

# Simplified Prospectus

## Legg Mason Funds **ICVC**

Key Features incorporating  
Simplified Prospectus &  
ISA Terms and Conditions

Effective from April 2012





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## Key information on investing in our Funds

### General Information

**This document is important. Please read it carefully prior to making an investment. You should retain this document for future reference.**

**This document contains key information about class A shares which are available in each of the Funds of Legg Mason Funds ICVC (“the Company”). This document is designed to provide the key information which you need to consider before making your investment decision. If you require more detailed information, you should refer to the full Prospectus for Legg Mason Funds ICVC which is available on request free of charge from Legg Mason Investment Funds Limited. Prospective investors should note that any investment is made on the basis of the full Prospectus.**

**This document is published as of April 2012. It will be updated from time to time. Prospective investors should check that this is the latest available version before relying on it. The easiest way to check whether this is the current version is to look at our website [www.leggmason.co.uk](http://www.leggmason.co.uk).**

### What is Legg Mason Funds ICVC?

Legg Mason Funds ICVC is a UK authorised investment fund. It is constituted as an open-ended investment company and is authorised by the Financial Services Authority.

The Company is as an umbrella company comprising twelve sub-funds (each a “Fund” or collectively as “Funds”), eleven of which have Shares currently available, where each Fund has its own portfolio of investments, investment objective and policy. The purpose of each Fund within the Company is to optimise income and/or capital growth.

### Who is the manager of Legg Mason Funds ICVC?

The manager (or Authorised Corporate Director or ACD) of the Company is Legg Mason Investment Funds Limited, which is authorised and regulated in the UK by the Financial Services Authority (FSA). The ACD’s immediate parent undertaking and immediate controlling party is Legg Mason International Holding LP, a limited partnership established in the Cayman Islands. Legg Mason, Inc., is the ACD’s ultimate parent company and ultimate controlling party. Legg Mason Inc. is a global asset management firm providing asset management services through its subsidiaries (collectively the “Legg Mason Group”). The Legg Mason Group collectively had US\$ 643 billion in assets under management as of 31 August 2011.

### Who is the Legg Mason Funds ICVC designed for?

A UK authorised investment fund offers investors the opportunity to participate in investment markets through a convenient vehicle which pools the subscriptions of a number of investors. An investment fund is managed by professional investment managers, with its portfolio being managed with a view to achieving a particular investment objective.

The range of Funds offered by the Company is designed to provide a range of investments which may be suitable for private individuals, asset managers and institutional investors who wish to invest in equities, bonds or related derivative investments. Before making a decision please refer to the full Prospectus for Legg Mason Funds ICVC. If you are in any doubt as to whether an investment in a Fund is suitable for you consult your independent financial adviser.

### Where can I find details of the individual Funds?

- It is important to understand the investment objectives and risk factors (Fund specific and general) of each Fund in which you are thinking of investing. Detailed information of the individual Funds is set out on pages 8 to 18 of this document. The remainder of this

“General Information” section explains the nature of the Company and how to invest in shares of Funds of the Company.

### What investments are made by the Funds?

Each Fund is managed as a distinct investment fund. The investment manager’s aim for each Fund is to achieve a prudent diversification of investment risk by investing in a portfolio of eligible assets with a view to achieving the objectives of the Fund. There is never any guarantee of meeting a Fund’s objectives.

### What are the risks of investing in a Fund?

Any investment involves risk. Some of these risks are general because they apply to all or a particular type of investment whilst others may have a specific impact for a particular type of investment or a particular Fund.

#### General risks may include:

- The value of your investment in a Fund (or ISA investing in a Fund) can go down as well as up and investors may not get back the amount 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.

The value of your investment may be affected by Fund expenses and charges. Please refer to the full Prospectus for the list of fees pertaining to the Fund you wish to invest in.

The value of units in a Fund and income from them is not guaranteed.

- **Liquidity risk**  
The Funds invest in markets that may be subject to liquidity risk. Liquidity risk is a measure of how quickly an investment can be sold. Investments in smaller companies, smaller and more specialist stock markets and particular sectors of an economy tend to be less liquid than other kinds of investments. The less liquid an investment, the more its value tends to go up and down.
- **Investment Objective**  
Whilst the ACD will endeavour to manage a Fund with a view to achieving its specific investment objective, there is no assurance that the investment objective of the Fund will be achieved.
- **Past performance**  
Past performance is not a reliable indicator of future results and may not be repeated.
- **Tax position**  
The tax position as stated in the full Prospectus is believed to be accurate as at the date of the Prospectus. It may be subject to change in the future. Individual investors should consider their own tax position which will depend on their individual circumstances. (Current favourable situations such as the tax treatment of ISA investors may not be maintained in the future.)

The value of tax relief for ISAs depends on the personal circumstances of investors. The levels and bases of such relief may change or be removed.

Investments in the Funds may not be suitable for all investors.

Before you decide to invest in a Fund, it is important that you understand the relevant risks for the Fund. Details of the specific risks for each Fund are included within the specific details for each Fund on pages 8 to 18, and a complete description of risk factors is set out in the full Prospectus. If you are uncertain about any of the impacts for you, please consult your independent financial adviser. You will only have cancellation rights if your investment is made as a result of your having taken investment advice from an authorised financial adviser.

### What share classes are available?

- Each of the eleven Funds which have Shares currently available offer class A shares and some currently have class B shares available. The Legg Mason Global Multi Strategy Bond Fund, Legg Mason Income Optimiser Fund, Legg Mason US Equity Income Fund and the Legg Mason Global Blue Chip Bond Fund (formerly the Legg Mason Sterling Corporate Plus Bond Fund) also have an I share Class. The key differences between class A, B and I shares concern differing minimum investment level, entry charges, annual management charges and other class related expenses. This document only includes information on class A shares. Other than in respect of the Legg Mason Income Optimiser Fund, Class A shares of the Funds are marketable to retail and institutional investors. The Legg Mason Income Optimiser Fund is not currently available to retail investors.
- Certain Funds have Hedged Shares. Hedged Shares are a class of shares which allow the use of currency hedging transactions to reduce the effect of fluctuations between the foreign currencies to which the Fund is exposed and UK pounds sterling. Currently only the Legg Mason US Smaller Companies Fund has hedged class A shares.

### What are the fees and expenses for Class A Shares of each Fund?

- Please refer to Appendix 1 (Fees and expenses) and Appendix 2 (The effect of fees and expenses on each Fund).
- If you require more information about the different share classes please refer to the full Prospectus for Legg Mason Funds ICVC.

### What are the minimum investment levels for class A shares?

The minimum investment level into each Fund (other than the Legg Mason Income Optimiser Fund) is £3,000 with minimum subsequent investments of £1,000. The minimum investment level into the Legg Mason Income Optimiser Fund is £1 million.

### How do I invest?

- Investors can buy and sell shares in the Funds on any business day. To invest, complete and return the application form for Legg Mason Funds ICVC together with a cheque made payable to 'Legg Mason Investment Funds Limited'. Alternatively, you can place your instructions by telephone. Details of how to contact us are set out on page 6.
- Shares in each of our Funds are bought and sold at a single price, based on the Net Asset Value (NAV) of the Fund.
- All share dealing is conducted on a forward basis only, at the next available price. The valuation point for each Fund is 12 noon each business day. If your application is received and accepted by us before the next valuation point on any particular Business Day, your investment will be made at noon that day. If it is received and accepted after the valuation point on a business day, it will be carried over to the valuation point at noon on the next business day.

### How are share prices calculated?

Shares in all our Funds are bought and sold at a single price, based on the NAV of the Fund. Where there is more than one share class available for a Fund, the share price for shares for each class is calculated separately with reference to the proportionate value of the Fund's value which is attributable to that share class. The NAV calculation reflects the mid market value of all of the underlying securities.

The application of single mid market pricing of shares can lead to an effect known as "dilution". Dealing costs in, and spreads between the buying and selling prices of, a Fund's underlying investments mean that the buying and selling prices of shares calculated for a Fund on a mid market single pricing basis may differ from the value of the

proportionate interests those shares represent in the Fund, and so dealing at those prices could lead to a dilution in the proportionate value of the scheme property of the Fund represented by the remaining units and so disadvantage remaining shareholders. Consequently the ACD is obliged under the FSA Rules to adopt one of two policies in order to prevent such dilution and its consequent potential adverse affect on the remaining shareholders. The ACD may apply a dilution levy or apply a dilution adjustment.

The ACD's policy is that it may make a dilution adjustment which involves an adjustment to the price of the share above or below that which would have resulted from a mid-market valuation. The effect of this is that the dealing price of the share is above or below that which would have resulted from a mid-market valuation. This dilution adjustment is made for the purposes of reducing dilution in the Fund (or to recover an amount which it has already paid or is reasonably expected to pay in the future) in relation to the issue or cancellation of shares in certain circumstances if there could be possible dilution in the value of a Fund.

### Can I change my mind?

- If you invest through an authorised financial adviser, or if you make an investment directly with us by telephone and inform us that you have received financial advice, you are entitled to a cancellation period of 14 calendar days from the date on which the cancellation notice is deemed to be received by you (which shall be 48 hours after posting).
- During this time, if you change your mind, you must complete and return the cancellation form sent with your contract note.
- When we receive your completed cancellation form, we will sell your investments and return the amount invested less any fall in the share price of the underlying Fund(s).

If, however, you did not receive advice from an authorised financial adviser and dealt directly with us, you are deemed to be an "Execution only" customer and will have no rights of cancellation. If you change your mind following investment, you will have to submit a form of renunciation (see below "Can I sell or switch my investment?").

### Can I sell or switch my investment?

You can sell all or part of your shareholding in a Fund on any business day. If you wish to do so, you should complete either a Form of Renunciation or send your request in writing to the Company. Once we receive a signed and completed Form of Renunciation or your request in writing, the proceeds from the sale of your investments will be sent to you within five business days. If you make a partial withdrawal, please note that, as mentioned above, there are minimum investment levels for Class A shares, and the minimum holding is shares to the value of £3,000 in any particular Fund.

Partial withdrawals are permitted in sums of at least £1,000 from each Fund subject to a minimum of £3,000 remaining invested in each Fund. However, no shares will be redeemed if you wish to withdraw less than your entire non-ISA holding and such withdrawal would mean your shareholding is less than £3,000.

You can also switch a holding of shares in one Fund for a holding of shares in another Fund, which is part of Legg Mason Funds ICVC, at a discount to the standard entry charge. Please note that cancellation rights are not available when switching between Funds.

### How will I be kept informed about my investment?

- Whenever you buy, sell or switch shares in a Fund, you will receive a contract note confirming your transaction. This will be issued within one business day of the day on which the transaction is effected. It

will show you details of your investment, including the price at which you have bought your shares and the entry charge you paid.

- You will receive a short form report and accounts twice yearly for Legg Mason Funds ICVC informing you of your Fund(s) investments and performance, together with a commentary from the investment manager.
- You will also receive a statement at least once a year giving you information about your investments with us. Please check your statement carefully and, in the event that you suspect there is an error notify our investor service team within 90 days of receipt of your statement.
- We recommend that you keep contract notes and statements in a safe place as we do not issue share certificates.

### Where are the share prices published?

The most recently calculated share price (the NAV per share of each Fund) is published on our website at [www.leggmason.co.uk](http://www.leggmason.co.uk) and may also be obtained by calling us on 0844 620 0013. Please note that this will not be the share price at which you deal if you then provide instructions. As explained in the “How do I invest” section, share dealing is conducted on a forward pricing basis by reference to the next calculated share price.

### What is the distribution policy?

- For those Funds that issue income shares (i.e. shares which pay to investors the income received by the Fund), net income will be paid as follows: quarterly to shareholders in the Legg Mason Global Blue Chip Bond Fund, the Legg Mason Income Optimiser Fund, the Legg Mason US Equity Income Fund and shareholders of the income share classes of the Legg Mason Global Equity Income Fund and monthly to shareholders in the Legg Mason Global Multi Strategy Bond Fund. Shareholders can choose to reinvest this income to buy more shares at no entry charge.
- The remaining Funds only issue accumulation shares (i.e. Shares which roll up the income received by your shares in the Fund) and so make no income payments. The income attributable to accumulation shares is automatically added to the capital assets of the relevant Fund and is reflected in the prices of the shares. Accumulation shares of the Legg Mason Global Equity Income Fund also follow this policy.

### What is the tax position?

The information given below is a general guide based on current UK tax law and practice, but is subject to change. If you are unclear about your tax position, you should seek professional advice.

