or countries are the drivers: in 2006 the overweight in China helped. This was reduced midway through 2007, which initially aided but then hindered performance.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2005		2006		2007		2008		YTD 30/04/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/		/		/	13.0	450/638
Index**	35.2		35.1		40.3		-53.7		18.8	
Median	32.4		31.4		37.3		-54.8		14.8	

** S&P/IFCI Composite USD

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