

Legg Mason Investments
Luxembourg domiciled FCP - Part 1

Report Issued: July 2009

Peer Group:
Global Emerging Markets Equities
Fund Manager/Adviser:
Aquico Wen (since January 2001)

Group Contact No:

+0207 7070 7444

Website:

www.leggmason.co.uk

S&P ID Number: EM358122

Share class screened:

I Ord USD



Location:
London

Launch Date: January 1996

Fund Size (April 2009):

US\$629.74m

INVESTMENT STYLE

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

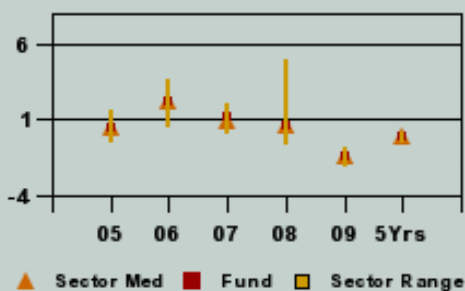
RISK RETURN (STD DEVIATION) OVER 5 YEARS



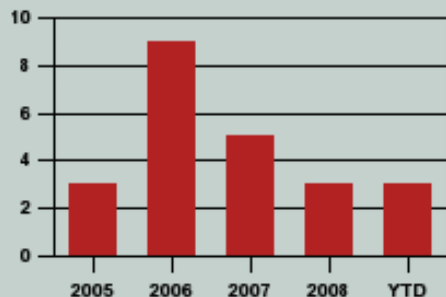
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	High	-66.1
Volatility	Medium	31.2
Correlation	High	1.0
Beta	High	1.0

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.

Please see page 2 for required research analyst certification disclosure.

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 31/03/2009 on NAV to NAV basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (JUNE 2009)

The management of this fund is charged to Esemplia, a subsidiary within Legg Mason that has specialised in global emerging market equities since 1991. Fund manager Aquico Wen is joined by two senior personnel, six fundamental analysts and two economists on the GEM team, with experience levels ranging from four to 21 years in the industry.

The highly structured approach is driven primarily from the bottom-up and is based around the group's proprietary model which divides the MSCI EM benchmark constituents into 190 cells (10 industry groups for every country). Investments are made in those cells deemed critical (areas with a weighting >1%). Fundamental analysis, focusing on dividend discount models, undertaken by the sector analysts are combined with country risk premiums, calculated by the economists, culminating in an overall rating

for each stock. Where possible, Wen selects the highest ranking stocks for each cell, but where there is no conviction, a low conviction diversifier will be held at neutral weight.

Initial returns under this process (in place since 2000) were encouraging, however performance over the past four years has been mixed. Most recently, returns were hurt dramatically in H2 2007 and Q4 2008 by reduced liquidity in small-caps, an area where this fund has historically been overweight. In response, Wen will be increasing the focus on liquidity in portfolio construction going forward.

Recent performance is disappointing, but the experience and stability of the team together with the consistency of the process allow the retention of an S&P A 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 team of three emerging markets portfolio managers, with an average of 17 years' experience, is supported by two dedicated country strategists, six equity analysts and one quant analyst.

Fund Manager: Aquico Wen has 15 years' emerging markets experience, including 11 with

Citigroup/Legg Mason. He has managed this fund since January 2001.

Style: A highly structured, research-oriented approach, combining top-down, country-level economic analysis with fundamental company research by the analyst team, based around a dividend discount model.

Performance: Over the five years to 31/03/2009, the fund has returned 10.6%, compared with 19.6% for the sector median and 39.2% for the index, ranking 422/521.

FUND MANAGER & TEAM

Esemplia, a wholly owned subsidiary of Legg Mason, is entirely focused on global emerging market equity investment. The team comprises three fund managers who are specialists on emerging markets, now all based in London (Ramachandran relocated to the UK in 2009). They are supported by two country strategists, six emerging markets sector analysts (averaging six years' investment experience) and one quant analyst. Total team assets under management are around \$3bn.

Aquico Wen - head of emerging markets equity - economics (Wharton School), began his career with Price Waterhouse in tax arbitrage. He joined JP Morgan as an equity analyst and moved to Citigroup in 1998.

Roger Garrett - portfolio manager - BComm management, MA economics & management (University of Canterbury, New Zealand), was fixed income manager at Colonial Mutual, then head of research at Francis Allison Symes, before joining Citigroup in 1991. He is responsible for coverage of Russia and South Africa.

Anand Ramachandran - technology (G B Pant University, Naintal), MBA (Indian Institute of Management), joined Alliance Capital as an analyst in 1994 after initially working as an engineer. He joined what is now Legg Mason International Equities in 1998 as an analyst and became a fund manager in 2007.