### For Legg Mason Funds ICVC

- Each Fund is treated as a separate entity for most tax purposes.
- As the Funds are part of an open-ended investment company (Legg Mason Funds ICVC) the Funds are exempt from UK tax on capital gains realised on the disposal of investments held within them.
- The Funds are chargeable to UK Corporation Tax at the applicable rate, currently 20% on certain income net of allowable expenses.
- Funds with UK or overseas interest-earning investments will be subject to corporation tax at a rate equal to the basic rate of income tax but after deducting allowable expenses including any interest distributions paid.

### For UK based investors

You should also be aware of your personal tax implications of holding

shares in the Funds which are summarised below. The income and capital gains tax consequences for each individual investor will depend on their personal circumstances.

### Tax on income

For Funds that pay interest distributions – these are distributions of income paid by Funds that hold more than 60% of their assets in fixed income or similar securities – essentially bond funds.

- Interest distributions are paid after the deduction of tax, currently at 20% except for certain classes of shareholder.
- Basic rate tax payers have no further tax liability on these income distributions.
- Higher rate tax payers will be subject to a total rate of 40% tax.
- Additional rate tax payers will be subject to a total rate of 50% tax.
- Non-tax payers and lower rate tax payers may be able to reclaim some or all of the tax that has been deducted.

For Funds that pay dividend distributions – these are distributions of income paid by Funds that mainly hold equities.

- Dividend distributions are paid with a tax credit equal to one-ninth of the distribution.
- Basic rate tax payers have no further tax liability on these income distributions.
- Higher rate tax payers will be subject to an effective rate of tax on the distribution of 25%.
- Additional rate tax payers are subject to an effective rate of tax on the distributions of 36.1%.
- Non-tax payers and lower rate tax payers cannot make any reclaim of the tax credit.

### Tax on capital gains

When you sell your shares you may be liable to capital gains tax at 18% or 28% on any gains that are realised.

### Stamp duty reserve tax

- Stamp duty reserve tax (SDRT) is a tax on the redemption and switching of shares in certain Funds – and in some cases the transfer of shares.
- If SDRT is chargeable, this will be payable from the assets of the Fund and not by individual shareholders.
- Legg Mason Investment Funds Limited however reserves the right in accordance with the FSA Rules to impose an SDRT provision on any redemption or switching of shares which exceeds the lesser of 0.5% or £50,000 of the value of a Fund.

Please refer to the full Prospectus for more information about tax and SDRT for the Funds.

## Who should I contact?

For administrative and dealing queries, call Investor Services on:  
**0844 620 0013**

Or if calling from overseas:  
**+44 1268 44 8235**

Alternatively, you can contact us in writing at:  
**Legg Mason Global Asset Management,  
PO Box 10649, Chelmsford, Essex, CM99 2BD**

## Further Information on investing in our Funds

If you require more detailed information about any of the Funds before making your investment decision then please refer to the full Prospectus for Legg Mason Funds ICVC (which is available from us free of charge) or consult your independent financial adviser.

On request, copies of the full Prospectus and Key Features Incorporating Simplified Prospectus and ISA Terms and Conditions and the annual report and accounts can be obtained free of charge, before or after making an investment with us by calling 0844 620 0013 or writing to Legg Mason Global Asset Management at the address on the previous page.

### Client Categorisation

The FSA has defined three categories of customer. You will be treated as a 'retail client' unless categorisation is specified by contract or other notification, which would take precedence. This categorisation means that you will be provided with the highest level of protection provided by the FSA rules and guidance.

### Complaints

If you have a complaint about any aspect of the service you have received from Legg Mason, please contact the Complaints Manager at Legg Mason Global Asset Management, PO Box 10649, Chelmsford, Essex, CM99 2BD. If the complaint is not resolved to your satisfaction, you may have the right to refer your complaint to the Financial Ombudsman at South Quay Plaza, 183 Marsh Wall, London, E14 9SR. A copy of Legg Mason Investment Funds Limited's internal complaint handling procedures is available on request.

### Financial Services Compensation Scheme

You may be entitled to receive compensation from the Financial Services Compensation Scheme in the event of Legg Mason Investment Funds Limited being unable to pay a valid claim against it. Further information is available from the Financial Services Compensation Scheme, 7th Floor, Lloyds Chambers, Portsoken Street, London, E1 8BN.

### Language/legal jurisdiction

This document is supplied in English and all communications with Legg Mason Investment Funds Limited will be in English. The Company is incorporated and operates under the law of England and Wales. English law is the basis of all our dealings with you. Any contract concluded between us shall be governed by and construed in accordance with English law.

### Data Protection Act

We will not disclose any of your details to any person outside of the ACD, its associated companies and sub-contractors or agents acting on behalf of the ACD and its associated companies (including those based outside the European Economic Area), except where required by law. Your details may be added to a mailing list to enable you to receive details of the products and services provided by companies within our group; if you prefer not to receive such details, please write to us.

### Money Laundering Regulations 2007

We are required to comply with the money laundering regulations in force in the United Kingdom and this may require us to verify your identity. Verification may include an electronic check of information or we may request documentary evidence of identity. If we do not receive satisfactory verification, this may result in your application for investment

being rejected or delayed, any payment due to you being delayed or withheld or any update requested to your account being refused. We may ask you for further information to verify your identity, such as a copy of your passport or drivers licence certified by a solicitor or bank as being a true copy of the original, and a recent bank statement, building society statement or utility bill in the name of the applicant.

### Authorisation

The Company is constituted as an investment company with variable capital pursuant to the Open Ended Investment Companies Regulations 2001 (as amended) (the "OEIC Regulations") with registered number 225573. The Company was authorised by the Financial Services Authority (address below) on 31 July 2003 and is subject to the terms of the Collective Investment Scheme (COLL) Sourcebook (as amended) in the FSA Rules.

The base currency for all Funds is UK pounds sterling.

Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

### Authorised Corporate Director

The Authorised Corporate Director of the Company is Legg Mason Investment Funds Limited, authorised and regulated by the Financial Services Authority and entered on the FSA Register under registration number 172614. The principal business of Legg Mason Investment Funds Limited is acting as the authorised corporate director of open-ended investment companies.

Legg Mason Investment Funds Limited  
201 Bishopsgate  
London EC2M 3AB

### Depository

The depository of the Company is State Street Trustees Limited. The depository is responsible for the safekeeping of all the property of Legg Mason Funds ICVC entrusted to it and ensures that Legg Mason Funds ICVC is managed in accordance with the FSA Rules.

State Street Trustees Limited  
525 Ferry Road  
Edinburgh  
EH5 2AW

### Auditors

PricewaterhouseCoopers LLP  
Hay's Galleria  
1 Hay's Lane  
London SE1 2RD

# Legg Mason Global Multi Strategy Bond Fund

## Investment objective

To maximise total return through income and capital appreciation by diversifying across a range of fixed income securities, sectors and currencies.

## Investment Policy

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 derivatives, for investment purposes as well as efficient portfolio management purposes, and collective investment schemes.

## What are the risks of investing in this Fund?

- Interest rate risk**  
 This Fund holds fixed income investments and may be affected by changes in interest rates. As interest rates rise, the value of fixed income investments tends to fall, and so will the value of the Fund. In contrast, if interest rates fall the value of these investments, and of the Fund, may rise.
- Credit risk**  
 This Fund invests in 'investment grade' and 'non-investment grade' bonds and is therefore exposed to credit risk. Credit risk is the risk that a government or company that issues a fixed income security cannot repay principal or pay interest when due. This risk is higher when the fixed income security has a low credit rating – these fixed income securities are known as 'non-investment grade' bonds and have the potential for greater losses. The risk of default for 'non-investment' grade bonds is also higher than with 'investment grade' bonds – these factors may have a negative effect on the value of the Fund.

- Emerging markets risk**  
 This Fund may invest in emerging markets which are considered less well developed and regulated than some of the world's major stock markets. Investing in emerging markets is subject to additional risks that may include accounting and reporting standards, dealing difficulties, settlement and custody practices, appropriation of assets and political or social instability. This may increase settlement risk and result in delays in investment into the Fund. The Fund may also be exposed to credit risk on parties with whom it trades and it will bear the risk of settlement default.
- Overseas investment risk**  
 The Fund is permitted to hedge its currency exposure by way of forward contracts and the Fund uses eligible derivatives to hedge its foreign currency exposure back to its base currency, UK pound sterling. Fluctuations in exchange rates may affect the value of investment and any income derived from it.
- Annual management charge from capital**  
 For this Fund, the annual management charge is levied against capital. Therefore, the capital growth of the Fund may be adversely affected.
- Derivatives investment risk**  
 This Fund may invest in certain types of financial derivative investments (FDI's) for efficient portfolio management or investment purposes. These investments may involve a higher degree of risk.

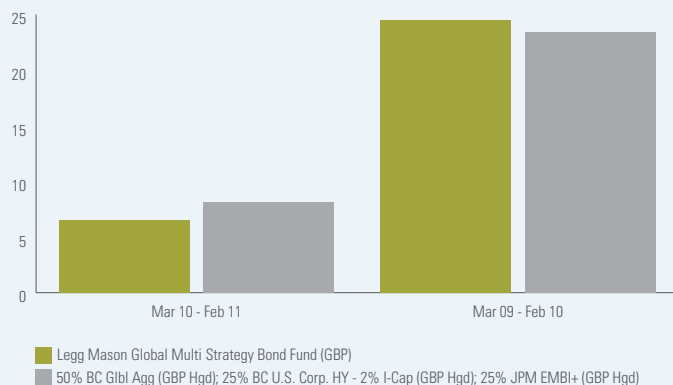
*Each Fund will normally be responsible for meeting its own liabilities. However, the ACD may reallocate these in a manner which is fair to all the investors in the Company if any individual Fund is unable to meet its liabilities. These are the principal risk factors that may affect the performance of the Fund – full details of all risk factors applying to this Fund can be found in the full Prospectus for Legg Mason Funds ICVC. If you are uncertain about any of the risks associated with this Fund then please consult your independent financial adviser.*

## What is the general profile of an investor investing in this Fund?

This Fund may be suitable for an investor who is looking for a regular income from fixed income securities or requires a fixed income fund as a component of a balanced portfolio and who is planning to invest for at least three to five years.

## How has this Fund performed?

Performance Returns by Fiscal Year



### Inception Date

23 May 2008

### Cumulative Performance Returns

to 28 February 2011

1 Year	6.55%
3 Years	-
5 Years	-
10 Years	-
Since Inception	17.23%

Cumulative performance over the 2-year period shown in the chart is 33.45%.

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 entry 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. For up to date Performance returns please visit our website at [www.leggmason.co.uk](http://www.leggmason.co.uk)

# Legg Mason Global Blue Chip Bond Fund\*

## Investment objective

To achieve total return via income and capital appreciation while seeking to mitigate capital erosion.

## Investment Policy

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 and which are rated A minus or above (as measured by Standard & Poor's or an equivalent external rating agency). 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 derivatives for investment purposes as well as efficient portfolio management purposes.

## What are the risks of investing in this Fund?

- Interest rate risk**  
 This Fund holds fixed income investments and may be affected by changes in interest rates. As interest rates rise, the value of fixed income investments tends to fall, and so will the value of the Fund. In contrast, if interest rates fall the value of these investments, and of the Fund, may rise.
- Credit risk**  
 This Fund invests in 'investment grade' and 'non-investment grade' bonds and is therefore exposed to credit risk. Credit risk is the risk that a government or company that issues a fixed income security cannot repay principal or pay interest when due. This risk is higher when the fixed income security has a low credit rating – these fixed income securities are known as 'non-investment grade' bonds and have the potential for greater losses. The risk of default for 'non-investment' grade bonds is also higher than with 'investment grade' bonds – these factors may have a negative effect on the value of the Fund.
- Emerging markets risk**  
 This Fund may invest in emerging markets which are considered less well developed and regulated than some of the world's major stock markets. Investing in emerging markets is subject to additional risks that may include accounting and reporting standards, dealing

difficulties, settlement and custody practices, appropriation of assets and political or social instability. This may increase settlement risk and result in delays in investment into the Fund. The Fund may also be exposed to credit risk on parties with whom it trades and it will bear the risk of settlement default.

- Overseas investment risk**  
 The Fund is permitted to hedge its currency exposure by way of forward contracts and the Fund uses eligible derivatives to hedge its foreign currency exposure back to its base currency, UK pound sterling. Fluctuations in exchange rates may affect the value of investment and any income derived from it.
- Annual management charge from capital**  
 For this Fund, the annual management charge is levied against capital. Therefore, the capital growth of the Fund may be adversely affected.
- Hedging Risk**  
 This Fund may use eligible derivatives to hedge its 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.
- Derivatives investment risk**  
 This Fund may invest in certain types of financial derivative investments (FDI's) for efficient portfolio management or investment purposes. These investments may involve a higher degree of risk.

