

Final Report & Accounts

Legg Mason Funds
ICVC

28 February 2011 – (Long Form Version)

Table of Contents

Report of the Authorised Corporate Director*	3
12 Month Performance	5
Investment Fund Range	5
Economic and Market Overview*	6
Statement of Authorised Corporate Director and Depositary’s Responsibilities	7
Independent Auditors’ Report	8
Report of the Depositary	9
Portfolio Statements*	10
Aggregated Financial Statements	47
Fund Specific Information – please refer to the specific report for the Fund(s) that you hold	
Fixed Income Funds	
Sterling Corporate Plus Bond Fund	56
Global Multi Strategy Bond Fund	69
Equity Funds	
UK	
UK Equity Fund	88
Europe	
Continental European Equity Fund	98
US	
US Equity Fund	109
US Smaller Companies Fund	118
Japan	
Japan Equity Fund	127
Asia Pacific	
Asia Pacific Fund	138
Global	
Global Equity Income Fund	149
Investor Information	161
Investment Funds Information	162
Investment Advisors	162

*These reports with the addition of the fund review section of each sub-fund comprise the Authorised Corporate Directors Report.

Report of the Authorised Corporate Director

Legg Mason Investments is pleased to present the Final Report & Accounts for Legg Mason Funds ICVC for the year to 28 February 2011. Legg Mason Funds ICVC is a UK authorised open-ended investment company with variable capital. It is organised in the form of an umbrella fund and as at 28 February 2011 has nine active constituent sub-funds spanning major asset classes around the world.

Authorised Status

Legg Mason Funds ICVC (the “Company”) is an investment company with variable capital (ICVC) authorised, under regulation 12 (Authorisation) of the Open-Ended Investment Companies Regulations 2001 (the “OEIC Regulations”), by the Financial Services Authority on 31 July 2003. It is an umbrella company launched on 30 August 2003 comprising nine active sub-funds each a “Fund”.

Each Fund is operated as a distinct fund with its own portfolio of investments. Each sub-fund has its own investment objective. The investment objective for each Fund and the policy for achieving that objective is given in the “Fund Objective and Policy” section of each Fund’s report. The investment activities of each active sub-fund are given in the “Portfolio Summary” section of the report and accounts. Shareholders are not liable for the debts of the Company.

Fund Liabilities

As a Fund is not a legal entity, if the assets attributable to any Fund were insufficient to meet the liabilities attributable to that fund, the shortfall might have to be met out of the assets attributable to one or more other Fund’s of the Legg Mason Funds ICVC.

Funds Update

Merger of Legg Mason UK Income Fund with Legg Mason Global Equity Income Fund

A resolution was passed at an extraordinary general meeting (EGM) of shareholders on the 30 September 2010 approving the merger of the Legg Mason UK Income Fund with the Legg Mason Global Equity Income Fund.

The decision to recommend the merger to shareholders was taken following careful consideration. The Authorised Corporate Director (ACD) believes it would have become increasingly difficult for the Legg Mason UK Income Fund to deliver income and capital growth by investing in shares listed on the London Stock Exchange. Global companies now provide an excellent dividend paying alternative to UK companies demonstrating potentially higher levels of dividend growth and commitment to grow their businesses.

As such our view was that it was in the best interest of shareholders in the Legg Mason UK Income fund to have increased diversification offered by a global equity income mandate and an investment approach which ultimately has the same broad objective of income generation and capital appreciation/preservation. Our view was that this option was available in the Legg Mason Global Equity Income Fund.

General Administration Charge

By now all shareholders should have received a notice informing them of a change to the charging structure for all funds within the Company, which took effect on 1 May 2011.

Each Fund within the Company was subject to various charges relating to Fund administration and shareholder registration. These fees are now recovered through a single payment known as the “General Administration Charge” (GAC). We believe that this provides a more transparent and consistent charging structure within each of the Funds. It is not anticipated that this new charging structure will lead to any material increase in any of the Funds’ total annual expenses.

Legg Mason Sterling Corporate Plus Bond fund and Legg Mason Global Multi Strategy Bond fund

On the 10 March 2011 resolutions of the shareholders in the Legg Mason Sterling Corporate Plus Bond Fund and the Legg Mason Global Multi Strategy Bond Fund were passed allowing each of those to use derivatives for investment purposes rather than simply for efficient portfolio management purposes. Derivatives will continue to be used primarily to reduce risk, but allowing the additional use will give these Funds a wider investment universe and allows the investment manager to better manage the portfolio’s sensitivity to interest rate movements. It is not intended that this wider use of derivatives will increase either Funds volatility.

Legg Mason Sterling Corporate Plus Bond Fund

A further resolution of the shareholders in the Legg Mason Sterling Corporate Plus Bond Fund was passed on the 10 March 2011 approving a proposal to change that Fund’s Investment Objective and Policy.

Towards the end of 2010, it appeared to the Fund’s investment manager that the short-term outlook for investment grade bonds was one of lower yields which had the potential to persist for the medium to long term. Given this, and in line with our ongoing evaluation process, the decision was taken to better align the Fund’s investment objective to its expected outcome.

A small change to the investment policy of the Fund was also made to clarify that it invests at least 80% of its assets in investment grade bonds that are rated A minus or above by Standard and Poors or an equivalent external rating agency. The Fund previously had a policy of investing at least 80% of its assets in lower quality investment grade bonds rated BBB minus or above.

Finally the Fund’s name was changed to Legg Mason Global Blue Chip Bond Fund. This name change is to more accurately reflect the portfolio composition, in particular its holding of high quality investment grade bonds, highlighted above.

Report of the Authorised Corporate Director (continued)

Change in Custody and Administration Arrangements

Further to the update sent to shareholders at the beginning of February 2010, the transition of the responsibility for custody and fund accounting in relation to the Company to State Street Bank & Trust Company (State Street) has now taken place and from the 1 March 2010, State Street assumed responsibility for these functions.

During the year the Company's dealing, registration and Individual Savings Scheme administration has also been moved from BNP Paribas Securities Services to International Financial Data Services Limited (IFDS), who are acting in partnership with State Street.

R. Shearman

U. Schliessler
for and on behalf of Legg Mason Investment Funds Limited
Authorised Corporate Director of Legg Mason Funds ICVC
21 June 2011

12 Month Performance

Reported shares are the Class A Accumulation in UK pound sterling, except for the Legg Mason Sterling Corporate Plus Bond Fund, Legg Mason Global Multi Strategy Bond Fund and the Legg Mason Global Equity Income Fund, where the Class A Income in UK pound sterling is being reported.

	Performance Inception Date	03/2010 to 02/2011	03/2009 to 02/2010	03/2008 to 02/2009	03/2007 to 02/2008	03/2006 to 02/2007	5 Years to 28/02/11	Since Performance Inception to 28/02/11
Legg Mason Sterling Corporate Plus Bond Fund *+	12.02.98	6.38	39.38	-23.95	-5.20	2.27	9.32	75.13
Legg Mason Global Multi Strategy Bond Fund †	23.05.08	6.55	24.35	-	-	-	-	17.33
Legg Mason UK Equity Fund †	31.10.95	18.00	35.52	-30.87	-11.62	5.61	3.19	143.02
Legg Mason Continental European Equity Fund †	29.08.97	12.63	33.31	-36.88	-4.02	7.63	-2.09	84.15
Legg Mason US Equity Fund †	02.01.03	6.39	54.70	-45.10	-18.31	-6.92	-31.29	3.78
Legg Mason US Smaller Companies Fund †	29.03.04	24.35	47.73	-21.25	1.93	-3.78	41.88	106.30
Legg Mason Japan Equity Fund †	31.10.96	21.21	15.88	-18.01	-38.54	-44.11	-60.45	31.07
Legg Mason Asia Pacific Fund †	16.02.04	8.73	61.24	-42.18	34.23	12.41	52.95	123.00
Legg Mason Global Equity Income Fund †	23.05.08	10.03	34.53	-	-	-	-	11.90

* Source for performance figures: Legg Mason. Performance is calculated on a NAV to NAV with net income reinvested without initial charges but reflecting annual management fees.

† Source for performance figures: Copyright © 2011, Morningstar, Inc. All Rights Reserved. NAV to NAV with net income reinvested without initial charges but reflecting annual management fees. For more information, visit www.morningstar.co.uk.

Legg Mason Investments' Fund Range

Fund	Investment Manager	Fund Rating
Fixed Income Funds		
Sterling Corporate Plus Bond Fund+	Western Asset Management Company Limited	NOT RATED
Global Multi Strategy Bond Fund	Western Asset Management Company Limited	A S&P Fund Rating
Equity Funds		
UK Equity Fund	Batterymarch Financial Management, Inc.	NOT RATED
Continental European Equity Fund	Batterymarch Financial Management, Inc.	NOT RATED
US Equity Fund	Legg Mason Capital Management, Inc.	A S&P Fund Rating
Global Equity Income Fund	Global Currents Investment Management, LLC	A S&P Fund Rating
US Smaller Companies Fund	Royce & Associates, LLC	AA S&P Fund Rating
Japan Equity Fund	Shiozumi Asset Management Company Limited*	NOT RATED
Asia Pacific Fund	Batterymarch Financial Management, Inc.	AA S&P Fund Rating

* Not affiliated to Legg Mason, Inc.

+ From 11 March 2011, the fund changed its name to the Legg Mason Global Blue Chip Bond Fund.

Economic and Market Overview

Fixed Income Markets

Although global bond markets generated gains over the period under review, financial markets experienced significant volatility within the period, as investors mulled over the state of the global economy, the possibility of a double-dip recession in the US, the need for additional stimulus (via so-called quantitative easing) by the major central banks, and the long-term sustainability of the European Monetary Union (EMU). Political developments overshadowed the impact of generally supportive economic data and central bank activity on investor expectations a number of times during the period, particularly in May and in November 2010. In May, increasing concerns over sovereign debt, and in particular the state of Greece's public finances and its impact on the wider eurozone, were the main factors unsettling markets. However, oil spills, geopolitical tensions and looming financial regulation were additional concerns. In November, concerns over sovereign solvency were in the limelight once again as Ireland was the next country to require a rescue package from the European Union and the International Monetary Fund. Against this backdrop, bond markets continued to swing between bouts of risk aversion, with investors taking refuge in government bonds, and periods of risk taking, which benefited the corporate bond sectors.

Most of the major central banks left interest rates unchanged at historically low levels over the period, in an effort to support the economic recovery. As markets remained jittery and economic data appeared to indicate some slowing in the recovery, the debate continued over the need for additional monetary support by central banks, particularly in the US and the UK. In early November, the Federal Reserve Board in the US announced a second round of quantitative easing to provide liquidity to the financial system. The Bank of England remained divided over the further course of action and no new moves were actually implemented over the period.

Despite these periods of volatility, the riskier sectors of the bond market recorded gains over the year as a whole, with bonds issued by financials and high yield corporate bonds performing particularly well. Developed government bond markets recorded more modest gains over the period, as investors scaled back their expectations for interest rate increases by the major central banks.

Equities

The period under review began with global equity markets continuing to advance as their strong showing in 2009 carried over into the first quarter of 2010. Global markets ran into weakness in April, however, and subsequently see-sawed over the summer months as concerns persisted that global economic growth may be poised to slow down more than previously anticipated. September and October generally proved positive for returns, however, as improved data in key markets such as the US helped investors to think that the likelihood of double-dip recession was reducing.

In addition, investors began to anticipate that another round of stimulus would be announced in early November by the US Federal Reserve Board (Fed) in the form of so-called quantitative easing as headwinds such as high unemployment and a weak housing market remained a worry. Indeed, the Fed confirmed a new \$600 billion quantitative easing programme in the first week of November, which met with a favourable market reaction and helped equities to end the year far more strongly than bonds.

The outbreak of serious civil unrest in a number of Middle East and North African countries then unsettled markets in the first two months of 2011. A spike in oil prices was a particular worry as concerns grew that higher energy costs would weigh on the global recovery. In addition, monetary tightening by central banks in several emerging markets began to impact sentiment. Against this backdrop global markets still managed to record gains in the opening months of this year as economic indicators in key economies such as the US and Germany remained encouraging.

Elsewhere in Europe, meanwhile, headlines during the period under review were often focused on the sovereign debt crisis in the eurozone region, with the problem being particularly severe in Greece, Ireland, Portugal and Spain. Greece became the first eurozone country to need a financial bailout package, followed later in the year by Ireland. Government debt levels in several European nations remained a concern as the year drew to a close, with many economies facing big austerity measures in the form of public spending cuts in the coming years as authorities try to tackle their huge budget deficits.

In Asia, higher interest rates in China as the authorities sought to curb inflation became an increasing concern for markets as 2010 progressed. Other important emerging markets such as India also increased interest rates and investors viewed the moves as having negative implications for global economic growth. Such sentiment proved the steadily increasing importance of countries like China as an economic power and as an export market for the developed world. Indeed, despite monetary tightening in the country, China is expected to remain a key driver of global growth, as is the Asia ex Japan region as a whole.

Statement of Authorised Corporate Director and Depositary's Responsibilities

The Open-Ended Investment Companies Regulations 2001 (as amended) and the Financial Services Authority's Collective Investment Schemes Sourcebook (which forms part of the Financial Services Authority's Handbook of Rules and Guidance) ("the Regulations") require the Authorised Corporate Director ("ACD") to prepare financial statements for each accounting period which give a true and fair view of the financial affairs of the Company, its revenue and expenditure together with the net gains or losses on the property of the Company for the period. The ACD has elected to supply short form financial statements in its report to the shareholders of the Company.

In preparing those short form financial statements the ACD is required to:

- comply with the Prospectus and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements;
- ensure that they are consistent with the full financial statements for the period; and
- keep proper accounting records which enable it to demonstrate that the financial statements prepared comply with the above requirements. The ACD is responsible for the management of the Company in accordance with the regulations, the prospectus and the Instrument of Incorporation.

The Depositary is responsible for safeguarding the property of the Company and must take reasonable care to ensure that the Company is managed by the ACD in compliance with the Regulations and the provisions of the Company's instrument of incorporation and prospectus.

The ACD and Depositary are responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities. The ACD is also responsible for ensuring all other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

Legg Mason Investment Funds Limited
London
21 June 2011

Independent Auditors' Report

Independent auditors' report to the shareholders of Legg Mason Funds ICVC

We have audited the financial statements of Legg Mason Funds ICVC ('the Company') for the year ended 28 February 2011 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and related notes and for each of the Company's sub-funds, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the 'Statement of Recommended Practice for Authorised Funds').

Respective responsibilities of the Authorised Corporate Director and auditors

As explained more fully in the Authorised Corporate Director's Responsibilities Statement the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds at 28 February 2011 and of the net revenue/expenses and the net gains of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- We have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP

London

21 June 2011

Chartered Accountants and Statutory Auditors

The financial statements are published on the www.leggmason.co.uk website, which is a website maintained by an affiliate company of the Authorised Corporate Director, Legg Mason Investments (Europe) Limited.

- (a) The maintenance and integrity of the Legg Mason Investments (Europe) Limited website is the responsibility of the Directors of the ICVC; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Depositary to the Shareholders of Legg Mason Funds ICVC ('the company')

The depositary is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), the Company's instrument of incorporation and prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with COLL and, where applicable, the OEIC Regulations, the instrument of incorporation and prospectus of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

Legg Mason Sterling Corporate Plus Bond Fund

Portfolio Statement

As at 28 February 2011

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Bonds 95.97% – (98.35%)			
Sterling Denominated – 58.22%(53.91%)			
Annington Finance No 4 8.07% Euro Non-Dollar 10/01/2023	GBP 250,000	284	0.69
Aviva 6.125% Euro Non-Dollar 14/11/2036	GBP 230,000	209	0.51
Aviva 6.125% Euro Non-Dollar 29/09/2049	GBP 240,000	197	0.48
AXA 6.6666% Euro MTN 29/07/2049	GBP 70,000	64	0.16
AXA 6.6862% Euro MTN 29/07/2049	GBP 270,000	232	0.56
BAA 7.125% Euro MTN 01/03/2017	GBP 200,000	199	0.48
Bank of America 7% Euro MTN 31/07/2028	GBP 300,000	317	0.77
Barclays Bank 10% Euro MTN 21/05/2021	GBP 324,000	396	0.96
Barclays Bank 5.75% Euro MTN 14/09/2026	GBP 390,000	361	0.87
Barclays Bank 5.75% Euro MTN 17/08/2021	GBP 550,000	555	1.34
BAT International Finance 6% Euro-MTN 29/06/2022	GBP 350,000	370	0.90
BP Capital Markets 4% Euro-MTN 29/12/2014	GBP 350,000	361	0.87
British Telecommunications 8.5% Euro Non-Dollar 07/12/2016	GBP 370,000	441	1.07
BUPA Finance 6.125% Euro Non-Dollar 29/09/2049	GBP 238,000	205	0.50
Centrica 6.375% Euro MTN 10/03/2022	GBP 430,000	473	1.15
Citigroup 7.625% Euro MTN 03/04/2018	GBP 369,000	419	1.02
Citigroup 5.125% Euro MTN 12/12/2018	GBP 158,000	148	0.36
Credit Agricole 5% Euro MTN 29/06/2049	GBP 190,000	161	0.39
Daily Mail & General 5.75% Euro Non-Dollar 07/12/2018	GBP 135,000	131	0.32
Danske Bank 5.6838% Euro MTN 29/12/2049	GBP 240,000	210	0.51
Dignity Finance 8.151% Euro Non-Dollar 31/12/2031	GBP 200,000	245	0.59
ELM BV for Swiss Reinsurance 6.3024% Euro MTN 29/03/2049	GBP 250,000	223	0.54
European Investment Bank 4.75% Euro MTN 15/10/2018	GBP 1,700,000	1,807	4.38
European Investment Bank 5% Euro Non-Dollar 15/04/2039	GBP 1,000,000	1,057	2.56
European Investment Bank 5.375% Euro Non-Dollar 07/06/2021	GBP 2,490,000	2,738	6.64
Firstgroup 6.125% Euro Non-Dollar 18/01/2019	GBP 163,000	167	0.40
Generali Finance 6.214% Euro Non-Dollar 29/06/2049	GBP 100,000	88	0.21
Glitnir Banki HF 6% Euro-Mtn 05/03/2012	GBP 455,000	129	0.31
Goldman Sachs 6.125% Euro MTN 14/02/2017	GBP 120,000	128	0.31
Goldman Sachs 5.5% Global 12/10/2021	GBP 819,000	758	1.84
Greene King Finance 1.55469% Euro Non-Dollar 15/03/2036	GBP 156,000	87	0.21
Greene King Finance 5.106% Euro-Dollar 15/03/2034	GBP 550,000	490	1.19
Greene King Finance 5.318% Euro-Dollar 15/09/2031	GBP 349,742	334	0.81
HBOS Capital 6.461% Euro Non-Dollar 29/11/2049	GBP 123,000	102	0.25
HSBC 6.375% Euro MTN 18/10/2022	GBP 50,000	52	0.13
HSBC 7% Euro MTN 07/04/2038	GBP 100,000	108	0.26
HSBC Bank Funding Sterling 5.844% Euro Non-Dollar 29/11/2049	GBP 170,000	142	0.34
Imperial Tobacco Finance 9% Euro MTN 17/02/2022	GBP 350,000	447	1.08
ING 5.14% Euro Non-Dollar 29/03/2049	GBP 376,000	315	0.76
Insurance Australia 5.625% Euro Non-Dollar 21/12/2026	GBP 350,000	291	0.71
Koninklijke 5.75% Euro MTN 18/03/2016	GBP 50,000	53	0.13
Land Securities Capital Markets 5.391% Euro MTN 27/02/2026	GBP 49,000	50	0.12
Marstons Issuer 5.1774% Euro Non-Dollar 15/07/2032	GBP 540,000	486	1.19
Merrill Lynch 5.5% Euro MTN 22/11/2021	GBP 820,000	737	1.79
Mitchells & Butlers Finance 6.013% Euro-Dollar 15/12/2030	GBP 500,000	504	1.22
National Capital Trust I 5.62% Euro Non-Dollar 29/09/2049	GBP 152,000	137	0.33
Nordea Bank Finland 6.25% Euro MTN 29/07/2049	GBP 294,000	295	0.71
Pearson 7% Euro Non-Dollar 27/10/2014	GBP 280,000	313	0.76
QBE Insurance 10% Euro Non-Dollar 14/03/2014	GBP 315,000	364	0.88
Resona Bank 5.986% Euro MTN 29/08/2049	GBP 300,000	301	0.73
Royal Bank of Scotland 7.5% Euro MTN 29/04/2024	GBP 241,000	256	0.62
Santander Finance Preferred SA Unipersonal 11.3% Euro Non-Dollar 29/07/2049	GBP 450,000	471	1.14
Scottish & Southern Energy 5.75% Euro MTN 05/02/2014	GBP 370,000	397	0.96
Scottish Widows 5.125% Euro Non-Dollar 29/09/2049	GBP 318,000	265	0.64
Segro 7% Euro Non-Dollar 14/03/2022	GBP 122,000	129	0.31
Southern Water Services Finance 6.192% Euro MTN 31/03/2029	GBP 147,000	159	0.39
Standard Chartered Bank 8.103% Euro Non-Dollar 29/05/2049	GBP 90,000	95	0.23
Swedbank 5.75% Euro MTN 29/03/2049	GBP 109,000	102	0.25
TCNZ Finance 5.625% Euro MTN 14/05/2018	GBP 174,000	178	0.43
Telecom Italia 6.375% Euro MTN 24/06/2019	GBP 300,000	301	0.73

Legg Mason Sterling Corporate Plus Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Telefonica Emisiones 5.375% Euro MTN 02/02/2018	GBP 369,000	373	0.90
Thames Water Utilities Finance 5.125% Euro MTN 28/09/2037	GBP 310,000	292	0.71
Thomas Cook 7.75% Euro MTN 22/06/2017	GBP 78,000	79	0.19
UBS 6.625% Euro MTN 11/04/2018	GBP 370,000	409	0.99
United Kingdom 4.5% Gilt 07/03/2019	GBP 231,000	248	0.60
Virgin Media Secured Finance 5.5% Euro Non-Dollar 15/01/2021	GBP 270,000	267	0.65
Wells Fargo Bank 5.25% Euro MTN 01/08/2023	GBP 800,000	757	1.83
WPP 6% Euro Non-Dollar 04/04/2017	GBP 258,000	274	0.66
Zurich Finance UK 6.625% Euro MTN 30/10/2049	GBP 116,000	115	0.28
		23,848	57.80
Euro Denominated – 9.06% (14.23%)			
Anglian Water Services Financing 6.25% Euro MTN 27/06/2016	EUR 250,000	239	0.57
Australia & New Zealand Banking 5.125% Euro MTN 10/09/2019	EUR 400,000	342	0.83
Clondalkin Industries 8% Euro-Zone 15/03/2014	EUR 200,000	168	0.40
Corral Petroleum 2% Private Placement 18/09/2011	EUR 98,990	82	0.20
Deutsche Postbank Funding Trust IV 5.983% Euro Non-Dollar 29/06/2049	EUR 400,000	285	0.69
Edcon Proprietary 4.129% Euro Non-Dollar 15/06/2014	EUR 210,000	159	0.39
ELM for Swiss Reinsurance 5.252% Euro-Zone 29/05/2049	EUR 250,000	190	0.46
GE Capital European 5.375% Euro MTN 23/01/2020	EUR 800,000	719	1.74
General Electric Capital 5.5% Euro Non-Dollar 15/09/2067	EUR 140,000	110	0.27
Hannover Finance Luxembourg 5.75% Euro-Zone 14/09/2040	EUR 150,000	122	0.30
Hollandwide Parent 0% Euro-Zone 01/08/2014	EUR 275,000	2	0.00
Ineos Finance 9.25% Euro Non-Dollar 15/05/2015	EUR 157,000	147	0.36
ISS Financing 11% Euro Non-Dollar 15/06/2014	EUR 50,000	47	0.11
Jarden 7.5% Euro Non-Dollar 15/01/2020	EUR 87,000	77	0.19
Korreden 11% Euro-Zone 01/08/2014	EUR 100,000	28	0.07
Lloyds TSB Bank 6.5% Euro MTN 24/03/2020	EUR 330,000	268	0.64
Muenchener Rueckversicherungs 5.767% Euro-Zone 29/06/2049	EUR 150,000	119	0.29
Royal Bank of Scotland 4.875% Euro MTN 20/01/2017	EUR 650,000	543	1.32
Savcio 8% Euro Non-Dollar 15/02/2013	EUR 110,000	94	0.23
		3,741	9.06
US Dollar Denominated – 28.69% (30.21%)			
ACCO Brands 10.625% Global 15/03/2015	USD 40,000	28	0.07
AIG SunAmerica Global Financing VI 6.3% Private Placement 10/05/2011	USD 360,000	224	0.54
Alliance One International 10% Global 15/07/2016	USD 40,000	25	0.06
Ally Financial 6.625% Global 15/05/2012	USD 202,000	129	0.31
Ally Financial 7.5% Global 31/12/2013	USD 128,000	85	0.21
Ally Financial 8% Global 31/12/2018	USD 154,000	105	0.25
Altegrity 10.5% Private Placement 01/11/2015	USD 120,000	79	0.19
American Express Credit 5.125% Domestic MTN 25/08/2014	USD 250,000	166	0.40
American Greetings 7.375% US Domestic 01/06/2016	USD 10,000	6	0.01
American Tower 4.625% Global 01/04/2015	USD 210,000	134	0.32
Appleton Papers Inc 11.25% GLOBAL 15/12/2015	USD 125,000	72	0.17
Ashtead Capital 9% Private Placement 15/08/2016	USD 83,000	54	0.13
Ashton Woods 0% Private Placement 30/06/2015	USD 33,000	14	0.03
Baxter International 4.5% US Domestic 15/08/2019	USD 50,000	32	0.08
Berry Petroleum 10.25% US Domestic 01/06/2014	USD 30,000	21	0.05
Blackrock Capital Finance L.P. 25/09/26	USD 31,094	6	0.01
Boeing 4.875% Global 15/02/2020	USD 90,000	59	0.14
CB Buffets 1% US Domestic 01/11/2014	USD 115,000	-	0.00
CCM Merger 8% Private Placement 01/08/2013	USD 85,000	53	0.13
Cenovus Energy 6.75% Global 15/11/2039	USD 15,000	10	0.02
Ceridian 12.25% Global 15/11/2015	USD 53,250	35	0.08
Charter Communications Operating Capital 10.875% Private Placement 15/09/2014	USD 100,000	69	0.17
Chesapeake Energy 7.25% US Domestic 15/12/2018	USD 45,000	30	0.07
CHS/Community Health Systems 8.875% Global 15/07/2015	USD 50,000	33	0.08
Cie Generale de Geophysique-Veritas 7.5% Global 15/05/2015	USD 140,000	89	0.22
Citigroup 6.375% US Domestic 12/08/2014	USD 430,000	294	0.71
Cleveland Electric Illuminating 5.65% Global 15/12/2013	USD 120,000	81	0.20
Colorado Interstate Gas 6.8% Global 15/11/2015	USD 90,000	64	0.16

Legg Mason Sterling Corporate Plus Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Comcast 6.5% Global 15/01/2015	USD 130,000	90	0.22
Comcast 6.5% Global 15/01/2017	USD 30,000	21	0.05
Commonwealth Bank of Australia 3.75% Private Placement 15/10/2014	USD 110,000	70	0.17
Commonwealth Bank of Australia 5% Private Placement 15/10/2019	USD 50,000	32	0.08
Complete Production Services 8% Global 15/12/2016	USD 105,000	68	0.16
Consol Energy 8.25% Private Placement 01/04/2020	USD 70,000	47	0.11
Countrywide Financial 5.8% Global 07/06/2012	USD 150,000	97	0.24
Credit Agricole 8.375% Private Placement 29/10/2049	USD 210,000	137	0.33
Cricket Communications 7.75% Global 15/05/2016	USD 20,000	13	0.03
CSC 6.75% Global 15/04/2012	USD 50,000	32	0.08
Delhaize SA 5.7% Private Placement 01/10/2040	USD 190,000	109	0.26
DISH DBS 7% Global 01/10/2013	USD 30,000	20	0.05
DISH DBS 7.875% Global 01/09/2019	USD 205,000	137	0.33
Edison Mission Energy 7.625% Global 15/05/2027	USD 5,000	2	0.00
Edison Mission Energy 7.75% US Domestic 15/06/2016	USD 120,000	66	0.16
El Paso 7.8% Domestic MTN 01/08/2031	USD 190,000	123	0.30
El Pollo Loco 11.75% Global 15/11/2013	USD 95,000	53	0.13
Energy Future 11.25% Global 01/11/2017	USD 47,660	23	0.06
Energy Future 10% US Domestic 01/12/2020	USD 107,000	70	0.17
Enterprise Products Operating 7.034% US Domestic 15/01/2068	USD 50,000	32	0.08
European Investment Bank 5.125% Global 30/05/2017	USD 2,300,000	1,588	3.85
Ford Motor Credit 3.27681% US Domestic 13/01/2012	USD 50,000	31	0.08
Freescale Semiconductor 9.25% Private Placement 15/04/2018	USD 50,000	34	0.08
Freescale Semiconductor 10.125% US Domestic 15/12/2016	USD 10,000	7	0.02
Frontier Communications 8.75% Global 15/04/2022	USD 18,000	12	0.03
Glitnir Banki HF 6.693% Private Placement 15/06/2016	USD 360,000	-	0.00
H&E Equipment Services 8.375% Global 15/07/2016	USD 50,000	32	0.08
Harrah's Operating 11.25% Global 01/06/2017	USD 70,000	49	0.12
Hawaiian Telcom Communications 12.5% Global 01/05/2015	USD 50,000	-	0.00
HCA 9.25% Global 15/11/2016	USD 115,000	76	0.18
HSBC Finance 6.75% Global 15/05/2011	USD 250,000	156	0.38
HSBC Finance 6.676% Euro 15/01/2021	USD 630,000	404	0.98
HSBC Finance 6.676% Private Placement 15/01/2021	USD 260,000	167	0.40
ICICI Bank 6.375% Private Placement 30/04/2022	USD 136,000	84	0.20
Idearc 8% US Domestic 15/11/2016	USD 145,000	-	0.00
Inn of the Mountain Gods Resort & Casino 1.25% Private Placement 30/11/2020	USD 229,000	73	0.18
Inn of the Mountain Gods Resort & Casino 8.75% Private Placement 30/11/2020	USD 102,000	60	0.15
Intelsat Jackson 9.5% Global 15/06/2016	USD 25,000	16	0.04
Inter-American Development Bank 1.75% Global 22/10/2012	USD 3,500,000	2,188	5.30
Kaupthing Bank HF 7.125% Private Placement 19/05/2016	USD 190,000	-	0.00
Kraft Foods 5.375% Global 10/02/2020	USD 130,000	85	0.21
Kreditanstalt fuer Wiederaufbau 4% Global 27/01/2020	USD 150,000	95	0.23
Landry's Restaurants 11.625% Global 01/12/2015	USD 20,000	13	0.03
Landsbanki Islands HF 6.1% Private Placement 25/08/2011	USD 200,000	12	0.03
Leucadia National 8.125% US Domestic 15/09/2015	USD 80,000	54	0.13
Linn Energy Finance 8.625% Private Placement 15/04/2020	USD 30,000	20	0.05
Mead Johnson Nutrition 5.9% Global 01/11/2039	USD 20,000	13	0.03
MGM Resorts International 10.375% Global 15/05/2014	USD 25,000	18	0.04
MGM Resorts International 11.125% Global 15/11/2017	USD 65,000	46	0.11
Mohegan Tribal Gaming Authority 11.5% Private Placement 01/11/2017	USD 30,000	19	0.05
Morgan Stanley 6.6% Global 01/04/2012	USD 300,000	195	0.47
Motors Liquidation 8.375% US Domestic 15/07/2033	USD 240,000	49	0.12
NCL 11.75% Global 15/11/2016	USD 30,000	22	0.05
Neiman Marcus 7.125% US Domestic 01/06/2028	USD 50,000	28	0.07
Neiman Marcus 9% Global 15/10/2015	USD 188,110	121	0.29
NewPage 11.375% Global 31/12/2014	USD 45,000	28	0.07
NV Energy 6.75% Global 15/08/2017	USD 170,000	107	0.26
Oxford Industries 11.375% Global 15/07/2015	USD 55,000	38	0.09
Petroplus Finance 7% Private Placement 01/05/2017	USD 75,000	45	0.11
Plains Exploration & Production 10% US Domestic 01/03/2016	USD 30,000	21	0.05
Plains Exploration & Production 8.625% US Domestic 15/10/2019	USD 25,000	17	0.04
Quicksilver Resources 11.75% US Domestic 01/01/2016	USD 40,000	29	0.07
Qwest 7.5% Global 01/10/2014	USD 110,000	77	0.19
RailAmerica 9.25% Global 01/07/2017	USD 48,000	33	0.08
Royal Bank of Scotland 5.625% Global 24/08/2020	USD 350,000	213	0.52
Sbarro 10.375% Global 01/02/2015	USD 75,000	13	0.03

Legg Mason Sterling Corporate Plus Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Service International 7.5% Global 01/04/2027	USD 25,000	15	0.04
Snoqualmie Entertainment Authority 4.42769% Private Placement 01/02/2014	USD 125,000	70	0.17
Societe Generale 8.75% Euro-Dollar 29/10/2049	USD 40,000	26	0.06
Southern Natural Gas 8% US Domestic 01/03/2032	USD 50,000	37	0.09
Sprint Capital 6.875% Global 15/11/2028	USD 310,000	171	0.41
Station Casinos 6.625% Global 15/03/2018	USD 60,000	-	0.00
Station Casinos 7.75% US Domestic 15/08/2016	USD 145,000	-	0.00
Steel Dynamics 7.375% Global 01/11/2012	USD 35,000	23	0.06
Stone Energy 6.75% Global 15/12/2014	USD 60,000	37	0.09
Teachers Insurance & Annuity Association of America 6.85% Euro-Dollar 16/12/2039	USD 80,000	56	0.14
Teck Resources 10.25% Global 15/05/2016	USD 12,000	9	0.02
Teck Resources 9.75% Global 15/05/2014	USD 10,000	8	0.02
Tenet Healthcare 8.875% Global 01/07/2019	USD 194,000	135	0.33
Time Warner Cable 6.75% US Domestic 15/06/2039	USD 60,000	39	0.09
Time Warner Cable 8.25% US Domestic 01/04/2019	USD 170,000	129	0.31
TNK-BP Finance 7.875% Private Placement 13/03/2018	USD 140,000	98	0.24
Trico Shipping 13.875% Private Placement 01/11/2014	USD 40,000	20	0.05
True Move 10.75% Private Placement 16/12/2013	USD 375,000	247	0.60
Turning Stone Resort Casino Enterprise 9.125% Private Placement 15/09/2014	USD 20,000	13	0.03
United States Treasury Note 1.25% US Government 30/09/2015	USD 100,000	60	0.15
United States Treasury Note 1.875% US Government 31/10/2017	USD 80,000	47	0.11
United States Treasury Note 2.625% US Government 15/08/2020	USD 100,000	58	0.14
United States Treasury Note 2.625% US Government 15/11/2020	USD 110,000	63	0.15
United States Treasury Note 3.375% US Government 15/11/2019	USD 30,000	19	0.05
United States Treasury Note 3.625% US Government 15/02/2020	USD 10,000	6	0.01
Universal Hospital Services 8.5% Global 01/06/2015	USD 20,000	13	0.03
Universal Hospital Services 4.1335% Global 01/06/2015	USD 20,000	12	0.03
Univision Communications 12% Private Placement 01/07/2014	USD 50,000	33	0.08
UPCB Finance III Ltd 6.625% Private Placement 01/07/2020	USD 30,000	18	0.04
Vale Overseas 6.875% Global 21/11/2036	USD 386,000	254	0.62
WEA Finance/WT Finance Aust 6.75% Private Placement 02/09/2019	USD 300,000	211	0.51
Whiting Petroleum 7% Global 01/02/2014	USD 160,000	104	0.25
Williams Cos 7.5% Global 15/01/2031	USD 45,000	32	0.08
Williams Cos 8.75% Global 15/03/2032	USD 199,000	158	0.38
		11,848	28.69
Ordinary Shares – 0.36% (0.42%)			
United States – 0.36% (0.42%)			
Buffets Restaurants	97	-	0.00
Charter Communications	2,524	71	0.17
Charter Communications Warrants	166	1	0.00
Georgia Gulf	3,618	71	0.17
Nortek	120	3	0.01
Nortek Warrants	316	1	0.01
		147	0.36
Derivatives – 0.12% ((1.79%))			
Australian Denominated Derivatives – 0.00% (0.01%)			
Forward to buy AUD 771,793 for GBP 477,226		1	0.00
Forward to sell AUD 669,972 for GBP 413,665		(2)	0.00
		(1)	0.00
Euro Denominated Derivatives – 0.08% ((0.35%))			
Forward to buy EUR 5,251,569 for GBP 4,434,699		8	0.02
Forward to sell EUR 10,373,253 for GBP 8,862,539		26	0.06
		34	0.08

Legg Mason Sterling Corporate Plus Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Japanese Yen Denominated Derivatives – 0.01% (0.01%)			
Forward to buy JPY 65,985,014 for GBP 502,827		(6)	0.00
Forward to sell JPY 57,701,941 for GBP 439,119		5	0.01
		(1)	0.01
US Dollar Denominated Derivatives – 0.03% ((1.46%))			
Forward to buy USD 4,674,392 for GBP 2,887,959		(6)	(0.02)
Forward to sell USD 25,500,140 for GBP 15,739,804		19	0.05
		13	0.03
Portfolio of investments		39,629	96.03
Net other assets		1,637	3.97
Net assets		41,266	100.00
Portfolio Bond Ratings			
			%
AAA			23.81
AA+			0.00
AA			2.19
AA-			1.38
A+			6.84
A			8.67
A-			15.07
BBB+			8.20
BBB			4.33
BBB-			6.08
BB+			1.83
BB			1.37
BB-			3.30
B+			1.29
B			2.28
B-			2.03
CCC+			0.94
CCC			0.49
CCC-			0.18
CC			0.01
C+			0.07
DDD+			0.05
NR			6.82
N/A			2.77
			100.00

The investments have been valued in accordance with note 1(h) of the Notes to the Aggregated Financial Statements.

All investments are corporate bonds unless otherwise stated and admitted to official stock exchange listings.