PORTFOLIO CHARACTERISTICS

No. of holdings	119
Turnover ratio (%)	N/A
% in top 10	26

TOP 10 HOLDINGS (01/04/09)

	%
Samsung Electronics	3.8
Amerika Movil	3.3
Taiwan Semiconductor	2.8
Gazprom	2.6
Petrobras	2.6
Industrial and Commerical Bank of China	2.5
China Mobile	2.3
Banco Itau	2.2
China Construction	2.2
CVRD	2.2

* In top 10 holdings a year ago

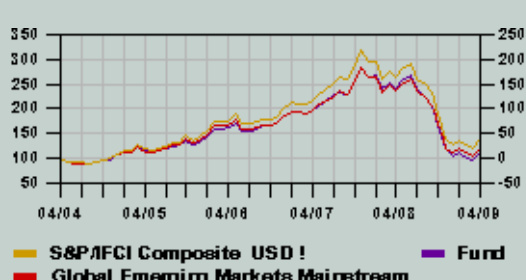
ALLOCATION BREAKDOWN (01/04/09)

	Fund %
Asia	55.1
Cash	0.8
EMEA	22.9
Latin America	21.2

PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	-31.4%	10.6%
Standard & Poor's Peer Median	-28.5%	19.6%
Index**	-20.9%	39.2%
Fund Rank	402/589	422/521
Standard Deviation	31.2	-
Relative Standard Deviation	1.0	-
Volatility Adjusted Ranking	399/589	-

CUMULATIVE PERFORMANCE



LEGG MASON GLOBAL FUNDS FCP (LUXEMBOURG) LEGG MASON EMERGING MARKETS EQUITY FUND

Peer Group: Global Emerging Markets Equities



MANAGEMENT STYLE

- The fund is run by a highly structured process, aiming to beat the MSCI EM US\$ benchmark by 4% over a market cycle, subject to an 8% maximum tracking error.

- Company analysis is based on a dividend discount model, with a discount rate derived from variables including country-level analysis of external debt, political risk, GDP growth and foreign exchange reserves.

- The global sector analysts rate stocks one (best) to five (worst) based on valuation, earnings momentum and likelihood of an earnings surprise. Portfolio construction aims to be broadly neutral to the benchmark at sector and country level. The index is divided

into 10 industry groups for each country, giving 190 "cells". The process focuses first on those with an index weight of over 1%. In these "critical cells" analysts' best ideas are overweighted by 2.5% and good ideas by 1%. If there are no one- or two-rated stocks, a portfolio diversifier is bought at a neutral weight. Non-critical cells are zero-weighted if no ideas are found.

- The three fund managers each specialise in a geographic area but run the fund in a collegial manner. Risk constraints are +/-5% countries, +/-8% sectors, +/-2% cells and +2% for stocks.

PORTFOLIO REVIEW

The model continued to find large-caps overvalued in the first half of 2008, with the fund retaining its smid-cap bias. Following the market correction in H2 however, when liquidity fell severely among small-caps and negatively impacted performance, the team's increased focus on liquidity in portfolio construction has seen a shift up the cap scale. At the time of review the fund had 9% in stocks capitalised under \$1bn, 30% between \$10bn and \$1bn, and over 60% in companies over \$10bn. This saw the number of holdings fall to 77 separate companies (the 119 shown

on this report includes a number of duplicate holdings) at the time of review, down from 90 last year.

The largest country overweights included Mexico, China and Russia, while at the sector level the model favoured telecoms (+6.5%) at the cost of utilities (-3.5%), healthcare (-2%) and industrials (-1%).

The portfolio was relatively style neutral, although showed a bias towards sales growth and 12 month IBES growth forecasts.

PERFORMANCE ANALYSIS (APRIL 2009)

The first few years under the current process (implemented on this fund in 2000) yielded strong peer-relative returns, however, the past four years have been far more mixed.

The fund's process has historically resulted a significant bias to small- and mid-caps. While this has generally helped returns in rising markets, sharp shifts in liquidity flows in much of 2005, H2 2007 and during the severe market correction in Q4 2008 saw performance hurt by the fund's tilt down the cap scale. As a result, the fund now lags the

sector median over both three and five years, ranking within the third quartile and bottom quartile respectively.

2008 was a story of two halves, with good stock (including ENRC, Reliance Industries, Petro China) and country selections contributing to strong relative returns in H1. Returns fell significantly in H2 however, as a number of stock-specific problems (including Mechel, Bumi Resources) combined with a rapid decrease in liquidity among small-caps.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2005		2006		2007		2008		YTD 31/03/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	27.9	414/553	35.5	110/584	36.4	339/614	-57.5	473/630	-2.6	487/639
Index**	35.2		35.1		40.3		-53.7		1.2	
Median	32.2		31.4		37.2		-54.8		-0.8	

** S&P/IFCI Composite USD

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