

For Immediate Release

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WESTERN ASSET FAVOURS ASIAN CURRENCIES AND USD-DENOMINATED ASIAN BONDS

London – 26 May 2009 – Western Asset Management, the global fixed income manager wholly-owned by Legg Mason, Inc., believes that Asian currencies will continue to benefit from the recovery in the global risk appetite. Many of the reasons which drove the US dollar higher during the second half of 2008 are now reversing.

“At that time, the crisis centered on the USD dollar interbank market and was exacerbated by the collapse of Lehman Brothers in September 2008. As USD borrowers found that they had difficulty rolling over their short-term debt, they bought the dollar against other currencies. During the same time, US investors who had increased their global investing over the past decade repatriated some of their international investments as they feared a significant melt-down in global economies. Over the past two months, investors have used some of the increase in liquidity provided by the central banks to invest in economies with stronger potential growth,” commented Rajeev DeMello, Head of Asian Investment at Western Asset.

Despite a decline in export growth, Asian economies should benefit from the strength of the domestic banking sector citing strong levels of capitalization and healthy loan quality. The drastic policy actions taken so far as well as stable oil and commodity prices are also beneficial to the regional economies.

“Asia is currently one of the prime beneficiaries of the improving global risk sentiment. Equity flows into the region have increased and there are signs of improved confidence. We believe that Asian currencies at the current level offer value as they typically rally when the region recovers. Asian bonds denominated in US dollars are also attractive given they still price in a significant degree of financial risk that we believe will not materialize,” De Mello concluded.

In anticipation that the global recovery in risk appetite to benefit Asian currencies, Western Asset has increased its exposure to Indonesian rupiah, the India Rupee, the Singapore dollar and maintained exposure to Chinese Yuan.

As demand recovers, Western Asset expects central banks to reach the end of their monetary easing cycles.

“While we don’t expect policy rates to be adjusted upward anytime soon, one of the main reasons to maintain our overweight duration positions is weakened. We will therefore progressively reduce our duration overweight in countries with the lowest yields,” said Rajeev De Mello.

De Mello currently finds Indonesian bonds to be the most attractive in the region due to their high yields and the anticipation that Bank Indonesia will continue to cut policy rates as inflation falls and the currency becomes less of a worry.

“The rupiah is benefiting from the return of global risk appetite,” De Mello added.

In addition to Indonesian government bonds, the global fixed income manager favours Korean bonds given the recently-announced bondholder-friendly initiatives by the Korean government, namely the abolishing of withholding tax and possible entrance into the Citi World Government Bond Index.

USD-denominated Asian bonds continue to be attractive. Many of the recent new issues have been placed very successfully, confirming the return of many investors to the credit markets after many quarters of absence. As USD credit markets have re-opened and interbank funding rates are returning to more normal levels, investors appreciate the wide spreads of many Asian sovereigns and highly rated corporate issues in a region where the economic fundamentals are far better than in the US, Europe and Japan.

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Note to Editors

About Western Asset

Western Asset is one of the world’s premier fixed income managers with over US\$473.4 billion (March 31, 2008) under management. With offices in the United States, London, Tokyo, Singapore, Hong Kong, Melbourne and Sao Paulo, the company offers clients a full range of local and cross-border, fixed income products. By devoting all of its resources to fixed income, Western Asset can provide a full commitment to clients in every area. This focused approach has generated positive returns in a variety of products with varying risk disciplines. Western Asset’s long performance track record and global presence has positioned the company to continue its commitment to excellence in fixed income investment management and client service.

About Legg Mason

Legg Mason, Inc., headquartered in Baltimore, USA, is a global investment management firm with assets under management totaling US \$632.4 billion as of March 31, 2009. Serving clients in 180 countries, Legg Mason is the 10th largest asset manager in the world¹. Legg Mason’s wholly-owned, independently operated investment subsidiaries manage equity and fixed income assets across the world’s major markets. Collectively they offer a broad spectrum of asset management styles.

¹ *Legg Mason is the 10th largest asset manager in the world based on worldwide assets under management as of 31 December 2008. Source: Pensions & Investments May 2009 ranking.*

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