Comparative figures shown in brackets relate to 28 February 2010

Legg Mason Global Multi Strategy Bond Fund (continued)

Portfolio Statement

As at 28 February 2011

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Bonds – 77.37% (90.84%)			
Sterling Denominated – 13.56% (2.65%)			
Anglian Water/Osprey Financing PLC 7% Euro MTN 31/01/2018	GBP 1,660,000	1,675	0.31
Aviva 6.125% Euro Non-Dollar 29/09/2049	GBP 290,000	238	0.04
Aviva 6.125% Euro Non-Dollar 14/11/2036	GBP 1,590,000	1,443	0.27
AXA 6.6862% Euro MTN 29/07/2049	GBP 1,000,000	859	0.16
BAA 7.125% Euro MTN 01/03/2017	GBP 1,311,000	1,302	0.24
Bank of America 5.25% Euro MTN 09/11/2016	GBP 1,050,000	1,033	0.19
Barclays Bank 6.3688% Euro MTN 29/06/2049	GBP 284,000	249	0.05
Barclays Bank 5.75% Euro MTN 14/09/2026	GBP 2,020,000	1,872	0.35
Barclays Bank 6% Euro Non-Dollar 29/07/2049	GBP 743,000	585	0.11
BNP Paribas 5.954% Euro Non-Dollar 29/07/2049	GBP 1,000,000	895	0.17
Citigroup 7.375% Euro MTN 01/09/2039	GBP 1,500,000	1,738	0.31
Citigroup 5.875% Euro MTN 01/07/2024	GBP 741,000	679	0.13
Countrywide 10% Euro Non-Dollar 08/05/2018	GBP 1,040,000	998	0.19
Credit Agricole 8.125% Euro Non-Dollar 29/10/2049	GBP 800,000	791	0.15
Crown Newco 3 Plc 8.875% Euro MTN 15/02/2019	GBP 250,000	262	0.05
Danske Bank A/S 5.6838% Euro MTN 29/12/2049	GBP 280,000	245	0.05
DFS Furniture 9.75% Euro Non-Dollar 15/07/2017	GBP 1,138,000	1,179	0.22
Dignity Finance PLC 6.31% Euro Non-Dollar 31/12/2023	GBP 35,178	39	0.01
Enterprise Inns 6.5% Euro Non-Dollar 06/12/2018	GBP 650,000	595	0.11
General Electric Capital 6.44% Euro MTN 15/11/2022	GBP 183,348	198	0.04
Great Rolling Stock 6.25% Euro MTN 27/07/2020	GBP 1,910,000	1,945	0.36
Greene King Finance 1.55469% Euro Non-Dollar 15/03/2036	GBP 299,000	167	0.03
HSBC Capital Funding LP/Jersey Channel Islands 8.208% Euro Non-Dollar 30/06/2049	GBP 213,000	225	0.04
HSBC 6.75% Euro Non-Dollar 11/09/2028	GBP 550,000	573	0.11
ING 5.14% Euro Non-Dollar 29/03/2049	GBP 953,000	800	0.15
ITV 7.375% Euro MTN 05/01/2017	GBP 671,000	705	0.13
Lloyds TSB Bank 7.5% Euro MTN 15/04/2024	GBP 1,886,000	2,010	0.37
Marstons Issuer 5.641% Euro Non-Dollar 15/07/2035	GBP 1,925,000	1,675	0.31
MetLife Inc 5.375% Global 09/12/2024	GBP 410,000	393	0.07
Nordea Bank Finland 6.25% Euro MTN 29/07/2049	GBP 249,000	250	0.05
RSA Insurance 8.5% Euro Non-Dollar 29/07/2049	GBP 7,000	7	0.00
Scottish Widows 5.125% Euro Non-Dollar 29/09/2049	GBP 100,000	83	0.02
SLM Student Loan Trust 2003-12 5.45% Euro Non-Dollar 15/03/2038	GBP 1,000,000	983	0.18
Swedbank 5.75% Euro MTN 29/03/2049	GBP 250,000	234	0.04
Thames Water Utilities Cayman Finance 5.375% Euro MTN 21/07/2025	GBP 1,495,000	1,512	0.28
Thomas Cook 7.75% Euro MTN 22/06/2017	GBP 360,000	365	0.07
Unique Pub Finance 5.659% Euro Non-Dollar 30/06/2027	GBP 443,000	345	0.06
United Kingdom Treasury Bill 0% Domestic 14/03/2011	GBP 42,000,000	41,992	7.82
Virgin Media Finance 8.875% Euro Non-Dollar 15/10/2019	GBP 497,000	564	0.11
Wales & West Utilities Finance 6.25% Euro Non-Dollar 30/11/2021	GBP 1,000,000	1,106	0.21
		72,809	13.56
Euro Denominated – 14.25% (21.31%)			
Ardagh Glass 10.75% Euro-Zone 01/03/2015	EUR 1,140,295	1,020	0.19
Ardagh Packaging Finance 9.25% EURO-ZONE 15/10/2020	EUR 675,000	609	0.11
Argentina Government International Euro Non-Dollar 15/12/2035	EUR 151,161	16	0.00
Argentina Government International 7.82% Euro Non-Dollar 31/12/2033	EUR 40,214	24	0.00
Argentine Republic Government International Bond 2.26% Euro Non-Dollar 31/12/2038	EUR 31,828	9	0.00
AXA 6.211% Euro MTN 29/10/2049	EUR 333,000	255	0.05
Banca Italease 1.128% Euro MTN 14/03/2012	EUR 250,000	206	0.04
Bank of America 4.625% Euro MTN 07/08/2017	EUR 3,050,000	2,551	0.48
Barclays Bank 6% Euro MTN 14/01/2021	EUR 3,730,000	3,114	0.58
BNP Paribas 5.019% Euro-Zone 29/04/2049	EUR 1,050,000	789	0.15
Bundesrepublik Deutschland 3.25% Euro-Zone 04/01/2020	EUR 16,020,000	13,786	2.57
Bundesrepublik Deutschland 3.5% Euro-Zone 04/01/2016	EUR 259,271	232	0.04
Bundesrepublik Deutschland 3.75% Euro-Zone 04/01/2015	EUR 50,000	45	0.01
Bundesrepublik Deutschland 3.75% Euro-Zone 04/01/2019	EUR 5,420,000	4,857	0.91
Bundesrepublik Deutschland 4% Euro-Zone 04/01/2018	EUR 3,000	3	0.00

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Bundesrepublik Deutschland 4.25% Euro-Zone 04/07/2014	EUR 16,000	15	0.00
Bundesrepublik Deutschland 4.25% Euro-Zone 04/07/2039	EUR 3,890,000	3,673	0.67
Carlson Wagonlit 6.649% Euro-Zone 01/05/2015	EUR 1,336,000	1,120	0.21
Chesapeake Energy 6.25% Euro Non-Dollar 15/01/2017	EUR 850,000	760	0.14
Citigroup 3.95% Euro MTN 10/10/2013	EUR 100,000	86	0.02
Citigroup 7.375% Euro MTN 04/09/2019	EUR 2,157,000	2,093	0.39
Clondalkin Industries 8% Euro-Zone 15/03/2014	EUR 615,000	516	0.10
Codere Finance Luxembourg 8.25% Euro-Zone 15/06/2015	EUR 288,000	251	0.05
Commonwealth Bank of Australia 5.5% Euro MTN 06/08/2019	EUR 513,000	448	0.08
Corral Petroleum 2% Private Placement 18/09/2011	EUR 374,255	311	0.06
Credit Suisse Finance Guernsey Ltd 3.625% Euro Non-Dollar 23/01/2018	EUR 1,400,000	1,180	0.22
Deutsche Postbank Funding Trust IV 5.983% Euro Non-Dollar 29/06/2049	EUR 1,000,000	712	0.13
Edcon Proprietary 4.129% Euro Non-Dollar 15/06/2014	EUR 1,276,000	965	0.18
Edcon Proprietary 9.5% Euro Non-Dollar 01/03/2018	EUR 900,000	757	0.14
ELM for Swiss Reinsurance 5.252% Euro-Zone 29/05/2049	EUR 2,650,000	2,018	0.38
Europcar 4.399% Euro-Zone 15/05/2013	EUR 144,000	121	0.02
Europcar SA 9.375% EURO-ZONE 15/04/2018	EUR 1,225,000	1,112	0.21
Fortis Bank 4.625% Euro-Zone 29/10/2049	EUR 100,000	73	0.01
General Electric Capital 4.625% Euro Non-Dollar 15/09/2066	EUR 346,000	262	0.05
Goldman Sachs 4.75% Global 12/10/2021	EUR 1,786,000	1,380	0.26
Goldman Sachs 5.125% Euro MTN 23/10/2019	EUR 2,450,000	2,071	0.39
HBOS 1.188% Euro MTN 01/09/2016	EUR 2,474,000	1,794	0.33
HeidelbergCement Finance 8% Euro-Zone 31/01/2017	EUR 161,000	151	0.03
Hellenic Republic Government 2.3% Euro-Zone 25/07/2030	EUR 3,290,000	1,588	0.31
HSBC Capital Funding LP/Jersey Channel Islands 5.13% Euro Non-Dollar 29/12/2049	EUR 635,000	504	0.09
HSBC 6% Euro MTN 10/06/2019	EUR 750,000	684	0.13
Ineos Finance 9.25% Euro Non-Dollar 15/05/2015	EUR 1,141,000	1,067	0.20
ING 4.176% Euro MTN 29/06/2049	EUR 105,000	76	0.01
Intesa Sanpaolo 6.625% Euro MTN 08/05/2018	EUR 300,000	254	0.05
Intesa Sanpaolo 9.5% Euro-Zone 29/06/2049	EUR 800,000	673	0.13
ITV 10% Global 30/06/2014	EUR 878,000	860	0.16
Jarden 7.5% Euro Non-Dollar 15/01/2020	EUR 266,000	236	0.04
JPMorgan Chase Bank 4.375% Euro Non-Dollar 30/11/2021	EUR 1,700,000	1,409	0.26
Labco SAS 8.5% Euro-Zone 15/01/2018	EUR 600,000	521	0.10
Lloyds TSB Bank 6.5% Euro MTN 24/03/2020	EUR 4,455,000	3,613	0.66
Merrill Lynch 4.625% Euro MTN 14/09/2018	EUR 908,000	714	0.13
Morgan Stanley 4.5% Euro MTN 23/02/2016	EUR 3,060,000	2,581	0.48
Motors Liquidation 8.375% Euro Non-Dollar 05/07/2033	EUR 800,000	225	0.04
M-real OYJ 9.25% Euro-Zone 01/04/2013	EUR 919,000	841	0.16
Muenchener Rueckversicherungs 5.767% Euro-Zone 29/06/2049	EUR 1,350,000	1,074	0.20
Nalco Co 6.875% Euro Non-Dollar 15/01/2019	EUR 700,000	626	0.12
Ono Finance II 11.125% Euro-Zone 15/07/2019	EUR 750,000	681	0.13
Polish Television BV 11.25% Euro MTN 15/05/2017	EUR 750,000	696	0.13
Royal Bank of Scotland 4.875% Euro MTN 20/01/2017	EUR 1,940,000	1,620	0.30
Royal Bank of Scotland 6.934% Euro MTN 09/04/2018	EUR 2,248,000	1,838	0.34
Royal Bank of Scotland 7.0916% Euro Non-Dollar 29/10/2049	EUR 100,000	64	0.01
Seat Pagine Gialle 10.5% Euro-Zone 31/01/2017	EUR 399,000	306	0.06
Sunrise Communications SA 8.5% Euro MTN 31/12/2018	EUR 258,000	238	0.04
Sunrise Communications SA 7% Euro MTN 31/12/2017	EUR 217,000	196	0.03
TVN Finance Corp III AB 7.875% Euro MTN 15/11/2018	EUR 275,000	243	0.05
UBS 6% Euro MTN 18/04/2018	EUR 1,611,000	1,523	0.28
Unitymedia 9.625% Euro-Zone 01/12/2019	EUR 1,333,000	1,271	0.24
UPC 9.75% Euro-Zone 15/04/2018	EUR 150,000	139	0.03
Wind Acquisition Finance 12.25% EURO-ZONE 15/07/2017	EUR 24,500	24	0.00
Ziggo Bond 8% Euro-Zone 15/05/2018	EUR 800,000	728	0.14
		76,498	14.25

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
US Dollar Denominated – 42.91% (57.63%)			
ACCO 10.625% Global 15/03/2015	USD 365,000	254	0.05
ACE INA 5.7% US Domestic 15/02/2017	USD 20,000	13	0.00
Adaro Indonesia 7.625% Euro-Dollar 22/10/2019	USD 350,000	236	0.04
AES 8% Global 01/06/2020	USD 15,000	10	0.00
AES 8% Global 15/10/2017	USD 1,415,000	940	0.18
AES 9.75% Global 15/04/2016	USD 355,000	253	0.05
AES El Salvador 6.75% Euro-Dollar 01/02/2016	USD 440,000	268	0.05
Alliance One International 10% Global 15/07/2016	USD 180,000	114	0.02
Allison Transmission 11.25% Private Placement 01/11/2015	USD 169,600	114	0.02
Allstate 6.125% US Domestic 15/12/2032	USD 187,000	122	0.02
Ally Financial 6.625% Global 15/05/2012	USD 1,731,000	1,109	0.21
Ally Financial 7.5% Global 31/12/2013	USD 751,000	502	0.09
Ally Financial 8% Global 31/12/2018	USD 123,000	83	0.02
Ally Financial Inc 8% Global 15/03/2020	USD 800,000	553	0.10
Ally Financial Inc 8.3% Global 12/02/2015	USD 760,000	523	0.10
Altegrity 10.5% Private Placement 01/11/2015	USD 15,000	10	0.00
Altegrity 11.75% Private Placement 01/05/2016	USD 180,000	119	0.02
Altria 9.25% Global 06/08/2019	USD 740,000	590	0.11
America Movil 5.625% Global 15/11/2017	USD 670,000	449	0.08
American Express 6.8% US Domestic 01/09/2066	USD 50,000	31	0.01
American Express Credit 5.125% Domestic MTN 25/08/2014	USD 1,120,000	744	0.14
American Greetings 7.375% US Domestic 01/06/2016	USD 25,000	16	0.00
American International 5.85% Global 16/01/2018	USD 90,000	58	0.01
American International 6.25% Global 15/03/2087	USD 400,000	224	0.04
Anadarko Petroleum 5.95% Global 15/09/2016	USD 470,000	317	0.06
Anadarko Petroleum 6.45% Global 15/09/2036	USD 20,000	12	0.00
Anadarko Petroleum 8.7% US Domestic 15/03/2019	USD 110,000	83	0.02
Appleton Papers Inc 11.25% Global 15/12/2015	USD 257,000	147	0.03
Argentina Bonos 7% Domestic 03/10/2015	USD 1,121,000	653	0.12
Argentina Bonos 7% Domestic 12/09/2013	USD 383,930	243	0.05
Argentina Government International 8.28% Euro-Dollar 31/12/2033	USD 1,082,547	569	0.11
Argentina Government International 8.75% Global 02/06/2017	USD 582,115	359	0.07
Argentina Government International Bond GDP Linked Euro-Dollar 15/12/2035	USD 104,690	9	0.00
Ashtead Capital 9% Private Placement 15/08/2016	USD 120,000	78	0.01
AT&T 6.55% Global 15/02/2039	USD 719,000	467	0.09
AXA 8.6% Global 15/12/2030	USD 50,000	36	0.01
Axtel SAB de 7.625% Euro-Dollar 01/02/2017	USD 1,805,000	1,041	0.19
Axtel SAB de 9% Euro-Dollar 22/09/2019	USD 635,000	378	0.07
BAC Capital Trust VI 5.625% US Domestic 08/03/2035	USD 250,000	133	0.02
Ball 6.75% US Domestic 15/09/2020	USD 500,000	322	0.06
Ball 5.75% US Domestic 15/05/2021	USD 1,170,000	702	0.13
Banco del Estado de Chile 4.125% Euro-Dollar 07/10/2020	USD 1,910,000	1,090	0.20
Banco Mercantil del Norte 6.135% Private Placement 13/10/2016	USD 66,000	41	0.01
Bank of America 5.65% Global 01/05/2018	USD 40,000	26	0.00
Bank of America 8% Global 29/12/2049	USD 45,000	29	0.01
Bank of America 7.25% Public Perpetual	USD 210	1	0.00
Bear Stearns 5.55% US Domestic 22/01/2017	USD 260,000	171	0.03
Belden & Blake 8.75% Global 15/07/2012	USD 860,000	523	0.10
Berry Petroleum 10.25% US Domestic 01/06/2014	USD 190,000	136	0.03
Biomet 10% Global 15/10/2017	USD 10,000	7	0.00
Biomet 10.375% Global 15/10/2017	USD 1,293,000	888	0.17
Boyd Gaming 7.125% US Domestic 01/02/2016	USD 40,000	23	0.00
Brazilian Government International 4.875% Global 22/01/2021	USD 2,680,000	1,672	0.30
Brazilian Government International 5.875% Global 15/01/2019	USD 84,000	57	0.01
Brazilian Government International 7.125% Global 20/01/2037	USD 280,000	203	0.04
Brazilian Government International 8.75% Global 04/02/2025	USD 171,000	142	0.03
Brazilian Government International Bond 8% GLOBAL 15/01/2018	USD 43,556	31	0.01
British Telecommunications 9.875% Global 15/12/2030	USD 70,000	59	0.01
Burlington Northern Santa Fe 5.75% US Domestic 01/05/2040	USD 325,000	207	0.04
Cablevision Systems 7.75% US Domestic 15/04/2018	USD 1,310,000	862	0.16
CCFC Finance 8% Private Placement 01/06/2016	USD 1,546,000	1,031	0.19
Calpine 7.5% Private Placement 15/02/2021	USD 2,560,000	1,605	0.30
Capital One Bank USA 6.5% US Domestic 13/06/2013	USD 70,000	47	0.01
Capital One Capital IV 6.745% Global 05/02/2082	USD 105,000	65	0.01
Capital One Financial 6.75% US Domestic 15/09/2017	USD 20,000	14	0.00

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
CCH II Capital 13.5% Global 30/11/2016	USD 43,233	32	0.01
CCM Merger 8% Private Placement 01/08/2013	USD 270,000	167	0.03
Cellco Partnership / Verizon Wireless Capital 8.5% Global 15/11/2018	USD 277,000	221	0.04
Celulosa Arauco y Constitucion 7.25% Global 29/07/2019	USD 1,417,000	983	0.18
Cengage Learning Acquisitions 13.25% Private Placement 15/07/2015	USD 135,000	88	0.02
Centrais Electrica Brasilerias SA 6.875 Euro-Dollar 30/07/2019	USD 1,775,000	1,201	0.22
Ceridian 12.25% Global 15/11/2015	USD 159,750	104	0.02
Charter Communications Operating Capital 10.875% Private Placement 15/09/2014	USD 200,000	138	0.03
Chesapeake Energy 6.5% Global 15/08/2017	USD 1,327,000	873	0.16
Chesapeake Energy 6.625% US Domestic 15/08/2020	USD 200,000	129	0.02
Chesapeake Energy 7.25% US Domestic 15/12/2018	USD 220,000	149	0.03
China Forestry Holdings 7.75% Euro-Dollar 17/11/2015	USD 1,640,000	554	0.10
CHS/Community Health Systems 8.875% Global 15/07/2015	USD 40,000	26	0.00
Cie Generale de Geophysique-Veritas 7.5% Global 15/05/2015	USD 100,000	64	0.01
Cie Generale de Geophysique-Veritas 9.5% Global 15/05/2016	USD 500,000	345	0.06
Cincinnati Bell 8.25% US Domestic 15/10/2017	USD 1,531,000	951	0.18
Cincinnati Bell 8.375% US Domestic 15/10/2020	USD 1,460,000	890	0.17
Cincinnati Bell 6.3% US Domestic 01/12/2028	USD 40,000	19	0.00
Citigroup 6.125% Global 21/11/2017	USD 50,000	34	0.01
Citigroup 6.125% Global 25/08/2036	USD 400,000	235	0.04
Citigroup 6.375% US Domestic 12/08/2014	USD 838,000	574	0.11
Citigroup Capital XII 8.5% Public 30/03/2040	USD 60,800	992	0.18
Colombia Government International 6.125% Global 18/01/2041	USD 630,000	392	0.07
Colombia Government International 7.375% Global 18/03/2019	USD 2,619,000	1,920	0.36
Colombia Government International 7.375% Global 18/09/2037	USD 668,000	483	0.09
Colbun 6% Euro-Dollar 21/01/2020	USD 1,670,000	1,035	0.19
Comcast 5.15% US Domestic 01/03/2020	USD 1,740,000	1,115	0.21
Comcast 5.7% Global 15/05/2018	USD 40,000	27	0.01
Comcast 6.5% Global 15/01/2017	USD 30,000	21	0.00
Comcast 7.05% US Domestic 15/03/2033	USD 210,000	145	0.03
Complete Production Services 8% Global 15/12/2016	USD 245,000	159	0.03
Compucredit Acquired Portfolio Voltage Master Trust 0.42734% Asset Backed Security 15/11/2018	USD 118,682	67	0.01
ConocoPhillips 6.95% Global 15/04/2029	USD 40,000	30	0.01
Consol Energy 8.25% Private Placement 01/04/2020	USD 770,000	521	0.10
Consol Energy 8% Private Placement 01/04/2017	USD 910,000	608	0.11
Continental Airlines 6.75% Private Placement 15/09/2015	USD 2,010,000	1,273	0.24
Continental Airlines 2007-1 Class C Pass Through Trust 7.339% Global 19/04/2014	USD 50,137	31	0.01
Corral Petroleum 2% Private Placement 18/09/2011	USD 103,945	61	0.01
Countrywide Financial 6.25% US Domestic 15/05/2016	USD 510,000	336	0.06
CRC Health 10.75% Global 01/02/2016	USD 315,000	194	0.04
Credit Agricole 8.375% Private Placement 29/10/2049	USD 1,234,000	806	0.15
Cricket Communications 7.75% Global 15/05/2016	USD 345,000	224	0.04
CSC 6.75% Global 15/04/2012	USD 120,000	77	0.01
CSC 8.5% Global 15/06/2015	USD 2,020,000	1,360	0.25
CSC 8.625% Global 15/02/2019	USD 35,000	25	0.00
CSN Islands 10.5% Private Placement 15/01/2015	USD 31,000	23	0.00
CSN Resources 6.5% Euro-Dollar 21/07/2020	USD 2,104,000	1,364	0.25
DAE Aviation 11.25% Private Placement 01/08/2015	USD 1,140,000	739	0.14
Delhaize 5.7% Private Placement 01/10/2040	USD 89,000	51	0.01
Delta Air Lines 9.5% Private Placement 15/09/2014	USD 108,000	72	0.01
Delta Air Lines 2001-1 Class B Pass Through Trust 7.711% US Domestic 18/03/2013	USD 1,598,000	1,007	0.19
Delta Air Lines 2007-1 Class B Pass Through Trust 8.021% Global 10/02/2024	USD 290,939	187	0.03
Delta Air Lines 2007-1 Class C Pass Through Trust 8.954% Global 10/08/2014	USD 62,534	40	0.01
Deutsche Bank Capital Funding Trust VII 5.628% Private Placement 29/01/2049	USD 196,000	110	0.02
Devon Energy 7.95% US Domestic 15/04/2032	USD 1,490,000	1,187	0.22
Devon Financing 7.875% Global 30/09/2031	USD 33,000	26	0.00
DIRECTV Financing 7.625% Global 15/05/2016	USD 20,000	14	0.00
DISH 6.625% Global 01/10/2014	USD 20,000	13	0.00
DISH 7.875% Global 01/09/2019	USD 2,747,000	1,830	0.34
DISH 7.125% GLOBAL 01/02/2016	USD 110,000	72	0.01
Dolphin Energy 5.888% Euro-Dollar 15/06/2019	USD 646,030	417	0.08

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Downstream Development Authority of the Quapaw Tribe of Oklahoma 12% Private Placement 15/10/2015	USD 60,000	39	0.01
E.CL 5.625% Euro-Dollar 15/01/2021	USD 1,420,000	849	0.16
Ecopetrol 7.625% Global 23/07/2019	USD 2,753,000	1,955	0.35
Edison Mission Energy 7.5% US Domestic 15/06/2013	USD 90,000	55	0.01
Edison Mission Energy 7.625% Global 15/05/2027	USD 330,000	149	0.03
Edison Mission Energy 7.75% US Domestic 15/06/2016	USD 180,000	99	0.02
EEB International 8.75% Private Placement 31/10/2014	USD 310,000	205	0.04
EEB International 8.75% Private Placement 31/10/2014	USD 270,000	179	0.03
El Paso 7.875% Global 15/06/2012	USD 225,000	146	0.03
El Pollo Loco 11.75% Global 01/12/2012	USD 35,000	22	0.00
El Pollo Loco 11.75% Global 15/11/2013	USD 735,000	407	0.08
Empresas Publicas de Medellin 7.625% Euro-Dollar 29/07/2019	USD 1,100,000	767	0.14
Energy Future Intermediate 10% US Domestic 01/12/2020	USD 2,160,000	1,411	0.26
Energy Future 10.875% Global 01/11/2017	USD 32,000	16	0.00
Energy Future 11.25% Global 01/11/2017	USD 987,351	467	0.09
Energy Transfer 6.7% US Domestic 01/07/2018	USD 50,000	35	0.01
Energy Transfer 9.7% US Domestic 15/03/2019	USD 25,000	20	0.00
Enterprise Products Operating 6.3% US Domestic 15/09/2017	USD 370,000	257	0.05
Enterprise Products Operating 7.034% US Domestic 15/01/2068	USD 315,000	202	0.04
Enterprise Products Operating 8.375% US Domestic 01/08/2066	USD 1,960,000	1,301	0.24
Enterprise Products Operating 9.75% US Domestic 31/01/2014	USD 90,000	67	0.01
EOG Resources 5.875% US Domestic 15/09/2017	USD 50,000	35	0.01
Eskom Holdings Ltd 5.75% Euro-Dollar 26/01/2021	USD 330,000	202	0.04
Evrax 8.875% Euro-Dollar 24/04/2013	USD 1,310,000	877	0.16
Evrax 8.875% Private Placement 24/04/2013	USD 110,000	73	0.01
Evrax Group 8.25% Euro-Dollar 10/11/2015	USD 210,000	141	0.03
Exelon 4.9% US Domestic 15/06/2015	USD 5,000	3	0.00
Fannie Mae 4.5% Mortgage Backed Security 30yr	USD 37,400,000	23,407	4.36
Fannie Mae 5% Mortgage Backed Security 30yr	USD 8,500,000	5,467	1.02
Fibria Overseas Finance 7.5% Euro-Dollar 04/05/2020	USD 1,990,000	1,297	0.24
First Data 9.875% Global 24/09/2015	USD 120,000	75	0.02
FirstEnergy 7.375% Global 15/11/2031	USD 1,875,000	1,256	0.23
FMC Finance III 6.875% Global 15/07/2017	USD 1,552,000	1,004	0.19
FMG Resources August 2006 7% PRIV PLACEMENT 01/11/2015	USD 310,000	197	0.04
Fontainebleau Las Vegas 10.25% Private Placement 15/06/2015	USD 80,000	-	0.00
Ford Motor Credit 12% Global 15/05/2015	USD 1,611,000	1,251	0.23
Ford Motor Credit 3.27681% US Domestic 13/01/2012	USD 120,000	74	0.01
Ford Motor Credit 5.54219% Global 15/06/2011	USD 121,000	75	0.02
Freeport-McMoRan Copper & Gold 8.375% US Domestic 01/04/2017	USD 1,098,000	749	0.14
Freescale Semiconductor 10.125% US Domestic 15/12/2016	USD 165,000	110	0.02
Freescale Semiconductor 9.25% Private Placement 15/04/2018	USD 470,000	321	0.06
Frontier Communications 8.75% Global 15/04/2022	USD 160,000	109	0.02
GCB 144A 15/11/2049	USD 350,000	-	0.00
General Electric Capital 6.15% Global 07/08/2037	USD 180,000	114	0.02
General Electric Capital 6.375% Global 15/11/2067	USD 60,000	38	0.01
General Electric Capital 6.75% Global 15/03/2032	USD 25,000	17	0.00
General Electric Capital 6.875% Euro MTN 10/01/2039	USD 1,075,000	744	0.14
GenOn Americas Generation 9.125% GLOBAL 01/05/2031	USD 610,000	390	0.07
Gerdau 7% Euro-Dollar 20/01/2020	USD 567,000	383	0.07
Glitnir Banki HF 7.451% Private Placement 30/09/2049	USD 200,000	-	0.00
Globo Comunicacao e Participacoes 7.25% Euro-Dollar 26/04/2022	USD 400,000	264	0.05
Goldman Sachs Capital II 5.793% US Domestic 01/06/2043	USD 60,000	32	0.01
Grupo Televisa 6.625% Global 15/01/2040	USD 1,856,000	1,217	0.23
Grupo Televisa 6.625% Global 18/03/2025	USD 140,000	95	0.02
GTL Trade Finance 7.25% Euro-Dollar 20/10/2017	USD 731,000	502	0.09
Gulfmark Offshore 7.75% Global 15/07/2014	USD 125,000	78	0.02
Harrah's Operating 10.75% Global 01/02/2016	USD 2,228,000	1,353	0.25
Harrah's Operating 11.25% Global 01/06/2017	USD 1,100,000	769	0.14
Hawaiian Telcom Communications 12.5% Global 01/05/2015	USD 69,000	-	0.00
HCA 7.875% Global 15/02/2020	USD 320,000	216	0.04
HCA 9.25% Global 15/11/2016	USD 200,000	133	0.03
HCA 9.625% Global 15/11/2016	USD 1,436,210	958	0.18
Hercules Offshore 10.5% Private Placement 15/10/2017	USD 300,000	183	0.04
Horizon Lines 4.25% US Domestic 15/08/2012	USD 410,000	234	0.04
Hospira 6.05% Global 30/03/2017	USD 15,000	10	0.00

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Host Hotels & Resorts 6.375% Global 15/03/2015	USD 30,000	19	0.00
HSBC Bank 3.04547% Euro MTN 22/08/2011	USD 206,000	129	0.02
Humana 6.45% US Domestic 01/06/2016	USD 45,000	31	0.01
IASIS Healthcare 8.75% Global 15/06/2014	USD 195,000	123	0.02
ICICI Bank 6.375% Euro-Dollar 30/04/2022	USD 1,540,000	936	0.17
ICICI Bank 6.375% Private Placement 30/04/2022	USD 180,000	111	0.02
Idearc 8% US Domestic 15/11/2016	USD 315,000	-	0.00
Indonesia Government International 6.625% Euro-Dollar 17/02/2037	USD 2,585,000	1,699	0.32
Indonesia Government International 6.875% Euro-Dollar 17/01/2018	USD 380,000	265	0.05
Indosat Palapa 7.375% Euro-Dollar 29/07/2020	USD 718,000	485	0.09
ING Capital Funding Trust III 3.90281% Global 29/12/2049	USD 1,877,000	1,107	0.21
ING Groep NV 5.775% Global 29/12/2049	USD 70,000	39	0.01
Inmarsat Finance 7.375% Private Placement 01/12/2017	USD 1,675,000	1,107	0.21
Inn of the Mountain Gods Resort & Casino 1.25% Private Placement 30/11/2020	USD 475,000	152	0.03
Inn of the Mountain Gods Resort & Casino 8.75% Private Placement 30/11/2020	USD 211,000	123	0.02
Intelsat Intermediate 9.5% Global 01/02/2015	USD 80,000	51	0.01
Intelsat Jackson 11.25% Global 15/06/2016	USD 30,000	20	0.00
Intelsat Jackson 11.5% Global 15/06/2016	USD 350,000	230	0.04
Intelsat Jackson 8.5% Private Placement 01/11/2019	USD 475,000	321	0.06
Intelsat Jackson 9.5% Global 15/06/2016	USD 345,000	225	0.04
Intelsat Jackson 7.25% Private Placement 15/10/2020	USD 1,810,000	1,143	0.21
International Lease Finance 8.75% Private Placement 15/03/2017	USD 2,810,000	1,970	0.37
Inversiones CMPC 4.75% Euro-Dollar 19/01/2018	USD 2,010,000	1,188	0.22
iPCS 2.59063% Global 01/05/2013	USD 60,000	36	0.01
JPMorgan Chase 6.125% US Domestic 27/06/2017	USD 40,000	27	0.01
JPMorgan Chase 6.625% Global 15/03/2012	USD 45,000	29	0.01
JPMorgan Chase 7.9% Global 29/04/2049	USD 1,177,000	783	0.15
Kansas City Southern de Mexico 12.5% Global 01/04/2016	USD 595,000	448	0.08
Kansas City Southern de Mexico 7.375% Global 01/06/2014	USD 135,000	87	0.02
Kansas City Southern Railway 13% US Domestic 15/12/2013	USD 20,000	15	0.00
Kaupthing Bank HF 7.125% Private Placement 19/05/2016	USD 100,000	-	0.00
Kerr-McGee 6.95% Global 01/07/2024	USD 440,000	303	0.06
Key Energy Services 8.375% Global 01/12/2014	USD 305,000	204	0.04
Kinder Morgan Energy Partners 5.95% US Domestic 15/02/2018	USD 190,000	129	0.03
Kinder Morgan Energy Partners 7.3% Global 15/08/2033	USD 125,000	85	0.02
Kroger 8% US Domestic 15/09/2029	USD 140,000	107	0.02
L-3 Communications 6.375% Global 15/10/2015	USD 155,000	98	0.02
Landry's Restaurants 11.625% Global 01/12/2015	USD 230,000	153	0.03
Lehman Brothers Capital Trust VII 5.857% US Domestic 29/11/2049	USD 125,000	-	0.00
Leucadia National 7.125% Global 15/03/2017	USD 30,000	19	0.00
Leucadia National 8.125% US Domestic 15/09/2015	USD 90,000	61	0.01
Linn Energy Finance 8.625% Private Placement 15/04/2020	USD 310,000	212	0.04
Macy's 5.35% US Domestic 15/03/2012	USD 10,000	6	0.00
Majapahit 7.75% Euro-Dollar 20/01/2020	USD 100,000	69	0.01
MarkWest Energy Finance 8.75% Global 15/04/2018	USD 40,000	27	0.01
Merrill Lynch 6.4% Global 28/08/2017	USD 29,000	20	0.00
MetLife 6.4% Global 15/12/2066	USD 210,000	123	0.02
Mexico Government International 5.95% Euro MTN 19/03/2019	USD 130,000	88	0.02
Mexico Government International 6.05% Global 11/01/2040	USD 218,000	136	0.03
Mexico Government International 8.125% Global 30/12/2019	USD 58,000	46	0.01
MGM Resorts International 10.375% Global 15/05/2014	USD 100,000	70	0.01
MGM Resorts International 11.125% Global 15/11/2017	USD 235,000	167	0.03
Mirant Mid Atlantic Pass Through Trust 10.06% Global 30/12/2028	USD 1,503,336	1,044	0.19
Mohegan Tribal Gaming Authority 11.5% Private Placement 01/11/2017	USD 980,000	612	0.11
Mohegan Tribal Gaming Authority 8% Global 01/04/2012	USD 850,000	447	0.08
Morgan Stanley 4.75% Global 01/04/2014	USD 154,000	99	0.02
Morgan Stanley 5.625% Domestic MTN 09/01/2012	USD 40,000	26	0.00
Motors Liquidation 7.2% Global 15/01/2011	USD 365,000	71	0.01
Motors Liquidation 8.375% US Domestic 15/07/2033	USD 400,000	82	0.02
Murray Energy 10.25% Private Placement 15/10/2015	USD 980,000	642	0.12
NCL 11.75% Global 15/11/2016	USD 350,000	254	0.05
Neiman Marcus 7.125% US Domestic 01/06/2028	USD 1,030,000	583	0.11
Neiman Marcus 9% Global 15/10/2015	USD 384,415	248	0.05
NET Servicios de Comunicacao 7.5% Global 27/01/2020	USD 2,092,000	1,462	0.27
NetFlix 8.5% Global 15/11/2017	USD 2,760,000	1,922	0.36
NewPage 11.375% Global 31/12/2014	USD 1,723,000	1,059	0.20

