

**For Immediate Release**

**Legg Mason Global Asset Management**

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**How Europe manoeuvres through the crisis is critical for financial markets everywhere  
– comment by Stephen Walsh, CIO at Western Asset**

Ahead of the EU summit taking place this weekend, Stephen Walsh, CIO at Western Asset, shares his views on Greece and what this means for investors:

“Europe is a big issue - not just Greece specifically - but the peripheral countries in Europe and how they manoeuvre through this sovereign crisis is critical to financial markets everywhere. Obviously some of the broad outlines of a plan that might come out of the EU summit this weekend are pretty much in the market, these include a pretty significant restructuring of Greek debt.

“We started out with policy makers hoping the restructuring might be 10% and then 20% and now we are talking about 30-50% haircuts. Remember 5-year Greek debt in the market place today trades at 40 cents on the dollar -that gives you some idea of where the markets believe the ultimate value in Greek debt is at the moment.

“So how they solve this problem is the critical issue. We do need to see some restructuring of Greek debt; we do need to see a bank recapitalisation and we do need to see some sort of leveraging of the EFSF fund. Those are the critical components of what is likely to be a plan coming out of this weekend.

“Whether this will be enough is hard to tell, I don't know how you can have conviction in an outcome? So as an investor, what do you do with that? From our perspective we look at the markets and we see some pretty attractive valuations in some of the credit sectors of the market place. On one hand you've got attractive valuations, on the other hand you have this enormous elephant in the room, or this unknowable risk. What it has meant for us is that we are far more cautious about introducing credit risk into our portfolios.”

**- Ends -**

**Notes to editors**

**About Legg Mason Global Asset Management**

Legg Mason is a global asset management firm with assets under management of \$612 billion as of September 30, 2011. The Company provides active asset management in many major investment centres throughout the world. Legg Mason is headquartered in Baltimore, Maryland, and its common stock is listed on the New York Stock Exchange (symbol: LM).

**About Western Asset**

Western Asset is a wholly owned subsidiary of Legg Mason Inc. It is one of the world's leading fixed income managers with offices in Pasadena, Hong Kong, London, Melbourne, New York, São Paulo, Singapore and Tokyo.

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