

For Immediate Release
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'THE DECADE FOR EQUITIES' SAYS LEGG MASON AFFILIATE, ROYCE & ASSOCIATES
- Royce sees good value in energy, industrials and financials -

London – 4 October 2010 – Legg Mason affiliate Royce & Associates believes that pessimism in the market has led to some very cheap valuations across the equity market capitalisation and that the environment is right for a decade of equity outperformance.

Whitney George, Co-CIO of Royce & Associates and Portfolio Manager on the Legg Mason US Smaller Companies Fund, commented: *"We believe that the next decade will be a lot more pleasant for equity investors than the last and we're seeing value across the equity spectrum regardless of market cap.*

"In the near term we believe M&A activity will be a strong driver of returns. Conditions are excellent, with strong corporate balance sheets and capital available for acquisitions." Already the quarter, two of the fund's holdings have been acquired. American Italian Pasta Company has been taken over by food producer Ralcorp, while Red Back Mining has been bought by Kinross Gold Corporation, contributing positively to performance. **George added,** *"Indeed, it would not surprise me to see 10% or more of our portfolio acquired over the next year."*

Currently, George and his team are overweight natural resources, industrial products and some financials. **George explains** *"Our allocation to natural resources is currently at 20% versus 7% for the Russell 2000 Index. Within that, half is in precious metals, and the other half is in energy services companies. We are holding hard asset type companies, such as industrial companies that are involved in the steel industry and some agricultural plays. We are also overweight in the financial sector but within those, financials that have historically generated better returns and have better business models than banks, such as property and casualty insurance companies."*

Royce & Associates has been using a value approach to managing small and micro-cap stocks in the US for over 30 years. Through careful analysis of each company, Royce aims to ensure that the price it pays for a security is significantly below their appraisal of its current worth because of temporary or cyclical factors. The fund takes an absolute return approach and is non-benchmark driven. The Royce US Smaller Companies Fund is AA rated by Standard & Poor's and has outperformed its benchmark over three and five years and since inception*.

- Ends -

Notes to editors

About Legg Mason Global Asset Management

Legg Mason is a global asset management firm with \$659 billion in assets under management as of July 31, 2010. 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).

www.leggmason.co.uk

Notes to Editor

*As of 31 August 2010

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