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Nordea Bank 4.875% Euro-Dollar 27/01/2020	USD 1,228,000	774	0.15
Novatek Finance Ltd 6.604% Euro-Dollar 03/02/2021	USD 1,920,000	1,219	0.23
NRG Energy 7.375% US Domestic 01/02/2016	USD 25,000	16	0.00
Odebrecht Finance 7% Euro-Dollar 21/04/2020	USD 2,700,000	1,785	0.32
Odebrecht Finance 7.5% Euro-Dollar 18/10/2017	USD 200,000	133	0.03
Overseas Shipholding 8.125% US Domestic 30/03/2018	USD 440,000	270	0.05
Oxford Industries 11.375% Global 15/07/2015	USD 895,000	619	0.12
Pan American Energy 7.875% Euro-Dollar 07/05/2021	USD 2,847,000	1,854	0.35
Panama Government International 6.7% Global 26/01/2036	USD 2,449,000	1,651	0.31
Panama Government International 7.25% Global 15/03/2015	USD 372,000	264	0.05
Pemex Project Funding Master 6.625% Global 15/06/2035	USD 5,426,000	3,303	0.62
Peruvian Government International 6.55% Global 14/03/2037	USD 44,000	30	0.01
Peruvian Government International 8.75% Global 21/11/2033	USD 777,000	647	0.12
Petrobras International Finance 5.875% Global 01/03/2018	USD 28,000	18	0.00
Petrobras International Finance 6.875% Global 20/01/2040	USD 1,468,000	923	0.17
Petrobras International Finance Co - Pifco 6.75% Global 27/01/2041	USD 2,630,000	1,645	0.31
Petroleum of Trinidad & Tobago 9.75% Euro-Dollar 14/08/2019	USD 1,510,000	1,133	0.21
Petroplus Finance 6.75% Private Placement 01/05/2014	USD 130,000	79	0.01
Petroplus Finance 7% Private Placement 01/05/2017	USD 205,000	123	0.02
Plains Exploration & Production 10% US Domestic 01/03/2016	USD 235,000	164	0.03
Plains Exploration & Production 8.625% US Domestic 15/10/2019	USD 105,000	72	0.01
Prudential Financial 8.875% Global 15/06/2068	USD 40,000	29	0.01
Qtel International Finance 4.75% Euro-Dollar 16/02/2021	USD 1,320,000	754	0.14
Quicksilver Resources 11.75% US Domestic 01/01/2016	USD 200,000	143	0.03
Qwest Communications 7.5% Global 15/02/2014	USD 282,000	176	0.03
RailAmerica 9.25% Global 01/07/2017	USD 256,000	174	0.03
Range Resources 8% US Domestic 15/05/2019	USD 1,200,000	807	0.15
Rearden G EINS 7.875% Euro-Dollar 30/03/2020	USD 990,000	640	0.12
Reliance 4.5% Euro-Dollar 19/10/2020	USD 1,980,000	1,145	0.21
Republic Services 5% Global 01/03/2020	USD 1,870,000	1,194	0.22
Resona Preferred Global Securities Cayman 7.191% Private Placement 29/12/2049	USD 110,000	69	0.01
Reynolds American 7.625% Global 01/06/2016	USD 40,000	29	0.01
Reynolds Issuer 7.125% Private Placement 15/04/2019	USD 500,000	316	0.06
Reynolds Issuer 9% Private Placement 15/04/2019	USD 550,000	353	0.07
Reynolds Issuer 7.75% Private Placement 15/10/2016	USD 300,000	196	0.04
Rio Tinto Finance USA 6.5% Global 15/07/2018	USD 60,000	43	0.01
Rio Tinto Finance USA 9% Global 01/05/2019	USD 1,516,000	1,231	0.23
Rock-Tenn 9.25% Global 15/03/2016	USD 50,000	34	0.01
Rogers Communications I 6.25% Global 15/06/2013	USD 50,000	34	0.01
Royal Bank of Scotland 5% Global 12/11/2013	USD 230,000	140	0.03
RSC Equipment Rental 10% Private Placement 15/07/2017	USD 280,000	198	0.04
Russian Agricultural Bank OJSC Via RSHB Capital 6.97% Euro-Dollar 21/09/2016	USD 227,000	141	0.03
Russian Federation 1% 31/03/30	USD 1,204,472	855	0.16
Russian Foreign 7.5% Euro-Dollar 31/03/2030	USD 7,332,289	5,208	0.97
SandRidge Energy 8.625% Global 01/04/2015	USD 485,000	310	0.06
Sbarro 10.375% Global 01/02/2015	USD 40,000	7	0.00
Shinhan Bank 5.663% Euro-Dollar 02/03/2035	USD 120,000	74	0.01
Sigma Capital 9% Euro-Dollar 30/04/2015	USD 1,514,000	1,002	0.19
Sino-Forest 10.25% Euro-Dollar 28/07/2014	USD 1,438,000	1,001	0.19
SLM 5.05% Domestic MTN 14/11/2014	USD 170,000	107	0.02
SLM 5.375% Domestic MTN 15/05/2014	USD 886,000	562	0.11
SLM 5.625% Domestic MTN 01/08/2033	USD 48,000	25	0.00
SLM 8% Domestic MTN 25/03/2020	USD 50,000	33	0.01
Smurfit Kappa Treasury 7.5% Yankee 20/11/2025	USD 80,000	46	0.01
Snoqualmie Entertainment Authority 4.42769% Private Placement 01/02/2014	USD 45,000	25	0.00
Societe Generale 8.75% Euro-Dollar 29/10/2049	USD 190,000	122	0.02
Solo Cup Operating 10.5% Global 01/11/2013	USD 105,000	66	0.01
Solutia 7.875% US Domestic 15/03/2020	USD 930,000	623	0.12
Southern Copper 5.375% Global 16/04/2020	USD 500,000	316	0.06
Southern Copper 6.75% Global 16/04/2040	USD 610,000	389	0.07
Southern Natural Gas 5.9% Private Placement 01/04/2017	USD 29,000	19	0.00
Sprint Capital 6.9% Global 01/05/2019	USD 30,000	19	0.00
Sprint Capital 8.375% Global 15/03/2012	USD 605,000	395	0.07
Sprint Capital 8.75% Global 15/03/2032	USD 2,008,000	1,281	0.24
Station Casinos 6% Global 01/04/2012	USD 95,000	-	0.00

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Station Casinos 7.75% US Domestic 15/08/2016	USD 195,000	-	0.00
SunTrust Capital VIII 6.1% US Domestic 01/12/2066	USD 121,000	71	0.01
Suzano Trading 5.875% Euro-Dollar 23/01/2021	USD 2,380,000	1,404	0.26
Teachers Insurance & Annuity Association of America 6.85% Euro-Dollar 16/12/2039	USD 360,000	254	0.05
Teck Resources 10.25% Global 15/05/2016	USD 442,000	331	0.06
Teck Resources 9.75% Global 15/05/2014	USD 37,000	28	0.01
Teekay 8.5% Global 15/01/2020	USD 580,000	384	0.07
Telemar Norte Leste 5.5% Euro-Dollar 23/10/2020	USD 730,000	431	0.08
Tenet Healthcare 10% Global 01/05/2018	USD 407,000	293	0.05
Tenet Healthcare 9% Global 01/05/2015	USD 2,017,000	1,363	0.25
Tenet Healthcare 8.875% Global 01/07/2019	USD 490,000	342	0.06
Tennessee Gas Pipeline 8% Global 01/02/2016	USD 25,000	18	0.00
TGI International 9.5% Euro-Dollar 03/10/2017	USD 1,110,000	758	0.14
Time Warner Cable 8.25% US Domestic 01/04/2019	USD 1,193,000	903	0.17
Time Warner Cable 8.75% Global 14/02/2019	USD 68,000	53	0.01
TNK-BP Finance 7.875% Euro MTN 13/03/2018	USD 3,822,000	2,667	0.49
Trico Shipping 13.875% Private Placement 01/11/2014	USD 600,000	303	0.06
True Move 10.75% Euro-Dollar 16/12/2013	USD 2,481,000	1,632	0.30
True Move 10.75% Private Placement 16/12/2013	USD 1,015,000	668	0.12
Turkey Government International 7% Global 11/03/2019	USD 440,000	300	0.06
Turkey Government International 7.25% Global 15/03/2015	USD 159,000	110	0.02
Turkey Government International 7.5% Global 14/07/2017	USD 2,160,000	1,517	0.28
Turkey Government International 9.5% Global 15/01/2014	USD 35,000	25	0.00
United States Treasury Bill 0% US Government 02/06/2011	USD 300,000	184	0.03
United States Treasury Note 1.75% US Government 31/01/2014	USD 2,810,000	1,758	0.33
United States Treasury Note 1.75% US Government 31/07/2015	USD 770,000	471	0.09
United States Treasury Note 2.625% US Government 31/07/2014	USD 130,000	83	0.02
United States Treasury Note 2.75% US Government 15/02/2019	USD 6,550,000	3,951	0.74
United States Treasury Note 3.125% US Government 15/05/2019	USD 21,510,000	13,276	2.48
United States Treasury Note 3.375% US Government 15/11/2019	USD 360,000	225	0.04
United States Treasury Note 3.5% US Government 15/02/2039	USD 1,610,000	830	0.15
United States Treasury Note 3.5% US Government 15/05/2020	USD 320,000	200	0.04
United States Treasury Note 3.625% US Government 15/02/2020	USD 60,000	38	0.01
United States Treasury Note 4.25% US Government 15/05/2039	USD 230,000	136	0.03
United States Treasury Note 4.375% US Government 15/11/2039	USD 10,000	6	0.00
United States Treasury Note 4.5% US Government 15/02/2036	USD 2,000	1	0.00
United States Treasury Note 4.5% US Government 15/08/2039	USD 30,000	18	0.00
United States Treasury Note 4.625% US Government 15/02/2040	USD 17,313,000	10,859	2.02
United States Treasury Note 5.125% US Government 15/05/2016	USD 8,600	6	0.00
United States Treasury Note 2% US Government 31/01/2016	USD 1,840,000	1,124	0.21
United States Treasury Note 2.625% US Government 15/11/2020	USD 170,000	98	0.02
United States Treasury Note 3.625% US Government 15/02/2021	USD 1,990,000	1,244	0.23
United States Treasury Note 3.875% US Government 15/08/2040	USD 410,000	226	0.04
United Technologies 5.4% US Domestic 01/05/2035	USD 35,000	22	0.00
UnitedHealth 4.875% US Domestic 15/02/2013	USD 30,000	20	0.00
Unitymedia Hessen 8.125% Private Placement 01/12/2017	USD 200,000	132	0.03
Universal Hospital Services 4.1335% Global 01/06/2015	USD 40,000	23	0.00
Universal Hospital Services 8.5% Global 01/06/2015	USD 155,000	99	0.02
Univision Communications 12% Private Placement 01/07/2014	USD 235,000	157	0.03
Univision Communications 7.875% Private Placement 01/11/2020	USD 480,000	314	0.06
Vale Overseas 6.875% Global 21/11/2036	USD 3,239,000	2,131	0.40
Vale Overseas 8.25% Global 17/01/2034	USD 813,000	608	0.11
Vanguard Health II 8% Global 01/02/2018	USD 310,000	194	0.04
Vedanta Resources 8.75% Euro-Dollar 15/01/2014	USD 2,179,000	1,433	0.27
Vedanta Resources 9.5% Euro-Dollar 18/07/2018	USD 100,000	67	0.01
Venezuela Government International 1.5125% Euro-Dollar 20/04/2011	USD 623,000	380	0.07
Venezuela Government International 5.75% Euro-Dollar 26/02/2016	USD 11,495,500	5,059	0.94
Venezuela Government International 8.5% Global 08/10/2014	USD 432,000	233	0.04
Venezuela Government International 9.25% Global 15/09/2027	USD 830,000	366	0.07
Venezuela Government International 9.375% Global 13/01/2034	USD 323,000	132	0.02
Venezuela Government International Bond 7% Euro-Dollar 01/12/2018	USD 26,000	11	0.00
Venezuela Government International Bond 7.75% Euro-Dollar 13/10/2019	USD 2,250,000	917	0.17
Ventas Realty 6.5% Global 01/06/2016	USD 265,000	171	0.03
Verizon Communications 5.5% Global 15/02/2018	USD 40,000	27	0.01
Vimpel Communications OJSC Via UBS Luxembourg 8.25% Euro-Dollar 23/05/2016	USD 722,000	489	0.09

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Vimpel Communications Via VIP Finance Ireland 8.375% Euro-Dollar 30/04/2013	USD 1,152,000	766	0.14
Vimpel Communications Via VIP Finance Ireland 8.375% Private Placement 30/04/2013	USD 480,000	317	0.06
Vimpel Communications Via VIP Finance Ireland 6.493% Euro-Dollar 02/02/2016	USD 1,590,000	1,007	0.19
Virgin Media Finance 9.125% Global 15/08/2016	USD 120,000	79	0.02
Wachovia 5.75% Domestic MTN 01/02/2018	USD 610,000	417	0.08
Wachovia Capital Trust III 5.8% US Domestic 29/03/2049	USD 1,489,000	835	0.16
WellPoint 5.875% Global 15/06/2017	USD 75,000	52	0.01
WellPoint 7% US Domestic 15/02/2019	USD 20,000	14	0.00
Whiting Petroleum 7% Global 01/02/2014	USD 165,000	108	0.02
Willis North America 5.625% US Domestic 15/07/2015	USD 50,000	32	0.01
Wind Acquisition Finance SA 7.25% Euro-Dollar 15/02/2018	USD 1,270,000	806	0.15
Windstream 8.625% Global 01/08/2016	USD 595,000	387	0.07
Windstream 7.75% Global 15/10/2020	USD 1,650,000	1,045	0.20
WPP Finance 8% Global 15/09/2014	USD 320,000	227	0.04
ZFS Finance USA 6.45% Private Placement 15/12/2065	USD 500,000	314	0.06
		230,352	42.91
Australian Dollar Denominated – 0.00% (2.35%)			
Brazilian Real Denominated – 1.84% (2.15%)			
Brazil Notas do Tesouro Nacional Serie F 10% Domestic 01/01/2017	BRL 28,994,000	9,891	1.84
		9,891	1.84
Malaysian Ringgit Denominated – 0.72% (0.00%)			
Malaysia Government Bond 3.835% Domestic 12/08/2015	MYR 18,930,000	3,882	0.72
		3,882	0.72
Mexican Peso Denominated – 1.95% (0.00%)			
Mexican Bonos 8% Domestic 11/06/2020	MXN 198,755,000	10,454	1.95
		10,454	1.95
Peruvian Denominated – 0.68% (0.00%)			
Peru Government Bond 7.84% Domestic 12/08/2020	PEN 14,829,000	3,666	0.68
		3,666	0.68
Polish Zloty Denominated – 1.35% (1.80%)			
Poland Government 5.75% Domestic 23/09/2022	PLN 35,653,000	7,238	1.35
		7,238	1.35
Swiss Franc Denominated – 0.11% (0.00%)			
Aguila 3 7.875% Euro Non-Dollar 31/01/2018	CHF 825,000	573	0.11
		573	0.11

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Ordinary Shares – 0.03% (0.02%)			
United States – 0.03% (0.02%)			
Charter Communications	2,485	69	0.01
Charter Communications Warrants	198	-	0.00
Georgia Gulf	5,659	112	0.02
Nortek	177	5	0.00
Nortek Warrants	453	2	0.00
Semgroup	905	18	0.00
Semgroup Warrants	953	5	0.00
		211	0.03
Collective Investment Schemes – 9.74% (2.97%)			
Legg Mason Western Asset US High Yield Bond	898,308	52,280	9.74
		52,280	9.74
Derivatives – 0.26% ((3.25%))			
Sterling Derivatives – 0.00% (0.03%)			
Futures – 0.00% (0.03%)			
UK Long Gilt Bond Futures June 2011	(18)	(8)	0.00
		(8)	0.00
Euro Derivatives – 0.06% ((0.55%))			
Forward Currency Contracts (0.01%) – ((0.59%))			
Forward to sell EUR 120,713,937 or GBP 102,897,689		61	0.01
Forward to sell EUR 8,306,870 for CHF 32,750,000		(93)	(0.02)
		(32)	(0.01)
Futures – 0.07% ((0.04%))			
German Euro Bobl Futures March 2011	(215)	312	0.06
German Euro Bund Futures March 2011	(62)	58	0.01
		370	0.07
US Dollar Derivatives – 0.16% ((2.59%))			
Forward Currency Contracts – 0.26% ((2.66%))			
Forward to buy USD 15,319,611 for BRL 26,175,000		(124)	(0.02)
Forward to buy USD 17,918,715 for GBP 11,152,700		(106)	(0.02)
Forward to sell USD 441,096,556 for GBP 273,478,786		1,547	0.29
Forward to sell USD 4,320,000 for RUB 127,656,000		42	0.01
		1,359	0.26
Futures – (0.01)% (0.04%)			
5YR US Treasury Note Futures June 2011	(677)	(275)	(0.05)
10YR US Treasury Note Futures June 2011	232	188	0.04
30YR US Treasury Note Futures March 2011	(1)	3	0.00
30YR US Treasury Note Futures June 2011	(17)	(9)	0.00
		(93)	(0.01)
Credit Default Swaps – (0.09)% (0.00%)			
Credit Default Swap 20/12/2015 (iTraxx Europe 14/15 Crossover)	11,500,000	(498)	(0.09)
		(498)	(0.09)
Australian Dollar Derivatives – 0.00% ((0.11%))			
Forward Currency Contracts – 0.00% ((0.11%))			
Forward to buy AUD 4,650,582 for GBP 2,871,439		10	0.00
Forward to sell AUD 2,226,923 for GBP 7,557,217		(20)	0.00
		(10)	0.00

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Brazilian Real Derivatives – 0.00% 0.00%			
Forward Currency Contracts – 0.00% ((0.00%))			
Forward to sell BRL 2,6175,000 for USD 15,319,611		15	0.00
		15	0.00
Canadian Dollar Derivatives – 0.00% ((0.06%))			
Indian Rupee Derivatives – 0.00% ((0.01%))			
Japanese Yen Derivatives – 0.00% ((0.06%))			
Korean Won Derivatives – 0.00% ((0.01%))			
Norwegian Krone Derivatives – 0.00% (0.02%)			
Polish Zloty Derivatives – 0.04% (0.00%)			
Forward Currency Contracts – 0.04% ((2.66%))			
Forward to sell PLN 67,506,964 for GBP 14,727,935		293	0.06
Forward to buy PLN 34,691,118 for GBP 7,510,851		(93)	(0.02)
Forward to buy PLN 32,750,000 for EUR 8,306,870		19	0.00
		219	0.04
Russian Rouble Derivatives – 0.00% (0.00%)			
Forward Currency Contracts – 0.00% ((2.66%))			
Forward to buy RUB 127,656,000 for USD 4,320,000		(3)	0.00
		(3)	0.00
Swiss Franc Derivatives – 0.00% 0.00%			
Forward Currency Contracts – 0.00% ((2.66%))			
Forward to sell CHF 825,000 for GBP 545,274		(3)	0.00
		(3)	0.00
Portfolio of investments		469,170	87.40
Net other assets		67,662	12.60
Net assets		536,832	100.00

Legg Mason Global Multi Strategy Bond Fund (continued)

Investments	Percentage of total net assets %
Portfolio Bond Ratings	%
AAA	4.48
AA+	0.00
AA	0.79
AA-	0.56
A+	2.17
A	2.54
A-	4.46
BBB+	4.17
BBB	7.47
BBB-	8.43
BB+	3.52
BB	5.88
BB-	5.28
B+	4.01
B	3.00
B-	3.69
CCC+	0.66
CCC	0.71
CCC-	0.51
CC	0.02
C+	0.00
DDD+	0.08
NR	24.91
N/A	12.66
	<u>100.00</u>

The investments have been valued in accordance with note 1(h) of the Notes to the Aggregated Financial Statements.
 All investments are corporate bonds unless otherwise stated and admitted to official stock exchange listings.
 Comparative figures shown in brackets relate to 28 February 2010

Legg Mason UK Equity Fund

Portfolio Statement

As at 28 February 2011

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Banks 11.19% – (14.80%)			
Barclays	277,333	872	1.68
HSBC	517,175	3,515	6.79
Lloyds Banking	827,299	516	1.00
Standard Chartered	54,813	890	1.72
		5,793	11.19
Basic Resources – 13.81% (13.70%)			
Anglo American	34,475	1,133	2.19
BHP Billiton	76,884	1,867	3.61
Kier	14,857	202	0.39
Mondi	88,183	477	0.92
New World Resources	22,331	216	0.42
Rio Tinto	49,040	2,094	4.05
Xstrata	83,006	1,157	2.23
		7,146	13.81
Financial Services – 3.60% (1.84%)			
Ashmore	85,166	286	0.55
Close Brothers	13,365	111	0.22
Intermediate Capital	79,257	254	0.49
International Personal Finance	83,538	275	0.53
Investec	55,800	263	0.51
London Stock Exchange	40,288	362	0.70
Paragon Group Companies	177,697	311	0.60
		1,862	3.60
Food & Beverage – 15.69% (5.52%)			
Afren	301,701	478	0.92
Centrica	193,169	655	1.27
Dairy Crest	82,897	299	0.58
Diageo	76,109	914	1.77
IG	23,220	104	0.20
Premier Foods	737,849	197	0.38
Royal Dutch Shell 'A'	110,447	2,450	4.73
Royal Dutch Shell 'B'	86,267	1,900	3.67
SABMiller	22,616	467	0.90
Unilever	35,857	655	1.27
		8,119	15.69
Healthcare – 6.70% (7.80%)			
AstraZeneca	53,352	1,581	3.06
GlaxoSmithKline	159,497	1,885	3.64
		3,466	6.70

Legg Mason UK Equity Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Industrial Goods & Services – 8.35% (7.80%)			
Ashtead	193,316	332	0.64
Atkins WS	55,690	387	0.75
BAE Systems	58,114	191	0.37
BBA Aviation	111,631	251	0.49
Cookson	45,402	295	0.57
DS Smith	194,509	390	0.75
Fenner	85,833	272	0.52
Galiform	366,480	425	0.82
IMI	48,592	427	0.83
Melrose	139,201	422	0.82
Morgan Crucible	148,808	425	0.82
Northgate	52,465	162	0.31
Senior	233,104	343	0.66
		4,322	8.35
Insurance – 5.72% (5.71%)			
Amlin	80,052	310	0.60
Aviva	121,726	565	1.09
Beazley	237,872	320	0.62
Catlin	83,898	316	0.61
Lancashire	65,640	391	0.76
Legal & General	444,702	525	1.01
Prudential	75,999	531	1.03
		2,958	5.72
Media – 0.48% (0.74%)			
ITV	283,275	246	0.48
		246	0.48
Oil & Gas – 10.85% (17.24%)			
BG	106,518	1,590	3.07
BP	618,773	3,063	5.92
Cape	37,180	149	0.29
Gulfsands Petroleum	56,854	179	0.34
JKX Oil & Gas	36,849	110	0.21
John Wood	40,521	267	0.52
Premier Oil	12,567	260	0.50
		5,618	10.85
Personal & Household Goods – 5.73% (6.13%)			
British American Tobacco	48,736	1,206	2.33
Burberry	41,306	493	0.95
Imperial Tobacco	30,886	611	1.18
Persimmon	45,096	213	0.41
Reckitt Benckiser	14,017	444	0.86
		2,967	5.73
Retail – 4.91% (7.08%)			
DSG International	827,014	161	0.31
Halfords	52,714	205	0.40
Inchcape	44,302	169	0.33
Next	16,000	316	0.61
Signet Jewelers	13,976	378	0.73
Tesco	252,314	1,015	1.96
WH Smith	64,558	296	0.57
		2,540	4.91

Legg Mason UK Equity Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Technology – 0.50% (0.81%)			
Computacenter	60,444	257	0.50
		257	0.50
Telecommunications – 7.49% (5.93%)			
BT	325,322	587	1.13
TalkTalk Telecom	156,826	234	0.45
Vodafone	1,751,699	3,057	5.91
		3,878	7.49
Travel & Leisure – 1.94% (1.21%)			
Domino's Pizza UK & IRL	39,239	181	0.35
Firstgroup	40,960	149	0.29
Go-Ahead	21,051	298	0.57
International Consolidated Airlines	54,719	122	0.24
Mitchells & Butlers	77,597	255	0.49
		1,005	1.94
Utilities – 2.47% (2.35%)			
Drax	78,795	311	0.60
National Grid	73,161	415	0.80
Northumbrian Water	67,531	220	0.43
Severn Trent	22,427	333	0.64
		1,279	2.47
Portfolio of investments		51,456	99.43
Net other assets		295	0.57
Net assets		51,751	100.00

The investments have been valued in accordance with note 1(h) of the Notes to the Aggregated Financial Statements.
All investments are ordinary shares unless otherwise stated and admitted to official stock exchange listings.
Comparative figures shown in brackets relate to 28 February 2010.

Legg Mason Continental European Equity

Portfolio Statement

As at 28 February 2011

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Austria – 2.46% (2.09%)			
Erste Bank	2,406	78	0.87
OMV	1,994	52	0.58
Vienna Insurance	769	27	0.30
Voestalpine	2,243	63	0.71
		220	2.46
Belgium – 1.12% (1.19%)			
Anheuser-Busch InBev	2,950	100	1.12
		100	1.12
Denmark – 2.36% (1.52%)			
Carlsberg	751	49	0.55
Danske Bank	1,417	21	0.23
H Lundbeck	1,469	20	0.22
Novo Nordisk	1,579	121	1.36
		211	2.36
Finland – 4.03% (2.58%)			
Kesko	1,525	40	0.45
Metso	675	21	0.24
Nokia	10,186	54	0.60
Pohjola Bank	4,184	35	0.39
Sampo	2,237	43	0.48
Stora Enso	10,755	74	0.83
UPM-Kymmene	5,454	66	0.74
Wartsila	566	27	0.30
		360	4.03
France – 21.44% (21.18%)			
Air Liquide	343	27	0.30
Arkema	1,031	46	0.52
AXA	7,768	100	1.12
BNP Paribas	3,891	186	2.08
Carrefour	2,860	87	0.97
Casino Guichard Perrachon	933	56	0.63
Christian Dior	723	64	0.72
Danone	705	27	0.30
Faurecia	1,792	42	0.47
France Telecom	5,745	78	0.87
GDF Suez	5,646	140	1.57
Gecina	592	46	0.52
Legrand	2,452	62	0.69
L'Oreal	374	27	0.30
LVMH Moet Hennessy Louis Vuitton	750	72	0.81
Rhodia	2,265	41	0.46
Sanofi-Aventis	3,855	162	1.82
Schneider Electric	1,084	109	1.22
SCOR	1,743	32	0.36
SEB	865	52	0.58
Societe Generale	1,992	85	0.95
Total	6,033	225	2.52
Vivendi	4,814	84	0.94
Zodiac Aerospace	1,515	64	0.72
		1,914	21.44

Legg Mason Continental European Equity (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Germany – 22.38% (20.71%)			
Aixtron	2,498	63	0.71
Allianz	1,592	140	1.57
BASF	3,164	160	1.79
Bayer	2,780	130	1.46
Bayerische Motoren Werke	1,664	82	0.92
Celesio	2,742	46	0.52
Commerzbank	8,742	46	0.52
Daimler	3,863	167	1.87
Deutsche Bank	3,034	119	1.33
Deutsche Lufthansa	3,152	39	0.44
Deutsche Telekom	3,633	30	0.34
E.ON	4,945	100	1.12
Hannover Rueckversicherung	823	30	0.34
Heidelbergcement	1,178	51	0.57
Henkel	1,337	49	0.55
Infineon Technologies	10,356	70	0.78
Kloeckner	2,178	43	0.48
Lanxess	1,324	60	0.67
Muenchener Rueckversicherungs	881	91	1.02
SAP	1,885	71	0.79
Siemens	3,132	251	2.81
Software	370	37	0.41
Stada Arzneimittel	1,750	43	0.48
Tognum	2,773	43	0.48
TUI	4,586	37	0.41
		1,998	22.38
Greece – 0.00% (1.15%)			
Ireland – 0.59% (0.50%)			
DCC	2,736	53	0.59
		53	0.59
Italy – 5.50% (9.38%)			
Assicurazioni Generali	3,098	43	0.48
Enel	24,612	90	1.01
ENI	7,620	113	1.27
Fiat	3,749	21	0.24
Pirelli	9,088	45	0.50
Snam Rete Gas	23,675	79	0.88
Terna Rete Elettrica Nazionale	20,584	58	0.65
UniCredit	26,506	42	0.47
		491	5.50
Luxembourg – 1.14% (0.61%)			
ArcelorMittal	4,564	102	1.14
		102	1.14
Netherlands – 3.88% (7.17%)			
ING	8,106	62	0.70
Koninklijke Ahold	8,573	71	0.80
Koninklijke KPN	8,614	86	0.96
Nutreco	755	34	0.38
Unilever	5,025	93	1.04
		346	3.88

Legg Mason Continental European Equity (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Norway – 3.04% (3.15%)			
Marine Harvest	79,307	57	0.64
Schibsted	2,138	40	0.45
Statoil	3,917	63	0.71
Statoil Fuel & Retail	6,212	37	0.41
Telenor	7,240	74	0.83
		271	3.04
Portugal – 0.00% (1.16%)			
Spain – 7.85% (7.95%)			
Banco Bilbao Vizcaya Argentaria	12,210	93	1.04
Banco Santander	21,363	162	1.82
Iberdrola	10,998	59	0.66
Inditex	907	40	0.45
Repsol YPF	5,477	112	1.25
Telefonica	15,072	235	2.63
		701	7.85
Sweden – 7.71% (1.61%)			
Atlas Copco	5,506	84	0.94
Boliden	3,647	48	0.54
Elekta	953	22	0.25
Getinge	3,276	49	0.55
Meda	7,865	42	0.47
Nordea Bank	13,425	93	1.04
Scania	3,320	45	0.50
Securitas	6,413	46	0.52
SKF	4,792	81	0.91
Swedbank	7,227	78	0.87
Trelleborg	7,535	45	0.50
Volvo	5,230	55	0.62
		688	7.71
Switzerland – 15.13% (17.10%)			
ABB	6,530	98	1.10
Baloise	600	40	0.45
Credit Suisse	1,364	39	0.44
Fischer (Georg)	117	40	0.45
Helvetia	150	39	0.44
Logitech International	4,073	48	0.54
Nestle	8,075	281	3.15
Novartis	6,038	207	2.32
Roche	2,158	198	2.22
Sulzer	653	61	0.68
Swiss Reinsurance	1,299	49	0.55
UBS	13,782	168	1.88
Zurich Financial Services	456	81	0.91
		1,349	15.13
Portfolio of investments		8,804	98.63
Net other assets		122	1.37
Net assets		8,926	100.00

The investments have been valued in accordance with note 1(h) of the Notes to the Aggregated Financial Statements.

All investments are ordinary shares unless otherwise stated and admitted to official stock exchange listings.

Comparative figures shown in brackets relate to 28 February 2010

Legg Mason US Equity Fund

Portfolio Statement

As at 28 February 2011

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Automobiles & Parts – 2.70% (0.00%)			
Ford Motor	169,300	1,566	1.61
General Motors	51,800	1,058	1.09
		2,624	2.70
Banks – 11.48% (7.09%)			
Bank of America	287,100	2,505	2.58
Citigroup	982,600	2,833	2.91
JPMorgan Chase	101,800	2,922	3.01
Wells Fargo	145,300	2,894	2.98
		11,154	11.48
Basic Resources – 0.00% (0.82%)			
Financial Services – 12.68% (12.93%)			
American Express	70,800	1,894	1.95
BlackRock	8,225	1,031	1.06
Capital One Financial	78,400	2,410	2.48
Goldman Sachs	22,600	2,294	2.36
Mastercard	7,450	1,130	1.16
Morgan Stanley	86,100	1,582	1.63
NYSE Euronext	86,900	1,976	2.04
		12,317	12.68
Food & Beverage – 1.58% (0.61%)			
Pepsi	39,300	1,537	1.58
		1,537	1.58
Health Care – 11.83% (12.45%)			
Aetna	93,811	2,154	2.22
Gilead Sciences	94,300	2,262	2.33
Johnson & Johnson	31,200	1,144	1.18
Medtronic	43,200	1,059	1.09
Merck	78,700	1,558	1.60
Pfizer	118,700	1,376	1.42
UnitedHealth	74,000	1,935	1.99
		11,488	11.83
Industrial Goods & Services – 3.48% (2.50%)			
General Electric	251,900	3,228	3.32
Norfolk Southern	3,900	155	0.16
		3,383	3.48
Insurance – 4.47% (5.65%)			
Aflac	74,700	2,656	2.73
MetLife	58,900	1,694	1.74
		4,350	4.47
Media – 3.09% (7.04%)			
Time Warner	128,735	3,000	3.09
		3,000	3.09

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Oil & Gas – 7.15% (1.67%)			
BP	91,400	2,700	2.78
Chevron	4,000	251	0.26
ConocoPhillips	58,600	2,785	2.87
Transocean	23,700	1,207	1.24
		6,943	7.15
Personal & Household Goods – 0.92% (2.98%)			
Eastman Kodak	420,200	894	0.92
		894	0.92
Retail – 7.93% (11.25%)			
Amazon.com	19,700	2,146	2.21
Best Buy	70,700	1,406	1.45
eBay	139,872	2,892	2.98
Target	5,500	177	0.18
Wal-Mart Stores	33,900	1,077	1.11
		7,698	7.93
Technology – 22.90% (23.53%)			
Cisco Systems	196,000	2,246	2.31
EMC	123,300	2,040	2.10
Hewlett-Packard	97,500	2,557	2.63
Intel	143,200	1,924	1.98
International Business Machines	29,500	2,943	3.03
Microsoft	140,700	2,296	2.36
QUALCOMM	78,600	2,852	2.94
Research In Motion	58,900	2,390	2.46
Texas Instruments	137,300	3,003	3.09
		22,251	22.90
Travel & Leisure – 3.31% (1.27%)			
United Continental	117,900	1,735	1.79
Yum! Brands	48,200	1,482	1.52
		3,217	3.31
Utilities – 4.97% (8.51%)			
AES	640,100	4,825	4.97
		4,825	4.97
Portfolio of investments		95,681	98.49
Net other assets		1,469	1.51
Net assets		97,150	100.00

The investments have been valued in accordance with note 1(h) of the Notes to the Aggregated Financial Statements. All investments are ordinary shares unless otherwise stated and admitted to official stock exchange listings. Comparative figures shown in brackets relate to 28 February 2010

Legg Mason US Smaller Companies Fund

Portfolio Statement

As at 28 February 2011

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Australia – 1.48% (1.80%)			
Industrial Goods & Services – 1.48% (1.80%)			
Sims Metal Management	128,225	1,534	1.48
		1,534	1.48
Bermuda – 1.34% (1.44%)			
Insurance – 1.34% (1.44%)			
Alterra Capital	51,025	667	0.64
Validus	38,239	721	0.70
		1,388	1.34
Canada – 12.38% (10.79%)			
Basic Resources – 4.61% (3.88%)			
Pan American Silver	71,670	1,677	1.62
Seabridge Gold	56,000	1,160	1.12
Silver Standard Resources	48,740	797	0.77
Silvercorp Metals	147,010	1,143	1.10
		4,777	4.61
Financial Services – 2.10% (0.90%)			
Sprott	240,000	1,355	1.31
TMX	32,200	816	0.79
		2,171	2.10
Oil & Gas – 5.67% (6.01%)			
Major Drilling Group International	32,680	879	0.85
Pason Systems	126,600	1,146	1.10
ShawCor	54,060	1,223	1.18
Tesco	84,400	922	0.89
Trican Well Service (US Listing)	104,150	1,493	1.44
Trican Well Service (Canadian Listing)	15,500	221	0.21
		5,884	5.67
Germany – 0.91% (0.00%)			
Technology – 0.91% (0.00%)			
Aixtron	37,500	942	0.91
		942	0.91
Hong Kong – 0.40% (0.00%)			
Financial Services – 0.40% (0.00%)			
Value Partners	700,000	419	0.40
		419	0.40
Ireland – 0.82% (0.00%)			
Healthcare – 0.82% (0.62%)			
ICON ADR	70,200	853	0.82
		853	0.82
Mexico – 0.74% (0.79%)			
Food & Beverage – 0.74% (0.79%)			
Industrias Bachoco	46,040	771	0.74
		771	0.74
Switzerland – 0.51% (0.69%)			
Financial Services – 0.51% (0.69%)			
Partners	4,900	532	0.51
		532	0.51

Legg Mason US Smaller Companies Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
United Kingdom – 0.83% (0.51%)			
Basic Resources – 0.00% (0.51%)			
Financial Services – 0.83% (0.00%)			
Ashmore	258,300	866	0.83
		866	0.83
United States – 71.36% (77.72%)			
Basic Resources – 6.11% (8.14%)			
Allied Nevada Gold	105,800	1,953	1.88
Cliffs Natural Resources	16,300	954	0.92
Intrepid Potash	51,065	1,205	1.16
Randgold Resources	5,975	299	0.29
Reliance Steel & Aluminum	57,060	1,933	1.86
		6,344	6.11
Chemicals – 0.35% (1.34%)			
Westlake Chemical	12,500	359	0.35
		359	0.35
Construction & Materials – 2.64% (2.54%)			
Jacobs Engineering	48,500	1,480	1.43
Simpson Manufacturing	25,815	459	0.44
Valmont Industries	12,600	795	0.77
		2,734	2.64
Financial Services – 5.23% (5.54%)			
Artio Global Investors	70,500	676	0.65
Federated Investors	85,875	1,445	1.39
Knight Capital	156,658	1,357	1.31
Pico	50,150	909	0.88
SEI Investments	73,270	1,041	1.00
		5,428	5.23
Food & Beverage – 2.53% (4.32%)			
Cal-Maine Foods	45,070	789	0.76
Hormel Foods	44,500	743	0.72
Sanderson Farms	42,485	1,087	1.05
		2,619	2.53
Healthcare – 1.15% (0.80%)			
Endo Pharmaceuticals	34,300	723	0.70
Questcor Pharmaceuticals	60,000	464	0.45
		1,187	1.15
Industrial Goods & Services – 21.03% (26.12%)			
AM Castle	78,819	829	0.80
Arkansas Best	35,350	512	0.49
Cintas	69,850	1,206	1.16
Coherent	27,639	1,036	1.00
Columbus McKinnon	57,525	623	0.60
CRA International	55,380	877	0.85
Gardner Denver	14,425	635	0.61
GrafTech International	135,780	1,688	1.63
HEICO	28,203	683	0.66
Kennametal	42,920	1,002	0.97
Kirby	39,500	1,307	1.26
Korn/Ferry International	37,225	526	0.51
Lincoln Electric	25,950	1,124	1.08
Mantech International	31,200	823	0.79
MAXIMUS	13,230	600	0.58
MSC Industrial Direct	19,550	756	0.73
Regal-Beloit	20,500	903	0.87
Robert Half International	48,635	954	0.92
Rofin-Sinar Technologies	47,310	1,129	1.09

Legg Mason US Smaller Companies Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Schnitzer Steel Industries	28,610	1,107	1.07
Total System Services	122,770	1,331	1.28
TrueBlue	79,090	784	0.76
Universal Technical Institute	41,875	464	0.45
Wabtec	26,430	898	0.87
		21,797	21.03
Insurance – 1.71% (3.71%)			
Brown & Brown	72,855	1,174	1.13
Markel	2,370	598	0.58
		1,772	1.71
Media 0.00% – (0.62%)			
Oil & Gas – 4.22% (5.34%)			
Helmerich & Payne	39,505	1,574	1.52
Oil States International	32,470	1,464	1.41
Unit	36,575	1,338	1.29
		4,376	4.22
Personal & Household Goods – 6.42% (6.50%)			
Coach	16,750	562	0.54
Columbia Sportswear	17,610	678	0.65
Drew Industries	56,150	807	0.78
Fossil	7,525	360	0.35
Thor Industries	68,700	1,376	1.33
Timberland	26,040	582	0.56
Warnaco Group	43,450	1,548	1.49
Wolverine World Wide	33,340	747	0.72
		6,660	6.42
Retail – 7.35% (5.09%)			
Aeropostale	36,800	594	0.57
Buckle	69,800	1,643	1.58
Copart	36,500	924	0.89
GameStop	99,000	1,208	1.16
JOS A Bank Clothiers	43,750	1,270	1.22
Men's Wearhouse	54,400	919	0.89
Strayer Education	4,556	392	0.38
VCA Antech	44,700	690	0.66
		7,640	7.35
Technology – 12.62% (7.66%)			
ADTRAN	31,500	888	0.86
Cabot Microelectronics	33,000	996	0.96
Cymer	27,300	856	0.82
International Rectifier	45,500	899	0.87
Lam Research	33,920	1,154	1.11
MKS Instruments	84,190	1,533	1.48
Netscout Systems	49,100	756	0.73
Novellus Systems	50,000	1,239	1.19
SRA International	58,260	967	0.93
Sigma Designs	59,820	508	0.49
Teradyne	81,000	928	0.89
Varian Semiconductor Equipment Associates	79,980	2,372	2.29
		13,096	12.62
Portfolio of investments		94,149	90.77
Net other assets		9,592	9.23
Net assets		103,741	100.00

The investments have been valued in accordance with note 1(h) of the Notes to the Aggregated Financial Statements. All investments are corporate bonds unless otherwise stated and admitted to official stock exchange listings. Comparative figures shown in brackets relate to 28 February 2010

Legg Mason Japan Equity Fund

Portfolio Statement

As at 28 February 2011

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Financial Services – 11.77% (9.71%)			
GCA Savvian	1,250	1,627	3.83
Nihon M&A Center	910	3,373	7.94
		5,000	11.77
Healthcare – 9.46% (13.29%)			
Fuji Pharma	102,000	1,233	2.90
Message	873	1,512	3.56
Ship Healthcare	160,000	1,276	3.00
		4,021	9.46
Industrial Goods & Services – 12.69% (9.19%)			
Asahi Diamond Industrial	70,000	829	1.95
GMO Payment Gateway	499	991	2.33
Infomart	144	144	0.34
SBI VeriTrans	1,000	443	1.04
SMS	800	544	1.28
Ulvac	30,000	441	1.04
V Technology	400	1,999	4.71
		5,391	12.69
Media – 7.19% (7.69%)			
Adways	1,600	1,033	2.43
F@N Communications	250	235	0.55
M3	550	1,787	4.21
		3,055	7.19
Personal & Household Goods – 1.97% (0.00%)			
Dr Ci:Labo	350	835	1.97
		835	1.97
Retail – 37.09% (39.45%)			
Dena	140,000	3,304	7.78
Don Quijote	85,000	1,817	4.28
Gree	120,000	1,194	2.81
Kakaku.com	500	1,790	4.21
Start Today	350,000	3,552	8.36
Take and Give Needs	11,000	685	1.61
Village Vanguard	1,300	3,414	8.04
		15,756	37.09
Technology – 11.44% (4.80%)			
Bit-isle	2,000	1,989	4.68
Dai-ichi Seiko	25,000	908	2.14
DIGITAL Hearts	1,327	1,636	3.85
Internet Initiative Japan	160	327	0.77
		4,860	11.44

Legg Mason Japan Equity Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Telecommunications – 5.40% (4.85%)			
MTI	1,900	2,290	5.40
		<u>2,290</u>	<u>5.40</u>
Travel & Leisure – 1.01% (6.43%)			
Diamond Dining	200	429	1.01
		<u>429</u>	<u>1.01</u>
Portfolio of investments		41,637	98.02
Net other assets		<u>831</u>	<u>1.98</u>
Net assets		<u>42,468</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(h) of the Notes to the Aggregated Financial Statements.
 All investments are ordinary shares unless otherwise stated and admitted to official stock exchange listings.
 Comparative figures shown in brackets relate to 28 February 2010.