*Each Fund will normally be responsible for meeting its own liabilities. However, the ACD may reallocate these in a manner which is fair to all the investors in the Company if any individual Fund is unable to meet its liabilities. These are the principal risk factors that may affect the performance of the Fund – full details of all risk factors applying to this Fund can be found in the full Prospectus for Legg Mason Funds ICVC. If you are uncertain about any of the risks associated with this Fund then please consult your independent financial adviser.*

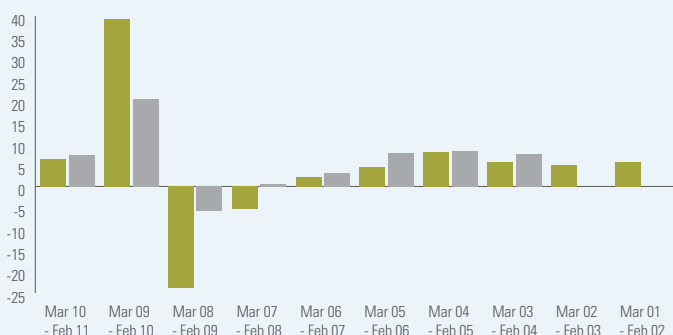
## What is the general profile of an investor investing in this Fund?

This Fund may be suitable for an investor who is looking for a regular income from fixed income securities or requires a fixed income fund as a component of a balanced portfolio and who is planning to invest for at least three to five years.

\* (Formerly the Legg Mason Sterling Corporate Plus Bond Fund)

## How has this Fund performed?

Performance Returns by Fiscal Year



■ Legg Mason Global Blue Chip Bond Fund (GBP) \*  
 ■ 60% BofA Merrill Lynch Sterling Non-Gilts Index; 25% Barclays Capital Global Aggregate Index (GBP Hedged); 15% Barclays Capital Global High Yield Corporate 2% Issuer Capped Index (GBP Hedged)

**Inception Date**  
12 February 1998

**Cumulative Performance Returns**  
to 28 February 2011

1 Year	6.38%
3 Years	12.76%
5 Years	9.32%
10 Years	45.16%
Since Inception	75.13%

Cumulative performance over the 10-year period shown in the chart is 45.16%.

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 entry 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. For up to date Performance returns please visit our website at [www.leggmason.co.uk](http://www.leggmason.co.uk) \* Formerly the Legg Mason Sterling Corporate Plus Bond Fund

## Legg Mason Income Optimiser Fund

### Investment objective

To maximise income yield in all market conditions over a rolling 3 – 5 year period with a secondary objective of capital preservation.

### Investment Policy

The Fund seeks to achieve its objective by investing at least 70% of its net asset value in (i) government and corporate debt securities, convertible securities, mortgage backed securities, asset backed securities, common stock and preferred shares that are listed or traded on regulated markets; (ii) units or shares of collective investment schemes; and (iii) financial derivative instruments, such minimum percentage consisting solely of the assets set out at (i) above, or a combination of (i) and (ii), of (i) and (iii), or of (i), (ii) and (iii). The Fund will invest in a combination of investment grade and below investment grade bonds (as measured by Standard & Poor's, Moody's or an equivalent external rating agency), preferred shares, convertible bonds, common stock, spot and forward foreign exchange contracts, credit default swaps, equity options and other financial derivative instruments. A minimum of 70% of the Fund's net asset value will be invested in securities or derivatives that are either denominated in Sterling or, if denominated in other currencies, are hedged to Sterling. No more than 10% of the Fund's net asset value may be invested in units or shares of collective investment schemes.

The Fund may also invest in other transferable securities, money market instruments and deposits. When deemed appropriate by the Fund's investment manager, the Fund may hold synthetic short positions, on individual securities, indices, currencies and/or interest rates.

The Fund seeks to achieve a target gross income yield of 8% per annum over a rolling 3 – 5 year period.

Although the Fund seeks to maximise income yield in all market conditions with a secondary objective of capital preservation, neither of these objectives is guaranteed; the objectives may not be achieved; the Fund may experience negative returns and investors may not get back the amount originally invested.

### What are the risks of investing in this Fund?

- **Interest rate risk**  
This Fund holds fixed income investments and may be affected by changes in interest rates. As interest rates rise, the value of fixed income investments tends to fall, and so will the value of the Fund. In contrast, if interest rates fall the value of these investments, and of the Fund, may rise.
- **Credit risk**  
This Fund invests in 'investment grade' and 'non-investment grade' bonds and is therefore exposed to credit risk. Credit risk is the risk that a government or company that issues a fixed income security cannot repay principal or pay interest when due. This risk is higher when the fixed income security has a low credit rating – these fixed income securities are known as 'non-investment grade' bonds and have the potential for greater losses. The risk of default for 'non-investment' grade bonds is also higher than with 'investment

grade' bonds – these factors may have a negative effect on the value of the Fund.

- **Emerging markets risk**  
This Fund may invest in emerging markets which are considered less well developed and regulated than some of the world's major stock markets. Investing in emerging markets is subject to additional risks that may include accounting and reporting standards, dealing difficulties, settlement and custody practices, appropriation of assets and political or social instability. This may increase settlement risk and result in delays in investment into the Fund. The Fund may also be exposed to credit risk on parties with whom it trades and it will bear the risk of settlement default.
- **Overseas investment risk**  
The Fund is permitted to hedge its currency exposure by way of forward contracts and the Fund uses eligible derivatives to hedge its foreign currency exposure back to its base currency, UK pound sterling. Fluctuations in exchange rates may affect the value of investment and any income derived from it.
- **Annual management charge from capital**  
For this Fund, the annual management charge is levied against capital. Therefore, the capital growth of the Fund may be adversely affected.
- **Derivatives investment risk**  
This Fund may invest in certain types of financial derivative investments (FDI's) for efficient portfolio management or investment purposes. These investments may involve a higher degree of risk.
- **High Risk Fund**  
Owing to its investment policy, this Fund should be viewed as a high risk investment.
- **Asset Backed Securities (ABS) and Mortgage Backed Securities (MBS) risk**  
The Fund may invest in ABS and MBS. ABS and MBS are securities from a specified pool of financial assets such as residential or commercial mortgages, car loans or credit cards. As such, they may be subject to a greater level of individual bond, liquidity or interest rate risk when compared to other fixed interest securities such as government issued bonds.

*Each Fund will normally be responsible for meeting its own liabilities. However, the ACD may reallocate these in a manner which is fair to all the investors in the Company if any individual Fund is unable to meet its liabilities. These are the principal risk factors that may affect the performance of the Fund – full details of all risk factors applying to this Fund can be found in the full Prospectus for Legg Mason Funds ICVC. If you are uncertain about any of the risks associated with this Fund then please consult your independent financial adviser.*

### What is the general profile of an investor investing in this Fund?

This Fund is not available for retail investors. This Fund may be suitable for an institutional investor who is looking for a regular income from fixed income securities or requires a fixed income fund as a component of a balanced portfolio and who is planning to invest for at least three to five years.

### How has this Fund performed?

The Fund has not been in existence for a sufficient period of time to be able to compile annual performance data.

## Legg Mason Asia Pacific Fund

### Investment objective

To achieve capital growth, principally through investment in securities of companies based in the Asia Pacific region, excluding Japan.

### Investment Policy

The Fund seeks to achieve its objective by investing principally in securities of companies domiciled or having their principal 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 as applicable from time and as explained in the Prospectus.

### What are the risks of investing in this Fund?

- Smaller companies risk**  
 Shares may be acquired in companies that have relatively small market capitalisations and which therefore may not be readily marketable. This may, for example, increase the risk profile of this Fund.
- Single region risk**  
 The Fund invests in companies concentrated predominantly within a single region. This means that it is subject to all risks of that regional equity market environment and as a result the Fund carries more risk than other funds that diversify their investments across a broad range of regions. This concentration can lead to increased volatility in the Fund's share price.
- Overseas investment risk**  
 Fluctuations in exchange rates may affect the value of investment and any income derived from it.
- Emerging markets risk**  
 This Fund may invest in emerging markets which are considered less well developed and regulated than some of the world's major stock markets. Investing in emerging markets is subject to additional risks that may include accounting and reporting standards, dealing difficulties, settlement and custody practices, appropriation of assets and political or social instability. This may increase settlement risk and result in delays in investment into the Fund. The Fund may also be exposed to credit risk on parties with whom it trades and it will bear the risk of settlement default.

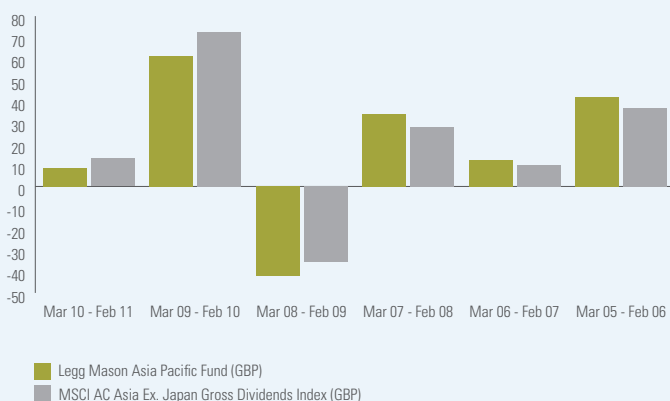
Each Fund will normally be responsible for meeting its own liabilities. However, the ACD may reallocate these in a manner which is fair to all the investors in the Company if any individual Fund is unable to meet its liabilities. These are the principal risk factors that may affect the performance of the Fund – full details of all risk factors applying to this Fund can be found in the full Prospectus for Legg Mason Funds ICVC. If you are uncertain about any of the risks associated with this Fund then please consult your independent financial adviser.

### What is the general profile of an investor investing in this Fund?

This Fund may be suitable for an investor who is looking for capital growth from a portfolio of Far East and Asian equities, perhaps building on an existing equity portfolio that is invested across the world's major markets and looking to diversify exposure to the more specialist stock markets across Asia. An investor in this Fund should be comfortable with taking a higher level of risk from investing in companies across the Asia Pacific region and is planning to invest for at least five to seven years.

### How has this Fund performed?

Performance Returns by Fiscal Year



**Inception Date**  
16 February 2004

**Cumulative Performance Returns**  
to 28 February 2011

1 Year	8.73%
3 Years	1.36%
5 Years	52.95%
10 Years	-
Since Inception	123.00%

Cumulative performance over the 7-year period shown in the chart is 124.26%

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 without entry 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. For up to date Performance returns please visit our website at [www.leggmason.co.uk](http://www.leggmason.co.uk)

## Legg Mason Continental European Equity Fund

### Investment objective

To achieve capital growth through investment in securities of European companies.

### Investment Policy

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.

### What are the risks of investing in this Fund?

- Single region risk**  
 The Fund invests in companies concentrated predominantly within a single region. This means that it is subject to all risks of that regional equity market environment and as a result the Fund carries more risk than other funds that diversify their investments across a broad range of regions. This concentration can lead to increased volatility in the Fund's share price.
- Overseas investment risk**  
 The Fund is permitted to hedge its currency exposure by way of forward contracts and the Fund may use eligible derivatives to hedge its foreign currency exposure back to its base currency, UK pound sterling. Fluctuations in exchange rates may affect the value of investment and any income derived from it.
- Emerging markets risk**  
 This Fund may invest in emerging markets which are considered less well developed and regulated than some of the world's major stock markets. Investing in emerging markets is subject to additional risks that may include accounting and reporting standards, dealing difficulties, settlement and custody practices, appropriation of assets and political or social instability. This may increase settlement risk and result in delays in investment into the Fund. The Fund may also be exposed to credit risk on parties with whom it trades and it will bear the risk of settlement default.

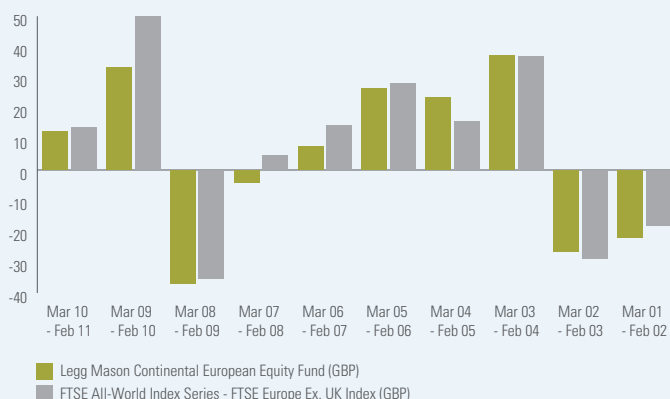
Each Fund will normally be responsible for meeting its own liabilities. However, the ACD may reallocate these in a manner which is fair to all the investors in the Company if any individual Fund is unable to meet its liabilities. These are the principal risk factors that may affect the performance of the Fund – full details of all risk factors applying to this Fund can be found in the full Prospectus for Legg Mason Funds ICVC. If you are uncertain about any of the risks associated with this Fund then please consult your independent financial adviser.

