

LEGG MASON INSTITUTIONAL FUNDS PLC

Supplemental Prospectus for Investors from the United Kingdom

This Supplemental Prospectus for Investors from the United Kingdom (this “Supplemental Prospectus”) forms part of the prospectus dated 2 March 2009 (the “Prospectus”) for Legg Mason Institutional Funds PLC (hereinafter the “Company”). Unless otherwise provided for in this Supplemental Prospectus, all capitalised terms shall have the same meaning herein as in the Prospectus. This Supplemental Prospectus should be read in the context of, and together with, the Prospectus. The Supplemental Prospectus is authorised for distribution only when accompanied by the Prospectus.

Save as disclosed in this Supplemental Prospectus, there has been no significant change and no significant new matter has arisen since the publication of the Prospectus.

The directors of the Company (the “Directors”) whose names appear on page (iii) of the Prospectus, accept responsibility for the information contained in the Prospectus and in this Supplemental Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplemental Prospectus is issued on behalf of the Directors, who are responsible for its content, and by Legg Mason Investments (Europe) Limited, which is regulated by The Financial Services Authority (“FSA”) for the purposes of section 21 of the Financial Services and Markets Act 2000 (“FSMA”).

The attention of United Kingdom investors is drawn to the section of this Supplemental Prospectus entitled “ADDITIONAL INFORMATION FOR UNITED KINGDOM INVESTORS”.

The Company has been authorised in Ireland by the Financial Regulator as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 as amended or any amendment thereto for the time being in force and any rules from time to time adopted by the Financial Regulator pursuant thereto.

The Company is categorised as a recognised scheme for the purposes of section 264 of the Financial Services and Markets Act 2000 (the “Act”). Accordingly, Shares may be marketed to the general public in the United Kingdom.

Legg Mason Investments (Europe) Limited has been appointed to act as Facilities Agent for the Company in the United Kingdom. The Facilities Agent has agreed to provide facilities at its offices located at 75 King William Street, London EC4N 7BE, United Kingdom where:

- (a) a shareholder may redeem his or her Shares and from which payments of the price on redemption may be obtained;
- (b) a shareholder may lodge a complaint concerning the operation of the sub-funds of the Company (the “Funds”);
- (c) a shareholder may obtain, during usual business hours on any business day, copies of the Company’s most recent Memorandum and Articles of Association, Prospectus, Simplified Prospectus, annual and semi-annual reports; and
- (d) information can be obtained in writing about the Funds’ most recently published Share prices.

The attention of the United Kingdom investors is drawn to the following additional considerations.

The Company is an overseas company and is not regulated under the Act and as such investors in the United Kingdom will not benefit from the rules and regulations under that Act for the protection of investors, including access to the FSA’s Complaints Bureau and Arbitration Scheme nor benefit from the UK Investors Compensation Scheme.

If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised pursuant to the Act.

ADDITIONAL INFORMATION FOR UNITED KINGDOM INVESTORS

UNITED KINGDOM TAXATION

The following summary is based on taxation law as enacted and practice understood to be applicable in the United Kingdom on the date of this Supplemental Prospectus, is subject to changes therein and is not exhaustive. It does not constitute legal or tax advice and applies only to United Kingdom resident, ordinarily resident and domiciled persons holding Shares as an investment. **Prospective investors should consult their own professional advisers on the implications of making an investment in, and holding or disposing of Shares and the receipt of distributions (whether or not on redemption) with respect to such Shares under the law of the countries in which they are liable to taxation.**

It is not considered that the Company is resident in the United Kingdom for the purposes of United Kingdom taxation. It is intended that the Company's affairs will be conducted in such a manner that it will not become resident or liable to United Kingdom taxation on its profits.

Each Share Class of each Fund of the Company is treated as an offshore fund for the purposes of United Kingdom taxation. If any Share Class does not obtain certification as a distributing fund throughout the period during which Shares of that particular Share Class are held, gains arising on their disposal (for example, by way of transfer or redemption including switching between Funds) will comprise income and not capital gains for the purposes of United Kingdom taxation. Such certification, if granted, is granted retrospectively. The investment and distribution policies of the Company are designed so as to enable each of the Distributing Share Classes of each of the Funds to qualify as a distributing fund and the Company intends to apply for certification each year in respect of each Distributing Share Class that has outstanding Shares. Provided that certification is obtained for each year during which an investor holds Shares of a relevant Class, any profit from disposal of such shares by the investor should fall to be taxed as a capital gain. There can, however, be no guarantee that certification will be obtained or that, once obtained, it will continue to be available for future periods of account of the Company. Certification of distributing fund status was not obtained in respect of the Distributing Share Classes for the year ended February 2006 that were then operating but was obtained for each of the Distributing Share Classes for the year ended February 2007 that were then operating and each of the Distributing Share Classes for the year ended February 2008 that were then operating. Certification of distributing fund status will be sought for each of the Distributing Share Classes for the year ended February 2009 that were then operating. The Company does not intend to apply for distributor status for Accumulation Share Classes.