Legg Mason Asia Pacific Fund

Portfolio Statement

As at 28 February 2011

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
China – 20.36% (20.25%)			
Agricultural Bank of China	500,000	152	1.17
Air China	78,000	45	0.35
Ajisen China	70,000	65	0.49
Alibaba.com	36,000	41	0.32
Baidu	600	44	0.34
Bank of China	506,000	164	1.27
China Construction Bank	402,520	216	1.67
China COSCO Holdings	59,000	39	0.30
China Eastern Airlines	218,000	59	0.45
China ITS	55,800	19	0.15
China Life Insurance	77,000	180	1.39
China National Building Material	20,000	30	0.23
China Shenhua Energy	42,000	107	0.83
China Southern Airlines	232,000	67	0.52
CSR	51,000	35	0.27
E-House China	3,300	24	0.18
Golden Eagle Retail	41,000	57	0.44
Hengan International	17,000	77	0.59
Industrial & Commercial Bank of China	508,795	240	1.85
International Mining Machinery	82,400	37	0.29
Intime Department Store Group	232,000	194	1.50
Jiangxi Copper	16,000	31	0.24
Maanshan Iron & Steel	166,000	52	0.40
Mintih	76,000	71	0.55
PetroChina	128,000	107	0.83
PICC Property & Casualty	70,000	54	0.42
Sina	300	15	0.12
SITC International	77,000	29	0.22
Tencent Holdings	3,600	59	0.46
Tingyi Cayman Islands	26,000	36	0.28
Weichai Power	28,000	114	0.88
Yanzhou Coal Mining	96,000	176	1.36
		2,636	20.36
Hong Kong – 15.50% (16.93%)			
BOC Hong Kong	80,000	152	1.18
Cheung Kong Holdings	15,000	143	1.10
China Mobile	50,500	291	2.25
China Overseas Land & Investment	80,000	82	0.63
China State Construction International	102,000	58	0.45
CNOOC	207,000	289	2.23
Hang Lung	14,000	52	0.40
Hang Seng Bank	7,800	76	0.59
Hongkong Land	16,000	67	0.52
Hutchison Whampoa	14,000	101	0.78
IT	132,000	50	0.39
Li & Fung	37,800	141	1.09
New World Development	33,000	36	0.28
Orient Overseas International	5,500	27	0.21
Shun Tak	100,000	34	0.26
Sun Hung Kai Properties	10,000	99	0.76
Swire Pacific	19,500	167	1.29
VTech	15,000	100	0.77
Wheelock	19,000	42	0.32
		2,007	15.50

Legg Mason Asia Pacific Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
India – 9.48% (8.35%)			
Canara Bank	6,917	58	0.45
GAIL India	14,500	84	0.65
Gujarat State Fertilisers & Chemicals	9,583	44	0.33
HAGL JSC GDR REG S	14,700	21	0.16
Hero Honda Motors	3,653	72	0.56
Hindalco Industries	34,039	93	0.72
IBN18 Broadcast	61,110	76	0.59
ICICI Bank	1,400	38	0.29
Indraprastha Gas	8,948	35	0.27
Infosys Technologies	2,000	83	0.64
Mahindra & Mahindra	31,800	264	2.04
Pipavav Shipyard	45,215	49	0.38
Reliance Industries	6,112	80	0.62
State Bank of India	900	32	0.25
Sterlite Industries India	34,200	76	0.59
Ybrant Digital	5,570	38	0.29
Yes Bank	24,320	84	0.65
		1,227	9.48
Indonesia – 5.07% (6.63%)			
Astra International	19,000	69	0.54
Bank Negara Indonesia Persero	480,930	118	0.91
Bank Rakyat Indonesia Persero	141,000	46	0.36
Borneo Lumbung Energi & Metal	579,500	60	0.46
Charoen Pokphand Indonesia	448,700	47	0.36
Indo Tambangraya Megah	22,000	70	0.54
Indofood Sukses Makmur	138,500	46	0.36
Kalbe Farma	163,000	33	0.25
United Tractors	104,500	167	1.29
		656	5.07
Malaysia – 2.36% (0.00%)			
DiGi.Com	4,600	24	0.19
Genting	48,400	97	0.75
Kuala Lumpur Kepong	16,000	65	0.50
Petronas Dagangan	26,000	71	0.55
UMW	34,000	49	0.37
		306	2.36
Pakistan – 0.90% (0.90%)			
Engro	21,000	32	0.25
Fauji Fertilizer	56,375	46	0.36
HUB Power	138,100	38	0.29
		116	0.90
Philippines – 0.97% (0.89%)			
Aboitiz Power	226,300	92	0.71
Philippine Long Distance Telephone	1,100	33	0.26
		125	0.97
Republic of Korea – 20.92% (18.79%)			
CJ	710	27	0.21
Daelim Industrial	1,600	85	0.66
Daewoo Shipbuilding & Marine Engineering	5,530	104	0.80
Dongbu Insurance	3,200	79	0.61
Eugene Technology	8,500	69	0.53
Halla Climate Control	12,060	112	0.87
Hana Financial	300	7	0.05

Legg Mason Asia Pacific Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Hyosung	1,200	51	0.39
Hyundai Heavy Industries	400	95	0.73
Hyundai Mobis	600	86	0.66
Hyundai Motor	3,202	103	0.80
Kia Motors	7,880	247	1.91
Korea Zinc	910	166	1.28
KP Chemical	3,000	37	0.29
KT	5,200	64	0.49
LG	2,290	97	0.75
LG Chem	880	179	1.38
LG Electronics	1,040	63	0.50
Lotte Shopping	100	21	0.16
Samsung Electronics	1,030	518	4.00
Samsung Engineering	700	68	0.53
Seah Besteel	3,000	67	0.52
Shinhan Financial	3,580	92	0.71
SK C&C	1,170	60	0.46
SK Innovation	900	86	0.66
Woori Finance Holdings	16,800	125	0.97
		2,708	20.92
Singapore – 6.23% (7.19%)			
DBS	21,500	147	1.14
Keppel	40,000	219	1.69
Oversea-Chinese Banking	16,000	71	0.55
SembCorp	32,000	83	0.64
Suntec Real Estate Investment Trust	255,000	183	1.41
United Overseas Bank	9,000	79	0.61
Yongnam	204,000	24	0.19
		806	6.23
Sri Lanka – 0.80% (0.00%)			
Asian Hotels & Properties	75,800	80	0.62
Distilleries Co of Sri Lanka	25,100	24	0.18
		104	0.80
Taiwan – 14.28% (16.19%)			
Advanced Semiconductor Engineering	46,000	32	0.25
China Life Insurance	220,861	129	1.00
Chunghwa Telecom	21,600	39	0.30
Compal Electronics	58,124	42	0.32
Eva Airways	79,430	44	0.34
Evergreen Marine	67,000	36	0.28
First Financial	79,000	39	0.30
Formosa Plastics	78,000	160	1.24
Gigabyte Technology	4,000	2	0.02
Hon Hai Precision Industry	181,707	410	3.17
HTC	6,000	131	1.01
Huaku Development	14,609	27	0.21
King Yuan Electronics	40,202	14	0.11
Lite-On Technology	40,756	31	0.24
Macronix International	87,000	39	0.30
Nan Ya Plastics	19,000	34	0.26
President Chain Store	28,000	71	0.55
Shin Kong Financial	190,000	49	0.38
Taiwan Mobile	10,000	14	0.11
Taiwan Semiconductor Manufacturing	14,421	21	0.16
Taiwan Semiconductor Manufacturing 'ADR'	56,310	426	3.28
United Microelectronics	33,300	58	0.45
		1,848	14.28

Legg Mason Asia Pacific Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Thailand – 1.50% (2.81%)			
Bangkok Bank	7,300	24	0.19
Delta Electronics Thai	61,600	34	0.26
Kasikornbank	19,000	45	0.35
Somboon Advance Technology	64,200	26	0.20
Thai Airways International	87,834	65	0.50
		<u>194</u>	<u>1.50</u>
United States – 0.67% (0.00%)			
Exchange Traded Funds – 1.09% (0.00%)			
iShares FTSE A50 China Index	137,000	141	1.09
		<u>141</u>	<u>1.09</u>
Portfolio of investments		12,874	99.46
Net other assets		<u>71</u>	<u>0.54</u>
Net assets		12,945	100.00

The investments have been valued in accordance with note 1(i) of the Notes to the Aggregated Financial Statements.

All investments are ordinary shares unless otherwise stated and admitted to official stock exchange listings.

Comparative figures shown in brackets relate to 28 February 2010.

Legg Mason Global Equity Income Fund

Portfolio Statement

As at 28 February 2011

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Australia – 2.37% (1.55%)			
Amalgamated	48,740	189	0.93
Bendigo and Adelaide Bank	50,000	293	1.44
		482	2.37
Bermuda – 1.07% (0.00%)			
Catlin	57,896	218	1.07
		218	1.07
Brazil – 1.00% (3.11%)			
Cielo	41,120	203	1.00
		203	1.00
Canada – 1.44% (4.32%)			
BCE	12,970	292	1.44
		292	1.44
China – .00% (0.86%)			
Finland – 0.00% (1.29%)			
France – 4.25% (4.15%)			
BNP Paribas	10,000	478	2.35
Vivendi	21,990	385	1.90
		863	4.25
Germany – 5.65% (3.80%)			
Allianz	6,300	556	2.74
BASF	7,130	360	1.77
Deutsche Telekom	27,990	232	1.14
		1,148	5.65
Hong Kong – 0.89% (2.50%)			
VTech	27,500	180	0.89
		180	0.89
Ireland – 0.67% (0.00%)			
Beazley	100,902	136	0.67
		136	0.67
Israel – 0.59% (0.00%)			
Bezeq Israeli Telecommunication	72,000	120	0.59
		120	0.59
Japan – 5.06% (5.18%)			
Mitsubishi	22,220	377	1.86
NTT DoCoMo	110	127	0.62
Sumitomo Mitsui Financial Group	12,150	281	1.38
Takeda Pharmaceutical	8,000	244	1.20
		1,029	5.06

Legg Mason Global Equity Income Fund (continued)

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Malaysia – 0.00% (0.86%)			
Netherlands – 2.94% (2.16%)			
Royal Dutch Shell 'B'	27,168	598	2.94
		598	2.94
Norway – 1.21% (2.50%)			
Aker	13,500	245	1.21
		245	1.21
Portugal – 0.00% (0.52%)			
Russia – 0.00% (1.47%)			
Singapore – 1.32% (3.89%)			
Parkway Life Real Estate Investment	320,000	268	1.32
		268	1.32
Spain – 1.23% (0.00%)			
Banco Santander	32,969	250	1.23
		250	1.23
Switzerland – 4.57% (3.63%)			
Nestle	13,470	469	2.31
Novartis	13,440	460	2.26
		929	4.57
Taiwan – 0.00% (1.12%)			
United Kingdom – 17.61% (12.18%)			
AstraZeneca	7,829	232	1.14
Aviva	40,673	189	0.93
BHP Billiton	16,102	391	1.92
British American Tobacco	20,601	510	2.51
Centrica	67,703	229	1.13
GlaxoSmithKline	18,900	223	1.10
Melrose	49,658	151	0.74
Reckitt Benckiser	6,670	211	1.04
Rexam	38,850	141	0.69
Standard Chartered	26,084	424	2.09
Unilever	13,167	241	1.19
Vodafone	265,315	463	2.28
Willis	7,280	173	0.85
		3,578	17.61
United States – 47.64% (40.33%)			
Annaly Capital Management	22,000	240	1.18
Automatic Data Processing	14,670	447	2.20
Bristol-Myers Squibb	20,895	327	1.61
Cardinal Health	5,775	146	0.72
CenterPoint Energy	23,100	223	1.10
CenturyLink	18,370	456	2.24
Chevron	8,810	553	2.72
ConocoPhillips	15,425	733	3.61
CSX	5,225	236	1.16
El du Pont de Nemours	15,260	507	2.49
Exelon	10,125	257	1.25
General Dynamics	4,570	213	1.05

Legg Mason Global Equity Income Fund

Investments	Holding or Nominal Value	Market value £'000	Percentage of total net assets %
Harsco	15,060	319	1.57
Honeywell International	11,640	410	2.02
Intel	20,490	275	1.35
International Business Machines	2,210	220	1.08
Invesco Mortgage Capital	16,270	232	1.14
Johnson Controls	10,500	263	1.29
Mattel	16,695	256	1.26
Microsoft	25,625	418	2.06
Nucor	13,000	375	1.85
Pepsi	5,750	225	1.11
Pfizer	22,250	258	1.27
Philip Morris International	10,395	398	1.96
Rayonier	6,730	251	1.24
Reynolds American	11,420	239	1.18
Spectra Energy	19,870	322	1.58
Verizon Communications	22,960	508	2.50
VF	3,750	221	1.09
Xilinx	7,390	154	0.76
		9,682	47.64
Portfolio of investments		20,221	99.51
Net other assets		100	0.49
Net assets		20,321	100.00

The investments have been valued in accordance with note 1(h) of the Notes to the Aggregated Financial Statements.
 All investments are corporate bonds unless otherwise stated and admitted to official stock exchange listings.
 Comparative figures shown in brackets relate to 28 February 2010

Aggregated Financial Statements

Statement of Total Return

for the year ended 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		56,282		139,256
Revenue	3	29,986		19,459	
Expenses	4	(8,715)		(6,649)	
Finance costs: Interest	6	(7)		(4)	
Net revenue before taxation		21,264		12,806	
Taxation	5	(550)		(412)	
Net revenue after taxation			20,714		12,394
Total return before distributions			76,996		151,650
Finance costs: Distributions	6		(24,662)		(14,974)
Change in net assets attributable to shareholders from investment activities			52,334		136,676

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 28 February 2011

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		630,606		299,571
In specie transfer		128,921		81,709
Amounts received on issue of shares	269,907		284,887	
Amounts paid on cancellation of shares	(167,630)		(174,169)	
		102,277		110,718
Dilution adjustment		257		883
Stamp duty reserve tax		(6)		(8)
Change in net assets attributable to shareholders from investment activities		52,334		136,676
Retained distribution on accumulation shares		1,011		1,055
Unclaimed distributions		–		2
Closing net assets attributable to shareholders		915,400		630,606

* Prior period data has been adjusted to reflect the termination of the Legg Mason UK Income Fund

Aggregated Financial Statements

Balance Sheet

As at 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Assets					
Investments assets			834,867		598,284
Debtors	7	22,246		11,103	
Cash and bank balances	8	<u>99,914</u>		<u>40,956</u>	
Total other assets			<u>122,160</u>		<u>52,059</u>
Total assets			957,027		650,343
Liabilities					
Investment liabilities			(1,246)		(9,593)
Creditors	9	(37,527)		(4,222)	
Bank overdrafts	10	(51)		(4,147)	
Distribution payable on income shares		<u>(2,803)</u>		<u>(1,775)</u>	
Total other liabilities			<u>(40,381)</u>		<u>(10,144)</u>
Total liabilities			<u>(41,627)</u>		<u>(19,737)</u>
Net assets attributable to shareholders			<u>915,400</u>		<u>630,606</u>

Aggregated Financial Statements

Notes to the Financial Statements

As at 28 February 2011

1. Accounting Basis And Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the revised Statement of Recommended Practice ("SORP") for Authorised Funds issued by the Investment Managers Association ("IMA") in October 2010. The prior year accounts were prepared under the 2008 SORP. There are no presentational changes required to be disclosed.

(b) Revenue recognition

Dividends receivable from equity and non equity shares are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends on unquoted stocks are credited to revenue when the dividend is received. Interest and revenue earned on other securities are recognised on an accruals basis, other than fixed interest securities.

Overseas dividends are grossed up at the appropriate rate of withholding tax and the tax consequences are shown within the tax charge.

In the case of fixed income securities, an effective yield method of accounting has been adopted resulting in the total revenue arising on a security being adjusted for the amortisation of any discount or premium over the life of the security. The effective yield method of accounting for revenue from fixed income securities may in some circumstances result in adjusting revenue in respect of changes in market value of the securities as a result of revised cash flow expectations.

If any revenue receivable at the balance sheet date is not expected to be received for a significant period after the accounting period end, a provision reflecting the timing of the receipt for the relevant amount will be made.

(c) Treatment of stock dividends

Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. This revenue forms part of any distribution.

In the case of enhanced scrip dividends, the amount by which such dividends exceed the cash dividends is treated as capital and does not form part of the distribution.

(d) Special dividends

Special dividends are recorded as either revenue or capital, depending on the nature and circumstances of the dividend receivable.

(e) Treatment of expenses (including Authorised Corporate Director (ACD) expenses)

All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis except for Legg Mason Sterling Corporate Plus Bond Fund, Legg Mason Global Equity Income Fund and Legg Mason Global Multi Strategy Bond Fund. The investment objective of these three sub funds concentrates on the generation of revenue as a higher priority than capital growth. The ACD and the Depositary have agreed that 100% of the ACD's periodic charge is to be taken to capital for the purpose of calculating the distribution, as permitted by the regulations. The distribution currently payable reflects this treatment together with any associated tax effects.

The ACD's periodic charge is calculated on the total net assets by Legg Mason Investments.

(f) Allocation of revenue and expenses to multiple share classes

With the exception of the ACD's periodic charge, and registration fees which are directly attributable to individual Share Classes, all revenue and expenses are allocated to Share Classes pro rata to the value of the net assets of the relevant Share Class on the day that the revenue or expense is incurred.

(g) Distribution policy

The distribution policy of the sub funds is to distribute/accumulate all available revenue, after deduction of expenses properly chargeable against revenue, subject to any of the ACD's periodic charge or other expense which may currently be transferred to capital for the purpose of calculating the distribution.

Gains and losses on non-derivative investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

Where derivative positions are undertaken to protect or enhance capital returns, and the circumstance supports this, the gains or losses arising are taken to capital. Where positions are undertaken to enhance revenue, and the circumstance supports this, the gains or losses arising are taken to revenue. Where positions generate total returns, it will generally be appropriate to apportion such returns between capital and revenue to reflect the nature of the transaction.

(h) Basis of valuation of investments

The valuation point is 12 noon on the last working day of the accounting period. Listed investments are valued at market value. Market value is defined by the SORP as fair value which is the bid value of each security.

Derivatives and Forward Currency Contracts are priced as per the issuing broker counterparty's valuations on the last working day of the accounting period.

Unlisted, illiquid or suspended securities are valued at the ACD's best estimate of the amount that would be received from an immediate transfer at arm's length.

Where applicable, investment valuations exclude any element of accrued income.

Aggregated Financial Statements

(i) **Exchange rates**

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12 noon on the last working day of the accounting period.

Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions.

Exchange differences on such transactions follow the same treatment as the principal amounts.

(j) **Taxation**

The charge for taxation is based on the results for the period.

Provision is made for corporation tax at the current rate on the excess of taxable revenue over allowable expenses.

In general, the tax accounting treatment follows that of the principal amount.

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets are only recognised to the extent they are regarded as recoverable. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

(k) **Efficient portfolio management**

Where appropriate, certain permitted transactions such as derivatives or forward foreign currency transactions are used for efficient portfolio management.

(l) **Aggregation**

The aggregated accounts represent the sum of the individual Funds within the umbrella company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual Funds.

(m) **Financial Instrument Risks**

The main risks arising from the Company's financial instruments are market price, foreign currency, liquidity, interest rate, credit, and default risks. The ACD reviews policies for managing each of these risks and these are summarised below. These policies have remained unchanged during the current year to which these financial statements relate and from the prior year.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The ACD monitors on a daily basis the asset allocation of the portfolio in order to minimise the risk associated with particular countries and industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameter and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

Foreign currency risk

The revenue and capital value of the Company's investments can be significantly affected by currency translation movements as some of the Company's assets and revenue are denominated in currencies other than Sterling which is the Company's functional currency. The ACD has identified three principal areas where foreign currency risk could impact the Company.

- Movements in rates affect the value of investments;
- Movements in rates affect short term timing differences; and
- Movements in rates affect the revenue received.

Foreign currency exposure is monitored closely and is considered to be part of the overall investment process. Currency hedges via forward exchange contracts will be used in the event of one or more of the above mentioned risks being identified.

Liquidity risk

The Company's assets comprise mainly readily realisable securities. The main liability of the Company is the redemption of any shares that investors wish to sell.

Interest rate risk

The individual funds, excluding the Legg Mason Sterling Corporate Plus Bond Fund and Legg Mason Global Multi Strategy Bond Funds invest predominately in equity shares and investments which neither pay interest nor have a maturity date. The individual funds may also invest in fixed rate securities. The Legg Mason Sterling Corporate Plus Bond Fund and Legg Mason Global Multi Strategy Bond Fund invest primarily in interest-bearing securities. Any change to the interest rates relevant for particular securities may result in either income increasing or decreasing or the ACD being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise, the revenue potential of the individual fund also rises, but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the individual fund). A decline in interest rates will generally have the opposite effect.

Credit risk (applies to sub-funds containing bonds only)

The Legg Mason Sterling Corporate Plus Bond Fund and Legg Mason Global Multi Strategy Fund invest in bonds issued by a number of companies. If an individual company fails to perform well, the credit quality of the company may well fall and the bonds would fall

Aggregated Financial Statements

in price. All investments are monitored internally and externally by a number of different agencies and assigned ratings, which often change over time. The Company closely monitors the ratings of the bonds within the portfolio.

Default risk (applies to sub-funds containing bonds only)

The Legg Mason Sterling Corporate Plus Bond Fund and Legg Mason Global Multi Strategy Bond Fund invest in bonds that are at risk of default at any time. Bond defaults may be characterised by any missed or delayed payment of interest or principal, bankruptcy or breach of certain financial covenants that may render them financially distressed.

The risk is minimised by regularly monitoring the bonds internally and externally through the ratings agencies.

Other risks

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Company has fulfilled its responsibilities. The Company mainly deals, however, on a "delivery versus payment" basis which reduces counter-party risk. The Company only buys and sells investments through brokers which have been approved by the ACD as an acceptable counter-party. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time; these limits are reviewed bi-annually.

(n) Dilution Adjustment

Following the notice to shareholders dated 12 January 2006 the change to adopt a swinging single price for the Funds came into effect from 28 April 2006. The swinging single price achieves similar results to a dilution levy in trying to counteract the effect of a possible dilution in any Fund when investors buy and sell shares. A swinging single price avoids the need to charge a separate dilution levy because the single price can be swung higher or lower at the discretion of the Authorised Corporate Director of the Company (ACD), which is Legg Mason Investment Funds Limited, if there could be possible dilution in the value of any sub fund. This is known as a dilution adjustment, which would be applied in the following circumstances:

- (a) if any Fund is experiencing large levels of net purchases (ie purchases less redemptions), relative to its size;
- (b) where a Fund is experiencing large levels of net redemptions (ie redemptions less purchases) relative to its size;
- (c) on large deals, defined as those over 5% or more of the value of any Fund; and
- (d) in any other case where the ACD is of the opinion that the interests of the existing or continuing shareholders and potential investors require the imposition of a dilution adjustment.

(o) SDRT

In accordance with the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies) Regulations 1997 as amended by the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies) (Amendment No.2) Regulations 1999, SDRT is chargeable on the surrender and on certain transfers of shares in the Funds. The current rate of SDRT is 0.5% and will be met by the assets of the relevant Funds. The ACD is allowed (under Financial Services Authority regulations) to make a SDRT provision as part of an entry or exit fee but has chosen not to do so.

2. Net Capital Gains

	2011	2010
	£'000	£'000
The net capital gains during the year		
Non-derivative securities	34,760	139,960
Derivative contracts	(2,339)	1,132
Forward currency contracts	20,642	(757)
Currency gains/(losses)	3,362	(824)
Transaction charges	(143)	(255)
Net gains on investments	56,282	139,256

3. Revenue

	2011	2010
	£'000	£'000
Bank interest	47	80
Interest on Debt Securities	23,144	14,197
Scrip dividends	–	9
Offshore dividends	1,167	20
Overseas dividends	4,050	3,431
UK dividends	1,578	1,722
Total revenue	29,986	19,459

Aggregated Financial Statements

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
Authorised Corporate Directors' periodic charge	6,881	5,287
Registration fees	1,403	972
	<u>8,284</u>	<u>6,259</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	154	117
Safe custody fees	81	109
	<u>235</u>	<u>226</u>
Other expenses:		
Audit fee	122	93
Printing and Postage fee	24	38
Legal fee	23	7
Tax Guarantor fee	27	26
	<u>196</u>	<u>164</u>
Total expenses	<u>8,715</u>	<u>6,649</u>

5. Taxation

	2011	2010
	£'000	£'000
(a) Analysis of the tax charge in the year:		
Overseas withholding tax	493	411
Tax on Fixed Interest Stock	51	–
Corporation tax	–	21
Double tax relief	–	(21)
Adjustments in respect of prior periods	7	4
	<u>551</u>	<u>415</u>
Total current tax	551	415
Deferred tax	(1)	(3)
	<u>550</u>	<u>412</u>
Total taxation for the year [Note 5(b)]	<u>550</u>	<u>412</u>

Aggregated Financial Statements

5. Taxation (continued)

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open ended investment company of 20% (2010: 20%) is applied to the net revenue after taxation.

The differences are explained below:

	2011	2010
	£'000	£'000
Net revenue before taxation	21,264	12,806
Net revenue for the year multiplied by the standard rate of corporation tax	4,251	2,562
Effects of:		
Revenue not subject to corporation tax	(1,125)	(763)
Tax on Fixed Interest Stock	51	–
Movement in excess management expenses	1,548	802
Overseas withholding tax	493	389
Overseas withholding tax expensed	–	(7)
Tax deductible interest distributions	(4,676)	(2,756)
Adjustments in respect of prior periods	7	4
Revenue taxable in different periods	–	12
Deferred tax movement in the period	1	172
Current tax charge for the year	550	415

	2011	2010
	£'000	£'000
(c) Provision for deferred tax		
Provision at start of the year	1	4
Deferred tax charge in the year	(1)	(3)
Provision at the end of the year	–	1

(d) Factors that may affect future tax charges:

Details of factors that may affect future tax charges are disclosed within the financial statements of each sub fund where appropriate.

6. Finance costs

Distributions

The distributions numerical disclosures are set out in the financial statements of each sub fund where appropriate.

7. Debtors

	2011	2010
	£'000	£'000
Accrued revenue	7,627	5,721
Amounts receivable for issue of shares	2,959	1,857
Future Initial Margins receivable	–	263
Expenses recoverable	–	1
Overseas withholding tax reclaimable	67	33
Sales awaiting settlement	11,593	3,228
Total debtors	22,246	11,103

Aggregated Financial Statements

8. Cash and bank balances

	2011 £'000	2010 £'000
Cash and bank balances	98,177	41,002
Amount held at futures clearing houses and brokers	1,737	(46)
Total cash and bank balances	99,914	40,956

9. Creditors

	2011 £'000	2010 £'000
Accrued Authorised Corporate Director's periodic charge	1,222	466
Accrued Depository fees	27	11
Accrued expenses	497	277
Amounts payable on cancellation of shares	1,878	1,324
Deferred tax provision	–	1
Income Tax payable	1,216	904
Purchases awaiting settlement	32,687	1,239
Total creditors	37,527	4,222

10. Bank overdrafts

	2011 £'000	2010 £'000
Bank Overdrafts	51	4,147
Total bank overdrafts	51	4,147

11. Contingent Liabilities and Commitments

Details of any contingent liabilities and commitments for each sub fund are set out in the financial statements of each sub fund where appropriate.

12. Related Party Transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of Total Return', 'Statement of Change in net assets attributable to Shareholders' and the 'Balance Sheet' on pages 47 and 48 and notes 4, 7 and 8 on pages 52 to 54 including all creations and cancellations where the ACD acted as a principal.

In addition, assets managed by the ACD and held by the sub funds as at the Balance Sheet date are detailed below:

	2011 £'000	2010 £'000
Legg Mason Global Multi Strategy Bond Fund	52,280	7,401
	52,280	7,401

The value of transaction during the year were:

	2011 £'000	2010 £'000
Legg Mason Global Multi Strategy Bond Fund	44,536	5,953
	44,536	5,953

Aggregated Financial Statements

13. Share Classes

Details of the share classes are set out in the financial statements of each sub fund.

14. Derivatives and other financial instruments

Details of each Fund and its exposure to interest rates and currency risk as at 28 February 2011 are set out in the financial statements of each sub fund.

15. Portfolio transaction costs

	2011		2010	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs:				
Purchases in year before transaction costs		188,028		166,646
Commissions	265		261	
Taxes	104		137	
Total purchase costs		<u>369</u>		<u>398</u>
Gross purchase total		<u>188,397</u>		<u>167,044</u>
Analysis of total sale costs:				
Gross sales in year before transaction costs		231,230		175,603
Commissions	(309)		(260)	
Taxes	(29)		(2)	
Total sale costs		<u>(338)</u>		<u>(262)</u>
Total sales net of transaction costs		<u>230,892</u>		<u>175,341</u>

Legg Mason Sterling Corporate Plus Bond Fund*

General Information

Investment Manager:	Western Asset Management Company Limited
Fund Size:	£41.3m
Sector:	UK Corporate Bond
Fund Launch:	12 February 1998 <small>(Converted from a Unit Trust to a sub-fund of Legg Mason Funds ICVC on 30 August 2003)</small>

Investment Risk

This document does not constitute an invitation to invest. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested. The value of investments and the income from them can be affected by changes in interest rates, in exchange rates, general market conditions, political, social and economic developments and other variable factors. Past performance is no guide to future returns and may not be repeated.

Interest rate risk: This Fund holds fixed income investments and may be affected by changes in interest rates.

Credit risk: This Fund may invest in 'non-investment grade' bonds, which carry a higher degree of default risk than 'investment grade' bonds.

Emerging markets risk: This Fund may invest in emerging markets that may be less liquid and may have less reliable custody arrangements than mature markets and may involve a higher degree of risk.

Hedging risk: This Fund may use eligible derivatives to hedge their foreign currency exposure back to the base currency, pounds sterling. Hedging transactions can reduce the effects of currency and asset fluctuations but can expose additional risks, e.g. counterparty default.

Annual Management charge: This Fund has its annual management charge levied against capital, which may adversely affect the capital growth of the Fund.

*Please note:

From 11 March 2011 the Fund changed its name to the Legg Mason Global Blue Chip Bond Fund and has also changed its Investment Objective and Policy. Please refer to the prospectus for further details.

Legg Mason Sterling Corporate Bond Fund Review

Although global bond markets generated gains over the period under review, markets swung between bouts of risk aversion, with investors taking refuge in government bonds, and periods of risk taking, which benefited the corporate bond sectors. Political developments overshadowed the impact of generally supportive economic data and central bank activity on investor expectations a number of times during the period, particularly in May and in November. Despite these periods of volatility, the riskier sectors of the bond market performed well, with bonds issued by financials and high yield corporate bonds leading the other major sectors. Developed government bond markets recorded more modest gains over the period, as investors scaled back their expectations for interest rate increases by the major central banks.

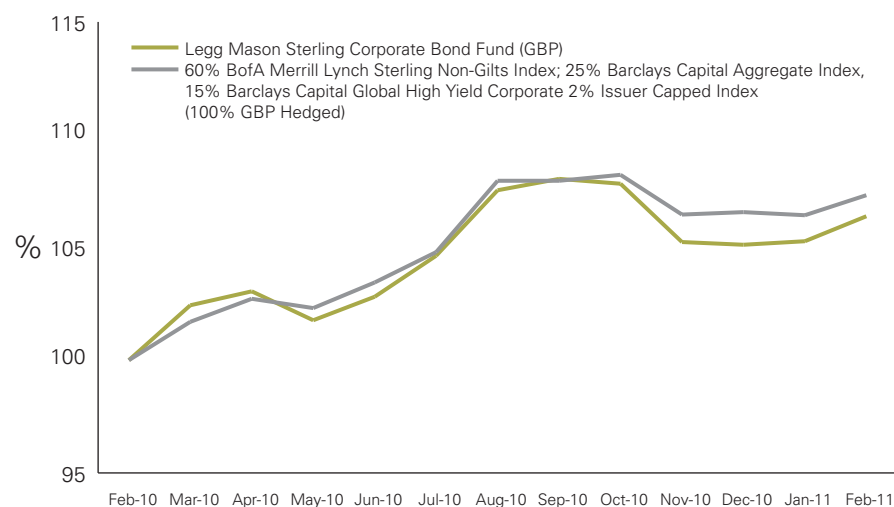
The Legg Mason Sterling Corporate Plus Bond Fund returned 6.38% in sterling terms over the period under review. The IMA UK corporate bond sector returned 6.27% over the same period. Given the extreme volatility in bond markets over the period, the manager maintained a defensive positioning in the portfolio, by holding a significant allocation to highly rated supranationals (international entities formed between governments). At the same time, the manager continued to actively manage the composition of the Fund's corporate bond exposure, holding positions in investment grade corporate bonds, with an emphasis on European financials, and high yield corporate bonds. Activity in the portfolio over the period was focused on reducing overall holdings in investment grade and high yield corporate bonds and using the proceeds to purchase supranationals.

Looking ahead, the manager's investment policy remains premised on global growth that is likely to be muted, but positive. However, the manager notes that multiple risks remain that are likely to cause sustained uncertainty and volatility in global bond markets and that could possibly derail the global economic recovery. More recently these risks have included the political crisis in the Middle East and the subsequent rise in the oil price. Given the array of uncertainties, the manager notes that it will have to continue to look through the short-term swings in sentiment and remain focused on underlying valuations. The manager continues to favour the financial sector, with an emphasis on globally diversified banks that are large and benefit from multiple sources of funding, over the industrial and utility sectors.

Investment Objective and Policy*

The objective of this Fund is to achieve a high income and to mitigate capital erosion. The Fund seeks to achieve its objective by investing in a range of fixed interest securities including, but not limited to, corporate bonds, government bonds, asset backed securities and mortgage backed securities. A minimum of 80% of the Fund's net asset value will be invested in debt and fixed income securities that are either denominated in pounds sterling or, if denominated in other currencies, hedged to pounds sterling. Consequently, no more than 20% of the Fund's net asset value may be exposed to currencies other than pounds sterling. The Fund may also invest in other investments to the extent permitted by the FSA Rules as applicable from time to time and as explained in the Prospectus.

Performance Record Since 28 February 2010



Legg Mason Sterling Corporate Plus A (SB) GBP – 6.38%
60% BofA ML Sterling Non-Gilts; 25% BarCap Global Agg; 15% BarCap Global H-Y Corp. 2% Iss-Cap. 100% GBP Hedged – 7.32%

Source for performance figures:

Legg Mason, Inc., NAV to NAV with net income reinvested for Class A Shares only.

Please note that past performance is no guide to future returns and should not be seen as an indication of future performance. The value of investments and the income from them can go down as well as up and the investor may not get back the amounts originally invested.