### What is the general profile of an investor investing in this Fund?

This Fund may be suitable for an investor who is looking for capital growth from a portfolio of European equities, perhaps building on an existing equity portfolio and looking to diversify exposure to overseas stock markets and planning to invest for at least five years.

### How has this Fund performed?

Performance Returns by Fiscal Year



#### Inception Date

29 August 1997

#### Cumulative Performance Returns

to 28 February 2011

1 Year	12.63%
3 Years	-5.22%
5 Years	-2.09%
10 Years	20.03%
Since Inception	84.15%

Cumulative performance over the 10-year period shown in the chart is 20.03%

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## Legg Mason Global Equity Income Fund

### Investment objective

To achieve income and capital growth through investment primarily in a range of equity and equity-related securities.

### Investment Policy

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.

### What are the risks of investing in this Fund?

- **Emerging markets risk**

This Fund may invest in emerging markets which are considered less well developed and regulated than some of the world's major stock markets. Investing in emerging markets is subject to additional risks that may include accounting and reporting standards, dealing difficulties, settlement and custody practices, appropriation of assets and political or social instability. This may increase settlement risk and result in delays in investment into the Fund. The Fund may also be exposed to credit risk on parties with whom it trades and it will bear the risk of settlement default.

- **Overseas investment risk**

The Fund is permitted to hedge its currency exposure by way of forward contracts and the Fund may use eligible derivatives to hedge its foreign currency exposure back to its base currency, UK pound sterling. Fluctuations in exchange rates may affect the value of investment and any income derived from it.

- **Annual management charge from capital**

For this Fund, the annual management charge is levied against capital. Therefore, the capital growth of the Fund may be adversely affected.

- **Concentration risk**

As a result of the investment methods, this Fund may select fewer equities for its portfolio than is common for other equity funds and this concentration carries more risk than funds investing in a larger number of companies.

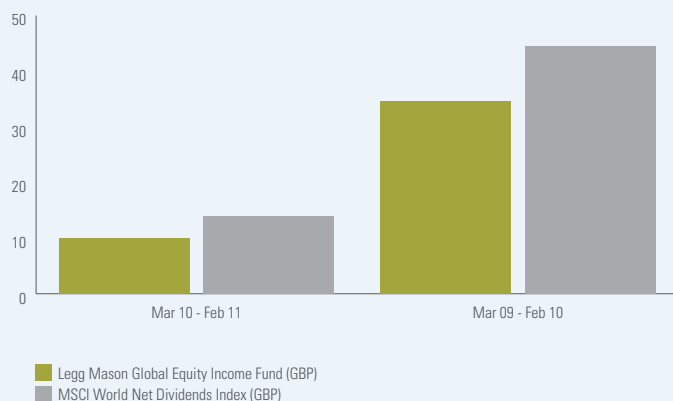
*Each Fund will normally be responsible for meeting its own liabilities. However, the ACD may reallocate these in a manner which is fair to all the investors in the Company if any individual Fund is unable to meet its liabilities. These are the principal risk factors that may affect the performance of the Fund – full details of all risk factors applying to this Fund can be found in the full Prospectus for Legg Mason Funds ICVC. If you are uncertain about any of the risks associated with this Fund then please consult your independent financial adviser.*

### What is the general profile of an investor investing in this Fund?

This Fund may be suitable for an investor who is looking for income, and capital growth, from a portfolio of global equities and who is planning to invest for at least five years.

### How has this Fund performed?

Performance Returns by Fiscal Year



#### Inception Date

23 May 2008

#### Cumulative Performance Returns

to 28 February 2011

1 Year	10.03%
3 Years	-
5 Years	-
10 Years	-
Since Inception	11.90%

Cumulative performance over the 2-year period shown in the chart is 48.02%

Source for performance figures: Copyright © 2011, Morningstar, Inc. All Rights Reserved. Performance is for the Class A Income shares only. Performance is calculated on a NAV to NAV with net income reinvested without entry 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. For up to date Performance returns please visit our website at [www.leggmason.co.uk](http://www.leggmason.co.uk)

## Legg Mason Japan Equity Fund

### Investment objective

To achieve capital growth through investment in securities of Japanese companies.

### Investment Policy

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.

### What are the risks of investing in this Fund?

- Smaller companies risk**  
 Shares may be acquired in companies that have relatively small market capitalisations and which therefore may not be readily marketable. This may, for example, increase the risk profile of this Fund.
- Single country risk**  
 The Fund invests in companies concentrated predominantly within a single country. This means that it is subject to all risks of that country's equity market environment and as a result the Fund carries more risk than other funds that diversify their investments across a broad range of regions. This concentration can lead to increased volatility in the Fund's share price.
- Overseas investment risk**  
 Fluctuations in exchange rates may affect the value of investment and any income derived from it.
- Concentration risk**  
 As a result of the investment methods, this Fund may select fewer equities for its portfolio than is common for other equity funds and this concentration carries more risk than funds investing in a larger number of companies.
- High Risk Fund**  
 Owing to its investment policy, this Fund should be viewed as a high risk investment.

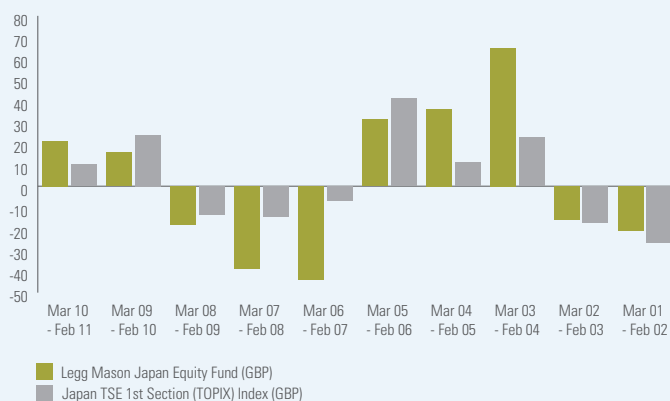
Each Fund will normally be responsible for meeting its own liabilities. However, the ACD may reallocate these in a manner which is fair to all the investors in the Company if any individual Fund is unable to meet its liabilities. These are the principal risk factors that may affect the performance of the Fund – full details of all risk factors applying to this Fund can be found in the full Prospectus for Legg Mason Funds ICVC. If you are uncertain about any of the risks associated with this Fund then please consult your independent financial adviser.

### What is the general profile of an investor investing in this Fund?

This Fund may be suitable for an investor who is looking for capital growth from a concentrated portfolio of smaller-cap Japanese equities, perhaps building on an existing core equity portfolio and looking to diversify exposure to a more specialist fund that invests in Japanese smaller companies. An investor in this Fund must be comfortable with taking a high level of risk from investing in a concentrated portfolio of smaller-cap Japanese equities and is planning to invest for at least five to seven years.

### How has this Fund performed?

Performance Returns by Fiscal Year



**Inception Date**  
22 October 1996

**Cumulative Performance Returns**  
to 28 February 2011

1 Year	21.21%
3 Years	15.16%
5 Years	-60.45%
10 Years	-22.38%
Since Inception	31.07%

Cumulative performance over the 10-year period shown in the chart is -22.38%

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## Legg Mason UK Equity Fund

### Investment objective

To achieve capital growth through investment in quoted securities of UK companies.

### Investment Policy

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.

### What are the risks of investing in this Fund?

- **Single country risk**

The Fund invests in companies concentrated predominantly within a single country. This means that it is subject to all risks of that country's equity market environment and as a result the Fund carries more risk than other funds that diversify their investments across a broad range of countries. This concentration can lead to increased volatility in the Fund's share price.

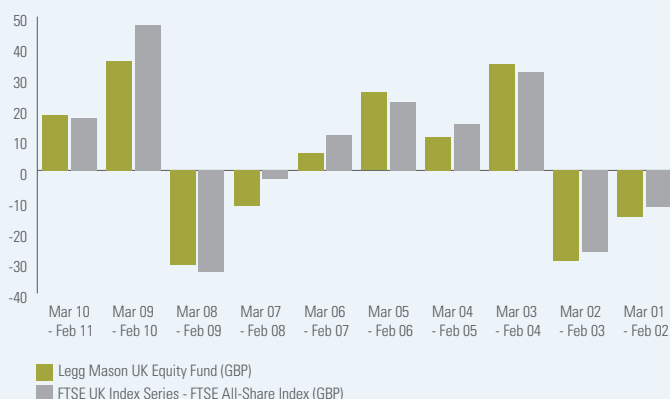
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### What is the general profile of an investor investing in this Fund?

This Fund may be suitable for an investor who is looking for capital growth from a portfolio of UK equities and who is planning to invest for at least five years.

### How has this Fund performed?

Performance Returns by Fiscal Year



**Inception Date**  
31 October 1995

**Cumulative Performance Returns**  
to 28 February 2011

1 Year	18.00%
3 Years	10.55%
5 Years	3.19%
10 Years	15.65%
Since Inception	143.02%

Cumulative performance over the 10-year period shown in the chart is 15.65%

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# Legg Mason US Equity Fund

### Investment objective

To achieve capital growth, principally through investment in securities of US issuers.

### Investment Policy

The Fund seeks to achieve its objective by investing principally in securities of US issuers which the investment manager 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.

### What are the risks of investing in this Fund?

- Single country risk**  
 The Fund invests in companies concentrated predominantly within a single country. This means that it is subject to all risks of that country's equity market environment and as a result the Fund carries more risk than other funds that diversify their investments across a broad range of countries. This concentration can lead to increased volatility in the Fund's share price.
- Overseas investment risk**  
 Fluctuations in exchange rates may affect the value of investment and any income derived from it.
- Concentration risk**  
 As a result of the investment methods, this Fund may select fewer equities for its portfolio than is common for other equity funds and this concentration carries more risk than funds investing in a larger number of companies

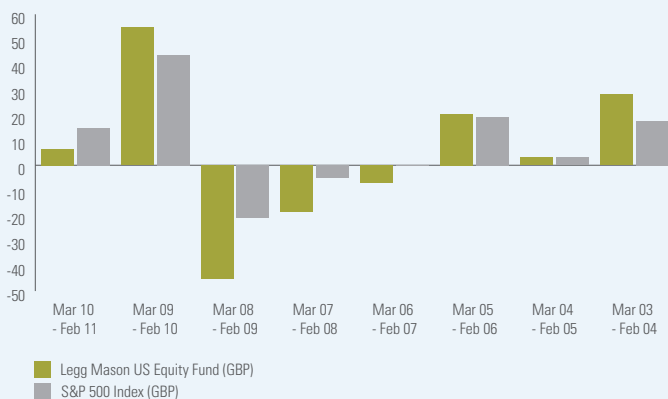
Each Fund will normally be responsible for meeting its own liabilities. However, the ACD may reallocate these in a manner which is fair to all the investors in the Company if any individual Fund is unable to meet its liabilities. These are the principal risk factors that may affect the performance of the Fund – full details of all risk factors applying to this Fund can be found in the full Prospectus for Legg Mason Funds ICVC. If you are uncertain about any of the risks associated with this Fund then please consult your independent financial adviser.

### What is the general profile of an investor investing in this Fund?

This Fund may be suitable for an investor who is looking for capital growth from a concentrated portfolio of large-cap US equities, perhaps building on an existing equity portfolio and looking to diversify exposure to overseas stock markets and planning to invest for at least five years.

### How has this Fund performed?

Performance Returns by Fiscal Year



**Inception Date**  
02 January 2003

**Cumulative Performance Returns**  
to 28 February 2011

1 Year	6.39%
3 Years	-9.63%
5 Years	-31.29%
10 Years	-
Since Inception	3.78%

Cumulative performance over the 8-year period shown in the chart is 9.34%

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## EQUITY

# Legg Mason US Equity Income Fund

### Investment objective

To provide a high level of income with a secondary investment objective of long-term capital appreciation. Given the income generation and long-term capital appreciation objectives of the Fund, the overall objective is that of total return.

### Investment Policy

Under normal market conditions the Fund seeks to achieve its objective by investing at least 70% of its net assets in US equity or US equity related securities, which the investment manager believes have the ability to maintain or increase dividends or distributions over the longer term with a view to obtaining a yield higher than the Historic Yield on the Russell 3000 Value Index.

