

Legg Mason Investments
Sub-fund of Irish domiciled open-ended investment company

Report Issued: January 2009

Peer Group:

US Mainstream Equities

Fund Manager/Adviser:

Harry Cohen (since launch), Scott Glasser (since launch)

Location:

New York

Launch Date: April 2007

Fund Size (November 2008):

US\$26.2m

Group Contact No:

+1 212 857 8000

Website:

www.leggmason.co.uk

S&P ID Number: OS289381

Share class screened:

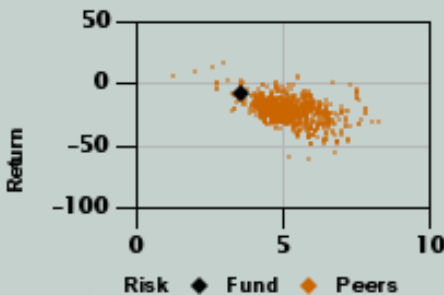
A USD Inc



INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

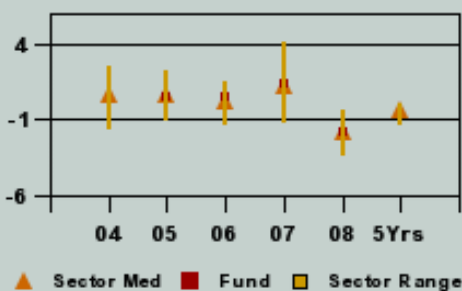
RISK RETURN (STD DEVIATION) OVER 3 YEARS



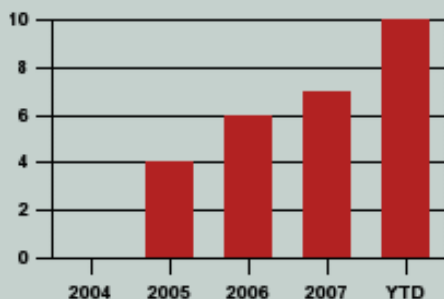
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Medium	-28.5
Volatility	Low	12.4
Correlation	High	1.0
Beta	Medium	0.8

SHARPE RATIO VS PEER GROUP



CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Further information on S&P's fund coverage can be found at www.funds.standardandpoors.com

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STANDARD & POOR'S OPINION (JANUARY 2009)

This ClearBridge fund is run by a team of three based in New York. It is co-managed by Harry "Hersh" Cohen and Scott Glasser who are both primarily fund managers but also have other responsibilities within the group - Cohen is CIO of ClearBridge, while Glasser is co-head of research. The final member of the team is analyst/manager Peter Vanderlee.

Cohen has a long history with this style of management, having been responsible for the appreciation strategy since 1979. He has worked with Glasser for the past 13 years and has been co-manager with him since 2001, resulting in a very stable and consistent approach.

The managers look to invest in established, quality growth companies, buying them when they have temporarily fallen out of favour. Assessments are

made in terms of upside and downside potential, with the managers usually keen to avoid highly rated names and momentum plays. The team conducts its own research but also takes considerable input from the analyst team of nine. This team has seen turnover in recent years, but has seen an increase in experience levels through recent hires.

The approach used on this product has a long history and has shown variable returns over time. However, it has consistently shown low levels of risk relative to the S&P 500 index. This has resulted in strong relative returns during weak market conditions and, as expected, recent returns have been relatively strong. Overall, the experience of the team allows the fund to achieve an S&P A rating.

FACT FILE

Group: Legg Mason Investments is part of Legg Mason Inc, a global asset management company with a history stretching to 1899, and listed on the NYSE since 1983. After acquiring the asset management part of Citigroup in December 2005, Legg Mason became the fifth-largest money manager in the US.

Team: The team responsible for the Appreciation strategy comprises co-managers Harry "Hersh" Cohen and Scott Glasser, together with analyst/pm Peter Vanderlee. They are supported by nine sector analysts.

Fund Manager: Harry "Hersh" Cohen has been responsible for this strategy since 1979. Scott Glasser has been part of the team since 1995 and became co-portfolio manager in 2001.

Style: The portfolio aims to outperform the S&P 500 over a cycle with lower risk. It aims to buy quality growth stocks that are temporarily out of favour and offer compelling value.

Performance: Over the three years to 31/10/2008, the fund has returned -7.8%, compared with -20.8% for the sector median and -14.8% for the index, ranking 54/1382.

FUND MANAGER & TEAM

Harry "Hersh" Cohen is CIO of ClearBridge Advisors and leads the Appreciation team responsible for this mandate. The funds are co-managed by Scott Glasser, with analyst/portfolio manager Peter Vanderlee providing support. The team draws on the stock research of the US sector analyst team of nine, which is co-headed by Glasser.

Harry Cohen - BA (Case Western Reserve University), PhD (Tufts University), joined the predecessor organisation in 1969. He became portfolio manager for the appreciation strategy in 1979. He is currently CIO of ClearBridge Advisors.