Legg Mason Sterling Corporate Plus Bond Fund (continued)

Net Asset Value per Share and Comparative Table

Fund Size

	Net asset value of share class (£'000)	Net asset value pence per share	Shares in issue (‘000)
Share Class A			
28.02.2009	40,887	63.13	64,757
28.02.2010	45,422	85.18	53,322
28.02.2011	41,100	87.23	47,119
Share Class B			
28.02.2009	3,724	64.64	5,761
28.02.2010	1,315	87.62	1,501
28.02.2011	166	90.22	184

Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2006			
Class 'A' (inc)	4.7521	105.40	99.36
Class 'B' (inc)	4.8052	106.40	100.60
2007			
Class 'A' (inc)	4.7289	102.20	94.79
Class 'B' (inc)	4.8007	103.80	96.53
2008			
Class 'A' (inc)	4.9993	96.72	69.65
Class 'B' (inc)	5.1032	98.53	71.25
2009			
Class 'A' (inc)	4.6851	86.06	62.64
Class 'B' (inc)	4.8022	88.43	64.16
2010			
Class 'A' (inc)	3.9671	91.51	84.57
Class 'B' (inc)	4.0924	94.41	86.93
2011			
Class 'A' (inc)	1.5996+	88.38*	86.96*
Class 'B' (inc)	1.6885+	91.29*	89.77*

* To 28 February 2011.

+ To 30 April 2011.

Total Expense ratio	2011	2010
Class 'A' (inc)	1.49%	1.49%
Class 'B' (inc)	1.04%	1.05%

The Total Expense Ratio shows the Fund's annual operating expenses as a percentage of its average net assets.

Legg Mason Sterling Corporate Plus Bond Fund (continued)

Statement of Total Return

for the year ended 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		1,651		15,070
Revenue	3	2,349		3,220	
Expenses	4	(650)		(723)	
Finance costs: Interest	6	(2)		(1)	
Net revenue before taxation		1,697		2,496	
Taxation	5	(2)		(4)	
Net revenue after taxation			1,695		2,492
Total return before distributions			3,346		17,562
Finance costs: Distributions			(2,242)		(3,094)
Change in net assets attributable to shareholders from investment activities			1,104		14,468

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 28 February 2011

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		46,737		44,611
Amounts received on issue of shares	2,678		3,648	
Amounts paid on cancellation of shares	(9,279)		(15,990)	
		(6,601)		(12,342)
Dilution adjustment		27		–
Stamp duty reserve tax		(1)		(2)
Change in net assets attributable to shareholders from investment activities		1,104		14,468
Unclaimed distributions		–		2
Closing net assets attributable to shareholders		41,266		46,737

Legg Mason Sterling Corporate Plus Bond Fund (continued)

Balance Sheet

As at 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Assets					
Investments assets			39,643		46,537
Debtors	7	1,547		1,452	
Cash and bank balances	8	<u>1,582</u>		<u>1,020</u>	
Total other assets			<u>3,129</u>		<u>2,472</u>
Total assets			42,772		49,009
Liabilities					
Investment liabilities			(14)		(1,210)
Creditors	9	(1,145)		(466)	
Bank overdrafts	10	–		(49)	
Distribution payable on income shares		<u>(347)</u>		<u>(547)</u>	
Total other liabilities			<u>(1,492)</u>		<u>(1,062)</u>
Total liabilities			<u>(1,506)</u>		<u>(2,272)</u>
Net assets attributable to shareholders			<u>41,266</u>		<u>46,737</u>

Legg Mason Sterling Corporate Plus Bond Fund (continued)

Notes to the Financial Statements

As at 28 February 2011

1. Accounting policies

The Accounting basis and polices are on pages 49 to 51.

2. Net Capital Gains

	2011	2010
	£'000	£'000
The net capital gains during the year		
Non-derivative securities	519	14,157
Forward currency contracts	1,304	785
Currency (losses)/gains	(168)	138
Transaction charges	(4)	(10)
Net gains on investments	1,651	15,070

3. Revenue

	2011	2010
	£'000	£'000
Bank interest	1	7
Interest on Debt Securities	2,346	3,213
Overseas dividends	2	–
Total revenue	2,349	3,220

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
Authorised Corporate Directors' periodic charge	547	602
Registration fees	66	73
	<u>613</u>	<u>675</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	13	14
Safe custody fees	(1)	13
	<u>12</u>	<u>27</u>
Other expenses:		
Audit fee	19	14
Printing and Postage fee	2	6
Legal fee	4	1
	<u>25</u>	<u>21</u>
Total expenses	650	723

Legg Mason Sterling Corporate Plus Bond Fund (continued)

5. Taxation

	2011	2010
	£'000	£'000
(a) Analysis of the tax charge in the year:		
Overseas withholding tax	2	4
Corporation tax	–	–
	<hr/>	<hr/>
Total current tax	2	4
	<hr/>	<hr/>
Total taxation for the year [Note 5(b)]	2	4
	<hr/> <hr/>	<hr/> <hr/>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for an open ended investment company of 20% (2010: 20%) is applied to the net revenue before taxation.

The differences are explained below:

	2011	2010
	£'000	£'000
Net revenue before taxation	1,697	2,496
Net revenue for the year multiplied by the standard rate of corporation tax	339	499
Effects of:		
Movement in excess management expenses	109	120
Overseas withholding tax	2	4
Tax deductible interest distributions	(448)	(619)
	<hr/>	<hr/>
Current tax charge for the year	2	4
	<hr/> <hr/>	<hr/> <hr/>

OEICs are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Provision for deferred tax

No provision for deferred tax has been made in the current or prior accounting year.

(d) Factors that may affect future tax charges

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £1,451,262 (2010: £1,342,189) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the period.

Legg Mason Sterling Corporate Plus Bond Fund (continued)

6. Finance costs

Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2011	2010
	£'000	£'000
Interim	1,694	2,439
Final	499	547
Add: Amounts paid on cancellation of shares	68	130
Deduct: Amounts received on creation of shares	(19)	(22)
	<u>2,242</u>	<u>3,094</u>
Net distribution for the year	2,242	3,094
Interest	2	1
	<u>2,244</u>	<u>3,095</u>
Total finance costs	2,244	3,095

Reconciliation of Net revenue after taxation to distributions

Net revenue after taxation	1,695	2,492
Expenses charged to capital	547	602
	<u>2,242</u>	<u>3,094</u>
Net distribution for the year	2,242	3,094

Details of the distributions per share are set out in the distribution tables on pages 67 to 68.

7. Debtors

	2011	2010
	£'000	£'000
Accrued revenue	887	1,142
Overseas withholding tax reclaimable	6	–
Sales awaiting settlement	654	310
	<u>1,547</u>	<u>1,452</u>
Total debtors	1,547	1,452

8. Cash and bank balances

	2011	2010
	£'000	£'000
Cash and bank balances	1,582	1,020
	<u>1,582</u>	<u>1,020</u>
Total cash and bank balances	1,582	1,020

Legg Mason Sterling Corporate Plus Bond Fund (continued)

9. Creditors

	2011	2010
	£'000	£'000
Accrued Authorised Corporate Director's periodic charge	84	45
Accrued Depositary fees	2	1
Accrued expenses	30	29
Amounts payable on cancellation of shares	135	104
Income Tax payable	258	287
Purchases awaiting settlement	636	–
Total creditors	1,145	466

10. Bank overdrafts

	2011	2010
	£'000	£'000
Bank Overdrafts	–	49
Total bank overdrafts	–	49

11. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12. Related Party Transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of Total Return', 'Statement of Change in net assets attributable to Shareholders' and the 'Balance Sheet' on pages 59 and 60 and notes 4, 7 and 8 on pages 61 to 63 including all creations and cancellations where the ACD acted as a principal.

13. Share Classes

The Fund currently has 2 share classes and the annual management charge on these is as follows:

Class 'A' Retail	1.25%
Class 'B' Institutional	0.90%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 58. The distribution per share class is given in the distribution table on pages 68 to 69. All share classes have the same rights on winding up.

Legg Mason Sterling Corporate Plus Bond Fund (continued)

14. Derivatives and other financial instruments

The ACD's policies and approach to managing the associated risks which were applied throughout the current and preceding year are as follows:

(a) Currency Exposure

A substantial proportion of the net assets of the Fund denominated in currencies other than sterling, the Fund's functional currency, with the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements. The exposure to each currency is shown in the Portfolio Statement including the effect of any foreign currency hedges. This is consistent with the exposure during both the current and prior year.

During the year the Manager used derivative instruments to hedge the value of the investment portfolio. Currency forwards were used to hedge the exchange risk associated with the holdings of foreign currency fixed interest bonds/securities during and at the end of the year. At the end of the year, currency forwards were open to hedge the exchange rate risk associated with the holdings of foreign currency fixed interest bonds/securities in the portfolio.

	Monetary exposures £'000	2011 Non- monetary exposures £'000	Total £'000
Australian Dollar	–	(1)	(1)
Euro	630	3,774	4,404
Japanese Yen	–	(1)	(1)
Sterling	216	23,850	24,066
US Dollar	791	12,007	12,798
Total	1,637	39,629	41,266

	Monetary exposures £'000	2010 Non- monetary exposures £'000	Total £'000
Australian Dollar	–	59	59
Euro	530	(869)	(339)
Japanese Yen	–	61	61
Sterling	84	46,762	46,846
US Dollar	796	(686)	110
Total	1,410	45,327	46,737

Legg Mason Sterling Corporate Plus Bond Fund (continued)

14. Derivatives and other financial instruments (continued)

(b) Interest rate risk profile of financial assets and liabilities

The table below shows the interest rate risk profile at the balance sheet date:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
2011				
Australian Dollar	–	–	1	1
Euro	1,617	2,725	232	4,574
Japanese Yen	–	–	4	4
Sterling	5,071	19,128	1,189	25,388
US Dollar	1,015	11,461	329	12,805
Total	7,703	33,314	1,755	42,772
2010				
Australian Dollar	–	–	24	24
Canadian Dollar	–	26	–	26
Euro	1,305	5,344	106	6,755
Japanese Yen	–	183	29	212
Sterling	8,195	17,506	1,452	27,153
Swedish Krona	–	205	–	205
Thailand Bhat	–	249	–	249
US Dollar	391	13,583	411	14,385
Total	9,891	37,096	2,022	49,009
Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000	
2011				
Australian Dollar	–	2	2	
Euro	–	169	169	
Japanese Yen	–	6	6	
Sterling	–	1,323	1,323	
US Dollar	–	6	6	
Total	–	1,506	1,506	
2010				
Australian Dollar	–	19	19	
Euro	–	271	271	
Japanese Yen	–	24	24	
Sterling	49	1,013	1,062	
US Dollar	–	896	896	
Total	49	2,223	2,272	

Legg Mason Sterling Corporate Plus Bond Fund (continued)

14. Derivatives and other financial instruments (continued)

(b) Interest rate risk profile of financial assets and liabilities (continued)

Currency	Fixed rate financial assets	
	Weighted average interest rate (%)	Weighted average period for which rate is fixed (years)
2011		
Euro	5.78	6.76
Sterling	5.81	11.51
US Dollar	6.14	6.65
2010		
Canadian Dollar	7.90	4.78
Cayman Islands Dollar	5.72	39.32
Euro	5.46	14.43
Japanese Yen	5.72	39.69
Sterling	5.87	14.83
Swedish Krona	5.73	38.97
Thai Bhat	11.00	3.79
US Dollar	6.51	7.79

The 'weighted average interest' is based on the redemption yield of each asset, weighted by their market value.

(c) Liquidity Risk

The majority of the Fund's financial assets are considered to be readily realisable in accordance with market practices of the exchange on which they are traded. In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

Where the ACD considers the asset to be illiquid, the asset is valued by either sourcing an external broker valuation or using a model price. Credit spread are often used as inputs into fair value modelling. As a result of the current global economic crisis, the ACD is increasingly having to consider the valuation of illiquid assets within sub funds which hold illiquid securities.

All of the Fund's financial liabilities are payable on demand or in less than 1 year.

(d) Market Price Risk and fair value of financial assets and financial liabilities

The Fund invests principally in fixed rate securities. The change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager being unable to secure similar returns on the expiry of contracts or the sale of securities. Changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In addition, the management of the Fund complies with the Financial Services Authority COLL sourcebook, which includes rules limiting the size of investment in any particular holding. There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair values.

15. Portfolio transaction costs

There were no commissions or taxes paid in relation to the transactions on the portfolio during the current period.

Legg Mason Sterling Corporate Plus Bond Fund (continued)

Distribution Table

As at 28 February 2011

First Interim Interest Distribution in pence per share

Group 1 Final Shares purchased prior to 1 March 2010

Group 2 Final Shares purchased on or after 1 March 2010 to 31 May 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.07.10	Distribution paid 31.07.09
Group 1	1.3811	0.2762	1.1049	–	1.1049	0.9888
Group 2	0.7207	0.1441	0.5766	0.5283	1.1049	0.9888

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.07.10	Distribution paid 31.07.09
Group 1	1.4119	0.2824	1.1295	–	1.1295	1.0099
Group 2	0.5338	0.1068	0.4270	0.7025	1.1295	1.0099

Second Interim Interest Distribution in pence per share

Group 1 Final Shares purchased prior to 1 June 2010

Group 2 Final Shares purchased on or after 1 June 2010 to 31 August 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 29.10.10	Distribution paid 31.10.09
Group 1	1.0503	0.2101	0.8402	–	0.8402	0.9231
Group 2	0.4324	0.0865	0.3459	0.4943	0.8402	0.9231

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 29.10.10	Distribution paid 31.10.09
Group 1	1.0968	0.2194	0.8774	–	0.8774	0.9471
Group 2	0.6125	0.1225	0.4900	0.3874	0.8774	0.9471

Third Interim Interest Distribution in pence per share

Group 1 Final Shares purchased prior to 1 September 2010

Final Shares purchased on or after 1 September 2010 to 30 November 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.01.11	Distribution paid 29.01.10
Group 1	1.0839	0.2168	0.8671	–	0.8671	1.0243
Group 2	0.2000	0.0400	0.1600	0.7071	0.8671	1.0243

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.01.11	Distribution paid 29.01.10
Group 1	1.1115	0.2223	0.8892	–	0.8892	1.0588
Group 2	0.7844	0.1569	0.6275	0.2617	0.8892	1.0588

Legg Mason Sterling Corporate Plus Bond Fund (continued)

Distribution Table (continued)

As at 28 February 2011

Final Interest Distribution in pence per share

Group 1 Final Shares purchased prior to 1 December 2010

Group 2 Final Shares purchased on or after 1 December 2010 to 28 February 2011

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
Group 1	0.9156	0.1831	0.7325	–	0.7325	0.9977
Group 2	0.1624	0.0325	0.1299	0.6026	0.7325	0.9977

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
Group 1	0.9991	0.1998	0.7993	–	0.7993	1.0267
Group 2	0.2319	0.0464	0.1855	0.6138	0.7993	1.0267

Equalisation

This applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of income included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital

Legg Mason Global Multi Strategy Bond Fund

General Information

Investment Manager:	Western Asset Management Company Limited
Fund Size:	£536.8m
Sector:	Global Bond
Fund Launch:	23 May 2008

Investment Risk

This document does not constitute an invitation to invest. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested. The value of investments and the income from them can be affected by changes in interest rates, in exchange rates, general market conditions, political, social and economic developments and other variable factors. Past performance is no guide to future returns and may not be repeated.

Interest rate risk: This Fund holds fixed income investments and may be affected by changes in interest rates.

Credit risk: This Fund may invest in 'non-investment grade' bonds, which carry a higher degree of default risk than 'investment grade' bonds.

Emerging markets risk: This Fund may invest in emerging markets that may be less liquid and may have less reliable custody arrangements than mature markets and may involve a higher degree of risk.

Hedging risk: This Fund may use eligible derivatives to hedge their foreign currency exposure back to the base currency, pounds sterling. Hedging transactions can reduce the effects of currency and asset fluctuations but can expose additional risks, e.g. counterparty default.

Annual Management charge: This Fund has its annual management charge levied against capital, which may adversely affect the capital growth of the Fund.

***Please note:** From 11 March 2011, the Fund has changed its Investment Policy to permit the use of derivatives for investment purposes as well as efficient portfolio management purposes.

Legg Mason Global Multi Strategy Bond Fund Review

Although global bond markets generated gains over the period under review, markets swung between bouts of risk aversion, with investors taking refuge in government bonds, and periods of risk taking, which benefited the corporate bond sectors. Political developments overshadowed the impact of generally supportive economic data and central bank activity on investor expectations a number of times during the period, particularly in May and in November 2010. Despite these periods of volatility, the riskier sectors of the bond market performed well, with bonds issued by financials and high yield corporate bonds leading the other major sectors. Developed government bond markets recorded more modest gains over the period, as investors scaled back their expectations for interest rate increases by the major central banks.

The Legg Mason Global Multi Strategy Bond Fund returned 6.55% in sterling terms over the period under review, outperforming the IMA Global Bond sector, which returned 1.87%. Its composite benchmark returned 8.13%. The composite benchmark comprises 50% Barclays Capital Global Aggregate Index (Sterling hedged), 25% Barclays Capital U.S. Corporate High Yield - 2% Issuer Capped Index (Sterling hedged) and 25% JP Morgan Emerging Markets Bond+ Index (Sterling hedged). The manager held an overweight exposure to investment grade corporate bonds, with an emphasis on European financials over industrial and utility issuers, and a diversified overweight allocation to global high yield corporate bonds. Meanwhile, it held underweight exposures to emerging market debt and mortgage-backed securities (MBS). In terms of activity in the portfolio over the period, the manager reduced the portfolio's overall exposure to US dollar-denominated emerging market debt and began increasing its holdings in local currency-denominated government bonds, adding positions in select markets, including Peru, Malaysia, Poland and Egypt. The manager also started to rebuild an allocation to agency MBS, having held little exposure to the sector for some time. Given the volatility in government bond markets, it actively managed its exposure to interest rates as pricing shifted, adjusting its holdings in US and European government bonds throughout the period.

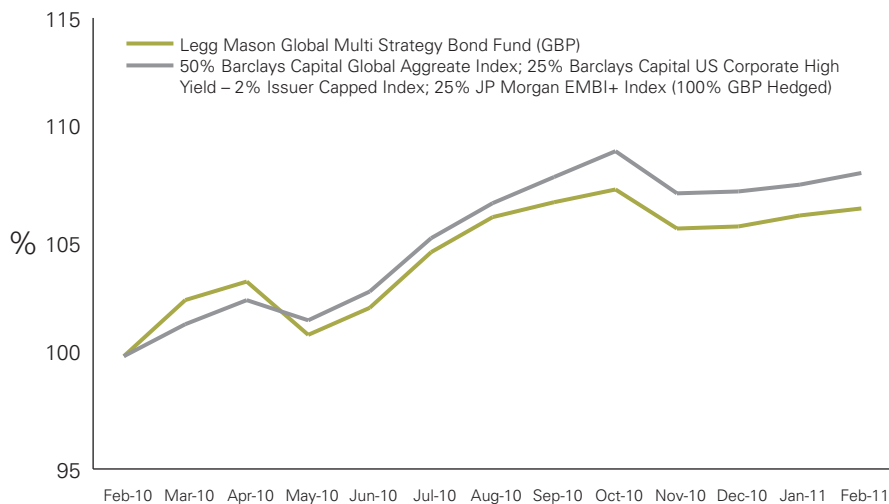
Looking ahead, the manager's investment policy remains premised on global growth that is likely to be muted, but positive. However, the manager notes that multiple risks remain that are likely to cause sustained uncertainty and volatility in global bond markets and that could possibly derail the global economic recovery. More recently these risks have included the political crisis in the Middle East and the subsequent rise in the oil price. Given the array of uncertainties, the manager notes that it will have to continue to look through the short-term swings in sentiment and remain focused on underlying valuations.

Investment Objective and Policy*

The objective of this Fund is to maximise total return through income and capital appreciation by diversifying across a range of fixed income securities, sectors and currencies. The Fund seeks to achieve its objective by investing globally, principally in debt and fixed income securities denominated in currencies of a variety of developed and emerging market countries. The Fund invests across the major fixed income sectors including high yielding and Emerging Market debt securities. A minimum of 80% of the Fund's net asset value will be invested in debt and fixed income securities that are either denominated in pounds sterling or, if denominated in other currencies, hedged to pounds sterling. Consequently, no more than 20% of the Fund's net asset value may be exposed to currencies other than pounds sterling. The Fund may also invest in other investments to the extent permitted by the FSA Rules as applicable from time to time and as explained in the Prospectus, including collective investment schemes.

Legg Mason Global Multi Strategy Bond Fund (continued)

Performance Record Since 28 February 2010



Legg Mason Global Multi Strat Bond A (SB) GBP 6.55%
50% BarCap Global Agg.; 25% BarCap U.S. Corp. H-Y 2% Iss-Cap; 25% JPM EMBI+ (100% GBP Hedged) – 8.13%

Source for performance figures:

Legg Mason. Performance is for the Class A Income shares only. Performance is calculated on a NAV to NAV with net income reinvested without initial charges but reflecting annual management fees.

Past performance is no guide to future returns and may not be repeated. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested.

Legg Mason Global Multi Strategy Bond Fund (continued)

Net Asset Value per Share and Comparative Table

Fund Size

	Net asset value of share class (£'000)	Net asset value pence per share	Shares in issue (‘000)
Share Class A			
28.02.2009	3,985	83.77	4,757
28.02.2010	19,212	99.62	19,285
28.02.2011	32,332	101.65	31,806
Share Class B			
28.02.2009	9,903	84.08	11,778
28.02.2010	32,809	100.41	32,673
28.02.2011	45,933	102.91	44,634
Share Class I			
28.02.2009	–	–	–
28.02.2010	197,041	119.86	164,385
28.02.2011	458,567	123.35	371,773

Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2008			
Class 'A' (inc)	2.8580	100.00	82.44
Class 'B' (inc)	2.8103	99.91	82.60
2009			
Class 'A' (inc)	4.9718	99.97	82.11
Class 'B' (inc)	4.9603	100.70	82.40
Class 'I' (inc)	3.6482	120.10	100.90
2010			
Class 'A' (inc)	4.5703	104.80	99.12
Class 'B' (inc)	4.5110	105.90	100.00
Class 'I' (inc)	5.3342	126.80	119.50
2011			
Class 'A' (inc)	1.1175+	102.40*	101.70*
Class 'B' (inc)	1.1373+	103.60*	102.90*
Class 'I' (inc)	1.3202+	124.10*	123.40*

* to 28 February 2011

+ to 31 March 2011

Total Expense ratio

	2011	2010
Class 'A' (inc)	1.44%	1.44%
Class 'B' (inc)	0.99%	0.99%
Class 'I' (inc)	0.58%	0.59%

The Total Expense Ratio shows the Fund's annual operating expenses as a percentage of its average net assets.

Legg Mason Global Multi Strategy Bond Fund (continued)

Statement of Total Return

for the year ended 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		11,933		25,715
Revenue	3	22,066		11,063	
Expenses	4	(2,797)		(1,206)	
Finance costs: Interest	6	(5)		(3)	
Net revenue before taxation		19,264		9,854	
Taxation	5	(64)		(34)	
Net revenue after taxation			19,200		9,820
Total return before distributions			31,133		35,535
Finance costs: Distributions	6		(21,223)		(10,683)
Change in net assets attributable to shareholders from investment activities			9,910		24,852

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 28 February 2011

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		249,062		13,888
Inspecie transfer		113,528		81,709
Amounts received on issue of shares	177,083		175,353	
Amounts paid on cancellation of shares	(12,859)		(47,361)	
		164,224		127,992
Dilution adjustment		109		625
Stamp duty reserve tax		(1)		(4)
Change in net assets attributable to shareholders from investment activities		9,910		24,852
Closing net assets attributable to shareholders		536,832		249,062

Legg Mason Global Multi Strategy Bond Fund (continued)

Balance Sheet

As at 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Assets					
Investments assets			470,402		226,576
Debtors	7	17,880		6,515	
Cash and bank balances	8	<u>83,652</u>		<u>29,490</u>	
Total other assets			<u>101,532</u>		<u>36,005</u>
Total assets			571,934		262,581
Liabilities					
Investment liabilities			<u>(1,232)</u>		<u>(8,383)</u>
Creditors	9	(31,471)		(933)	
Bank overdrafts	10	–		(2,981)	
Distribution payable on income shares		<u>(2,399)</u>		<u>(1,222)</u>	
Total other liabilities			<u>(33,870)</u>		<u>(5,136)</u>
Total liabilities			<u>(35,102)</u>		<u>(13,519)</u>
Net assets attributable to shareholders			<u>536,832</u>		<u>249,062</u>

Legg Mason Global Multi Strategy Bond Fund (continued)

Notes to the Financial Statements

As at 28 February 2011

1. Accounting policies

The Accounting basis and policies are on pages 49 to 51.

2. Net Capital Gains

	2011	2010
	£'000	£'000
The net capital gains during the year		
Non-derivative securities	(8,758)	25,995
Derivative contracts	(2,339)	1,132
Forward currency contracts	19,338	(1,542)
Currency gains	3,712	217
Transaction charges	(20)	(87)
Net gains on investments	11,933	25,715

3. Revenue

	2011	2010
	£'000	£'000
Bank interest	22	60
Interest on Debt Securities	20,798	10,983
Offshore Dividends	1,166	20
Overseas dividends	80	–
Total revenue	22,066	11,063

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
Authorised Corporate Directors' periodic charge	2,023	863
Registration fees	619	248
	<u>2,642</u>	<u>1,111</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	57	28
Safe custody fees	65	40
	<u>122</u>	<u>68</u>
Other expenses:		
Audit fee	21	22
Printing and Postage fee	8	3
Legal fee	4	2
	<u>33</u>	<u>27</u>
Total expenses	2,797	1,206

Legg Mason Global Multi Strategy Bond Fund (continued)

5. Taxation

	2011	2010
	£'000	£'000
(a) Analysis of the tax charge in the year:		
Overseas withholding tax	6	34
Tax on Fixed Interest Stock	51	–
Adjustments in respect of prior periods	7	–
	<u>64</u>	<u>34</u>
Total current tax	64	34
Deferred tax	–	–
	<u>–</u>	<u>–</u>
Total taxation for the year [Note 5 (b)]	64	34
	<u>64</u>	<u>34</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for an open ended investment company of 20% (2010: 20%) is applied to the net revenue before taxation.

The differences are explained below:

	2011	2010
	£'000	£'000
Net revenue before taxation	19,264	9,854
	<u>19,264</u>	<u>9,854</u>
Net revenue for the year multiplied by the standard rate of corporation tax	3,853	1,971
Effects of:		
Revenue not subject to corporation tax	(16)	–
Tax on Fixed Interest Stock	51	–
Movement in excess management expenses	391	–
Overseas withholding tax	6	34
Overseas withholding tax expensed	–	(7)
Tax deductible interest distributions	(4,228)	(2,137)
Adjustments in respect of prior periods	7	–
Deferred tax movement in the period	–	173
	<u>–</u>	<u>173</u>
Current tax charge for the year	64	34
	<u>64</u>	<u>34</u>

OEICs are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Provision for deferred tax

No provision for deferred tax has been made in the current or prior accounting year.

(d) Factors that may affect future tax charges:

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £577,080 (2010: £185,594) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the period.

Legg Mason Global Multi Strategy Bond Fund (continued)

6. Finance costs

Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2011	2010
	£'000	£'000
Interim	18,880	9,780
Final	2,807	1,222
Add: Amounts paid on cancellation of shares	19	42
Deduct: Amounts received on creation of shares	(483)	(361)
	<u>21,223</u>	<u>10,683</u>
Net distribution for the year	21,223	10,683
Interest	5	3
	<u>21,228</u>	<u>10,686</u>
	<u>21,228</u>	<u>10,686</u>
Reconciliation of Net revenue after taxation to distributions		
Net revenue after taxation	19,200	9,820
Expenses charged to capital	2,023	863
	<u>21,223</u>	<u>10,683</u>
Net distribution for the year	21,223	10,683
	<u>21,223</u>	<u>10,683</u>

Details of the distributions per share are set out in the distribution tables on pages 82 to 87.

7. Debtors

	2011	2010
	£'000	£'000
Accrued revenue	6,175	4,089
Amounts receivable for issue of shares	1,746	715
Future Initial Margins receivable	–	263
Overseas withholding tax reclaimable	3	–
Sales awaiting settlement	9,956	1,448
	<u>17,880</u>	<u>6,515</u>
Total debtors	17,880	6,515
	<u>17,880</u>	<u>6,515</u>

8. Cash and bank balances

	2011	2010
	£'000	£'000
Cash and bank balances	81,915	29,536
Amount held at futures clearing houses and brokers	1,737	(46)
	<u>83,652</u>	<u>29,490</u>
Total cash and bank balances	83,652	29,490
	<u>83,652</u>	<u>29,490</u>

Legg Mason Global Multi Strategy Bond Fund (continued)

9. Creditors

	2011	2010
	£'000	£'000
Accrued Authorised Corporate Director's periodic charge	410	98
Accrued Depositary fees	11	3
Accrued expenses	190	101
Amounts payable on cancellation of shares	148	–
Income Tax payable	958	617
Purchases awaiting settlement	29,754	114
Total creditors	31,471	933

10. Bank overdrafts

	2011	2010
	£'000	£'000
Bank Overdrafts	–	2,981
Total bank overdrafts	–	2,981

11. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12. Related Party Transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of Total Return', 'Statement of Change in net assets attributable to Shareholders' and the 'Balance Sheet' on pages 72 and 73 and notes 4, 7 and 8 on pages 74 to 76 including all creations and cancellations where the ACD acted as a principal.

In addition, assets managed by the ACD and held as at the Balance Sheet date are detailed below:

	2011	2010
	£'000	£'000
Legg Mason Western Asset High Yield Bond Fund	52,280	7,401
	52,280	7,401

The value of transactions during the year were:

	2011	2010
	£'000	£'000
Legg Mason Western Asset High Yield Bond Fund	44,536	5,593
	44,536	5,953

13. Share Classes

The fund currently has 3 share class and the annual management charge on this is as follows:

Class 'A' Retail	1.25%
Class 'B' Institutional	0.80%
Class 'I' Institutional	0.40%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 71. The distribution per share class is given in the distribution tables on pages 82 to 87. All share classes have the same rights on winding up.

Legg Mason Global Multi Strategy Bond Fund (continued)

14. Derivatives and other financial instruments

The ACD's policies and approach to managing the associated risks which were applied throughout the current and preceding year are as follows:

(a) Currency Exposure

A substantial proportion of the net assets of the Fund denominated in currencies other than sterling, the Fund's functional currency, with the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements. The exposure to each currency is shown in the Portfolio Statement including the effect of any foreign currency hedges. This is consistent with the exposure during both the current and prior year.

During the year the Manager used derivative instruments to hedge the value of the investment portfolio. Currency forwards were used to hedge the exchange risk associated with the holdings of foreign currency fixed interest bonds/securities during and at the end of the year. At the end of the year, currency forwards were open to hedge the exchange rate risk associated with the holdings of foreign currency fixed interest bonds/securities in the portfolio.

	Monetary exposures £'000	2011 Non- monetary exposures £'000	Total £'000
Australian Dollar	146	(10)	136
Brazilian Real	169	9,906	10,075
Euro	6,182	76,836	83,018
Malaysian Ringgit	79	3,882	3,961
Mexican Peso	132	10,454	10,586
Peruvian Nuevo Sol	140	3,666	3,806
Polish Zloty	193	7,457	7,650
Russian Rouble	–	(3)	(3)
Sterling	69,439	72,801	142,240
Swiss Franc	4	570	574
US Dollar	(8,822)	283,611	274,789
Total	67,662	469,170	536,832

	Monetary exposures £'000	2010 Non- monetary exposures £'000	Total £'000
Australian Dollar	6	5,858	5,864
Brazilian Real	–	5,364	5,364
Canadian Dollar	–	94	94
Euro	818	53,334	54,152
Indian Rupee	–	(31)	(31)
Indonesian Ruprah	–	(149)	(149)
Japanese Yen	78	–	78
Korean Won	–	(3)	(3)
Norwegian Krone	–	(22)	(22)
Polish Zloty	–	4,526	4,526
Sterling	28,950	(1,979)	26,971
US Dollar	1,017	151,201	152,218
Total	30,869	218,193	249,062

Legg Mason Global Multi Strategy Bond Fund (continued)

14. Derivatives and other financial instruments (continued)

(b) Interest rate risk profile of financial assets and liabilities

The table below shows the interest rate risk profile at the balance sheet date:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
2011				
Australian Dollar	146	–	10	156
Brazilian Real	1	9,891	183	10,075
Euro	21,916	60,036	1,916	83,868
Malaysian Ringgit	73	3,882	6	3,961
Mexican Peso	–	10,454	132	10,586
Peruvian Nuevo Sol	129	3,666	11	3,806
Polish Zloty	–	7,238	505	7,743
Russian Rouble	–	–	–	–
Sterling	123,270	19,986	3,108	146,364
Swiss Franc	–	573	4	577
US Dollar	58,364	179,390	67,044	304,798
Total	203,899	295,116	72,919	571,934
2010				
Australian Dollar	–	5,858	–	5,858
Brazilian Real	530	4,834	–	5,364
Euro	15,403	37,085	590	53,078
Polish Zloty	–	4,480	–	4,480
Sterling	3,428	3,150	–	6,578
US Dollar	4,940	138,365	7,633	150,938
Total	24,301	193,772	8,223	226,296

Legg Mason Global Multi Strategy Bond Fund (continued)

14. Derivatives and other financial instruments (continued)

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
2011			
Australian Dollar	–	20	20
Euro	–	850	850
Polish Zloty	–	93	93
Russian Rouble	–	3	3
Sterling	–	4,124	4,124
Swiss Franc	–	3	3
US Dollar	–	30,009	30,009
Total	–	35,102	35,102
2010			
UK Sterling	–	13,519	13,519
Total	–	13,519	13,519
Currency		Fixed rate financial assets	
2011		Weighted average interest rate (%)	Weighted average period for which rate is fixed (years)
Brazilian Real		10.87	5.85
Euro		5.13	9.42
Malaysian Ringgit		3.78	4.45
Mexican Peso		7.73	9.29
Peruvian Nuevo Sol		7.03	9.46
Polish Zloty		6.09	11.58
Sterling		6.67	12.15
Swiss Franc		7.52	6.93
US Dollar		5.80	10.96
2010			
Australian Dollar		1.45	13.81
Brazilian Real		0.90	2.99
Euro		6.99	13.76
Polish Zloty		6.08	12.58
Sterling		11.08	13.32
US Dollar		8.14	11.77

The 'weighted average interest' is based on the redemption yield of each asset, weighted by their market value.

Legg Mason Global Multi Strategy Bond Fund (continued)

14. Derivatives and other financial instruments (continued)

(c) Liquidity Risk

The majority of the Fund's financial assets are considered to be readily realisable in accordance with market practices of the exchange on which they are traded. In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

Where the ACD considers the asset to be illiquid, the asset is valued by either sourcing an external broker valuation or using a model price. Credit spread are often used as inputs into fair value modelling. As a result of the current global economic crisis, the ACD is increasingly having to consider the valuation of illiquid assets within sub funds which hold illiquid securities.

(d) Market Price Risk and fair value of financial assets and financial liabilities

The Fund invests principally in fixed rate securities. The change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager being unable to secure similar returns on the expiry of contracts or the sale of securities. Changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In addition, the management of the Fund complies with the Financial Services Authority COLL sourcebook, which includes rules limiting the size of investment in any particular holding. There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair values.

15. Portfolio transaction costs

There were no commissions or taxes paid in relation to the transactions on the portfolio during the current period.