The Fund may from time to time invest in preferred and convertibles securities as well as fixed-income securities of any quality, when the investment manager believes such securities provide a compelling yield opportunity while keeping with the Fund's overall objective of total return. The total amount invested in such assets will not exceed 30% of the Fund's net assets under normal market conditions. The Fund may invest up to 20% of its net assets in equity or equity related securities of non-US issuers (with market capitalisations generally of at least \$10 billion). 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.

The investment manager's investment process emphasises the individual security selection of companies which they believe have assets or earnings power that are either unrecognized or undervalued.

### What are the risks of investing in this Fund?

- **Single country risk**  
The Fund invests in companies concentrated predominantly within a single country. This means that it is subject to all risks of that country's equity market environment and as a result the Fund carries more risk than other funds that diversify their investments across a broad range of regions. This concentration can lead to increased volatility in the Fund's share price.
- **Overseas investment risk**  
Fluctuations in exchange rates may affect the value of investment and any income derived from it.
- **Annual management charge from capital**  
For this Fund, the annual management charge is levied against capital. Therefore, the capital growth of the Fund may be adversely affected.

*Each Fund will normally be responsible for meeting its own liabilities. However, the ACD may reallocate these in a manner which is fair to all the investors in the Company if any individual Fund is unable to meet its liabilities. These are the principal risk factors that may affect the performance of the Fund – full details of all risk factors applying to this Fund can be found in the full Prospectus for Legg Mason Funds ICVC. If you are uncertain about any of the risks associated with this Fund then please consult your independent financial adviser.*

### What is the general profile of an investor investing in this Fund?

This Fund may be suitable for an investor who is looking for income, and capital growth, from a portfolio of US equities and who is planning to invest for at least five years.

### How has this Fund performed?

The Fund has not been in existence for a sufficient period of time to be able to compile annual performance data.

## Legg Mason US Smaller Companies Fund

### Investment objective

To achieve capital growth, principally through investment in securities of smaller US companies.

### Investment Policy

The Fund seeks to achieve its objective by investing principally in the securities of US smaller companies with emphasis placed on finding 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 manager'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 and as explained in the Prospectus.

### What are the risks of investing in this Fund?

- Smaller companies risk**  
 Shares may be acquired in companies that have relatively small market capitalisations and which therefore may not be readily marketable. This may, for example, increase the risk profile of this Fund.
- Single country risk**  
 The Fund invests in companies concentrated predominantly within a single country. This means that it is subject to all risks of that country's equity market environment and as a result the Fund carries more risk than other funds that diversify their investments across a broad range of countries. This concentration can lead to increased volatility in the Fund's share price
- Overseas investment risk**  
 Fluctuations in exchange rates may affect the value of investment and any income derived from it.
- Hedged Shares Risk**  
 Investors in Class A Accumulation (Hedged) Shares should be aware that any currency hedging process may not give a precise hedge. While currency hedging transactions may protect an investor against a decrease in the value of the foreign currencies to which the Fund is exposed against UK pounds sterling, they may also prevent an investor participating in an increase in the value of those foreign currencies. Furthermore there is no guarantee that the hedging will be totally successful and no hedging strategy can fully eliminate currency risk.

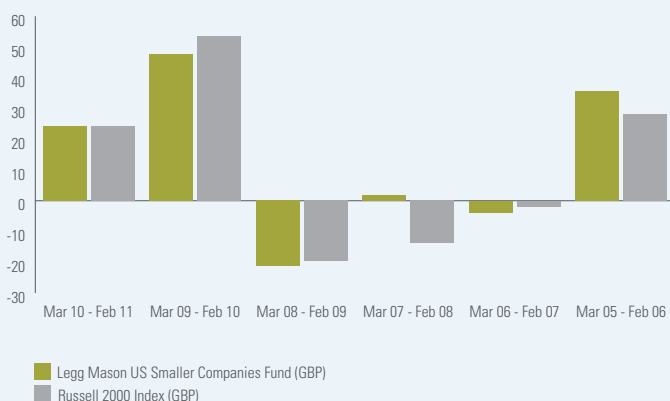
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### What is the general profile of an investor investing in this Fund?

This Fund may be suitable for an investor who is looking for capital growth from a portfolio of small-cap US equities, perhaps building on an existing equity portfolio and looking to diversify exposure to overseas stock markets. An investor in this Fund should be comfortable with taking a higher level of risk from investing in smaller companies and is planning to invest for at least five years.

### How has this Fund performed?

Performance Returns by Fiscal Year



#### Inception Date

29 March 2004

#### Cumulative Performance Returns

to 28 February 2011

1 Year	24.35%
3 Years	44.67%
5 Years	41.88%
10 Years	-
Since Inception	106.30%
Cumulative performance over the 6-year period shown in the chart is 92.44%	

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 without entry 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. For up to date Performance returns please visit our website at [www.leggmason.co.uk](http://www.leggmason.co.uk)

## Appendix 1: Fees and expenses (class A shares)

### What are the fees and expenses for each Fund?

The table below provides you with the charges that are applicable for each Fund. The charges are:

#### Entry charge

The entry charge is a percentage of the amount you pay when investing in the Funds and is taken out of such amount before it is invested in the Fund.

#### Total expense ratio (TER)

The total expense ratio shows you the total annual operating expenses charged to the Fund and includes the annual management fee and other Fund related expenses – it does not include transaction expenses. All European UCITS funds highlight the TER to help you compare the annual operating expenses of different funds.

#### Annual management charge (AMC)

The annual fee charged for managing the underlying investments is paid directly to the ACD by each Fund.

#### Other Fund related expenses

There are other expenses, which are paid directly by each Fund. These expenses are the depositary fees and expenses and the general administration charge.

### Table of charges and expenses

The formula for calculating the TER does not include entry charges or other transaction expenses in connection with managing the Fund. Other charges may include:

**Transaction costs:** such as brokerage fees, taxes and other charges associated with remunerating a broker

**Borrowing costs:** this includes interest costs

**Financial derivative payments:** incurred to hedge or transact a derivative contract and other instruments.

### What is the Portfolio Turnover Rate (PTR)?

This shows the level of transactions carried out by each Fund – the more the investment manager buys and sells stocks and shares, the higher the portfolio turnover rate will be. This may result in higher costs to the Fund. Investors should be aware that the portfolio turnover rate tends to reflect different investment management styles or approaches to investing. Some investment managers follow an active management style that generates a higher transaction rate than others. All European UCITS funds publish a PTR to help you compare the levels of transactions in different funds.

### Table of Charges and Expenses

Fund	Initial Charge	Annual Charge	+	Other Expenses	=	TER	Portfolio Turnover Rate
Legg Mason Global Multi Strategy Bond Fund	4.25%	1.25%		0.19%		1.44%	122.17%
Legg Mason Global Blue Chip Bond Fund	4.25%	1.25%*		0.24%		1.49%	73.22%
Legg Mason Asia Pacific Fund	4.25%	1.50%		0.59%		2.09%	134.73%
Legg Mason Continental European Equity Fund	4.25%	1.50%		0.44%		1.94%	136.85%
Legg Mason Global Equity Income Fund	4.25%	1.50%		0.36%		1.86%	96.40%
Legg Mason Income Optimiser Fund**	4.25%	1.25%		0.2%		1.45%	-
Legg Mason Japan Equity Fund	4.25%	1.50%		0.44%		1.94%	74.11%
Legg Mason UK Equity Fund	4.25%	1.50%		0.38%		1.88%	66.98%
Legg Mason US Equity Fund	4.25%	1.50%		0.21%		1.71%	40.52%
Legg Mason US Equity Income Fund**	4.25%	1.50%		0.3%		1.8%	-
Legg Mason US Smaller Companies Fund (non hedged shares)	4.25%	1.50%		0.23%		1.73%	23.46%
Legg Mason US Smaller Companies Fund (hedged shares)***	4.25%	1.50%		0.33%		1.83%	23.46%

The above TER and portfolio turnover rate figures are as of 28 February 2011.\*\*  
The turnover rate figures are based on 12 months to 28 February 2011.

**The portfolio turnover rate is calculated using the following formula:**

$$\frac{(\text{Purchase of securities} + \text{Sale of securities}) - (\text{Subscription of shares} + \text{Redemption of shares})}{(\text{Average Fund value over 12 months}) \times 100}$$

The latest TER and PTR figures are available on our website.

\* The annual charge for the Legg Mason Global Blue Chip Bond Fund (formerly Legg Mason Sterling Corporate Plus Bond Fund) has been reduced from 1.25% to 1.00% effective 11 March 2011.

\*\* The TER figures for the Legg Mason US Equity Income Fund and the Legg Mason Income Optimiser Fund are estimates as of the date of this document. As the Funds have recently launched a portfolio turnover rate figure is not yet available.

\*\*\* The TER figures for the Legg Mason US Smaller Companies Fund (hedged shares) is an estimate as at the date of this document.

## Appendix 2: The effect of fees and expenses on each Fund (class A shares)

### How will charges and expenses affect my investment?

The following tables have been put together in accordance with FSA regulatory guidelines and show the impact of charges and expenses on an investment into each Fund. The tables, for all our Funds, show the impact of our charges on a minimum £3,000 lump sum investment. We assumed that each Fund grows by 6% a year – this is an industry standard growth rate and is no way guaranteed. We then deducted the entry charges, annual management fees and other Fund related expenses to arrive at a figure to show the effect of our charges on a £3,000 investment over several time periods. The tables below are for illustration purposes only. The figures are not guaranteed and serve only to demonstrate the effect of charges on expenses on an investment.

### Income Funds

#### Lump sum: ICVC investment

The tables below outline the reduction in the rates of return from 6% at the end of ten years based on a lump sum investment of £3,000.

Fund	At end of year	Investment to date	INCOME SHARES				
			Income reinvested		Income withdrawn		Income to date
			Effect of deductions to date	What you might get back	Effect of deductions to date	What you might get back	
Global Equity	1	£3,000	£191	£2,980	£190	£2,880	£103
Income	3		£337	£3,230	£328	£2,900	£310
	5		£512	£3,500	£485	£2,930	£519
	10		£1,100	£4,270	£970	£2,980	£1,050

The table shows that over 10 years the effect of the total charges and expenses could amount to £970 if income is withdrawn and £1,100 if income is reinvested. Putting it another way, this would have the same effect as bringing investment growth from 6% a year down to 3.51% a year if income is withdrawn or 3.59% a year if income is reinvested.

#### Other Income Funds

To give you an idea of how the charges and expenses on the other income Funds could affect returns, this table outlines the reduction in rates of return from 6% a year after taking account of charges.

Effective reduction in investment growth from 6% to the following % per annum.	Accumulation Shares
Global Equity Income	3.59%

Effective reduction in investment growth from 6% to the following % per annum.	Income Shares
Global Multi Strategy Bond	3.94%
Global Blue Chip Bond	4.16%
Income Optimiser	3.89%
US Equity Income	3.55%

### How much will advice cost?

You can discuss your plans with your financial adviser who will give you details of the cost of this advice. This may be an upfront fee or commission, where the costs are paid for out of the fund charges. The amount of any advice depends on the size and frequency of your investments. The ACD does not give financial advice.

### Growth Funds

#### Lump sum: ICVC investment

The tables below outline the reduction in the rates of return from 6% at the end of ten years based on a lump sum investment of £3,000.

Fund	At end of year	Investment to date	ACCUMULATION SHARES	
			Effect of deductions to date	What you might get back
UK Equity	1	£3,000	£191	£2,980
Equity	3		£339	£3,230
	5		£515	£3,490
	10		£1,110	£4,260

The table shows that over 10 years the effect of the total charges and expenses could amount to £1,110. Putting it another way, this would have the same effect as bringing investment growth from 6% a year down to 3.57%.

#### Other Growth Funds

To give you an idea of how the charges and expenses on the other growth Funds could affect returns, this table outlines the reduction in rates of return from 6% a year after taking account of charges.

Effective reduction in investment growth from 6% to the following % per annum.	Accumulation Shares
Asia Pacific	3.36%
Continental European Equity	3.51%
Japan Equity	3.51%
US Equity	3.75%
US Smaller Companies (non hedged shares)	3.73%
US Smaller Companies (hedged shares)	3.60%

Based on data as at 28 February 2011. Legg Mason US Equity Income Fund data as of 21 September 2011. Legg Mason Income Optimiser Fund data as of 9 December 2011.

## Additional key information on investing in our Funds through our ISA

### ISA: YOUR QUESTIONS ANSWERED

#### What is an ISA (Individual Savings Account)?

It is an account in which you can invest in either cash (a Cash ISA) or other financial investments such as shares, bonds or funds (a Stocks and Shares ISA) without having to declare income or gains made on your tax returns.