Scott Glasser - BA (Middlebury College), MBA, joined the organisation in 1993. He became part of the appreciation team in 1995 and co-portfolio manager in 2001. He is currently co-director of research.

PORTFOLIO CHARACTERISTICS

No. of holdings	90
Turnover ratio (%)	
% in top 10	30

TOP 10 HOLDINGS (01/11/08)

	%
Berkshire Hathaway	4.0
Exxon Mobile	3.3
Johnson and Johnson	3.3
Wal-Mart Stores	3.2
Travelers	3.1
AT&T Inc.	2.8
Procter and Gamble	2.8
United Technologies	2.6
General Electric Co.	2.3
Microsoft	2.2

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (01/11/08)

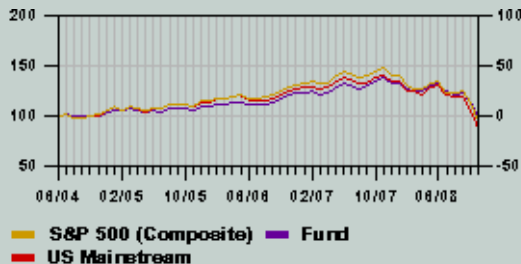
	Fund %
Cash	6.0
Consumer discretionary	7.0
Consumer staples	12.0
Energy	13.0
Financials	14.0
Health care	9.0
Industrials	15.0
Information technology	14.0
Materials	5.0
Other	0.0
Telecoms	4.0
Utilities	1.0

Units III permits net fund exposure to be less or greater than 100%.

PERFORMANCE STATISTICS

	3 Years
Fund	-7.8%
Standard & Poor's Peer Median	-20.8%
Index**	-14.8%
Fund Rank	54/1382
Standard Deviation	12.4
Relative Standard Deviation	0.7
Volatility Adjusted Ranking	97/1382

CUMULATIVE PERFORMANCE



LEGG MASON GLOBAL FUNDS - CLEARBRIDGE U.S. APPRECIATION FUND

Peer Group: US Mainstream Equities



MANAGEMENT STYLE

- The fund aims to outperform the S&P 500 over a full market cycle while showing lower levels of risk.
- The managers have a bias to quality looking for companies that have a competitive advantage, high margins and a consistent record of cashflow generation. They look to buy these stocks at times when they have temporarily fallen out of favour with investors.
- Analysis makes use of the considerable experience within the management team as well as taking input from the analyst team. They look to assess potential downside as well as upside using traditional ratios (price/earnings, cashflow/price, price/assets).

Valuation criteria may be relaxed to allow high growth names into the fund if they have a clearly dominant market position and strong future growth. Sales occur when targets are approached or when momentum builds to extreme levels.

- The portfolio is primarily built bottom-up, although themes may occasionally have an influence. Overseas stocks may be held but these will be global competitors. Sector deviations are generally +/-5% and stocks are usually trimmed at 5%. Around 90 stocks are generally held including a number of small early-stage ideas. Cash is usually 3-9%.

PORTFOLIO REVIEW

The portfolio is well-diversified through 90 holdings, although this includes 11 stocks that are below 30bps and reflect early-stage ideas in which the team is building confidence.

At the sector level the portfolio shows an overweight to industrials (+4%) where the team has found a large number of multi-national names with attractive valuations, high dividends and strong capital positions. Energy has been a favoured area for some time but has been cut back during the current year and

now stands at a slight underweight. The main underweight is to healthcare (-4.8%). The rise of generic drugs and "pipeline" issues has resulted in the managers being negative towards large pharma names.

Overseas exposure stands at just 5%, with global names such as BP and Novartis.

The market cap of the fund is similar to the benchmark but has a slight overweight to mega-caps.

PERFORMANCE ANALYSIS (NOVEMBER 2008)

The fund was officially launched in April 2007. However, the track record for the fund goes back further, reflecting the performance of a predecessor fund managed by the same team, the assets of which were transferred to this fund at launch. Fees associated with the predecessor fund were slightly lower.

The track record stretches back to 2005 and shows variable performance relative to the sector median and the S&P 500 benchmark. Relative strength since mid-2007 has, however, resulted in three-year numbers that

show significant outperformance. During 2008, strength has been seen in stock selection within consumer staples (Wal-Mart, General Mills), financials (JPM, Hudson City Bancorp) and IT (IBM). Negatives included GE and Newfield Exploration.

Looking at the longer-term record of the strategy the approach clearly shows lower risk characteristics than the benchmark and as a result tends to show outperformance during weak market conditions.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 31/10/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/	2.5	860/1287	13.5	609/1422	7.3	686/1660	-26.0	35/1832
Index**	10.9		4.9		15.8		5.5		-32.8	
Median	9.1		4.5		12.7		6.1		-36.7	

** S&P 500 (Composite)

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