Legg Mason Global Multi Strategy Bond Fund (continued)

Distribution Table

As at 28 February 2011

First Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 March 2010

Group 2 Shares purchased on or after 1 March 2010 to 31 March 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 30.04.10	Distribution paid 30.04.09
Group 1	0.5195	0.1039	0.4156	–	0.4156	0.3178
Group 2	0.2304	0.0461	0.1843	0.2313	0.4156	0.3178

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 30.04.10	Distribution paid 30.04.09
Group 1	0.5233	0.1047	0.4186	–	0.4186	0.3189
Group 2	0.2375	0.0475	0.1900	0.2286	0.4186	0.3189

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 30.04.10	Distribution paid 30.04.09
Group 1	0.6313	0.1263	0.5050	–	0.5050	–
Group 2	0.1511	0.0302	0.1209	0.3841	0.5050	–

Second Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 April 2010

Group 2 Shares purchased on or after 1 April 2010 to 30 April 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.05.10	Distribution paid 31.05.09
Group 1	0.4746	0.0949	0.3797	–	0.3797	0.4596
Group 2	0.2339	0.0468	0.1871	0.1926	0.3797	0.4596

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.05.10	Distribution paid 31.05.09
Group 1	0.4785	0.0957	0.3828	–	0.3828	0.4572
Group 2	0.2286	0.0457	0.1829	0.1999	0.3828	0.4572

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.05.10	Distribution paid 31.05.09
Group 1	0.5761	0.1152	0.4609	–	0.4609	0.4379
Group 2	0.2493	0.0499	0.1994	0.2615	0.4609	0.4379

Legg Mason Global Multi Strategy Bond Fund (continued)

Distribution Table (continued)

As at 28 February 2011

Third Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 May 2010

Group 2 Shares purchased on or after 1 May 2010 to 31 May 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 21.06.10	Distribution paid 30.06.09
Group 1	0.5763	0.1153	0.4610	–	0.4610	0.4086
Group 2	0.2344	0.0469	0.1875	0.2735	0.4610	0.4086

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 21.06.10	Distribution paid 30.06.09
Group 1	0.5808	0.1162	0.4646	–	0.4646	0.4105
Group 2	0.2139	0.0428	0.1711	0.2935	0.4646	0.4105

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 21.06.10	Distribution paid 30.06.09
Group 1	0.6984	0.1397	0.5587	–	0.5587	0.4996
Group 2	0.1216	0.0243	0.0973	0.4614	0.5587	0.4996

Fourth Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 June 2010

Group 2 Shares purchased on or after 1 June 2010 to 30 June 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.07.10	Distribution paid 31.07.09
Group 1	0.5324	0.1065	0.4259	–	0.4259	0.2775
Group 2	0.1620	0.0324	0.1296	0.2963	0.4259	0.2775

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.07.10	Distribution paid 31.07.09
Group 1	0.4105	0.0821	0.3284	–	0.3284	0.2795
Group 2	0.0578	0.0116	0.0462	0.2822	0.3284	0.2795

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.07.10	Distribution paid 31.07.09
Group 1	0.4588	0.0918	0.3670	–	0.3670	0.3375
Group 2	0.0331	0.0066	0.0265	0.3405	0.3670	0.3375

Legg Mason Global Multi Strategy Bond Fund (continued)

Distribution Table (continued)

As at 28 February 2011

Fifth Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 July 2010

Group 2 Shares purchased on or after 1 July 2010 to 31 July 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.08.10	Distribution paid 31.08.09
Group 1	0.3998	0.0800	0.3198	–	0.3198	0.3619
Group 2	0.1841	0.0368	0.1473	0.1725	0.3198	0.3619

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.08.10	Distribution paid 31.08.09
Group 1	0.4034	0.0807	0.3227	–	0.3227	0.3640
Group 2	0.2214	0.0443	0.1771	0.1456	0.3227	0.3640

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.08.10	Distribution paid 31.08.09
Group 1	0.4839	0.0968	0.3871	–	0.3871	0.4428
Group 2	0.3218	0.0644	0.2574	0.1297	0.3871	0.4428

Sixth Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 August 2010

Group 2 Shares purchased on or after 1 August 2010 to 31 August 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 30.09.10	Distribution paid 30.09.09
Group 1	0.4306	0.0861	0.3445	–	0.3445	0.5427
Group 2	0.1840	0.0368	0.1472	0.1973	0.3445	0.5427

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 30.09.10	Distribution paid 30.09.09
Group 1	0.4376	0.0875	0.3501	–	0.3501	0.5454
Group 2	0.2418	0.0484	0.1934	0.1567	0.3501	0.5454

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 30.09.10	Distribution paid 30.09.09
Group 1	0.5158	0.1032	0.4126	–	0.4126	0.6590
Group 2	0.1705	0.0341	0.1364	0.2762	0.4126	0.6590

Legg Mason Global Multi Strategy Bond Fund (continued)

Distribution Table (continued)

As at 28 February 2011

Seventh Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2010

Group 2 Shares purchased on or after 1 September 2010 to 30 September 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.10.10	Distribution paid 31.10.09
Group 1	0.4366	0.0873	0.3493	–	0.3493	0.3522
Group 2	0.1891	0.0378	0.1513	0.1980	0.3493	0.3522

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.10.10	Distribution paid 31.10.09
Group 1	0.4403	0.0881	0.3522	–	0.3522	0.3547
Group 2	0.2008	0.0402	0.1606	0.1916	0.3522	0.3547

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.10.10	Distribution paid 31.10.09
Group 1	0.5290	0.1058	0.4232	–	0.4232	0.4333
Group 2	0.3153	0.0631	0.2522	0.1710	0.4232	0.4333

Eighth Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 October 2010

Group 2 Shares purchased on or after 1 October 2010 to 31 October 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 30.11.10	Distribution paid 30.11.09
Group 1	0.4024	0.0805	0.3219	–	0.3219	0.3396
Group 2	0.1109	0.0222	0.0887	0.2332	0.3219	0.3396

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 30.11.10	Distribution paid 30.11.09
Group 1	0.4098	0.0820	0.3278	–	0.3278	0.3369
Group 2	0.1505	0.0301	0.1204	0.2074	0.3278	0.3369

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 30.11.10	Distribution paid 30.11.09
Group 1	0.4445	0.0889	0.3556	–	0.3556	0.3954
Group 2	0.0718	0.0144	0.0574	0.2982	0.3556	0.3954

Legg Mason Global Multi Strategy Bond Fund (continued)

Distribution Table (continued)

As at 28 February 2011

Ninth Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 November 2010

Group 2 Shares purchased on or after 1 November 2010 to 30 November 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.12.10	Distribution paid 31.12.09
Group 1	0.3899	0.0780	0.3119	–	0.3119	0.3850
Group 2	0.1991	0.0398	0.1593	0.1526	0.3119	0.3850

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.12.10	Distribution paid 31.12.09
Group 1	0.3936	0.0787	0.3149	–	0.3149	0.3871
Group 2	0.1940	0.0388	0.1552	0.1597	0.3149	0.3871

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.12.10	Distribution paid 31.12.09
Group 1	0.4730	0.0946	0.3784	–	0.3784	0.4427
Group 2	0.1185	0.0237	0.0948	0.2836	0.3784	0.4427

Tenth Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 December 2010

Group 2 Shares purchased on or after 1 December 2010 to 31 December 2010

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.01.11	Distribution paid 31.01.10
Group 1	0.4614	0.0923	0.3691	–	0.3691	0.4180
Group 2	0.2883	0.0577	0.2306	0.1385	0.3691	0.4180

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.01.11	Distribution paid 31.01.10
Group 1	0.4699	0.0940	0.3759	–	0.3759	0.4208
Group 2	0.2828	0.0566	0.2262	0.1497	0.3759	0.4208

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 31.01.11	Distribution paid 31.01.10
Group 1	0.5236	0.1047	0.4189	–	0.4189	0.4864
Group 2	0.2319	0.0464	0.1855	0.2334	0.4189	0.4864

Legg Mason Global Multi Strategy Bond Fund (continued)

Distribution Table (continued)

As at 28 February 2011

Eleventh Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 January 2011

Group 2 Shares purchased on or after 1 January 2011 to 31 January 2011

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 28.02.11	Distribution paid 28.02.10
Group 1	0.3723	0.0745	0.2978	–	0.2978	0.3345
Group 2	0.2154	0.0431	0.1723	0.1255	0.2978	0.3345

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 28.02.11	Distribution paid 28.02.10
Group 1	0.3736	0.0747	0.2989	–	0.2989	0.3363
Group 2	0.2385	0.0477	0.1908	0.1081	0.2989	0.3363

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution paid 28.02.11	Distribution paid 28.02.10
Group 1	0.4378	0.0876	0.3502	–	0.3502	0.4110
Group 2	0.1079	0.0216	0.0863	0.2639	0.3502	0.4110

Final Distribution in pence per share

Group 1 Shares purchased prior to 1 February 2010

Group 2 Shares purchased on or after 1 February 2011 to 28 February 2011

Class 'A' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution payable 31.03.11	Distribution paid 31.03.10
Group 1	0.5633	0.1127	0.4506	–	0.4506	0.4882
Group 2	0.4491	0.0898	0.3593	0.0913	0.4506	0.4882

Class 'B' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution payable 31.03.11	Distribution paid 31.03.10
Group 1	0.5781	0.1156	0.4625	–	0.4625	0.4918
Group 2	0.5041	0.1008	0.4033	0.0592	0.4625	0.4918

Class 'I' Income Shares

	Gross Income	Income Tax (20%)	Net income	Equalisation	Distribution payable 31.03.11	Distribution paid 31.03.10
Group 1	0.6889	0.1378	0.5511	–	0.5511	0.5883
Group 2	0.6019	0.1204	0.4815	0.0696	0.5511	0.5883

Equalisation

This applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of income included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital.

Legg Mason UK Equity Fund

General Information

Investment Manager:	Batterymarch Financial Management Inc.
Fund Size:	£51.8m
Sector:	UK All Companies
Fund Launch:	31 October 1995 <small>(Converted from a Unit Trust to a sub-fund of Legg Mason Funds ICVC on 30 August 2003)</small>

Investment Risk

This document does not constitute an invitation to invest. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested. The value of investments and the income from them can be affected by changes in interest rates, in exchange rates, general market conditions, political, social and economic developments and other variable factors. Past performance is no guide to future returns and may not be repeated.

Single country risk: This Fund invests in companies concentrated solely within a single country and as a result the Fund carries more risk than other funds that diversify across multiple countries.

Legg Mason UK Equity Fund Review

UK economic news remained mixed during the period under review. Negative GDP data for the fourth quarter of 2010 surprised the market, for example, although extreme weather conditions were partly to blame. In addition, consumer confidence was a concern as government spending cuts were prepared to tackle the country's huge budget deficit. Against this backdrop, however, the UK stock market performed well, with the FTSE All-Share Index rising by 17.02% in sterling terms over the period under review. The global diversification of many large UK companies and their exposures to faster growing parts of the world were important drivers of this performance.

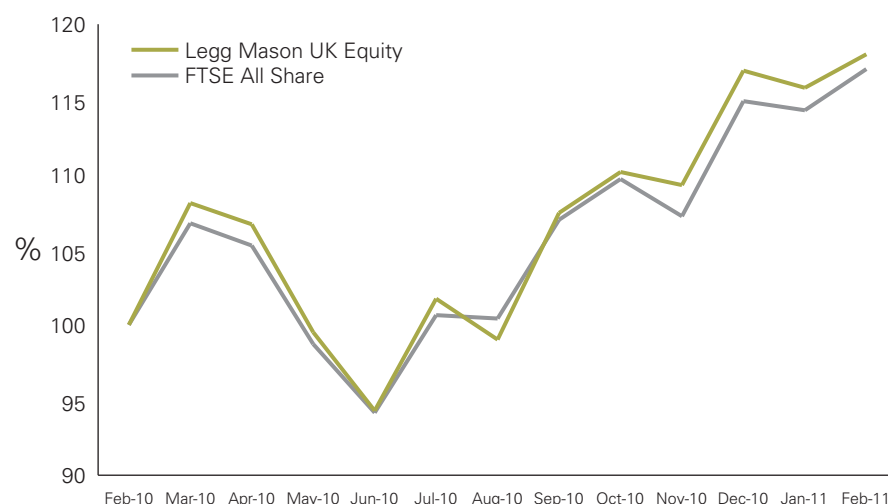
The Legg Mason UK Equity Fund increased by 18.00% in sterling terms during the period, while its benchmark, the FTSE All-Share Index, rose in sterling terms by 17.02%. The Fund's stock selection contributed positively to its relative performance but its overall sector allocation was a slightly negative influence. Stock selection was most beneficial in the industrials, materials, and financials ex-banks sectors, but was detrimental in the information technology and utilities sectors. In terms of the Fund's trading activity, major purchases included international mining group Xstrata, global defence and security company BAE Systems, and energy supplier Centrica. The Fund's major sales, meanwhile, included banking groups Barclays and Standard Chartered, as well as Greggs, the food retail chain.

Looking ahead, the Fund's investment manager notes that a key unknown remains whether global economies will be robust enough to maintain growth as stimulus plans end. It adds that rising commodity prices make inflation a concern. Indeed, at the end of the period under review, UK inflation remained above the Bank of England's target rate, although interest rates were kept unchanged at historically low levels. Despite the equity market's recent rally, the manager believes that valuations for many stocks remain compelling and the environment continues to be more conducive to bottom-up stock selection. The manager's stock selection model continues to be positioned for a modest, slow global recovery, with a tilt toward historic growth, and its over- and underweight sector exposures relative to the Fund's benchmark remain moderate.

Investment Objective and Policy

The objective of this Fund is to achieve capital growth through investment in quoted securities of UK companies. The Fund seeks to achieve its objective by investing principally in large and mid-cap UK company shares listed on the London Stock Exchange and being constituents of the FTSE All Share index. Income will not be a primary objective. The Fund may also invest in other investments as permitted by the FSA Rules as applicable from time to time and as explained in the Prospectus.

Performance Record Since 28 February 2010



Legg Mason UK Equity A (SB) GBP 18.00%
FTSE All Share TR GBP (NX) 17.02%

Source for performance figures:

Legg Mason, Inc., NAV to NAV with net income reinvested for Class A Shares only.

Please note that past performance is no guide to future returns and should not be seen as an indication of future performance. The value of investments and the income from them can go down as well as up and the investor may not get back the amounts originally invested.

Legg Mason UK Equity Fund (continued)

Net Asset Value per Share and Comparative Table

Fund Size

	Net asset value of share class (£'000)	Net asset value pence per share	Shares in issue ('000)
Share Class A			
28.02.2009	40,145	135.61	29,603
28.02.2010	49,960	183.75	27,189
28.02.2011	51,751	216.90	23,860

Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2006			
Class 'A' (acc)	2.2366	226.30	194.90
2007			
Class 'A' (acc)	2.0625	231.50	221.70
2008			
Class 'A' (acc)	4.3227	234.40	185.20
2009			
Class 'A' (acc)	4.5150	189.90	126.50
2010			
Class 'A' (acc)	3.3446	216.90	169.70
2011			
Class 'A' (acc)	2.7073+	221.20*	212.90*

* To 28 February 2011.

+ To 30 April 2011.

Total Expense ratio	2011	2010
Class 'A' (acc)	1.88%	1.87%

The Total Expense Ratio shows the Fund's annual operating expenses as a percentage of its average net assets.

Legg Mason UK Equity Fund (continued)

Statement of Total Return

for the year ended 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		7,663		12,902
Revenue	3	1,655		1,870	
Expenses	4	(938)		(889)	
Finance costs: Interest	6	–		–	
Net revenue before taxation		717		981	
Taxation	5	(17)		(21)	
Net revenue after taxation			700		960
Total return before distributions			8,363		13,862
Finance costs: Distributions	6		(700)		(960)
Change in net assets attributable to shareholders from investment activities			7,663		12,902

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 28 February 2011

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		49,960		40,145
Amounts received on issue of shares	76		10	
Amounts paid on cancellation of shares	(6,593)		(4,005)	
		(6,517)		(3,995)
Stamp duty reserve tax		(1)		(1)
Change in net assets attributable to shareholders from investment activities		7,663		12,902
Retained distribution on accumulation shares		646		909
Closing net assets attributable to shareholders		51,751		49,960

Legg Mason UK Equity Fund (continued)

Balance Sheet

As at 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Assets					
Investments assets			51,456		49,293
Debtors	7	655		267	
Cash and bank balances	8	<u>112</u>		<u>748</u>	
Total other assets			<u>767</u>		<u>1,015</u>
Total assets			52,223		50,308
Liabilities					
Investment liabilities			–		–
Creditors	9	(472)		(233)	
Bank overdrafts	10	<u>–</u>		<u>(115)</u>	
Total other liabilities			<u>(472)</u>		<u>(348)</u>
Total liabilities			<u>(472)</u>		<u>(348)</u>
Net assets attributable to shareholders			<u>51,751</u>		<u>49,960</u>

Legg Mason UK Equity Fund (continued)

Notes to the Financial Statements

As at 28 February 2011

1. Accounting policies

The Accounting basis and policies are on pages 49 to 51.

2. Net Capital Gains

	2011	2010
	£'000	£'000
The net capital gains during the year		
Non-derivative securities	7,668	12,911
Transaction charges	(5)	(9)
Net gains on investments	<u>7,663</u>	<u>12,902</u>

3. Revenue

	2011	2010
	£'000	£'000
Bank interest	1	1
Overseas dividends	178	160
UK dividends	1,476	1,709
Total revenue	<u>1,655</u>	<u>1,870</u>

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
Authorised Corporate Directors' periodic charge	757	711
Registration fees	146	138
	<u>903</u>	<u>849</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	14	13
Safe custody fees	1	4
	<u>15</u>	<u>17</u>
Other expenses:		
Audit fee	11	9
Printing and Postage fee	5	14
Legal fee	4	–
	<u>20</u>	<u>23</u>
Total expenses	<u>938</u>	<u>889</u>

Legg Mason UK Equity Fund (continued)

5. Taxation

	2011	2010
	£'000	£'000
(a) Analysis of the tax charge in the year:		
Overseas withholding tax	17	21
Total current tax	17	21
Deferred tax	–	–
Total taxation for the year	17	21

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for an open ended investment company of 20% (2010: 20%) is applied to the net revenue before taxation.

The differences are explained below:

	2011	2010
	£'000	£'000
Net revenue before taxation	717	981
Net revenue for the year multiplied by the standard rate of corporation tax	144	196
Effects of:		
Revenue not subject to corporation tax	(332)	(363)
Movement in excess management expenses	188	167
Overseas withholding tax	17	21
Current tax charge for the year	17	21

OEICs are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Provision for deferred tax

No provision for deferred tax has been made in the current or prior accounting year.

(d) Factors that may affect future tax charges:

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £1,968,947 (2010: £1,780,626) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the period.

Legg Mason UK Equity Fund (continued)

6. Finance costs

Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2011	2010
	£'000	£'000
Final	646	909
Add: Amounts paid on cancellation of shares	55	51
Deduct: Amounts received on creation of shares	(1)	–
Net distribution for the year	700	960
Interest	–	–
Total finance costs	700	960
Reconciliation of Net revenue after taxation to distributions		
Net revenue after taxation	700	960
Net distribution for the year	700	960

Details of the distributions per share are set out in the distribution tables on page 97.

7. Debtors

	2011	2010
	£'000	£'000
Accrued revenue	215	246
Overseas withholding tax reclaimable	4	2
Sales awaiting settlement	436	19
Total debtors	655	267

8. Cash and bank balances

	2011	2010
	£'000	£'000
Cash and bank balances	112	748
Total cash and bank balances	112	748

9. Creditors

	2011	2010
	£'000	£'000
Accrued Authorised Corporate Director's periodic charge	127	57
Accrued Depositary fees	3	1
Accrued expenses	40	27
Amounts payable on cancellation of shares	131	148
Purchases awaiting settlement	171	–
Total creditors	472	233

Legg Mason UK Equity Fund (continued)

10. Bank overdrafts

	2011 £'000	2010 £'000
Bank Overdrafts	–	115
Total bank overdrafts	–	115

11. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12. Related Party Transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of Total Return', 'Statement of Change in net assets attributable to Shareholders' and the 'Balance Sheet' on pages 90 and 91 and notes 4, 7 and 8 on pages 92 to 94 including all creations and cancellations where the ACD acted as a principal.

13. Share Classes

The fund currently has 1 share class and the annual management charge on this is as follows:

Class 'A' Retail	1.50%
------------------	-------

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 89. The distribution per share class is given in the distribution table on page 97. All share classes have the same rights on winding up.

14. Derivatives and other financial instruments

The ACD's policies and approach to managing the associated risks which were applied throughout the current and preceding year are as follows:

(a) Currency Exposure

A substantial proportion of the net assets of the Fund denominated in currencies other than sterling, the Fund's functional currency, with the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements. The exposure to each currency is shown in the Portfolio Statement including the effect of any foreign currency hedges. This is consistent with the exposure during both the current and prior year.

	Monetary exposures £'000	2011 Non- monetary exposures £'000	Total £'000
Sterling	217	51,456	51,673
US Dollar	78	–	78
Total	295	51,456	51,751

	Monetary exposures £'000	2010 Non- monetary exposures £'000	Total £'000
Sterling	667	49,293	49,960
Total	667	49,293	49,960

Legg Mason UK Equity Fund (continued)

14. Derivatives and other financial instruments (continued)

(b) Interest rate risk profile of financial assets and liabilities

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during both the current and prior year.

(c) Liquidity Risk

The majority of the Fund's financial assets are considered to be readily realisable in accordance with market practices of the exchange on which they are traded. In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

Where the ACD considers the asset to be illiquid, the asset is valued by either sourcing an external broker valuation or using a model price. Credit spread are often used as inputs into fair value modelling. As a result of the current global economic crisis, the ACD is increasingly having to consider the valuation of illiquid assets within sub funds which hold illiquid securities.

All of the Fund's financial liabilities are payable on demand or in less than 1 year.

(d) Fair value of financial assets and financial liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the Fund disclosed in the Balance Sheet.

15. Portfolio transaction costs

	2011		2010	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs:				
Purchases in period before transaction costs		17,395		27,116
Commissions	11		17	
Taxes	81		132	
Total purchase costs		92		149
Gross purchase total		17,487		27,265
Analysis of total sale costs:				
Gross sales before transaction costs		22,829		30,634
Commissions	(14)		(21)	
Total sale costs		(14)		(21)
Total sales net of transaction costs		22,815		30,613

Legg Mason UK Equity Fund (continued)

Distribution Table

As at 28 February 2011

Final Dividend Distribution in pence per share

Group 1 Final Shares purchased prior to 1 March 2010

Group 2 Final Shares purchased on or after 1 March 2010 to 28 February 2011

Class 'A' Accumulation Shares

	Net income	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
Group 1	2.7073	–	2.7073	3.3446
Group 2	1.6792	1.0281	2.7073	3.3446

Equalisation

This applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of income included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital.

Legg Mason Continental European Equity

General Information

Investment Manager:	Batterymarch Financial Management Inc.
Fund Size:	£8.9m
Sector:	Europe ex UK
Fund Launch:	29 August 1997 <small>(Converted from a Unit Trust to a sub-fund of Legg Mason Funds ICVC on 30 August 2003)</small>

Investment Risk

This document does not constitute an invitation to invest. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested. The value of investments and the income from them can be affected by changes in interest rates, in exchange rates, general market conditions, political, social and economic developments and other variable factors. Past performance is no guide to future returns and may not be repeated.

Single region risk: This Fund invests in companies concentrated solely within a single region and as a result the Fund carries more risk than other funds that diversify across multiple regions.

Emerging markets risk: This Fund may invest in emerging markets that may be less liquid and may have less reliable custody arrangements than mature markets and may involve a higher degree of risk.

Currency risk: Fluctuations in exchange rates between the currency of the underlying securities and the Fund's base currency may affect the value of an investment and any income derived from it.

Legg Mason Continental European Equity Fund Review

News headlines in Europe were often dominated by the sovereign debt problems in several of the region's peripheral countries. Greece and Ireland both sought, and received, financial aid packages, while speculation persisted that Spain and Portugal may have to follow suit. Markets were frequently unsettled by this backdrop, which indeed remained a headwind for Europe's outlook as the period under review drew to a close.

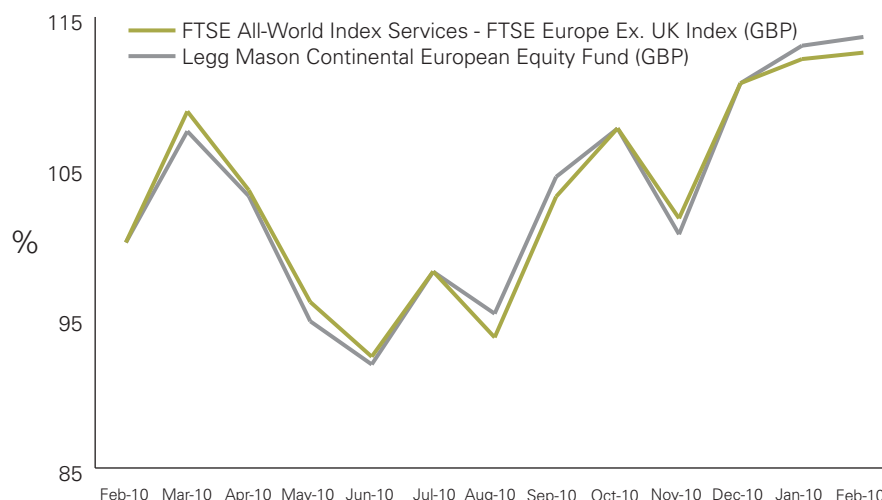
The Legg Mason Continental European Equity Fund rose by 12.63% in sterling terms over the period, while its benchmark, the FTSE Europe ex UK Index, increased in sterling terms by 13.67%. The Fund's stock selection detracted from its relative performance in areas such as healthcare and energy, but was beneficial in the materials, financials ex banks, and consumer staples sectors. Among its sector positioning, being underweight to the consumer discretionary and consumer staples sectors had a negative effect on the Fund's relative returns, while being overweight in industrials and underweight in telecom services added value. The Fund's major purchases during the period included Belgian drinks conglomerate Anheuser-Busch Inbev, Austria's Erste Group Bank, and French energy management group Schneider Electric, while its major sales included Dutch group Philips Electronics, Swiss pharmaceutical company Novartis, and German software company SAP.

The Fund's investment manager notes that industrial production is up in many markets and both business and consumer confidence has improved. It adds, however, that the key unknown remains whether global economies will be robust enough to maintain growth as stimulus plans end. The manager also thinks that sovereign debt issues will periodically continue to beleaguer Europe over the next several years, and that rising commodity prices makes inflation a concern. In Europe's equity markets, it still believes that valuations for many stocks remain compelling following the recent rally, and that the environment continues to be more conducive to bottom-up stock selection. The manager's stock selection model remains positioned for a modest, slow global recovery, with a tilt toward historic growth, and its over-and underweight exposures relative to the Fund's benchmark remain moderate.

Investment Objective and Policy

The objective of this Fund is to achieve capital growth through investment in securities of European companies. The Fund seeks to achieve its objective by investing principally in equity securities of companies that are listed or traded on regulated markets and that are domiciled in or having their principal activities in Europe. The Fund may invest in the securities of companies domiciled in or having their principal activities in emerging markets in Europe. The Fund may also invest in other investments as permitted by the FSA Rules as applicable from time to time and as explained in the Prospectus.

Performance Record Since 28 February 2010



Legg Mason Continental European Equity A (SB) GBP - 12.63%
FTSE World Eur Ex UK TR EUR (NX) GBP - 13.67%

Source for performance figures:

Source for performance figures: Copyright © 2011, Morningstar, Inc. All Rights Reserved. Performance is for the Class A Accumulation shares only. Performance is calculated on a NAV to NAV with net income reinvested without initial charges but reflecting annual management fees.

Past performance is no guide to future returns and may not be repeated. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested.

Legg Mason Continental European Equity (continued)

Net Asset Value per Share and Comparative Table

Fund Size

	Net asset value of share class (£'000)	Net asset value pence per share	Shares in issue ('000)
Share Class A			
28.02.2009	7,972	140.26	5,684
28.02.2010	9,466	186.75	5,069
28.02.2011	8,926	209.83	4,254

Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2006			
Class 'A' (acc)	0.8689	229.40	189.20
2007			
Class 'A' (acc)	0.9939	243.50	225.60
2008			
Class 'A' (acc)	1.1772	258.40	145.40
2009			
Class 'A' (acc)	3.6549	208.30	131.90
2010			
Class 'A' (acc)	2.2570	209.30	169.60
2011			
Class 'A' (acc)	2.0522+	213.30*	198.70*

* to 28 February 2011

+ to 30 April 2011

Total Expense ratio

	2011	2010
Class 'A' (acc)	1.94%	1.93%

The Total Expense Ratio shows the Fund's annual operating expenses as a percentage of its average net assets.

Legg Mason Continental European Equity (continued)

Statement of Total Return

for the year ended 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		934		2,453
Revenue	3	319		369	
Expenses	4	(172)		(185)	
Finance costs: Interest	6	–		–	
Net revenue before taxation		147		184	
Taxation	5	(44)		(53)	
Net revenue after taxation			103		131
Total return before distributions			1,037		2,584
Finance costs: Distributions	6		(103)		(131)
Change in net assets attributable to shareholders from investment activities			934		2,453

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 28 February 2011

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		9,466		7,972
Amounts received on issue of shares	8		51	
Amounts paid on cancellation of shares	(1,569)		(1,124)	
		(1,561)		(1,073)
Change in net assets attributable to shareholders from investment activities		934		2,453
Retained distribution on accumulation shares		87		114
Closing net assets attributable to shareholders		8,926		9,466

Legg Mason Continental European Equity (continued)

Balance Sheet

As at 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Assets					
Investments assets			8,804		9,376
Debtors	7	79		32	
Cash and bank balances	8	<u>96</u>		<u>130</u>	
Total other assets			<u>175</u>		<u>162</u>
Total assets			<u>8,979</u>		<u>9,538</u>
Liabilities					
Investment liabilities			-		-
Creditors	9		<u>(53)</u>		<u>(72)</u>
Total liabilities			<u>(53)</u>		<u>(72)</u>
Net assets attributable to shareholders			<u>8,926</u>		<u>9,466</u>

Legg Mason Continental European Equity (continued)

Notes to the Financial Statements

As at 28 February 2011

1. Accounting policies

The Accounting basis and polices are on pages 49 to 51

2. Net Capital Gains

	2011	2010
	£'000	£'000
The net capital gains during the year		
Non-derivative securities	943	2,466
Currency (losses)/gains	(1)	4
Transaction charges	(8)	(17)
Net gains on investments	934	2,453

3. Revenue

	2011	2010
	£'000	£'000
Overseas dividends	317	369
UK dividends	2	–
Total revenue	319	369

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
Authorised Corporate Directors' periodic charge	134	142
Registration fees	16	17
	150	159
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	6	7
Safe custody fees	–	5
	6	12
Other expenses:		
Audit fee	13	11
Printing and Postage fee	1	3
Legal fee	2	–
	16	14
Total expenses	172	185

Legg Mason Continental European Equity (continued)

5. Taxation

	2011	2010
	£'000	£'000
(a) Analysis of the tax charge in the year:		
Overseas withholding tax	44	53
Corporation tax	–	21
Double tax relief	–	(21)
	<hr/>	<hr/>
Total current tax	44	53
	<hr/>	<hr/>
Total taxation for the year [Note 5(b)]	44	53
	<hr/> <hr/>	<hr/> <hr/>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for an open ended investment company of 20% (2010: 20%) is applied to the net revenue before taxation.

The differences are explained below:

	2011	2010
	£'000	£'000
Net revenue before taxation	147	184
	<hr/>	<hr/>
Net revenue for the year multiplied by the standard rate of corporation tax	29	37
Effects of:		
Revenue not subject to corporation tax	(63)	(15)
Movement in excess management expenses	34	–
Overseas withholding tax	44	31
	<hr/>	<hr/>
Current withholding tax charge for the year	44	53
	<hr/> <hr/>	<hr/> <hr/>

OEICs are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Provision for deferred tax

No provision for deferred tax has been made in the current or prior accounting year.

(d) Factors that may affect future tax charges

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £33,953 (2010: £nil) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the period.

Legg Mason Continental European Equity (continued)

6. Finance costs

Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2011	2010
	£'000	£'000
Final	87	114
Add: Amounts paid on cancellation of shares	16	17
Deduct: Amounts received on creation of shares	–	–
	<u>103</u>	<u>131</u>
Net distribution for the year	103	131
Interest	–	–
	<u>–</u>	<u>–</u>
Total finance costs	103	131
	<u><u>103</u></u>	<u><u>131</u></u>
Reconciliation of Net revenue after taxation to distributions		
Net revenue after taxation	103	131
	<u>103</u>	<u>131</u>
Net distribution for the year	103	131
	<u><u>103</u></u>	<u><u>131</u></u>

Details of the distributions per share are set out in the distribution tables on page 108.

7. Debtors

	2011	2010
	£'000	£'000
Accrued revenue	7	1
Overseas withholding tax reclaimable	45	31
Sales awaiting settlement	27	–
	<u>79</u>	<u>32</u>
Total debtors	79	32
	<u><u>79</u></u>	<u><u>32</u></u>

8. Cash and bank balances

	2011	2010
	£'000	£'000
Cash and bank balances	96	130
	<u>96</u>	<u>130</u>
Total cash and bank balances	96	130
	<u><u>96</u></u>	<u><u>130</u></u>

Legg Mason Continental European Equity (continued)

9. Creditors

	2011	2010
	£'000	£'000
Accrued Authorised Corporate Director's periodic charge	22	11
Accrued Depositary fees	1	1
Accrued expenses	17	14
Amounts payable on cancellation of shares	13	46
Total creditors	53	72

10. Bank overdrafts

	2011	2010
	£'000	£'000
Bank Overdrafts	-	-
Total bank overdrafts	-	-

11. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12. Related Party Transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of Total Return', 'Statement of Change in net assets attributable to Shareholders' and the 'Balance Sheet' on pages 100 and 101 and notes 4, 7 and 8 on pages 102 to 104 including all creations and cancellations where the ACD acted as a principal.

13. Share Classes

The Fund currently has 1 share class and the annual management charge on this is as follows:

Class 'A' Retail	1.50%
------------------	-------

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 99. The distribution per share class is given in the distribution table on page 108. All share classes have the same rights on winding up.

Legg Mason Continental European Equity (continued)

14. Derivatives and other financial instruments

The ACD's policies and approach to managing the associated risks which were applied throughout the current and preceding year are as follows:

(a) Currency Exposure

A substantial proportion of the net assets of the Fund denominated in currencies other than sterling, the Fund's functional currency, with the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements. The exposure to each currency is shown in the Portfolio Statement including the effect of any foreign currency hedges. This is consistent with the exposure during both the current and prior year.

	Monetary exposures £'000	2011 Non- monetary exposures £'000	Total £'000
Danish Krone	–	211	211
Euro	35	6,285	6,320
Norwegian Krone	–	271	271
Sterling	44	–	44
Swedish Krona	–	688	688
Swiss Franc	43	1,349	1,392
Total	122	8,804	8,926

	Monetary exposures £'000	2010 Non- monetary exposures £'000	Total £'000
Danish Krone	–	144	144
Euro	8	7,163	7,171
Norwegian Krone	–	298	298
Sterling	58	–	58
Swedish Krona	–	152	152
Swiss Franc	24	1,619	1,643
Total	90	9,376	9,466

Legg Mason Continental European Equity (continued)

14. Derivatives and other financial instruments (continued)

(b) Interest rate risk profile of financial assets and liabilities

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during both the current and prior year.

(c) Liquidity Risk

The majority of the Fund's financial assets are considered to be readily realisable in accordance with market practices of the exchange on which they are traded. In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

Where the ACD considers the asset to be illiquid, the asset is valued by either sourcing an external broker valuation or using a model price. Credit spread are often used as inputs into fair value modelling. As a result of the current global economic crisis, the ACD is increasingly having to consider the valuation of illiquid assets within sub funds which hold illiquid securities.

All of the Fund's financial liabilities are payable on demand or in less than 1 year.

(d) Fair value of financial assets and financial liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the Fund disclosed in the Balance Sheet.

15. Portfolio transaction costs

	2011		2010	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs:				
Purchases in period before transaction costs		6,098		8,282
Commissions	3		5	
Taxes	–		1	
Total purchase costs		<u>3</u>		<u>6</u>
Gross purchase total		<u>6,101</u>		<u>8,288</u>
Analysis of total sale costs				
Gross sales before transaction costs		7,615		9,172
Commissions	(4)		(6)	
Taxes	–		(1)	
Total sale costs		<u>(4)</u>		<u>(7)</u>
Total sales net of transaction costs		<u>7,611</u>		<u>9,165</u>

Legg Mason Continental European Equity (continued)

Distribution Table

As at 28 February 2011

Final Dividend Distribution in pence per share

Group 1 Final Shares purchased prior to 1 March 2010

Group 2 Final Shares purchased on or after 1 March 2010 to 28 February 2011

Class 'A' Accumulation Shares

	Net revenue	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
Group 1	2.0522	–	2.0522	2.2570
Group 2	0.6980	1.3542	2.0522	2.2570

Equalisation

This applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of income included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital.

Legg Mason US Equity Fund

General Information

Investment Manager:	Legg Mason Capital Management Inc.
Fund Size:	£97.2m
Sector:	North America
Fund Launch:	1 January 2003 <small>(Converted from a Unit Trust to a sub-fund of Legg Mason Funds ICVC on 30 August 2003)</small>

Investment Risk

This document does not constitute an invitation to invest. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested. The value of investments and the income from them can be affected by changes in interest rates, in exchange rates, general market conditions, political, social and economic developments and other variable factors. Past performance is no guide to future returns and may not be repeated.

Single region risk: This Fund invests in companies concentrated solely within a single region and as a result the Fund carries more risk than other funds that diversify across multiple regions.

Concentration risk: This Fund may select fewer securities in which to invest and this concentration carries more risk than funds investing in a larger number of companies.

Currency risk: Fluctuations in exchange rates between the currency of the underlying securities and the Fund's base currency may affect the value of an investment and any income derived from it.

Legg Mason US Equity Fund Review

The Legg Mason US Equity Fund increased by 6.39% in sterling terms during the period under review, while its benchmark, the S&P 500 Index, recorded a return in sterling terms of 14.73%. The Fund remained overweight in the financials, technology, consumer discretionary, and healthcare sectors over the period. In the former group, which had helped drive the Fund's outperformance in 2009, some of the portfolio's major holdings underperformed the S&P 500 Index over the period under review, including banking stocks Wells Fargo and JP Morgan Chase. Elsewhere in the sector, however, the manager added Citigroup back into the portfolio in the first quarter of 2010 and its shares outperformed the market over the same 12-month period.

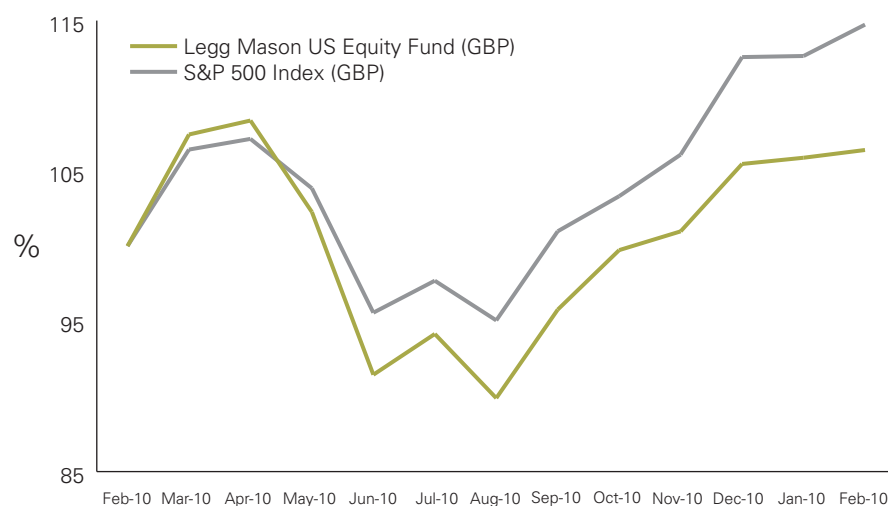
In the technology sector, the Fund's major holdings included Hewlett-Packard, which detracted from its returns as the company underperformed the market, while the Fund benefited from holding International Business Machines (IBM) and Texas Instruments. Other detractors from the Fund's relative performance among its major holdings included AES Corporation, the global power supplier that ranked as the portfolio's largest holding. In terms of the Fund's trading activity, its major purchases during the period included Citigroup, Gilead Sciences in the health care sector, and technology company Intel. Among its major sales, meanwhile, were financial company State Street, retailer Sears Holdings, and health care stock Amgen.

The Fund's investment manager continues to hold the view that 2011 will be a good year for US stocks. It expects to see market corrections along the way, but given that it believes underlying economic fundamentals are improving, corporate profits continue to be strong, and valuations are not stretched, the manager anticipates that any correction in the US market should be relatively mild. In making its valuation case for US equities, the manager cites factors such as market forecasts for earnings per share growth and dividend increases, which it believes compare favourably with the near-zero returns available on money market funds and the mid-3% returns offered by 10-year US Treasuries.

Investment Objective and Policy

The objective of this Fund is to achieve capital growth principally through investment in securities of US issuers. The Fund seeks to achieve its objective by investing principally in securities of US issuers which the ACD believes are undervalued. The Fund may also invest up to 20% of its assets in securities of non-US issuers. At least 50% of the net asset value of the Fund will be invested in equity securities. The Fund may also invest in other investments to the extent permitted by the FSA Rules as applicable from time to time and as explained in the Prospectus.