All ISAs are set up by ISA managers, who are approved by HM Revenue & Customs, and must be managed in accordance with the ISA Regulations (i.e. a piece of UK legislation) under terms agreed between the ISA manager and the investor.

#### What is your Legg Mason ISA?

Your Legg Mason ISA is governed by a contract between you and Legg Mason Investments (Europe) Limited which acts as the ISA manager and is authorised and regulated by the Financial Services Authority (the "FSA") and entered on the FSA register under register number 121831.

The principal business of Legg Mason Investments (Europe) Limited is ISA management, ISA administration services, marketing and distribution of Legg Mason's range of European Funds. Legg Mason Investments (Europe) Limited's address is 201 Bishopsgate, London, EC2M 3AB.

Your Legg Mason ISA is governed by our ISA Terms and Conditions to which you agree when you apply for your Legg Mason ISA.

Your Legg Mason ISA is a Stocks and Shares ISA. It enables you to invest in a range of Funds of the Legg Mason Funds ICVC which offers you access to a range of equity and bond markets.

Your ISA investments will be registered jointly in your name and our name (i.e. Legg Mason Investments (Europe) Limited). Legg Mason Investments (Europe) Limited may arrange for you to exercise any voting rights attaching to the ISA investments.

All these provisions are more fully explained in the formal Terms and Conditions which are on pages 21 to 25. The key features of these are highlighted in the following paragraphs for you.

#### Who can invest in an ISA?

Anyone aged 18 and over and ordinarily resident in the UK (i.e. England, Wales, Scotland and Northern Ireland, but not the Channel Islands or the Isle of Man) for tax purposes, or if not resident in the UK, performing duties as a civil servant serving overseas and paid out of the public revenue of the United Kingdom (typically a serving member of the armed forces, or a diplomat) or their spouse or their civil partner, can invest in a Stocks and Shares ISA. However, you can invest in a Cash ISA from the age of 16.

#### How much can I invest in my Legg Mason ISA?

Investments into ISAs are limited to the ISA subscription limits which are fixed for each tax year.

For the tax year 2012/2013 the ISA subscription limits are as follows:

<b>Cash ISA</b>	Up to £5,640
<b>Stocks and Shares ISA</b>	Up to £11,280, or the remainder of your allowance if you have invested in a Cash ISA.

You can make both an initial investment and one or more top ups to your Legg Mason ISA during a tax year. The minimum initial investment amount is £3,000 and the minimum top up amount is £1,000. Please note that your aggregated subscriptions to your Legg Mason ISA must not exceed the ISA subscription limits for any given tax year.

#### How do I apply for a Legg Mason ISA?

Please return your completed and signed Legg Mason ISA application form to Legg Mason Global Asset Management, PO Box 10649, Chelmsford, Essex, CM99 2BD, together with a cheque from your own bank or building society account made payable to 'Legg Mason Investments (Europe) Limited'.

Once we have received and accepted your application form and having confirmed that it is correctly completed and a valid application (i.e. it is signed and all further information that we require (including documents to verify your identity) has been received and considered acceptable by us), your money will be invested in shares of the Funds that you have selected at a price calculated with reference to the next valuation point for those Funds – which is midday on each business day. Usually therefore your money will be invested on the day that we receive your correctly completed Legg Mason ISA application form.

#### Can I change my mind?

You are entitled to a cancellation period of 14 days if you opened your Legg Mason ISA on the recommendation of a financial adviser. Please note that you do not have a right to cancel your Legg Mason ISA if you did not open it on the recommendation of a financial adviser. When you open your Legg Mason ISA, we will send you a cancellation notice if applicable. If you change your mind, you should complete and send the cancellation notice to us (at Legg Mason Global Asset Management, PO Box 10649, Chelmsford, Essex, CM99 2BD) within 14 days from the day you received it. When we receive your completed cancellation notice, we will sell your investment and return the amount invested less any fall in the share price of the underlying Fund(s) (if applicable). Un-invested subscription monies held when a valid cancellation notice is received by us will be returned to you in full and without interest. If you change your mind during the cancellation period, you will be able to open another Stocks and Shares ISA in the same tax year.

Please note that if you do not cancel your Legg Mason ISA within 14 days from the day you received a cancellation notice and later decide to cancel or terminate your Legg Mason ISA, you will not be able to open another Stocks and Shares ISA during the same tax year. However, you will be able to open a Cash ISA if you have not done so already and if your subscription to your Legg Mason ISA was lower than the subscription limit for a Cash ISA as your subscription to your Legg Mason ISA will be considered as counting towards your annual ISA subscription limits.

#### How will I be kept informed about my investment in my Legg Mason ISA?

We will send you a formal acknowledgement shortly after you invest in your Legg Mason ISA.

We will send you a short report for Legg Mason Funds ICVC twice a year informing you of the investments and performance of the Funds which you have selected for your Legg Mason ISA, together with a commentary from the investment manager on these Funds' performance.

We will also send you a statement twice a year giving you information about your Legg Mason ISA and the investments held within it.

#### Transfers

##### Can I transfer my ISA?

You can transfer your ISA if you wish to do so. Therefore you can transfer an existing ISA which you have with another ISA manager to Legg Mason Investments (Europe) Limited or transfer your Legg Mason ISA to another ISA manager. A summary of the current transfer rules is set out overleaf.

ISA TYPE	CAN I TRANSFER MY ISA?
<b>Transferring from a Stocks and Shares ISA to a Cash ISA</b>	No. Investments in Stocks and Shares ISAs cannot be transferred into a Cash ISA.
<b>Transferring from a Cash ISA to a Stocks and Shares ISA</b>	Yes. You can transfer investments in a Cash ISA to a Stocks and Shares ISA – this must be the whole amount saved in the current tax year in the Cash ISA. You are also able to transfer some or all of the money saved in previous tax years.
<b>Transferring from a Stocks and Shares ISA to another Stocks and Shares ISA</b>	Yes, although this must be the whole amount saved in the current tax year. You are also able to transfer some or all of the money saved in previous tax years.

#### What is the minimum amount I can transfer to my Legg Mason ISA?

If you wish to transfer an existing ISA to Legg Mason Investments (Europe) Limited you may do so provided that the transfer is implemented in cash and for an amount which is at least £3,000. The minimum lump sum investment by way of transfer into your Legg Mason ISA is £3,000 into each Fund.

#### How can I transfer an ISA to Legg Mason?

To transfer an existing ISA to Legg Mason Investments (Europe) Limited, please complete and return the Legg Mason ISA transfer application form to Legg Mason Global Asset Management, PO Box 10649, Chelmsford, Essex, CM99 2BD. Please complete a separate transfer form for each ISA you want to transfer to us.

We will then contact your existing ISA manager(s) to arrange to transfer the cash proceeds of the investments in your existing ISA into your Legg Mason ISA which will then be reinvested in the Funds of your choice. Your existing ISA will be transferred without losing any tax benefits.

#### Can I cancel my ISA transfer application?

If you choose to transfer an ISA from another ISA manager into your Legg Mason ISA you have the right to cancel your request within 14 days of receipt by us of the transfer application form mentioned above. If you are making a transfer from a Cash ISA please note that it is not the transfer that gets cancelled but the purchase of the investments in your Legg Mason ISA. You will not be able to move the money back from your Legg Mason ISA into a Cash ISA because transfer from a Stocks and Shares ISA to a Cash ISA is not allowed by the ISA Regulations. Instead, you can choose to transfer the money that you initially intended to transfer to your Legg Mason ISA to a Stocks and Shares ISA managed by another ISA manager or withdraw the money, in which case it will no longer be held in an ISA.

Where an investment has been made in your Legg Mason ISA with the cash received as a result of the transfer of your other ISA and you subsequently validly exercise your cancellation rights then you will be reimbursed with the value of those investments at the time your written request to cancel is received by us. You may therefore not get back the amount originally transferred to your Legg Mason ISA. Un-invested monies held when your written request to cancel is received by us will be returned to you in full and without interest or transferred to the original ISA manager, in accordance with your instructions.

It is important to note that if you change your mind and cancel your ISA transfer during the cancellation period, the future tax benefits attached to your investment will be lost unless you transfer to another ISA manager or back to your old ISA manager.

#### Can I transfer my Legg Mason ISA to another ISA Manager?

Yes. You must contact the ISA manager to which you want to transfer your Legg Mason ISA, who will then contact us. Once we receive written instructions from your new ISA manager, we will sell the investments held within your Legg Mason ISA and transfer the cash balance to your new ISA manager.

#### Switches

##### Can I switch Funds within my Legg Mason ISA?

You can switch between shares of different Funds within your Legg Mason ISA in the same way as you can if you invest directly. To switch between Funds within your Legg Mason ISA at any time you should write to Legg Mason Global Asset Management, PO Box 10649, Chelmsford, Essex, CM99 2BD. When you change the Fund(s) in which you have invested, this will be at a discount to the normal entry charge.

#### Withdrawals

##### How can I withdraw my money from my Legg Mason ISA?

You can withdraw all or part of your investment in your Legg Mason ISA at any time (subject to leaving a minimum of £3,000 invested in each Fund if you are effecting only a partial withdrawal) by writing to us at Legg Mason Global Asset Management, PO Box 10649, Chelmsford, Essex, CM99 2BD.

On receipt of your written instructions we will sell your investments on that day provided they arrive before the valuation point for our Funds, which is at midday on each business day, otherwise we will sell your investments on the next business day. A cheque for the proceeds will then be sent to you within five business days.

Please note however, that if you make a withdrawal you will lose your tax benefits in respect of the withdrawn amount. Any amount which you may subsequently reinvest will count as a new ISA subscription and will be added to your ISA subscriptions for the purpose of the ISA subscription limits described above.

#### Tax position

##### What is the tax position?

The information given below simply summarises the tax position as we understand it and does not take into account your specific circumstances. If you are unclear about your tax position, you should seek professional advice. The current tax treatment of ISAs may not be continued in the future.

##### What are the tax advantages of ISAs?

- Investments in ISAs are sheltered from tax on capital gains.
- On interest distributions, which are paid by fixed income or bond funds, tax may be deducted at 20% in which case Legg Mason Investments (Europe) Limited will reclaim the tax credit of 20%.
- On dividend distributions, which are made by equity funds, ISA managers cannot reclaim the tax credit but no income tax is payable.
- Any income which is allocated to Fund shares which are held in your ISA will be free from any further income tax, even if you are a higher or additional rate taxpayer.

## Legg Mason ISA: Terms and Conditions

**You should read these Terms and Conditions carefully because they, together with the application form which you complete when you apply for your Legg Mason ISA, set out the terms on which we will provide the Legg Mason ISA to you. If you would like to clarify any particular point, please ask for further information.**

**ISA Manager** - Legg Mason Investments (Europe) Limited ("we/us/our"), will manage your Legg Mason ISA on the basis of these Terms and Conditions.

Legg Mason Investments (Europe) Limited is located at 201 Bishopsgate, London, EC2M 3AB. It is authorised and regulated by the Financial Services Authority (the "FSA") whose address is 25 The North Colonnade, Canary Wharf, London E14 5HS with registration number 121831 and is authorised as an ISA manager by HM Revenue & Customs. Your Legg Mason ISA will be administered subject always to the requirements of the Individual Savings Account Regulations 1998 as amended or replaced from time to time (the "ISA Regulations").

The principal business of Legg Mason Investments (Europe) Limited is ISA management, ISA administration services, marketing and distribution of Legg Mason's European range of Funds. We maintain professional indemnity insurance.

**Applications** - To set up a Legg Mason ISA with us, you should complete and sign an application form and return it to us. We will check if you are a "Qualifying Individual" (i.e. an individual, aged 18 years or over and ordinarily resident in the UK (i.e. England, Wales, Scotland and Northern Ireland, but not the Channel Islands or the Isle of Man) for tax purposes, or if not resident in the UK, performing duties as a civil servant serving overseas and paid out of the public revenue of the United Kingdom (typically a serving member of the armed forces, or a diplomat) or their spouse or their civil partner and that the application is valid before determining whether to accept the application. Please note that no application form is considered valid until signed and completed in full by you to our satisfaction and all further information (including any verification of your identity) has been received and considered acceptable by us. We may, at our discretion, accept an application from a third party on your behalf but the application must be signed by you.

The application form together with these Terms and Conditions form the contract between us. We will be entitled to retain any interest accruing on your cash pending the opening of your Legg Mason ISA. Subject to the ISA Regulations, your Legg Mason ISA will be managed in accordance with the instructions you set out in the application form.