On 27 March 2008, the UK Treasury published a paper entitled 'Offshore funds: next steps' with a view to modernising the regime for UK investors in offshore funds. Finance Bill 2008 provides powers to enable the modernised regime to be introduced through secondary legislation, and the Government published draft regulations on 15 May 2008 for consultation with a view to the publication of a further draft of the regulations for comment and, ultimately, the new regime coming into effect in 2009. Shareholders are advised that it is likely that the new regime will be significantly different from the regime in force at the date of this Supplemental Prospectus. For instance, the draft regulations would generally allow an offshore fund to elect whether or not a particular class of shares is to be a "reporting fund" and therefore to determine whether or not its investors within the charge to UK income or corporation tax would be taxed on a capital gains or an income basis on disposal of their shares in the offshore fund.

According to their personal circumstances, Shareholders resident in the United Kingdom for tax purposes will be liable to income tax or corporation tax in respect of dividend or other income distributions of the Company.

Special rules apply to Shareholders that are life insurance companies within the charge to UK taxation holding their Shares for the purposes of their long-term business. Investors who are within the charge to corporation tax should note that the Finance Act 1996 contains provisions relating to the taxation of certain "loan relationships" to which such investors are party. The provisions will apply to the Shares held by such investors in any Class of Shares if, that Class of Shares in which such an investor has invested has more than 60 per cent. by market value of its investments in money placed at interest, debt securities or certain other investments (including holdings in other unit trusts or other offshore funds with, broadly, more than 60 per cent. of their investments similarly invested). The broad effect of these provisions would be to tax, or relieve from tax, fluctuations in the value of the Shares as income at the end of each accounting period of the investor. In addition, any income distributions on the relevant Shares would be taxed as interest.

The Income and Corporation Taxes Act 1988 ("Taxes Act") contains provisions that subject United Kingdom resident companies to tax on the undistributed profits of certain non-resident companies established in low tax jurisdictions in which they have an interest, which are controlled by United Kingdom residents. Broadly, these provisions will enable Her Majesty's Revenue and Customs to impose a charge to corporation tax on any United Kingdom company deemed to be interested in at least 25 per cent. of the Company's profits should it be or become controlled by United Kingdom residents and if the Company does not implement an "acceptable distribution policy" as defined for the purposes of these provisions. Although it is intended that some Classes of Shares in the Company will distribute substantially all of the net income attributable to them, other Classes of Shares will not, so this legislation may be relevant. The legislation is not directed towards the taxation of capital gains.

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of the Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to United Kingdom taxation in respect of undistributed income and profits of the Company on an annual basis.

MISCELLANEOUS

Legg Mason Investments (Europe) Limited serves as the Promoter, Investment Manager and a Distributor of the Company. Western Asset Management Company Limited serves as a Sub-Investment Manager and a Distributor of the Company. Western Asset Management Company Limited is an associate of Western Asset Management Company, Western Asset Management Company Ltd and Western Asset Management Company Pte. Limited, which are also Sub-Investment Managers of Funds of the Company.

There are certain risk factors associated with the operations and investments of the Company, which are described more fully in the Prospectus. The price of the Shares and the income from them may fall as well as rise. Past performance is no guarantee of future performance.

The Sub-Investment Managers will not employ any techniques to hedge the Un-hedged Share Classes of the Funds against any exposure to changes in the exchange rate between the Base Currency of the Fund and the currency of the relevant Un-hedged Share Class. As such, the Net Asset Value per Share and investment performance of Un-hedged Share Classes of a Fund will be affected by changes in the value of the Base Currency of the Fund relative to the currency denomination of the relevant Un-hedged Share Class. Investors in the Un-hedged Share Classes will bear this currency risk.

Investors purchasing Shares in the Funds will generally have no rights of cancellation under the UK Financial Services (Non-Life Cancellation) Rules 1997. If any transaction attracts cancellation rights, Legg Mason Investments (Europe) Limited will forward to the investor a cancellation notice in accordance with the above rules.

The Funds do not carry on any regulated activity from a permanent place of business in the United Kingdom and United Kingdom investors are advised that most of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Funds. Shareholders will not be protected by the Financial Services Compensation Scheme established in the United Kingdom.

20 April 2009