Performance Record Since 28 February 2010



Legg Mason US Equity A (SB) GBP - 6.39%
S&P 500 TR (NX) GBP - 14.73%

Source for performance figures:

Source for performance figures: Copyright © 2011, Morningstar, Inc. All Rights Reserved. Performance is for the Class A Accumulation shares only. Performance is calculated on a NAV to NAV with net income reinvested without initial charges but reflecting annual management fees.

Past performance is no guide to future returns and may not be repeated. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested.

Legg Mason US Equity Fund (continued)

Net Asset Value per Share and Comparative Table

Fund Size	Net asset value of share class (£'000)	Net asset value pence per share	Shares in issue ('000)
Share Class A			
28.02.2009	68,066	62.69	108,570
28.02.2010	75,154	97.09	77,404
28.02.2011	62,042	103.00	60,236
Share Class B			
28.02.2009	15,154	64.44	23,514
28.02.2010	49,608	99.97	49,624
28.02.2011	35,108	106.95	32,828

Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2006			
Class 'A' (acc)	–	154.50	123.20
Class 'B' (acc)	–	156.30	125.10
2007			
Class 'A' (acc)	–	146.90	138.20
Class 'B' (acc)	–	149.30	140.60
2008			
Class 'A' (acc)	–	151.30	57.85
Class 'B' (acc)	–	154.20	59.39
2009			
Class 'A' (acc)	–	95.32	55.19
Class 'B' (acc)	–	98.40	56.74
2010			
Class 'A' (acc)	–	107.00	85.98
Class 'B' (acc)	–	110.60	88.98
2011			
Class 'A' (acc)	–	106.80*	101.60*
Class 'B' (acc)	–	110.80*	105.50*

* to 28 February 2011

Total Expense ratio	2011	2010
Class 'A' (acc)	1.71%	1.72%
Class 'B' (acc)	1.21%	1.22%

The Total Expense Ratio shows the Fund's annual operating expenses as a percentage of its average net assets.

Legg Mason US Equity Fund (continued)

Statement of Total Return

for the year ended 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		5,919		44,266
Revenue	3	1,235		1,131	
Expenses	4	(1,690)		(1,636)	
Finance costs: Interest	6	–		–	
Net expense before taxation		(455)		(505)	
Taxation	5	(183)		(115)	
Net expense after taxation			(638)		(620)
Total return before distributions			5,281		43,646
Finance costs: Distributions	6		–		–
Change in net assets attributable to shareholders from investment activities			5,281		43,646

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 28 February 2011

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		124,762		83,220
Amounts received on issue of shares	31,370		45,263	
Amounts paid on cancellation of shares	(64,278)		(47,394)	
		(32,908)		(2,131)
Dilution adjustment		15		27
Change in net assets attributable to shareholders from investment activities		5,281		43,646
Closing net assets attributable to shareholders		97,150		124,762

Legg Mason US Equity Fund (continued)

Balance Sheet

As at 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			95,681		122,657
Debtors	7	638		1,847	
Cash and bank balances	8	<u>1,984</u>		<u>2,361</u>	
Total other assets			<u>2,622</u>		<u>4,208</u>
Total assets			98,303		126,865
Liabilities					
Investment liabilities			-		-
Creditors	9	(1,153)		(1,504)	
Bank overdrafts	10	<u>-</u>		<u>(599)</u>	
Total other liabilities			<u>(1,153)</u>		<u>(2,103)</u>
Total liabilities			<u>(1,153)</u>		<u>(2,103)</u>
Net assets attributable to shareholders			<u>97,150</u>		<u>124,762</u>

Legg Mason US Equity Fund (continued)

Notes to the Financial Statements

As at 28 February 2011

1. Accounting policies

The Accounting basis and polices are on pages 49 to 51

2. Net Capital Gains

	2011	2010
	£'000	£'000
The net capital gains during the year		
Non-derivative securities	6,056	44,681
Currency losses	(104)	(400)
Transaction charges	(33)	(15)
Net gains on investments	5,919	44,266

3. Revenue

	2011	2010
	£'000	£'000
Bank interest	4	3
Overseas dividends	1,231	1,128
Total revenue	1,235	1,131

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
Authorised Corporate Directors' periodic charge	1,455	1,408
Registration fees	195	182
	<u>1,650</u>	<u>1,590</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	21	20
Safe custody fees	3	11
	<u>24</u>	<u>31</u>
Other expenses:		
Audit fee	11	9
Printing and Postage fee	4	4
Legal fee	1	2
	<u>16</u>	<u>15</u>
Total expenses	1,690	1,636

Legg Mason US Equity Fund (continued)

5. Taxation

	2011	2010
	£'000	£'000
(a) Analysis of the tax charge in the year:		
Overseas withholding tax	183	115
Total current tax	183	115
Deferred tax	–	–
Total taxation for the year [Note 5(b)]	183	115

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for an open ended investment company of 20% (2010: 20%) is applied to the net revenue before taxation.

The differences are explained below:

	2011	2010
	£'000	£'000
Net expense before taxation	(455)	(505)
Net expense for the year multiplied by the standard rate of corporation tax	(91)	(101)
Effects of:		
Revenue not subject to corporation tax	(248)	(161)
Movement in excess management expenses	339	262
Overseas withholding tax	183	115
Current tax charge for the year	183	115

OEICs are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Provision for deferred tax

No provision for deferred tax has been made in the current or prior accounting year.

(d) Factors that may affect future tax charges: At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £2,475,933 (2010: £2,137,059) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the period.

Legg Mason US Equity Fund (continued)

6. Finance costs

Distributions

At the period end, expenses exceeded revenue, generating a shortfall position.

7. Debtors

	2011	2010
	£'000	£'000
Accrued revenue	159	129
Amounts receivable for issue of shares	306	313
Sales awaiting settlement	173	1,405
Total debtors	638	1,847

8. Cash and bank balances

	2011	2010
	£'000	£'000
Cash and bank balances	1,984	2,361
Total cash and bank balances	1,984	2,361

9. Creditors

	2011	2010
	£'000	£'000
Accrued Authorised Corporate Director's periodic charge	212	120
Accrued Depositary fees	3	2
Accrued expenses	51	31
Amounts payable on cancellation of shares	109	287
Purchases awaiting settlement	778	1,064
Total creditors	1,153	1,504

10. Bank overdrafts

	2011	2010
	£'000	£'000
Bank Overdrafts	–	599
Total bank overdrafts	–	599

11. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12. Related Party Transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of Total Return', 'Statement of Change in net assets attributable to Shareholders' and the 'Balance Sheet' on pages 111 and 112 and notes 4, 7 and 8 on pages 113 to 115 including all creations and cancellations where the ACD acted as a principal.

Legg Mason US Equity Fund (continued)

13. Share Classes

The Fund currently has 2 share classes and the annual management charge on these is as follows:

Class 'A' Retail	1.50%
Class 'B' Institutional	1.00%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 110. All share classes have the same rights on winding up.

14. Derivatives and other financial instruments

The ACD's policies and approach to managing the associated risks which were applied throughout the current and preceding year are as follows:

(a) Currency Exposure

A substantial proportion of the net assets of the Fund denominated in currencies other than sterling, the Fund's functional currency, with the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements. The exposure to each currency is shown in the Portfolio Statement including the effect of any foreign currency hedges. This is consistent with the exposure during both the current and prior year.

	2011 Monetary exposures £'000	Non- monetary exposures £'000	Total £'000
Sterling	1,637	–	1,637
US Dollar	(168)	95,681	95,513
Total	1,469	95,681	97,150

	2010 Monetary exposures £'000	Non- monetary exposures £'000	Total £'000
Sterling	(127)	–	(127)
US Dollar	2,232	122,657	124,889
Total	2,105	122,657	124,762

(b) Interest rate risk profile of financial assets and liabilities

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during both the current and prior year.

(c) Liquidity Risk

The majority of the Fund's financial assets are considered to be readily realisable in accordance with market practices of the exchange on which they are traded. In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

Where the ACD considers the asset to be illiquid, the asset is valued by either sourcing an external broker valuation or using a model price. Credit spread are often used as inputs into fair value modelling. As a result of the current global economic crisis, the ACD is increasingly having to consider the valuation of illiquid assets within sub funds which hold illiquid securities.

All of the Fund's financial liabilities are payable on demand or in less than 1 year.

Legg Mason US Equity Fund (continued)

14. Derivatives and other financial instruments (continued)

(d) Fair value of financial assets and financial liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the Fund disclosed in the Balance Sheet.

15. Portfolio transaction costs

	2011		2010	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs:				
Purchases in period before transaction costs		53,568		31,288
Commissions	73		30	
Total purchase costs		73		30
Gross purchase total		53,641		31,318
Analysis of total sale costs:				
Gross sales before transaction costs		86,362		34,824
Commissions	(62)		(30)	
Taxes	(1)		(1)	
Total sale costs		(63)		(31)
Total sales net of transaction costs		86,299		34,793

Legg Mason US Smaller Companies Fund

General Information

Investment Manager:	Royce & Associates, LLC
Fund Size:	£103.7m
Sector:	North American Smaller Companies
Fund Launch:	29 March 2004

Investment Risk

This document does not constitute an invitation to invest. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested. The value of investments and the income from them can be affected by changes in interest rates, in exchange rates, general market conditions, political, social and economic developments and other variable factors. Past performance is no guide to future returns and may not be repeated.

Smaller companies risk: This Fund may acquire shares in companies with relatively small market capitalisations, including securities that are not listed or traded on Regulated Markets. These securities may increase the risk profile of the Fund.

Single country risk: This Fund invests in companies concentrated solely within a single country and as a result the Fund carries more risk than other funds that diversify across multiple countries.

Currency risk: Fluctuations in exchange rates between the currency of the underlying securities and the Fund's base currency may affect the value of an investment and any income derived from it.

Legg Mason US Smaller Companies Fund Review

The US small company equity market generated strong returns during the period under review and comfortably outperformed its large-cap counterpart as returns began to particularly pick up in the fourth quarter of 2010. Against this backdrop, the Legg Mason US Smaller Companies Fund increased by 24.35% in sterling terms over the 12-month period, while its benchmark, the Russell 2000 Index, rose in sterling terms by 24.11%.

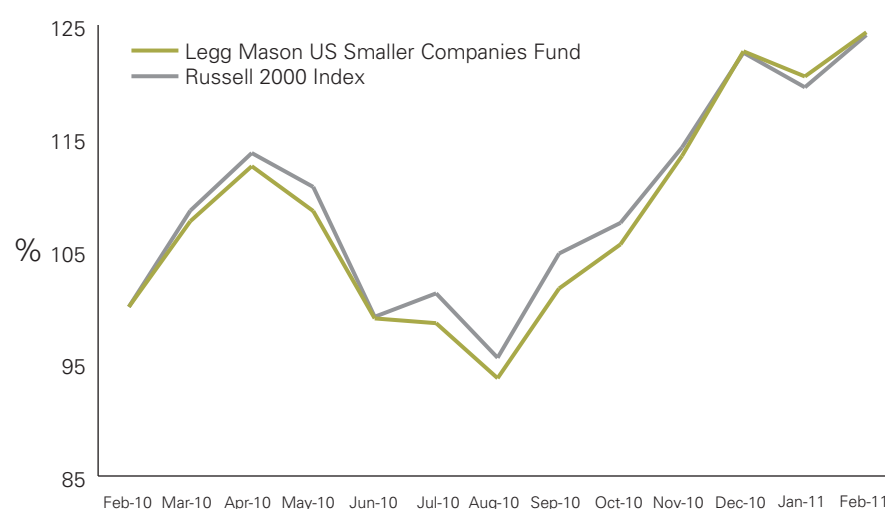
The Fund's overweight exposures to the natural resources and industrial products sectors were the largest positive drivers of its performance over the period. Other key overweight positions in the portfolio included the consumer products and industrial services groups, while the Fund's main underweight exposures included financial intermediaries, healthcare, and consumer services stocks. The manager's favoured areas of investment continue to include precious metals and mining companies, as well as stocks in the industrial products sector. In terms of the Fund's major purchases during the period, these included games retailer Gamestop Corporation, mining company Allied Nevada Gold, and stock exchanges operator TMX Group. Its largest sales, meanwhile, included mining group Red Back Mining, industrial materials company Graftech International, and food manufacturer American Italian Pasta Company.

The Fund's investment manager believes that the outlook for equities, especially small-caps, remains solid. While it retains a positive outlook, the manager notes that obviously there are issues that need resolving, particularly surrounding deficits. Regarding the prospect of small-cap or large-cap leadership going forward, the manager continues to believe that characteristics such as quality and dividends are more likely to determine leadership than market capitalisation. So while it thinks that there will be periods of leadership rotation between the two asset classes in the months to come, it does not expect the spread to be significant.

Investment Objective and Policy

The objective of this Fund is to achieve capital growth principally through investment in securities of smaller US companies. The Fund seeks to achieve its objective by investing principally in the securities of US smaller companies that possess excellent business strengths and/or prospects, high internal rates of return and low leverage, and whose securities are trading significantly below the investment adviser's estimate of their current worth. The Fund may also invest in other investments to the extent permitted by the FSA Rules as applicable from time to time and as explained in the Prospectus.

Performance Record Since 28 February 2010



Legg Mason US Smaller Companies A (SB) GBP 24.35%
Russell 2000 TR USD (NX) GBP 24.11%

Source for performance figures:

Source for performance figures: Copyright © 2011, Morningstar, Inc. All Rights Reserved. Performance is for the Class A Accumulation shares only. Performance is calculated on a NAV to NAV with net income reinvested without initial charges but reflecting annual management fees.

Past performance is no guide to future returns and may not be repeated. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested.

Legg Mason US Smaller Companies Fund (continued)

Net Asset Value per Share and Comparative Table

Fund Size

	Net asset value of share class (£'000)	Net asset value pence per share	Shares in issue (‘000)
Share Class A			
28.02.2009	15,331	112.14	13,671
28.02.2010	29,583	165.78	17,844
28.02.2011	48,662	205.82	23,643
Share Class B			
28.02.2009	24,210	114.94	21,062
28.02.2010	61,225	170.77	35,852
28.02.2011	55,079	213.07	25,850

Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2006			
Class 'A' (acc)	–	153.80	122.30
Class 'B' (acc)	–	155.40	123.70
2007			
Class 'A' (acc)	–	153.10	131.30
Class 'B' (acc)	–	155.80	133.70
2008			
Class 'A' (acc)	–	159.90	88.11
Class 'B' (acc)	–	163.50	90.19
2009			
Class 'A' (acc)	–	161.90	103.40
Class 'B' (acc)	–	166.70	105.90
2010			
Class 'A' (acc)	–	204.80	151.40
Class 'B' (acc)	–	211.80	155.90+
2011			
Class 'A' (acc)	–	211.20*	197.10*
Class 'B' (acc)	–	218.60*	204.00*

* To 28 February 2011.

Total Expense ratio	2011	2010
Class 'A' (acc)	1.73%	1.75%
Class 'B' (acc)	1.23%	1.25%

The Total Expense Ratio shows the Fund's annual operating expenses as a percentage of its average net assets.

Legg Mason US Smaller Companies Fund (continued)

Statement of Total Return

for the year ended 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		18,069		24,478
Revenue	3	1,086		762	
Expenses	4	(1,355)		(908)	
Finance costs: Interest	6	–		–	
Net expense before taxation		(269)		(146)	
Taxation	5	(133)		(102)	
Net expense after taxation			(402)		(248)
Total return before distributions			17,667		24,230
Finance costs: Distributions	6		–		–
Change in net assets attributable to shareholders from investment activities			17,667		24,230

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 28 February 2011

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		90,808		39,541
Amounts received on issue of shares	40,258		47,303	
Amounts paid on cancellation of shares	(45,081)		(20,374)	
		(4,823)		26,929
Dilution adjustment		90		109
Stamp duty reserve tax		(1)		(1)
Change in net assets attributable to shareholders from investment activities		17,667		24,230
Closing net assets attributable to shareholders		103,741		90,808

Legg Mason US Smaller Companies Fund (continued)

Balance Sheet

As at 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Assets					
Investments assets			94,149		85,686
Debtors	7	363		654	
Cash and bank balances	8	<u>10,408</u>		<u>5,276</u>	
Total other assets			<u>10,771</u>		<u>5,930</u>
Total assets			<u>104,920</u>		<u>91,616</u>
Liabilities					
Investment liabilities			-		-
Creditors	9	(1,179)		(627)	
Bank overdrafts	10	<u>-</u>		<u>(181)</u>	
Total other liabilities			<u>(1,179)</u>		<u>(808)</u>
Total liabilities			<u>(1,179)</u>		<u>(808)</u>
Net assets attributable to shareholders			<u>103,741</u>		<u>90,808</u>

Legg Mason US Smaller Companies Fund

Notes to the Financial Statements

As at 28 February 2011

1. Accounting policies

The Accounting basis and polices are on pages 49 to 51

2. Net Capital Gains

	2011	2010
	£'000	£'000
The net capital gains during the year		
Non-derivative securities	18,041	24,956
Currency gains/(losses)	44	(458)
Transaction charges	(16)	(20)
Net gains on investments	18,069	24,478

3. Revenue

	2011	2010
	£'000	£'000
Bank interest	15	7
Overseas dividends	1,044	745
UK dividends	27	10
Total revenue	1,086	762

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
Authorised Corporate Directors' periodic charge	1,134	746
Registration fees	187	128
	1,321	874
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	19	15
Safe custody fees	1	8
	20	23
Other expenses:		
Audit fee	11	8
Printing and Postage fee	2	2
Legal fee	1	1
	14	11
Total expenses	1,355	908

Legg Mason US Smaller Companies Fund

5. Taxation

	2011	2010
	£'000	£'000
(a) Analysis of the tax charge in the year:		
Overseas withholding tax	133	102
Total current tax	133	102
Deferred tax	–	–
Total taxation for the year [Note 5(b)]	133	102

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for an open ended investment company of 20% (2010: 20%) is applied to the net revenue before taxation.

The differences are explained below:

	2011	2010
	£'000	£'000
Net expense before taxation	(269)	(146)
Net expense for the year multiplied by the standard rate of corporation tax	(54)	(29)
Effects of:		
Revenue not subject to corporation tax	(216)	(121)
Movement in excess management expenses	270	150
Overseas withholding tax	133	102
Current tax charge for the year	133	102

OEICs are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Provision for deferred tax

No provision for deferred tax has been made in the current or prior accounting year.

(d) Factors that may affect future tax charges:

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £473,158 (2010: £203,202) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the period.

6. Finance costs

Distributions

At the period end, expenses exceeded revenue, generating a shortfall position.

7. Debtors

	2011	2010
	£'000	£'000
Accrued revenue	26	34
Amounts receivable for issue of shares	333	620
Overseas withholding tax reclaimable	4	–
Total debtors	363	654

Legg Mason US Smaller Companies Fund

8. Cash and bank balances

	2011	2010
	£'000	£'000
Cash and bank balances	10,408	5,276
Total cash and bank balances	10,408	5,276

9. Creditors

	2011	2010
	£'000	£'000
Accrued Authorised Corporate Director's periodic charge	202	76
Accrued Depositary fees	3	1
Accrued expenses	50	27
Amounts payable on cancellation of shares	378	523
Purchases awaiting settlement	546	–
Total creditors	1,179	627

10. Bank overdrafts

	2011	2010
	£'000	£'000
Bank Overdrafts	–	181
Total bank overdrafts	–	181

11. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12. Related Party Transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of Total Return', 'Statement of Change in net assets attributable to Shareholders' and the 'Balance Sheet' on pages 120 and 121 and notes 4, 7 and 8 on pages 122 to 124 including all creations and cancellations where the ACD acted as a principal.

13. Share Classes

The Fund currently has 2 share classes and the annual management charge on these is as follows:

Class 'A' Retail	1.50%
Class 'B' Institutional	1.00%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 119. All share classes have the same rights on winding up.

Legg Mason US Smaller Companies Fund

14. Derivatives and other financial instruments

The ACD's policies and approach to managing the associated risks which were applied throughout the current and preceding year are as follows:

(a) Currency Exposure

A substantial proportion of the net assets of the Fund denominated in currencies other than sterling, the Fund's functional currency, with the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements. The exposure to each currency is shown in the Portfolio Statement including the effect of any foreign currency hedges. This is consistent with the exposure during both the current and prior year.

	Monetary exposures £'000	2011 Non- monetary exposures £'000	Total £'000
Canadian Dollar	95	3,664	3,759
Hong Kong Dollar	–	419	419
Sterling	10,070	866	10,936
Swiss Franc	–	532	532
US Dollar	(573)	88,668	88,095
Total	9,592	94,149	103,741

	Monetary exposures £'000	2010 Non- monetary exposures £'000	Total £'000
Canadian Dollar	–	787	787
Sterling	5,122	464	5,586
Swiss Franc	–	628	628
US Dollar	–	83,807	83,807
Total	5,122	85,686	90,808

(b) Interest rate risk profile of financial assets and liabilities

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during both the current and prior year.

(c) Liquidity Risk

The majority of the Fund's financial assets are considered to be readily realisable in accordance with market practices of the exchange on which they are traded. In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

Where the ACD considers the asset to be illiquid, the asset is valued by either sourcing an external broker valuation or using a model price. Credit spread are often used as inputs into fair value modelling. As a result of the current global economic crisis, the ACD is increasingly having to consider the valuation of illiquid assets within sub funds which hold illiquid securities.

All of the Fund's financial liabilities are payable on demand or in less than 1 year.

(d) Fair value of financial assets and financial liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the Fund disclosed in the Balance Sheet.

Legg Mason US Smaller Companies Fund

15. Portfolio transaction costs

	2011		2010	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs:				
Purchases in period before transaction costs		48,806		56,016
Commissions	81		105	
Taxes	5		4	
Total purchase costs		<u>86</u>		<u>109</u>
Gross purchase total		<u>48,892</u>		<u>56,125</u>
Analysis of total sale costs:				
Gross sales before transaction costs		58,291		31,737
Commissions	(96)		(62)	
Fees	(1)		–	
Total sale costs		<u>(97)</u>		<u>(62)</u>
Total sales of transaction costs		<u>58,194</u>		<u>31,675</u>

Legg Mason Japan Equity Fund

General Information

Investment Manager:	Shiozumi Asset Management Company Limited
Fund Size:	£42.5m
Sector:	Japan
Fund Launch:	22 October 1996 <small>(Converted from a Unit Trust to a sub-fund of Legg Mason Funds ICVC on 30 August 2003)</small>

Investment Risk

This document does not constitute an invitation to invest. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested. The value of investments and the income from them can be affected by changes in interest rates, in exchange rates, general market conditions, political, social and economic developments and other variable factors. Past performance is no guide to future returns and may not be repeated.

Smaller companies risk: This Fund may acquire shares in companies with relatively small market capitalisations, including securities that are not listed or traded on Regulated Markets. These securities may increase the risk profile of the Fund. **Single country risk:** This Fund invests in companies concentrated solely within a single country and as a result the Fund carries more risk than other funds that diversify across multiple countries.

Concentration risk: This Fund may select fewer securities in which to invest and this concentration carries more risk than funds investing in a larger number of companies.

Single country risk: This Fund invests in companies concentrated solely within a single country and as a result the Fund carries more risk than other funds that diversify across multiple countries.

Currency risk: Fluctuations in exchange rates between the currency of the underlying securities and the Fund's base currency may affect the value of an investment and any income derived from it.

High risk fund: Owing to its investment philosophy, this Fund should be viewed as a high risk investment.

Legg Mason Japan Equity Fund Review

The Legg Mason Japan Equity Fund increased by 21.21% in sterling terms during the period under review, outperforming its benchmark, the Japan TSE 1st Section (Topix) Index, which rose in sterling terms by 10.12%. The market ended 2010 with strong performance, having struggled over the second and third quarters of the year against headwinds such as a rising yen – which negatively impacts the country's important export sector – and the knock-on effects of an expected slowdown in China. Japanese stocks turned upward in November, however, as the yen's appreciation came to a halt and corporate earnings forecasts began to be revised higher. Sentiment was also lifted by the strength of overseas markets towards the year-end, while Japan received a further boost in December from a merger plan between Nippon Steel and Sumitomo Metal Industries, raising investor expectations that other companies may follow suit in restructuring and consolidating.

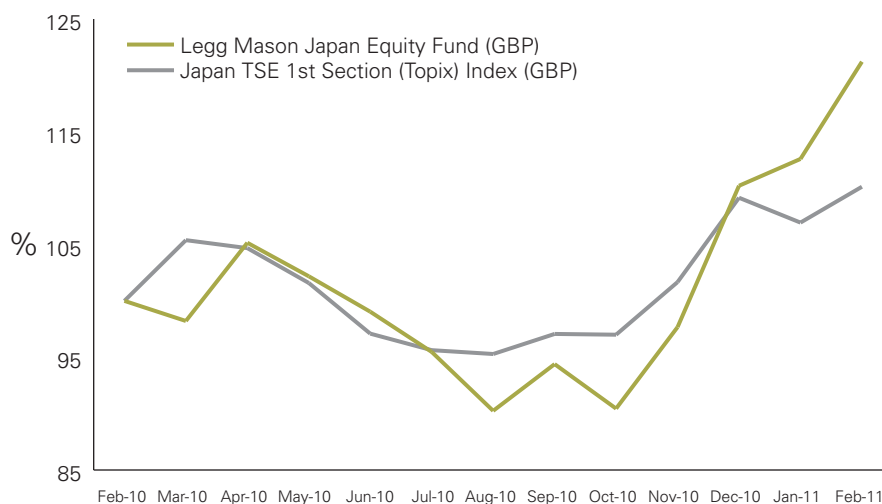
The Fund's main industry exposures remained to smaller sized companies that the investment manager considers to be growing strongly in the domestic services sectors, as well as the retail and telecom industries. E-commerce company Start Today and medical products supplier Ship Healthcare were among individual portfolio holdings that benefited the Fund's relative performance, while its holdings in retailer Village Vanguard and restaurant group Diamond Dining detracted. The Fund's major purchases over the period included online social networking company Gree, specialist electronics firm V Technology, and electronic and auto components supplier Dai Ichi Seiko, while following their good performance, Start Today and Ship Healthcare were both among the Fund's largest sales.

At the time of writing, investors were still assessing the impact of the earthquake and tsunami that hit Japan in the second week of March. The Fund's investment manager feels that the portfolio holdings are well-managed, good quality companies with strong fundamentals, and that on balance, their valuations remain attractive despite the scale of this natural disaster. Going forward, the manager aims to continue focusing mainly on what it expects to be growth companies of smaller-size in the domestic service and distribution sectors.

Investment Objective and Policy

The objective of this Fund is to achieve capital growth through investment in securities of Japanese companies. The Fund seeks to achieve its objective by investing principally in the securities of Japanese companies, which have above average growth prospects relative to the shares of Japanese companies as a whole. The Fund may also invest in other investments to the extent permitted by the FSA Rules as applicable from time to time and as explained in the Prospectus.

Performance Record Since 28 February 2010



Legg Mason Japan Equity A (SB) GBP - 21.21%
Topix TR JPY (NX) GBP - 10.12%

Source for performance figures:

Source for performance figures: Copyright © 2011, Morningstar, Inc. All Rights Reserved. Performance is for the Class A Accumulation shares only. Performance is calculated on a NAV to NAV with net income reinvested without initial charges but reflecting annual management fees.

Past performance is no guide to future returns and may not be repeated. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested.

Legg Mason Japan Equity Fund (continued)

Net Asset Value per Share and Comparative Table

Fund Size

	Net asset value of share class (£'000)	Net asset value pence per share	Shares in issue (‘000)
Share Class A			
28.02.2009	35,744	86.77	41,195
28.02.2010	28,859	100.49	28,719
28.02.2011	31,227	121.62	25,675
Share Class B			
28.02.2009	18,678	89.24	20,929
28.02.2010	13,920	104.05	13,378
28.02.2011	11,241	126.83	8,863

Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2006			
Class 'A' (acc)	–	402.00	177.40
Class 'B' (acc)	–	405.20	179.70
2007			
Class 'A' (acc)	–	186.30	172.80
Class 'B' (acc)	–	188.90	175.30
2008			
Class 'A' (acc)	–	124.30	66.08
Class 'B' (acc)	–	126.80	67.78
2009			
Class 'A' (acc)	–	108.20	79.82
Class 'B' (acc)	–	111.70	82.15
2010			
Class 'A' (acc)	–	111.50	88.93
Class 'B' (acc)	–	116.10	92.53
2011			
Class 'A' (acc)	–	122.40*	108.40*
Class 'B' (acc)	0.0050+	127.60*	112.90*

* To 28 February 2011.

+ To 30 April 2011.

Total Expense ratio

	2011	2010
Class 'A' (acc)	1.94%	1.93%
Class 'B' (acc)	1.24%	1.23%

The Total Expense Ratio shows the Fund's annual operating expenses as a percentage of its average net assets.

Legg Mason Japan Equity Fund (continued)

Statement of Total Return

for the year ended 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		7,160		6,103
Revenue	3	510		614	
Expenses	4	(630)		(780)	
Finance costs: Interest	6	–		–	
Net expense before taxation		(120)		(166)	
Taxation	5	(35)		(43)	
Net expense after taxation			(155)		(209)
Total return before distributions			7,005		5,894
Finance costs: Distributions	6		(9)		(28)
Change in net assets attributable to shareholders from investment activities			6,996		5,866

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 28 February 2011

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		42,779		54,422
Amounts received on issue of shares	10,581		12,194	
Amounts paid on cancellation of shares	(17,889)		(29,809)	
		(7,308)		(17,615)
Dilution adjustment		–		106
Change in net assets attributable to shareholders from investment activities		6,996		5,866
Retained distribution on accumulation shares		1		–
Closing net assets attributable to shareholders		42,468		42,779

Legg Mason Japan Equity Fund (continued)

Balance Sheet

As at 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Assets					
Investments assets			41,637		41,243
Debtors	7	795		238	
Cash and bank balances	8	<u>895</u>		<u>1,740</u>	
Total other assets			<u>1,690</u>		<u>1,978</u>
Total assets			43,327		43,221
Liabilities					
Investment liabilities			-		-
Creditors	9	(859)		(220)	
Bank overdrafts	10	<u>-</u>		<u>(222)</u>	
Total other liabilities			<u>(859)</u>		<u>(442)</u>
Total liabilities			<u>(859)</u>		<u>(442)</u>
Net assets attributable to shareholders			<u>42,468</u>		<u>42,779</u>

Legg Mason Japan Equity Fund (continued)

Notes to the Financial Statements

As at 28 February 2011

1. Accounting policies

The Accounting basis and polices are on pages 49 to 51

2. Net Capital Gains

	2011	2010
	£'000	£'000
The net capital gains during the year		
Non-derivative securities	7,222	6,340
Currency losses	(53)	(224)
Transaction charges	(9)	(13)
Net gains on investments	7,160	6,103

3. Revenue

	2011	2010
	£'000	£'000
Bank interest	1	1
Overseas dividends	509	613
Total revenue	510	614

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
Authorised Corporate Directors' periodic charge	481	598
Registration fees	117	146
	598	744
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	11	13
Safe custody fees	7	9
	18	22
Other expenses:		
Audit fee	11	8
Printing and Postage fee	2	5
Legal fee	1	1
	14	14
Total expenses	630	780

Legg Mason Japan Equity Fund (continued)

5. Taxation

	2011	2010
	£'000	£'000
(a) Analysis of the tax charge in the year:		
Overseas withholding tax	35	43
Total current tax	35	43
Deferred tax	–	–
Total taxation for the year [Note 5(b)]	35	43

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for an open ended investment company of 20% (2010: 20%) is applied to the net revenue before taxation.

The differences are explained below:

	2011	2010
	£'000	£'000
Net expense before taxation	(120)	(166)
Net expense for the year multiplied by the standard rate of corporation tax	(24)	(33)
Effects of:		
Revenue not subject to corporation tax	(102)	(49)
Movement in excess management expenses	126	82
Overseas withholding tax	35	43
Current tax charge for the year	35	43

OEICs are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Provision for deferred tax

No provision for deferred tax has been made in the current or prior accounting year.

(d) Factors that may affect future tax charges:

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £1,927,329 (2010: £1,801,441) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the period.

Legg Mason Japan Equity Fund (continued)

6. Finance costs

Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2011	2010
	£'000	£'000
Final	1	–
Add: Amounts paid on cancellation of shares	15	60
Deduct: Amounts received on creation of shares	(7)	(32)
Net distribution for the year	9	28
Total finance costs	9	28
Reconciliation of Net revenue after taxation to distributions		
Net expense after taxation	(155)	(209)
Revenue deficit	164	237
Net distribution for the year	9	28

Details of the distributions per share are set out in the distribution tables on page 137.

7. Debtors

	2011	2010
	£'000	£'000
Accrued revenue	30	49
Amounts receivable for issue of shares	553	189
Sales awaiting settlement	212	–
Total debtors	795	238

8. Cash and bank balances

	2011	2010
	£'000	£'000
Cash and bank balances	895	1,740
Total cash and bank balances	895	1,740

Legg Mason Japan Equity Fund (continued)

9. Creditors

	2011	2010
	£'000	£'000
Accrued Authorised Corporate Director's periodic charge	84	42
Accrued Depositary fees	2	1
Accrued expenses	36	22
Amounts payable on cancellation of shares	2	155
Purchases awaiting settlement	735	–
Total creditors	859	220

10. Bank overdrafts

	2011	2010
	£'000	£'000
Bank Overdrafts	–	222
Total bank overdrafts	–	222

11. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12. Related Party Transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of Total Return', 'Statement of Change in net assets attributable to Shareholders' and the 'Balance Sheet' on pages 129 and 130 and notes 4, 7 and 8 on pages 131 to 133 including all creations and cancellations where the ACD acted as a principal.

13. Share Classes

The Fund currently has 2 share classes and the annual management charge on these is as follows:

Class 'A' Retail	1.50%
Class 'B' Institutional	0.90%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 128. The distribution per share class is given in the distribution table on page 137. All share classes have the same rights on winding up.

Legg Mason Japan Equity Fund (continued)

14. Derivatives and other financial instruments

The ACD's policies and approach to managing the associated risks which were applied throughout the current and preceding year are as follows:

(a) Currency Exposure

A substantial proportion of the net assets of the Fund denominated in currencies other than sterling, the Fund's functional currency, with the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements. The exposure to each currency is shown in the Portfolio Statement including the effect of any foreign currency hedges. This is consistent with the exposure during both the current and prior year.

	Monetary exposures £'000	2011 Non- monetary exposures £'000	Total £'000
Japanese Yen	(1,411)	41,637	40,226
Sterling	2,242	–	2,242
Total	831	41,637	42,468

	Monetary exposures £'000	2010 Non- monetary exposures £'000	Total £'000
Japanese Yen	49	41,243	41,292
Sterling	1,487	–	1,487
Total	1,536	41,243	42,779

(b) Interest rate risk profile of financial assets and liabilities

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during both the current and prior year.

(c) Liquidity Risk

The majority of the Fund's financial assets are considered to be readily realisable in accordance with market practices of the exchange on which they are traded. In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement

Where the ACD considers the asset to be illiquid, the asset is valued by either sourcing an external broker valuation or using a model price. Credit spread are often used as inputs into fair value modelling. As a result of the current global economic crisis, the ACD is increasingly having to consider the valuation of illiquid assets within sub funds which hold illiquid securities.

All of the Fund's financial liabilities are payable on demand or in less than 1 year.

(d) Fair value of financial assets and financial liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the Fund disclosed in the Balance Sheet.

Legg Mason Japan Equity Fund (continued)

15. Portfolio transaction costs

	2011		2010	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs:				
Purchases in period before transaction costs		24,124		24,801
Commissions	<u>48</u>		<u>33</u>	
Total purchase costs		<u>48</u>		<u>33</u>
Gross purchase total		<u><u>24,172</u></u>		<u><u>24,834</u></u>
Analysis of total sale costs:				
Gross sales before transaction costs		31,076		43,025
Commissions	<u>(86)</u>		<u>(55)</u>	
Total sale costs		<u>(86)</u>		<u>(55)</u>
Total sales net of transaction costs		<u><u>30,990</u></u>		<u><u>42,970</u></u>

Legg Mason Japan Equity Fund (continued)

Distribution Table

As at 28 February 2011

Final Dividend Distribution in pence per share

Group 1 Final Shares purchased prior to 1 March 2010

Group 2 Final Shares purchased on or after 1 March 2010 to 28 February 2011

Class 'A' Accumulation Shares

	Net revenue	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
Group 1	0.0000	–	0.0000	0.0000
Group 2	0.0000	–	0.0000	0.0000

Class 'B' Accumulation Shares

	Net revenue	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
Group 1	0.0050	–	0.0050	0.0000
Group 2	0.0000	0.0050	0.0050	0.0000

Equalisation

This applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of income included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital.

Legg Mason Asia Pacific Fund

General Information

Investment Manager:	Batterymarch Financial Management Inc.
Fund Size:	£12.9m
Sector:	Far East ex Japan
Fund Launch:	16 February 2004

Investment Risk

This document does not constitute an invitation to invest. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested. The value of investments and the income from them can be affected by changes in interest rates, in exchange rates, general market conditions, political, social and economic developments and other variable factors. Past performance is no guide to future returns and may not be repeated.

Smaller companies risk: This Fund may acquire shares in companies with relatively small market capitalisations, including securities that are not listed or traded on Regulated Markets. These securities may increase the risk profile of the Fund.

Single region risk: This Fund invests in companies concentrated solely within a single region and as a result the Fund carries more risk than other funds that diversify across multiple regions.

Emerging markets risk: This Fund may invest in emerging markets that may be less liquid and may have less reliable custody arrangements than mature markets and may involve a higher degree of risk.

Currency risk: Fluctuations in exchange rates between the currency of the underlying securities and the Fund's base currency may affect the value of an investment and any income derived from it.

Legg Mason Asia Pacific Fund Review

Economic activity remained robust in the Asia ex Japan region during the period under review, with central banks in several countries tightening monetary policy in order to tackle inflationary pressures. Interest rates were raised in key economies such as India and China, causing markets to become concerned about the negative implications of the moves for global economic growth. Such sentiment proved the steadily increasing importance of China as an economic power and as an export market for the developed world.