The application form will include your initial instructions as to the funds of Legg Mason Funds ICVC (the "Funds") in which your Legg Mason ISA should be invested, instructions regarding income payments (if you invest in income shares (i.e. shares which pay out to investors the income received by the Fund), reinvestment of income payments or investment in accumulation shares (i.e. shares which roll up the portion of the income received by the Fund which is attributable to them) and exercise of rights in respect of shares of the Funds held in your Legg Mason ISA. Any changes to these instructions should be provided by you in writing.

You should also notify us of any change of address or other necessary information such as bank details which were originally provided in the application form. We will not be responsible to you or to any other person for any consequences that may arise from your failure to update your instructions and information promptly.

If, at any time, you cease to be a Qualifying Individual you should notify us immediately in writing. You will not be obliged to terminate your Legg Mason ISA, which will still benefit from its advantageous tax treatment but you will not be able to make any further contributions to it.

**Status** - We have classified you for the purposes of your Legg Mason ISA as a 'Retail Client' and as such you will benefit from the highest level of regulatory protection.

**Anti-Money Laundering** - We are required to comply with the prevention of money laundering and terrorist financing regulations in force in the United Kingdom and this requires us to verify your identity. Verification may include an electronic check of information or we may request documentary evidence of identity. If we do not receive satisfactory verification, this may result in your application for a Legg Mason ISA or your instruction to invest in Funds being rejected or delayed, any payment due to you (or to another ISA manager regarding a transfer you have requested) being delayed or withheld or any update requested to your Legg Mason ISA being refused. We may ask you for further information to verify your identity, such as a copy of your passport or driver's license certified by a solicitor or bank as being a true copy of the original, and a recent bank statement, building society statement or utility bill in your name. We shall not be liable for any price movement occurring during the period when money laundering checks are being carried out and therefore your money is not invested.

**Cancellation Rights** - We will, on receipt of the application form, give you notice of any right you have to cancel, setting out how such right may be exercised. You are entitled to cancel your Application within 14 days of receipt by you of the cancellation notice.

If you choose to transfer an ISA from another manager into your Legg Mason ISA you have the right to cancel your request within 14 days of receipt by us of the transfer request. If you are making a transfer from a Cash ISA please note that it is not the transfer that gets cancelled but the purchase of the investments in your Legg Mason ISA. You will not be able to move the money back from your Legg Mason ISA into a Cash ISA because transferring from a Stocks and Shares ISA to a Cash ISA is not allowed by the ISA Regulations. Instead, you can choose to transfer the money that you initially intended to transfer to your Legg Mason ISA to a Stocks and Shares ISA managed by another ISA manager of your choice or withdraw the money in which case it will no longer be held in an ISA.

Where the money transferred into your Legg Mason ISA (either following the opening of your Legg Mason ISA or the transfer for your existing ISA to your Legg Mason ISA) has been invested and you subsequently validly exercise your cancellation rights then you will be reimbursed with the value of those investments at the time the valid cancellation notice is received by us. You may therefore not get back the amount originally invested. Uninvested monies held in your Legg Mason ISA when a valid cancellation notice is received by us will be returned to you in full and without interest.

**Subscriptions** - Subscriptions to your Legg Mason ISA may not exceed the maximum permitted by the ISA Regulations. The maximum subscription for all individuals in the tax year 2012/2013 is £11,280.

You shall make any cash subscription by cheque made out to 'Legg Mason Investments (Europe) Limited'.

**Lump sum subscriptions** - The minimum lump sum subscription is £3,000 per Fund.

**Further subscriptions** - To the extent that your total subscription to ISAs does not exceed £11,280 for the tax year 2012/2013, you may make additional subscriptions to your Legg Mason ISA by sending us your top-up instruction, which shall be in writing and in a form that is acceptable to us. Further subscriptions are subject to a minimum lump sum investment of £1,000 per Fund.

**Transfer-in of Existing ISA from Another Manager** - You may transfer existing ISAs from other ISA managers to your Legg Mason ISA. The minimum transfer value is £3,000. Partial transfers shall be accepted for ISAs from previous tax years, however any transfer of an ISA in the current tax year may only be for the whole amount saved in that ISA in the current tax year up to the day of the transfer. We do not accept in specie transfers (i.e. transfers of the investments held in your existing ISAs).

**Legg Mason Funds ICVC** - Subscriptions to your Legg Mason ISA may be invested in the Funds of Legg Mason Funds ICVC as offered for investment under your Legg Mason ISA by us from time to time. Each Fund is managed in accordance with its specific investment objective.

**Investment into the Fund(s)** - Subscriptions will be invested in one or more of the Funds as directed by you on the application form (or as subsequently notified to us in writing).

We do not advise you in your selection of the Funds. Our services under these Terms and Conditions are limited to executing your instructions to invest in the Fund(s). **Therefore in providing our services, we will not assess the suitability of investing in the Fund(s) you selected for your Legg Mason ISA.** This means that we will not assess whether the Funds you selected (i) meet your investment objectives, (ii) are such that you can financially bear any risks associated with investing in them and (iii) are such that you can understand the risks involved in investing in them. As a result **you do not benefit from the protection of the regulatory rules which in certain circumstances require firms to assess the suitability of their clients' investments.** Please note also that we are not required to assess the appropriateness of executing your instructions to invest in the Fund(s) you selected for your Legg Mason ISA. This means that we are not required to determine whether you have the necessary experience and knowledge in order to understand the risks involved in relation to investing in the Funds you selected. Accordingly you should ensure that you obtain independent financial advice if you are unsure about whether investing in a Fund is the right thing for you to do.

We will execute any instruction given as soon as reasonably practicable following receipt. Once the instruction is executed, we will confirm essential information concerning the execution of the instruction to you. We will also provide you with a statement confirming the execution of the instruction. In addition, you may request information about the status of your instruction from us.

We will supply on demand to you or any person that you designate to us, copies of contract notes, vouchers and copies of entries in books or electronic recording media relating to the purchase and sale of Funds for your Legg Mason ISA. We will only permit you (or the person you have designated) to receive copies of your own particular records. We undertake to maintain such records in relation to each investment for a period of seven years.

**Best Execution** - We will invest valid subscriptions (i.e. subscriptions which (i) when taken together with any subscriptions that you have made to ISAs during a given tax year do not exceed the ISA subscription limits and (ii) have passed our money laundering checks) as soon as reasonably practicable, subject always to these Terms and Conditions and to the prospectus of the relevant Funds. Purchases of Funds must be made out of cash held in your Legg Mason ISA at the time of payment for the Funds. We may defer, at our discretion, investment in the Funds until we are satisfied that any personal cheque used to subscribe to your Legg Mason ISA has been cleared by the relevant bank (such deferral is unlikely to exceed four business days).

A summary of our best execution policy, upon which we intend to rely, follows. You should read this policy summary carefully and should ask for further information if you do not understand any point. We will notify you of any material change to our best execution policy from time to time.

#### **Summary of our best execution policy**

Our best execution policy is designed to ensure that we take all reasonable steps to obtain, when executing your instructions to buy or sell shares in the Funds, the best possible result for you taking into account the execution factors and any instructions received from you.

When providing best execution to you, a range of different execution factors besides the price of the shares in the Funds are taken into

consideration. These include the cost of the transaction, the need for timely execution, the likelihood of execution and settlement, the size and the nature of the financial transaction.

As the shares of the Funds can only be acquired or redeemed from Legg Mason Investment Funds Limited (the operator of the Funds), which determines the price of the shares in each Fund, the only thing we can do to execute your instructions is to transmit them to the operator of the Funds or its agent for execution and therefore the nature of the financial transaction is the main execution factor.

Another consequence of the fact that the shares in the Funds can only be acquired and redeemed from the operator of the Funds is that the operator of the Funds is the only "execution venue" that we use.

Where you provide us with a specific instruction, and we accept and follow it when executing your order, we shall be treated as having satisfied our best execution obligations in respect of the part or aspect of the order to which your specific instruction relate. Please note that if you give us specific instructions, this may prevent us from following our best execution policy and as a result we may not be able to obtain the best possible result in terms of the total consideration you have to pay for the transaction that you instructed us to carry on your behalf.

**Safe Custody of Investments and Cash** - We will be responsible for the safe keeping of any cash and Funds forming part of your Legg Mason ISA. To be able to do so:

- the legal title (i.e. the document or record which indicates the ownership of the Funds in the eyes of the law) of the Funds forming part of your Legg Mason ISA will be registered jointly in your name and our name (i.e. Legg Mason Investments (Europe) Limited) should a share certificate or other document evidencing title to the shares of the Funds forming part of your Legg Mason ISA be issued, it shall be held by us or as we may direct; and
- your account investments (i.e. the Funds forming part of your Legg Mason ISA) will be in your beneficial ownership. This means that although in the eye of the law we are together with you the legal owner of the Funds, you alone have the right to use and benefit from the Funds. Therefore as joint legal owner of the Funds forming part of your Legg Mason ISA we are obliged by law to hold the Funds for your benefit and cannot use the Funds (or dispose of them) for our own benefit.

To ensure that the Funds forming part of your Legg Mason ISA remain in your beneficial ownership, they must not be lent or used as security for any borrowings. This does not prevent the Funds from engaging in stock lending of investments held by them.

Cash in your Legg Mason ISA will only be held in sterling and for the purpose of investing in the Funds - cash may not be held for the sole purpose of sheltering cash deposits from tax.

Any cash forming part of your Legg Mason ISA will be placed, together with the cash belonging to our other clients, in bank accounts which do not contain any cash belonging to us (each a "**Client Account**"), held at HSBC Bank plc, 2nd floor, 62-76 Park Street, London, SE1 9DZ or at any other recognised clearing bank selected by us in accordance with the regulatory rules. We are not responsible for the acts or omission of the banks with which we hold Client Accounts.

Any Client Account is and shall be designated a trust account and any balance thereon is and shall be segregated from our own cash. Except as provided for, we will not make any payment to anyone other than to you and cash will not be transferred from the relevant Client Account to any other account which we may have with any other institution, except in the normal course of investing for your Legg Mason ISA.

As your cash will be held together with the cash of our other clients, should there be a mistake in our records and we were to become

insolvent, any resulting shortfall in a Client Account will have to be shared pro rata among all our clients whose cash was held in that Client Account and you may not receive all your cash back. However the trust status will protect the cash held in the Client Accounts from any claim made by our creditors. Unfortunately, should a bank in which we hold Client Accounts become insolvent, the trust will not prevent the creditors of that bank from accessing the cash held in the Client Accounts and you may not recover all your money.

Should this happen, compensation may be available under the Financial Services Compensation Scheme ("FSCS"). If you are eligible for compensation you may be able to recover up to 100% of the first £85,000 you held as cash within your Legg Mason ISA. Full details of the arrangements under the FSCS are available on their website at fscs.org.uk.

**Charges** - Legg Mason Investment Funds Limited, as Authorised Corporate Director (the "ACD") of Legg Mason Funds ICVC, receives any entry charges, annual charges and other fees, properly paid out of the property of each Fund. The underlying Fund charges are as follows:

- Entry charge: 4.25% of the amount you pay when investing in the Fund and taken out if such amount before it is invested in the Fund..
- Management charge: 1.50% per annum (1.00% per annum for the Global Blue Chip Bond Fund and 1.25% per annum for the Global Multi Strategy Bond Fund) of the value of the property of the Fund.
- Switch charge of up to 1% on the investment in the new shares purchased on a switch. The switch charge is taken out of the proceeds of the sale of the original shares before such proceeds are invested in the new shares.

Other fees and expenses which are payable out of the property of each Fund are as set out in the most recently published Prospectus relating to the Legg Mason Funds ICVC and a copy of this is available upon request.

- A charge of £30 (plus VAT) will apply if you wish to give instructions on the exercise of voting rights (see "Information and Voting").
- A charge of £100 (plus VAT) may apply if, by reason of any failure on your part to satisfy the ISA Regulations, your Legg Mason ISA is or will become void for tax purposes.

We are entitled to transfer funds from your Legg Mason ISA to our own account to meet the charges listed above as and when they fall due for payment. Should we be obliged to pay any taxes on your behalf, including any tax attributable to interest received in respect of cash held in your Legg Mason ISA, we shall be entitled to withdraw funds from your Legg Mason ISA to meet any such liabilities and shall account to you of any taxes paid.

We retain the right to retain/or realise investments in order to settle purchase of Funds initiated by your instruction, and to pay any outstanding liabilities under these Terms and Conditions.

**Interest** - Interest is not payable on any cash balance you hold in your Legg Mason ISA.

**Income** - If you have elected to invest in accumulation shares of a Fund (i.e. shares which roll up the income received by your shares in the Fund), please note that no income is distributed in respect of these shares.