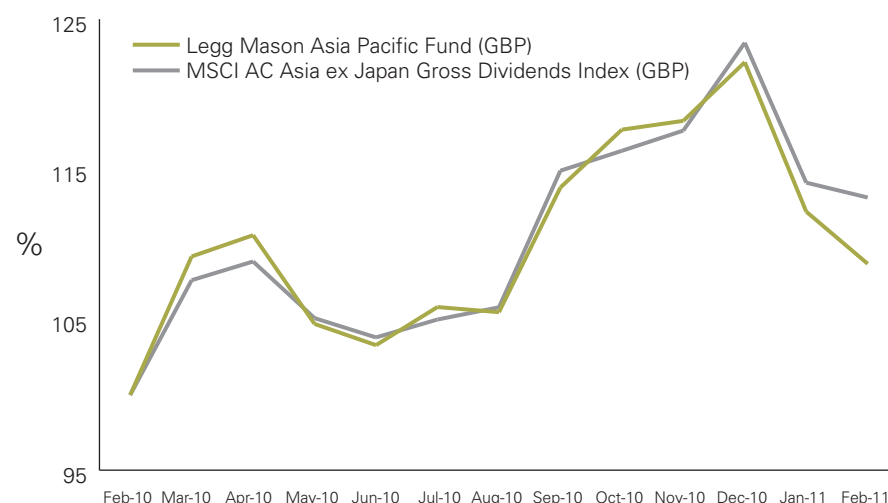
The Legg Mason Asia Pacific Fund rose by 8.73% in sterling terms during the period, while its benchmark, the MSCI Asia ex Japan Index, increased in sterling terms by 13.14%. Looking at the Fund's stock selection over the period, this detracted from its relative performance in the Taiwanese and Hong Kong equity markets, but it was beneficial in China and India. In terms of its country allocation decisions, the Fund's underweight exposures to Malaysia and Taiwan negatively impacted its relative returns, while being overweight in the strongly performing Indonesian market was a positive influence. In terms of the Fund's trading activity, its major purchases included Korean stocks Shinhan Financial Group and LG Chem, as well as India's Yes Bank, while its major sales included Indonesia's Bank Mandiri, Korean steelmaker Posco, and Samsung Electronics.

The Fund's investment manager continues to believe that Asian equities are attractively valued compared to developed markets, noting that earnings growth appears to continue unabated in the emerging world. It adds that most Asian markets continue to offer solid sovereign credit fundamentals, attractively valued currencies, and strong foreign reserve positions, providing a supportive environment for corporate earnings. The manager also notes that while developed markets, particularly in Europe, are undergoing contractions in credit, with deleveraging taking place at all levels, within Asian emerging markets governments, corporations and households are relatively unencumbered by debt. It adds that credit is in the early stage of development for consumers in many Asian markets, up from extremely low levels, which it thinks also bodes well for long-term growth.

Investment Objective and Policy

The objective of this Fund is to achieve capital growth principally through investment in securities of companies based in the Asia Pacific region, excluding Japan. The Fund seeks to achieve its objective by investing principally in securities of companies domiciled or having their principle activities in Asia and Pacific markets excluding Japan and including, but not limited to, Australia, China, India, New Zealand and South Korea. Investment will be focused in securities of companies believed to afford attractive opportunities for long-term capital appreciation. The Fund may also invest in companies in the form of Depositary Receipts. The Fund may also invest in other investments to the extent permitted by the FSA Rules applicable from time to time and as explained in the Prospectus.

Performance Record Since 28 February 2010



Legg Mason Asia Pacific A (SB) GBP - 8.73%
MSCI AC Asia Ex Japan GR USD (NX) GBP - 13.14%

Source for performance figures:

Source for performance figures: Copyright © 2011, Morningstar, Inc. All Rights Reserved. Performance is for the Class A Accumulation shares only. Performance is calculated on a NAV to NAV with net income reinvested without initial charges but reflecting annual management fees.

Past performance is no guide to future returns and may not be repeated. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested.

Legg Mason Asia Pacific Fund (continued)

Net Asset Value per Share and Comparative Table

Fund Size

	Net asset value of share class (£'000)	Net asset value pence per share	Shares in issue (‘000)
Share Class A			
28.02.2009	7,559	126.34	5,983
28.02.2010	6,306	205.41	3,070
28.02.2011	4,616	221.72	2,082
Share Class B			
28.02.2009	7,782	129.46	6,010
28.02.2010	9,568	210.63	4,542
28.02.2011	8,329	229.53	3,628

Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2006			
Class 'A' (acc)	0.5156	167.30	128.20
Class 'B' (acc)	1.0693	169.80	129.70
2007			
Class 'A' (acc)	0.2079	264.70	158.00
Class 'B' (acc)	0.9544	269.80	160.50
2008			
Class 'A' (acc)	0.4108	246.90	117.00
Class 'B' (acc)	1.4822	251.90	119.70
2009			
Class 'A' (acc)	2.4121	210.40	123.50
Class 'B' (acc)	3.1264	216.50	126.50
2010			
Class 'A' (acc)	0.0000	251.10	190.50
Class 'B' (acc)	0.6360	259.70	196.10
2011			
Class 'A' (acc)	0.1392+	255.20*	220.90*
Class 'B' (acc)	1.3264+	264.00*	228.60*

* To 28 February 2011.

+ To 30 April 2011.

Total Expense ratio

	2011	2010
Class 'A' (acc)	2.09%	2.09%
Class 'B' (acc)	1.59%	1.59%

The Total Expense Ratio shows the Fund's annual operating expenses as a percentage of its average net assets.

Legg Mason Asia Pacific Fund (continued)

Statement of Total Return

for the year ended 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		1,376		8,112
Revenue	3	356		399	
Expenses	4	(264)		(310)	
Finance costs: Interest	6	–		–	
Net revenue before taxation		92		89	
Taxation	5	(31)		(36)	
Net revenue after taxation			61		53
Total return before distributions			1,437		8,165
Finance costs: Distributions	6		(61)		(53)
Change in net assets attributable to shareholders from investment activities			1,376		8,112

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 28 February 2011

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		15,874		15,341
Amounts received on issue of shares	231		450	
Amounts paid on cancellation of shares	(4,587)		(8,074)	
		(4,356)		(7,624)
Dilution adjustment		–		16
Change in net assets attributable to shareholders from investment activities		1,376		8,112
Retained distribution on accumulation shares		51		29
Closing net assets attributable to shareholders		12,945		15,874

Legg Mason Asia Pacific Fund (continued)

Balance Sheet

As at 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Assets					
Investments assets			12,874		15,811
Debtors	7	160		74	
Cash and bank balances	8	<u>127</u>		<u>93</u>	
Total other assets			<u>287</u>		<u>167</u>
Total assets			13,161		15,978
Liabilities					
Investment liabilities			–		–
Creditors	9	(165)		(104)	
Bank overdrafts	10	<u>(51)</u>		<u>–</u>	
Total other liabilities			<u>(216)</u>		<u>(104)</u>
Total liabilities			<u>(216)</u>		<u>(104)</u>
Net assets attributable to shareholders			<u>12,945</u>		<u>15,874</u>

Legg Mason Asia Pacific Fund (continued)

Notes to the Financial Statements

As at 28 February 2011

1. Accounting policies

The Accounting basis and polices are on pages 49 to 51.

2. Net Capital Gains

	2011	2010
	£'000	£'000
The net capital gains during the year		
Non-derivative securities	1,456	8,288
Currency losses	(44)	(98)
Transaction charges	(36)	(78)
Net gains on investments	1,376	8,112

3. Revenue

	2011	2010
	£'000	£'000
Bank interest	1	1
Offshore funds dividends	1	–
Overseas dividends	354	389
Scrip dividends	–	9
Total revenue	356	399

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
Authorised Corporate Directors' periodic charge	176	207
Registration fees	35	40
	211	247
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	7	7
Safe custody fees	5	17
	12	24
Other expenses:		
Audit fee	13	12
Printing and Postage fee	–	1
Legal fee	1	–
Tax Guarantor fee	27	26
	41	39
Total expenses	264	310

Legg Mason Asia Pacific Fund (continued)

5. Taxation

	2011	2010
	£'000	£'000
(a) Analysis of the tax charge in the year:		
Overseas withholding tax	31	36
Adjustments in respect of prior periods	–	4
	<u>31</u>	<u>40</u>
Total current tax	31	40
Deferred tax	–	(4)
	<u>–</u>	<u>(4)</u>
Total taxation for the year [Note 5(b)]	31	36
	<u>31</u>	<u>36</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for an open ended investment company of 20% (2010: 20%) is applied to the net revenue before taxation.

The differences are explained below:

	2011	2010
	£'000	£'000
Net revenue before taxation	92	89
	<u>92</u>	<u>89</u>
Net revenue for the year multiplied by the standard rate of corporation tax	18	18
Effects of:		
Revenue not subject to corporation tax	(68)	(51)
Movement in excess management expenses	50	21
Overseas withholding tax	31	36
Adjustments in respect of prior periods	–	4
Revenue taxable in different periods	–	12
	<u>–</u>	<u>12</u>
Current tax charge for the year	31	40
	<u>31</u>	<u>40</u>

(c) Provision for deferred taxation

	2011	2010
	£'000	£'000
Provision at start of year	–	4
Deferred tax charge for year (note 5a)	–	(4)
	<u>–</u>	<u>(4)</u>
	<u>–</u>	<u>–</u>

OEICs are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Provision for deferred tax

No provision for deferred tax has been made in the current or prior accounting year.

(d) Factors that may affect future tax charges:

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £71,374 (2010: £21,205) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the period.

Legg Mason Asia Pacific Fund (continued)

6. Finance costs

Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2011 £'000	2010 £'000
Final	51	29
Add: Amounts paid on cancellation of shares	10	26
Deduct: Amounts received on creation of shares	–	(2)
Net distribution for the year	61	53
Interest	–	–
Total finance costs	61	53
Reconciliation of Net revenue after taxation to distributions		
Net revenue after taxation	61	53
Net distribution for the year	61	53

Details of the distributions per share are set out in the distribution tables on page 148.

7. Debtors

	2011 £'000	2010 £'000
Accrued revenue	25	28
Sales awaiting settlement	135	46
Total debtors	160	74

8. Cash and bank balances

	2011 £'000	2010 £'000
Cash and bank balances	127	93
Total cash and bank balances	127	93

9. Creditors

	2011 £'000	2010 £'000
Accrued Authorised Corporate Director's periodic charge	27	15
Accrued Depositary fees	1	1
Accrued expenses	57	24
Amounts payable on cancellation of shares	13	61
Purchases awaiting settlement	67	3
Total creditors	165	104

Legg Mason Asia Pacific Fund (continued)

10. Bank overdrafts

	2011 £'000	2010 £'000
Bank Overdrafts	51	–
Total bank overdrafts	51	–

11. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12. Related Party Transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of Total Return', 'Statement of Change in net assets attributable to Shareholders' and the 'Balance Sheet' on pages 140 and 141 and notes 4, 7 and 8 on pages 142 to 144 including all creations and cancellations where the ACD acted as a principal.

13. Share Classes

The Fund currently has 2 share classes and the annual management charge on these is as follows:

Class 'A' Retail	1.50%
Class 'B' Institutional	1.00%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 139. The distribution per share class is given in the distribution table on page 148. All share classes have the same rights on winding up.

Legg Mason Asia Pacific Fund (continued)

14. Derivatives and other financial instruments

The ACD's policies and approach to managing the associated risks which were applied throughout the current and preceding year are as follows:

(a) Currency Exposure

A substantial proportion of the net assets of the Fund denominated in currencies other than sterling, the Fund's functional currency, with the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements. The exposure to each currency is shown in the Portfolio Statement including the effect of any foreign currency hedges. This is consistent with the exposure during both the current and prior year.

	Monetary exposures £'000	2011 Non- monetary exposures £'000	Total £'000
Hong Kong Dollar	–	4,535	4,535
Indian Rupee	79	1,085	1,164
Indonesian Rupiah	20	656	676
Korean Won	21	2,643	2,664
Malaysian Ringgit	(30)	307	277
Pakistan Rupee	17	116	133
Philippine Peso	19	125	144
Singapore Dollar	1	804	805
Sri Lankan Dollar	–	104	104
Sterling	(114)	–	(114)
Taiwan Dollar	22	1,364	1,386
Thai Baht	36	194	230
US Dollar	–	941	941
Total	71	12,874	12,945

	Monetary exposures £'000	2010 Non- monetary exposures £'000	Total £'000
Hong Kong Dollar	5	5,824	5,829
Indian Rupee	–	1,051	1,051
Indonesian Rupiah	–	1,248	1,248
Korean Won	–	2,763	2,763
Pakistan Rupee	1	144	145
Philippine Peso	–	140	140
Singapore Dollar	8	1,142	1,150
Sterling	28	(30)	(2)
Taiwan Dollar	18	2,151	2,169
Thai Baht	2	446	448
US Dollar	1	932	933
Total	63	15,811	15,874

Legg Mason Asia Pacific Fund (continued)

14. Derivatives and other financial instruments (continued)

(b) Interest rate risk profile of financial assets and liabilities

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during both the current and prior year.

(c) Liquidity Risk

The majority of the Fund's financial assets are considered to be readily realisable in accordance with market practices of the exchange on which they are traded. In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

Where the ACD considers the asset to be illiquid, the asset is valued by either sourcing an external broker valuation or using a model price. Credit spread are often used as inputs into fair value modelling. As a result of the current global economic crisis, the ACD is increasingly having to consider the valuation of illiquid assets within sub funds which hold illiquid securities.

All of the Fund's financial liabilities are payable on demand or in less than 1 year.

(d) Fair value of financial assets and financial liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the Fund disclosed in the Balance Sheet.

15. Portfolio transaction costs

	2011		2010	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs:				
Purchases in period before transaction costs		10,062		18,169
Commissions	26		69	
Taxes	5		–	
Total purchase costs		31		69
Gross purchase total		10,093		18,238
Analysis of total sale costs:				
Gross sales before transaction costs		14,536		25,770
Commissions	(32)		(85)	
Taxes	(26)		–	
Total sale costs		(58)		(85)
Total sales net of transaction costs		14,478		25,685

Legg Mason Asia Pacific Fund (continued)

Distribution Table

As at 28 February 2011

Final Dividend Distribution in pence per share

Group 1 Final Shares purchased prior to 1 March 2010

Group 2 Final Shares purchased on or after 1 March 2010 to 28 February 2011

Class 'A' Accumulation Shares

	Net revenue	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
Group 1	0.1392	–	0.1392	0.0000
Group 2	0.0637	0.0755	0.1392	0.0000

Class 'B' Accumulation Shares

	Net revenue	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
Group 1	1.3264	–	1.3264	0.6360
Group 2	1.3264	0.0000	1.3264	0.6360

Equalisation

This applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of income included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital.

Legg Mason Global Equity Income Fund

General Information

Investment Manager:	Global Currents Investment Management LLC
Fund Size:	£20.3m
Sector:	Global Growth
Fund Launch:	23 May 2008

Investment Risk

This document does not constitute an invitation to invest. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested. The value of investments and the income from them can be affected by changes in interest rates, in exchange rates, general market conditions, political, social and economic developments and other variable factors. Past performance is no guide to future returns and may not be repeated.

Concentration risk: This Fund may select fewer securities in which to invest and this concentration carries more risk than funds investing in a larger number of companies.

Emerging markets risk: This Fund may invest in emerging markets that may be less liquid and may have less reliable custody arrangements than mature markets and may involve a higher degree of risk.

Hedging risk: This Fund may use eligible derivatives to hedge their foreign currency exposure back to the base currency, pounds sterling. Hedging transactions can reduce the effects of currency and asset fluctuations but can expose additional risks, e.g. counterparty default.

Annual management charge from capital: This Fund has its annual management charge levied against capital, which may adversely affect the capital growth of the Fund.

Legg Mason Global Equity Income Fund Review

Equity markets experienced volatility during the second and third quarters of 2010 as investors became concerned that the global economic recovery may be weaker than was previously expected. Into the fourth quarter, however, encouraging economic data and corporate earnings results helped to boost sentiment, while markets also reacted favourably to a second programme of monetary stimulus via so-called quantitative easing (QE2) by the Federal Reserve in the US. Markets generally continued to advance in the first two months of 2011 despite the outbreak of serious political unrest in several Middle East and North African countries.

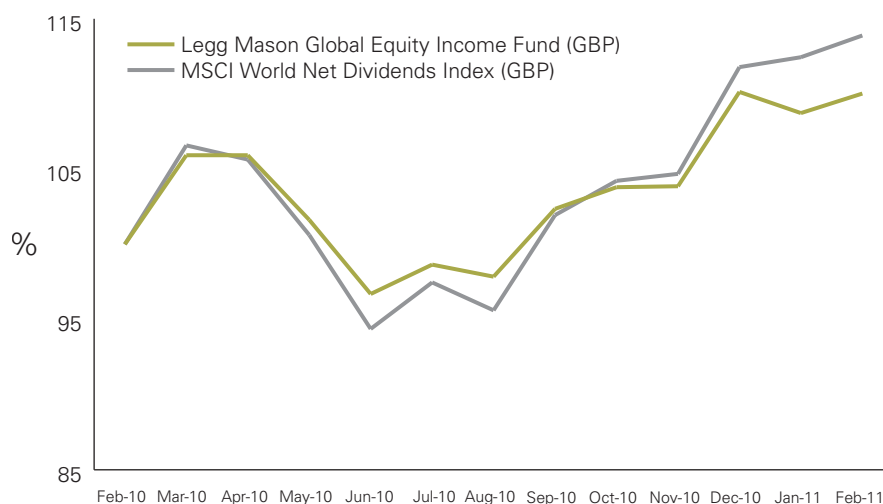
Against this backdrop, the Legg Mason Global Equity Income Fund increased by 10.03% in sterling terms, while its benchmark, the MSCI World Index, recorded a sterling gain of 13.89%. In terms of its industry exposures, the Fund's relative performance was held back by being underweight in materials and industrials stocks, as well as by being overweight in the utilities and consumer staples sectors. Being underweight in the financials sector was beneficial, however. Turning to stock selection, this detracted from the Fund's relative returns in the consumer discretionary and information technology sectors, while selection was beneficial in areas such as energy and health care. Looking at the effects of the Fund's regional and individual country exposures, being overweight in the UK was the most detrimental influence while beneficial considerations included being overweight in the Asia ex Japan region. Among individual stocks, the Fund's largest purchases included telecom group Vodafone, pharmaceuticals company GlaxoSmithKline, and British American Tobacco. Among its largest sales, meanwhile, were US insurance group Old Republic International, global oil company BP, and UK food retailing group Tesco.

The manager believes that in the current environment markets are range-bound and it anticipates that new leadership will emerge characterised by stocks with low expectations, low valuations, and solid earnings prospects. It remains focused on the fundamentals of the underlying companies in which it invests, and its philosophy is centred on the belief that the best returns come during periods when stocks are undervalued and expectations are low.

Investment Objective and Policy

The objective of this Fund is to achieve income and capital growth through investment primarily in a range of equity and equity-related securities. The Fund seeks to achieve its objective by investing globally in quality companies that are trading at low prices relative to their intrinsic value. There is a focus on dividend yield and potential for capital growth. The Fund may also invest in other investments as permitted by the FSA Rules as applicable from time to time and as explained in the Prospectus.

Performance Record Since 28 February 2010



Legg Mason Global Equity Income A Inc (SB) GBP - 10.03%
MSCI World NR USD (NX) GBP - 13.89%

Source for performance figures:

Source for performance figures: Copyright © 2011, Morningstar, Inc. All Rights Reserved. Performance is for the Class A Accumulation shares only. Performance is calculated on a NAV to NAV with net income reinvested without initial charges but reflecting annual management fees.

Past performance is no guide to future returns and may not be repeated. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested.

Legg Mason Global Equity Income Fund (continued)

Net Asset Value per Share and Comparative Table

Fund Size

	Net asset value of share class (£'000)	Net asset value pence per share	Shares in issue (‘000)
Share Class A (inc)			
28.02.2009	418	73.39	569
28.02.2010	1,020	94.63	1,078
28.02.2011	7,633	100.71	7,579
Share Class A (acc)			
28.02.2009	13	74.73	18
28.02.2010	138	100.79	136
28.02.2011	12,688	111.64	11,365

Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2008			
Class 'A' (inc)	0.8966	100.70†	71.81†
Class 'A' (acc)	0.8966	100.70†	71.81†
2009			
Class 'A' (inc)	3.6291	95.91	69.09
Class 'A' (acc)	3.7277	102.20	70.90
2010			
Class 'A' (inc)	3.2274	102.70	88.90
Class 'A' (acc)	3.4665	112.90	95.91
2011			
Class 'A' (inc)	1.3909+	102.90*	99.83*
Class 'A' (acc)	1.5313+	113.10*	109.80*

† From 23 May 2008

* To 28 February 2011

+ To 30 April 2011

Total Expense ratio

	2011	2010
Class 'A'	1.86%	1.66%

The Total Expense Ratio shows the Fund's annual operating expenses as a percentage of its average net assets.

Legg Mason Global Equity Income Fund (continued)

Statement of Total Return

for the year ended 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		1,577		157
Revenue	3	410		31	
Expenses	4	(219)		(12)	
Finance costs: Interest	6	–		–	
Net revenue before taxation		191		19	
Taxation	5	(41)		(4)	
Net revenue after taxation			150		15
Total return before distributions			1,727		172
Finance costs: Distributions	6		(324)		(25)
Change in net assets attributable to shareholders from investment activities			1,403		147

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 28 February 2011

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,158		431
Inspecie transfer		15,393		–
Amounts received on issue of shares	7,622		615	
Amounts paid on cancellation of shares	(5,495)		(38)	
		2,127		577
Dilution adjustment		16		–
Stamp duty reserve tax		(2)		–
Change in net assets attributable to shareholders from investment activities		1,403		147
Retained distribution on accumulation shares		226		3
Closing net assets attributable to shareholders		20,321		1,158

Legg Mason Global Equity Income Fund (continued)

Balance Sheet

As at 28 February 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Assets					
Investments assets			20,221		1,105
Debtors	7	129		24	
Cash and bank balances	8	<u>1,058</u>		<u>98</u>	
Total other assets			<u>1,187</u>		<u>122</u>
Total assets			21,408		1,227
Liabilities					
Investment liabilities			–		–
Creditors	9	(1,030)		(63)	
Bank overdrafts	10	–		–	
Distribution payable on income shares		<u>(57)</u>		<u>(6)</u>	
Total other liabilities			<u>(1,087)</u>		<u>(69)</u>
Total liabilities			<u>(1,087)</u>		<u>(69)</u>
Net assets attributable to shareholders			<u>20,321</u>		<u>1,158</u>

Legg Mason Global Equity Income Fund (continued)

Notes to the Financial Statements

1. Accounting policies

The Accounting basis and polices are on pages 49 to 51.

2. Net Capital Gains

	2011	2010
	£'000	£'000
The net capital gains during the year		
Non-derivative securities	1,613	166
Currency losses	(24)	(3)
Transaction charges	(12)	(6)
	<u>1,577</u>	<u>157</u>
Net gains on investments	1,577	157

3. Revenue

	2011	2010
	£'000	£'000
Bank interest	2	–
Interest on Debt Securities	–	1
Overseas dividends	335	27
UK dividends	73	3
	<u>410</u>	<u>31</u>
Total revenue	410	31

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
Authorised Corporate Directors' periodic charge	174	10
Registration fees	22	–
	<u>196</u>	<u>10</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	6	–
Safe custody fees	–	2
	<u>6</u>	<u>2</u>
Other expenses:		
Audit fee	12	–
Legal fee	5	–
	<u>17</u>	<u>–</u>
Total expenses	219	12

Legg Mason Global Equity Income Fund (continued)

5. Taxation

	2011	2010
	£'000	£'000
(a) Analysis of the tax charge in the year:		
Overseas withholding tax	42	3
Total current tax	42	3
Deferred tax	(1)	1
Total taxation for the year [Note 5(b)]	41	4

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for an open ended investment company of 20% (2010: 20%) is applied to the net revenue before taxation.

The differences are explained below:

	2011	2010
	£'000	£'000
Net revenue before taxation	191	19
Net revenue for the year multiplied by the standard rate of corporation tax	37	4
Effects of:		
Revenue not subject to corporation tax	(80)	(3)
Movement in excess management expenses	41	–
Overseas withholding tax	42	3
Deferred tax movement in period	1	(1)
Current tax charge for the year	42	3

OEICs are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Provision for deferred tax

	2011	2010
	£'000	£'000
Provision at start of the year	1	–
Deferred tax charge in the year	(1)	1
Provision at the end of the year	–	1

(d) Factors that may affect future tax charges:

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £42,199 (2010: nil) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the period.

Legg Mason Global Equity Income Fund (continued)

6. Finance costs

Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2011	2010
	£'000	£'000
Interim	230	20
Final	154	7
Add: Amounts paid on cancellation of shares	17	–
Deduct: Amounts received on creation of shares	(77)	(2)
	<u>324</u>	<u>25</u>
Net distribution for the year	324	25
Interest	–	–
	<u>–</u>	<u>–</u>
Total finance costs	324	25
	<u>324</u>	<u>25</u>
Reconciliation of Net revenue after taxation to distributions		
Net revenue after taxation	150	15
Expenses charged to capital	174	10
	<u>324</u>	<u>25</u>
Net distribution for the year	324	25
	<u>324</u>	<u>25</u>

Details of the distributions per share are set out in the distribution tables on pages 159 to 160.

7. Debtors

	2011	2010
	£'000	£'000
Accrued revenue	103	3
Amounts receivable for issue of shares	21	20
Expenses recoverable	–	1
Overseas withholding tax reclaimable	5	–
	<u>129</u>	<u>24</u>
Total debtors	129	24
	<u>129</u>	<u>24</u>

8. Cash and bank balances

	2011	2010
	£'000	£'000
Cash and bank balances	1,058	98
	<u>1,058</u>	<u>98</u>
Total cash and bank balances	1,058	98
	<u>1,058</u>	<u>98</u>

Legg Mason Global Equity Income Fund (continued)

9. Creditors

	2011	2010
	£'000	£'000
Accrued Authorised Corporate Director's periodic charge	54	2
Accrued Depositary fees	1	–
Accrued expenses	26	2
Amounts payable on cancellation of shares	949	–
Deferred tax provision	–	1
Purchases awaiting settlement	–	58
Total creditors	1,030	63

10. Bank overdrafts

	2011	2010
	£'000	£'000
Bank Overdrafts	–	–
Total bank overdrafts	–	–

11. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12. Related Party Transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of Total Return', 'Statement of Change in net assets attributable to Shareholders' and the 'Balance Sheet' on pages 151 and 152 and notes 4, 7 and 8 on pages 153 to 155 including all creations and cancellations where the ACD acted as a principal.

13. Share Classes

The Fund currently has 1 share class and the annual management charge on these is as follows:

Class 'A' Retail	1.50%
------------------	-------

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 150. The distribution per share class is given in the distribution table on pages 159 and 160. All share classes have the same rights on winding up.

Legg Mason Global Equity Income Fund (continued)

14. Derivatives and other financial instruments

The ACD's policies and approach to managing the associated risks which were applied throughout the current and preceding year are as follows:

(a) Currency Exposure

A substantial proportion of the net assets of the Fund denominated in currencies other than sterling, the Fund's functional currency, with the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements. The exposure to each currency is shown in the Portfolio Statement including the effect of any foreign currency hedges. This is consistent with the exposure during both the current and prior year.

	Monetary exposures £'000	2011 Non- monetary exposures £'000	Total £'000
Australian Dollar	9	482	491
Brazilian Real	1	203	204
Canadian Dollar	–	292	292
Euro	–	2,260	2,260
Hong Kong Dollar	7	180	187
Israeli Shekel	–	121	121
Japanese Yen	3	1,029	1,032
Norwegian Krone	–	245	245
Singapore Dollar	3	268	271
Sterling	(7)	4,357	4,364
Swiss Franc	17	929	946
US Dollar	52	9,855	9,907
Total	99	20,221	20,320

	Monetary exposures £'000	2010 Non- monetary exposures £'000	Total £'000
Australian Dollar	1	18	19
Brazilian Real	–	36	36
Canadian Dollar	–	50	50
Euro	–	138	138
Hong Kong Dollar	–	39	39
Japanese Yen	–	60	60
Malaysian Ringgit	–	10	10
Norwegian Krone	–	29	29
Russian Rouble	–	17	17
Singapore Dollar	–	45	45
Sterling	50	141	191
Swiss Franc	–	42	42
US Dollar	2	480	482
Total	53	1,105	1,158

Legg Mason Global Equity Income Fund (continued)

14. Derivatives and other financial instruments (continued)

(b) Interest rate risk profile of financial assets and liabilities

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during both the current and prior year.

(c) Liquidity Risk

The majority of the Fund's financial assets are considered to be readily realisable in accordance with market practices of the exchange on which they are traded. In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

Where the ACD considers the asset to be illiquid, the asset is valued by either sourcing an external broker valuation or using a model price. Credit spread are often used as inputs into fair value modelling. As a result of the current global economic crisis, the ACD is increasingly having to consider the valuation of illiquid assets within sub funds which hold illiquid securities.

All of the Fund's financial liabilities are payable on demand or in less than 1 year.

(d) Fair value of financial assets and financial liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the Fund disclosed in the Balance Sheet.

15. Portfolio transaction costs

	2011		2010	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs:				
Purchases in period before transaction costs		27,975		974
Commissions	23		2	
Fees	13		-	
Total purchase costs		<u>36</u>		<u>2</u>
Gross purchase total		<u>28,011</u>		<u>976</u>
Analysis of total sale costs:				
Gross sales before transaction costs		10,521		441
Commissions	(15)		(1)	
Fees	(1)		-	
Total sale costs		<u>(16)</u>		<u>(1)</u>
Total sales net of transaction costs		<u>10,505</u>		<u>440</u>

Legg Mason Global Equity Income Fund (continued)

Distribution Tables

As at 28 February 2011

First Interim Dividend Distribution for the period 1 March 2010 to 31 May 2010 in pence per share

Group 1 Final Shares purchased prior to 1 March 2010
Group 2 Final Shares purchased on or after 1 March 2010 to 31 May 2010

Class 'A' Income Shares

	Net revenue	Equalisation	Distribution paid 31.07.10	Distribution paid 31.07.09
Group 1	1.2206	–	1.2206	1.3176
Group 2	0.6348	0.5858	1.2206	1.3176

Class 'A' Accumulation Shares

	Net revenue	Equalisation	Distribution paid 31.07.10	Distribution paid 31.07.09
Group 1	1.3091	–	1.3091	1.3553
Group 2	0.0195	1.2896	1.3091	1.3553

Second Interim Dividend Distribution for the period 1 June 2010 to 31 August 2010 in pence per share

Group 1 Final Shares purchased prior to 1 June 2010
Group 2 Final Shares purchased on or after 1 June 2010 to 31 August 2010

Class 'A' Income Shares

	Net revenue	Equalisation	Distribution paid 31.10.10	Distribution paid 31.10.09
Group 1	0.7137	–	0.7137	0.9031
Group 2	0.3849	0.3288	0.7137	0.9031

Class 'A' Accumulation Shares

	Net revenue	Equalisation	Distribution paid 31.10.10	Distribution paid 31.10.09
Group 1	0.7867	–	0.7867	0.9440
Group 2	0.6959	0.0908	0.7867	0.9440

Third Interim Dividend Distribution for the period 1 September 2010 to 30 November 2010 in pence per share

Group 1 Final Shares purchased prior to 1 September 2010
Group 2 Final Shares purchased on or after 1 September 2010 to 30 November 2010

Class 'A' Income Shares

	Net revenue	Equalisation	Distribution paid 31.01.11	Distribution paid 31.01.10
Group 1	0.6385	–	0.6385	0.7343
Group 2	0.2741	0.3644	0.6385	0.7343

Class 'A' Accumulation Shares

	Net revenue	Equalisation	Distribution paid 31.01.11	Distribution paid 31.01.10
Group 1	0.6809	–	0.6809	0.7755
Group 2	0.2833	0.3976	0.6809	0.7755

Legg Mason Global Equity Income Fund (continued)

Distribution Tables (continued)

As at 28 February 2011

Final Dividend Distribution for the period 1 December 2010 to 28 February 2011 in pence per share

Group 1 Final Shares purchased prior to 1 December 2010

Group 2 Final Shares purchased on or after 1 December 2010 to 28 February 2011

Class 'A' Income Shares

	Net revenue	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
Group 1	0.7524	–	0.7524	0.5588
Group 2	0.4774	0.2750	0.7524	0.5588

Class 'A' Accumulation Shares

	Net revenue	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
Group 1	0.8504	–	0.8504	0.5952
Group 2	0.6038	0.2466	0.8504	0.5952

Equalisation

This applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of income included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital.

Investor Information

General

The Company was authorised by the Financial Services Authority on 31 July 2003 as an open-ended investment company. The Company is incorporated in England and Wales as an investment company with variable capital (“ICVC”) under registration number IC000247.

The Shareholders are not liable for the debts of the Company. If the assets attributable to any sub-fund(s) were insufficient to meet the liabilities attributable to it, the shortfall might have to be met out of the assets attributable to one or more other sub-fund(s) of the umbrella Company.

Legg Mason Investment Funds Limited, the Authorised Corporate Director (ACD) of the Company, is its sole director.

Report & Accounts

Shareholders will receive a copy of the Interim and Annual report of Legg Mason Funds ICVC each year. These reports will be a “short report”: a full report is available from the ACD on written request or is available on our web-site www.leggmason.co.uk. The annual accounting period is to the last day of February and the interim accounting period is to 31 August.

Individual Savings Account (ISA)

Legg Mason Investments (Europe) Limited is the ISA Plan Manager for the Company. The Plan Manager confirms that the sub-funds have met the ISA Regulations throughout the period.

Investment Funds Information

Company

Legg Mason Funds ICVC
201 Bishopsgate
London
EC2M 3AB
Tel: 020 7648 1000
Fax: 020 7070 7505

Authorised Corporate Director

Legg Mason Investment Funds Limited
201 Bishopsgate
London
EC2M 3AB
Tel: 020 7648 1000
Fax: 020 7070 7505

Registrar & Administration

Legg Mason Global Asset Management
PO Box 10649
Chelmsford
CM99 2BD
Tel: 0844 620 0013 Overseas: +44 1268 448235
Fax: 0844 620 0014 Overseas fax: +44 1268 448416

Authorisation

Legg Mason Investment Funds Limited
Authorised and Regulated by the Financial Services Authority
Legg Mason Funds ICVC
Registered in England No. IC000247

Depository

The Royal Bank of Scotland PLC Trustee & Depository Services
Ground Floor
15 Bishopsgate
London
EC2P 2AP

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Investment Advisors

Legg Mason Capital Management, Inc.

100 International Drive
Baltimore
Maryland 21202
USA

Western Asset Management Company Limited

10 Exchange Square
Primrose Street
London
EC2A 2EN

Royce & Associates, LLC

745 5th Avenue
Suite 2400
New York NY10151
USA

Shiozumi Asset Management Company Limited

7F MG Atago Building
3-13-7 Nishi-Shinbashi
Minato-Ku
Tokyo
105-0003
Japan

Batterymarch Financial Management, Inc.

200 Clarendon Street
Boston
Massachusetts 02116
USA

Global Currents Investment Management LLC

Delaware Corporate Centre II
2 Righter Parkway
Wilmington
Delaware 19803
USA

Important Information

Please note that past performance is no guide to future returns and you may not get back the amount originally invested. You should be aware that funds and stock market investments should normally be regarded as longer term investments and that they may not be suitable for everyone. Unlike a bank or building society account, the value of your investment can go down if you exercise any right to cancel, and you may not get back the amount originally invested if the share price has fallen since you invested.

A summary of risk factors for the Company is outlined below:

- Fluctuations in exchange rates may affect the value of an investment and any income derived from it. All Funds are permitted to hedge their currency exposure by way of forward currency contracts.
- Investments in the Funds (either directly or through ISAs) may not be suitable for all investors. Investors should seek independent financial advice.
- The deductions for charges and expenses, in particular the initial charge, are not made uniformly throughout the life of the investment. If you cash in during the early year, you may not get back the amount initially invested.
- For any Fund, until they reach a sufficient size, the proportion of charges and expenses allocated to such a Fund may be higher and so the return on investment in the Fund is more affected by fees and charges than in more established Funds.

The Report & Accounts only provides brief information on each Fund which should not be relied upon in making an investment decision. Please refer to the relevant Key Facts documentation and Prospectus for Legg Mason Funds ICVC for full description of objectives and risk factors for each Fund.

Legg Mason Funds ICVC is a UK authorised open-ended investment company. The authorised corporate director of Legg Mason Funds ICVC is Legg Mason Investment Funds Limited, authorised and regulated by the Financial Services Authority.

Each of the investment management companies listed in the brochure is affiliated with Legg Mason Investment Funds Limited through common control and ownership by Legg Mason, Inc., except for Shiozumi Asset Management Company Limited. Legg Mason Investment Funds Limited provides its clients with access to such affiliates primarily through its range of sub-funds within Legg Mason Funds ICVC, in which such affiliates serve as investment manager or sub-investment manager. While some of the affiliates are authorised or licensed to conduct business in one or more European jurisdictions, they are not authorised to offer their investment advisory services in all European jurisdictions. Investors' access to such affiliates may be limited to investing only in Legg Mason Investments' UK-domiciled fund range, Legg Mason Funds ICVC.

Any eligible complainant having any complaint in respect of the Fund should inform Legg Mason Investments in writing of the details of the complaint to the Complaints Manager at Legg Mason Investments, 201 Bishopsgate, London EC2M 3AB. This will then be investigated and a reply provided as soon as possible and any appropriate remedial action taken. In addition, eligible complainants will have a right of complaint directly to the Financial Ombudsman Service if he/she is not satisfied with the outcome of the investigation into the complaint. Details of the Financial Services Compensation Scheme established under the Financial Services and Market Act 2000, under which an investor may be entitled to receive compensation if the ACD is unable to meet any of its liabilities to the investor are available on written request from the ACD.

You can find further information on the range of sub-funds within Legg Mason Funds ICVC by visiting Legg Mason Investments' website on: **www.leggmason.co.uk**

The website provides up to date information on the range of sub-funds including:

Prices - Access daily prices

Literature - Factsheets providing the latest information on each sub-fund

Investment advisors - More information about Legg Mason's asset management affiliates managing the sub-funds

LEGG MASON
GLOBAL ASSET MANAGEMENT

Issued and approved by Legg Mason Investments (Europe) Limited, 201 Bishopsgate, London, EC2M 3AB.
Registered in England and Wales, Company no. 1732037. Authorised and Regulated by the Financial Services Authority.