Where you hold income shares (i.e. shares which pay out to investors the income received by the Fund) any income will be paid on or shortly after the pay dates which are set out in the table below. directly to your bank or building society account as stated on your Application Form. Where you elect to reinvest any income in your Legg Mason ISA, to the extent it is practicable, it will be reinvested in further shares of the relevant Fund(s) shortly before the relevant pay dates set out below at the Net Asset Value price of the relevant Fund(s) for that day.

#### Fund Share type pay date(s)

Global Multi Strategy Bond	Income 30 April, 31 May, 30 June, etc
Global Blue Chip Bond	Income 30 April, 31 July, 31 Oct, 31 Jan
Asia Pacific	Accum* 30 April
Continental European Equity	Accum* 30 April
Global Equity Income	Income / Accum* 30 April, 31 July, 31 Oct, 31 Jan
Japan Equity	Accum* 30 April
UK Equity	Accum* 30 April
US Equity	Accum* 30 April
US Equity Income	Income / Accum* 30 April, 31 July, 31 Oct, 31 Jan
US Smaller Companies	Accum* 30 April

\* Income on accumulation shares is rolled up in the accumulation share price as these shares effectively reinvest in the Fund the income received by the Fund.

The proceeds of the sale of a Fund and any income, interest or tax credits held in your Legg Mason ISA for a period of 6 years after payment will, if unclaimed, be retained by us unless subsequently reclaimed by you.

**Statements** - We shall send to you a valuation in respect of your Legg Mason ISA as at 30 June and 31 December, together with a statement listing all transactions (if any) and receipts since the previous valuation, within 25 business days after 30 June and 31 December. Valuations will be based on the Net Asset Value of the shares in each Fund.

**Information and Voting** - We will, in relation to any investment held in your Legg Mason ISA, arrange for you to receive copies of the interim and annual report and accounts of the Funds in which your Legg Mason ISA is invested and any other information that is issued in addition to them.

Subject to any legal or regulatory requirements, we will arrange:

- for you to receive notice of, and attend any meetings of shareholders of the Funds in which your Legg Mason ISA is invested;
- the exercise by you of any voting rights attaching to the shares in the Funds in which your Legg Mason ISA is invested. We will only exercise any voting rights attaching to the shares of Funds held in your Legg Mason ISA following receipt of instruction from you and a payment of £30 (plus VAT) on each occasion on which you wish to exercise such voting rights.

If there are any corporate actions that affect any of the shares in the Funds held in your Legg Mason ISA, then we will notify you. We will not offer any advice as to what action you should take, but we will inform you of the options available to you under the terms of the corporate action and under the ISA Regulations. If a corporate action results in you being given an investment which is cannot be held in your Legg Mason ISA under the ISA Regulations, we will sell it for you and pay the proceeds to your Legg Mason ISA.

Copies of the Prospectus and Key Features incorporating the Simplified Prospectus for Legg Mason Funds ICVC may be obtained free of charge by writing to Legg Mason Global Asset Management, PO Box 10649, Chelmsford, Essex, CM99 2BD or from our website [www.leggmason.com](http://www.leggmason.com).

**Withdrawals** - You may at any time request in writing to sell a set number of shares of a Fund or raise a set cash amount from your Legg Mason ISA. Withdrawals shall be effected on receipt of an original instruction which must be in writing and signed and will be

implemented at the next valuation point (which is at midday on each business day) following receipt. Such withdrawals and the transfer to you of the proceeds of your investments will in any event be effected within such time as you stipulate in your withdrawal instruction. The period specified in your withdrawal instruction must be no less than seven business days. However, where the Fund or Funds in question are suspended, this period will be extended to 7 days after the end of such suspension.

Partial withdrawals are permitted in sums of at least £1,000 from each Fund subject to a minimum of £3,000 remaining invested in each Fund held in your Legg Mason ISA. Should a withdrawal bring your total ISA holding below £3,000, we retain the right to terminate your Legg Mason ISA, sell the remaining shares and send the proceeds to you.

Following redemption of your investment, in the event that there is any unclaimed sum of less than £1 in your Legg Mason ISA, this shall be retained by Legg Mason.

**Transferring the ISA** - You may at any time request that a part or all of your Legg Mason ISA, with the relevant rights and obligations of the parties to it, be transferred to any other ISA manager provided such transfer is permitted under the ISA Regulations. Such transfer of your Legg Mason ISA will in any event be effected within such time as you stipulate in your transfer instruction (which must be in writing and signed). The period specified in your transfer instruction must be no less than 30 days. However, where the Fund or Funds in question are suspended, this period will be extended to 7 days after the end of such suspension.

**Terminating the ISA** - You may terminate your Legg Mason ISA at any time by withdrawing or transferring all the assets you have in your Legg Mason ISA as described above.

We may terminate your Legg Mason ISA at any time on written notice if any of the information provided by you is found to be incorrect. If your Legg Mason ISA is so terminated, you hereby irrevocably and unconditionally authorise us to arrange for the investments and any other assets held within your Legg Mason ISA at the date of such termination to be held by us to your order, but without the benefit of being held in an ISA.

In the event that we do not wish to continue to act in the capacity of ISA manager for your Legg Mason ISA, we will give reasonable notice of termination of your Legg Mason ISA (being not less than 30 days) to you and to the Board of HM Revenue & Customs and we will, so far as is practicable, provide to you details of other ISA managers.

Termination will be without prejudice to the completion of the purchase or sale of shares in the Funds already initiated.

On termination, the cash proceeds of the sale of the Funds held in your Legg Mason ISA will be paid to you.

**Void accounts** - We will notify you if, by reason of any failure to satisfy the ISA Regulations, your Legg Mason ISA is or will become no longer exempt from tax. A charge of £100 (plus VAT) as set out under "Fees and Expenses" may apply if, by reason of any failure on your part to satisfy the ISA Regulations, your Legg Mason ISA is or will become void for tax purposes.

**Taxation** - We will make all necessary claims for tax relief in respect of your Legg Mason ISA.

**Complaints and Compensation** - If you have any complaint in relation to your Legg Mason ISA, you may make a formal complaint to the Complaints Manager at Legg Mason Investments (Europe) Limited 201 Bishopsgate, London, EC2M 3AB, who will undertake a full investigation. If you are unhappy with the resolution we propose to your complaint or if within 8 weeks of having received your complaint, it is still unresolved, you may refer it to the Financial Ombudsman, South Quay Plaza, 183 Marsh Wall, London E14 9SR. A copy of Legg Mason internal complaint handling procedure is available on request.

In the event that we are unable to pay a valid claim against us because of our financial situation, you may be entitled to receive compensation from the Financial Services Compensation Scheme, 7th Floor Lloyds Chambers, Portsoken Street, London E1 8BN. This depends on the circumstances of your claim. The maximum compensation for claims against us should we be considered by the Financial Services Compensation Scheme as unable to pay a valid claim is £85,000 per person. Further information about compensation arrangements is available from the Financial Services Compensation Scheme. You may request further information concerning the conditions governing compensations available by writing to us.

**Amendments** - We may vary these Terms and Conditions on written notice (including changes to applicable fees and commissions) by giving you at least 30 days' notice. Examples of situations in which we will consider changing the Terms and Conditions will include:

- amendments in order to comply with FSA Rules, the ISA Regulations or other legal or regulatory requirements;
- clarification of the existing terms or updating the terms to reflect our current administration services for your Legg Mason ISA or the terms for investment in the Funds; or
- to reflect legitimate changes in the cost of providing our services to you.

A replacement copy or extract of these Terms and Conditions, if so varied, will be sent to you.

Any amendment of these Terms and Conditions which is made to reflect a change of applicable law or regulation may take effect immediately or otherwise as specified by us.

Please note that in any case, should you be unhappy about the amendments that we intend to make to these Terms and Conditions or have made, you are free to terminate your Legg Mason ISA.

**Delegation and Liability** - We reserve the right to delegate any or all of our functions or responsibilities to a competent third party and will ensure that we are satisfied with the competence of such third party to carry out such functions or responsibilities and, except as follows, will accept full responsibility for its performance. We do not accept liability for any default by the institution with whom your money is deposited. We are not liable for any loss caused by a fall in value of your investments. We are not liable for any negligence, willful default or fraud by any other person, firm or company with which or through which we have executed any transactions on your behalf provided we have selected them with due skills and care.

**Data Protection Act** - We confirm that we comply with the provision of the Data Protection Act 1998. We will not disclose any of your details to any person outside Legg Mason, its associated companies and sub-contractors or agents acting on behalf of Legg Mason Investments (Europe) Limited and our associated companies (including those based outside the European Economic Area) unless required to do so by law. Your details may be added to a mailing list to enable you to receive details of the products and services provided by companies within our group; if you prefer not to receive such details, please write to us.

**Conflicts of Interest Policy** - We/our associates may have a material interest which may involve an actual or a potential conflict with our duty to you. We will take all reasonable steps to ensure that your interest do not suffer as a result of such conflicts of interest. Our conflicts of interest policy sets out the types of actual or potential conflicts of interest which affect our business and provides details of how these are managed. A summary of our conflicts of interest policy follows. Further details of our conflicts of interest policy are available on request.

#### **Summary of our conflicts of interest policy**

Should conflicts of interest arise in the course of our business we will ensure that your interests are paramount in the resolution of any conflict.

Every aspect of our business activity is covered by regularly updated procedures that include how potential conflicts of interest should be recognised and managed. We also operate a rigorous compliance monitoring programme that identifies any such situations.

We ensure that our organisational structure does not incentivise behaviour that might lead to conflicts of interest.

Any aspect of our business activity outsourced to a third party is subject to our own and the third party's corresponding conflicts of interest policy.

Informational barriers exist between affiliate members of the Legg Mason group of companies which control the dissemination of sensitive portfolio information throughout the group. In addition to this, individual portfolio information is contained within our operational department and embargoed, before being made known to sales, marketing and other parts of the business.

We exercise a strict gifts and inducements policy such that any proposed receipt or offer has to be approved by the compliance department prior to taking place.

It is possible that, despite identifying and managing conflicts of interest in accordance with our regulatory obligations, a situation might arise whereby a conflict of interest cannot be managed to our complete satisfaction. If this does happen we will disclose the conflict of interest to you, in writing, so that you can make an informed decision as to whether you want to continue doing business with us.

**Your contract with us** - The agreement for your Legg Mason ISA is comprised of these Terms and Conditions any amendment to them made pursuant to these Terms and Conditions and the application form. If there is any conflict between the ISA Regulations, the regulatory requirements or these Terms and Conditions, then the ISA Regulations shall prevail. A person who is not a party to the agreement set out in these Terms and Conditions has no rights to enforce any term of these Terms and Conditions including under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of such third party which exists or is available apart from that act.

**Assignment** - We may assign the benefit (subject to the burden) of this Agreement upon one month's prior written notice to a Legg Mason group company who is in our reasonable opinion able to perform our obligations under these Terms and Conditions to the same standard as us. Any changes to the Terms and Conditions which will be necessary because of the transfer will be set out in the transfer notice. The transfer will not affect any rights you may have against us which relate to the period before the transfer date.

**General** - We may contact you, including by telephone to discuss your Legg Mason ISA or investments offered by us or our associated companies without having been expressly invited by you to make such contact. If you prefer not to be contacted in this way please notify us.

Unless otherwise agreed with us, we will communicate with you in English and all documents and other information from us shall be provided to you in English.

You can contact us by writing to us at Legg Mason Global Asset Management, PO Box 10649, Chelmsford, Essex, CM99 2BD to apply for a Legg Mason ISA, cancel your Legg Mason ISA, make further subscription to your Legg Mason ISA, transfer an existing ISA into a Legg Mason ISA, cancel the transfer of an existing ISA into your Legg Mason ISA, switch your investments within your Legg Mason ISA, or withdraw all or part of your investment in your Legg Mason ISA or if you have any complaint or query.

The Terms and Conditions of your Legg Mason ISA and any non-contractual obligations arising from or in connection with them are governed by and shall be construed in accordance with English law.

The Courts of Scotland if you live in Scotland or the Courts of Northern Ireland if you live in Northern Ireland or otherwise the Courts of England and Wales are to have exclusive jurisdiction over any dispute (a) arising from or in connection with the Terms and Conditions of your Legg Mason ISA or (b) relating to any non-contractual obligations arising from or in connection with them.

**April 2012**



**LEGG MASON**  
GLOBAL ASSET MANAGEMENT

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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. Fluctuations in exchange rates can affect the value of the Fund and the income from it.

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