

Legg Mason Investments
Luxembourg domiciled FCP - Part 1

Report Issued: May 2008

Peer Group:

Global Bond Funds in Dollars
Hedged

Fund Benchmark:

Citigroup WorldBIG Corporate
(USD Hedged)

Investment Objective:

Total Return

Group Contact No:

+352 353 53 49710

Fund Manager/Adviser:

Jonathan Gregory (since January 2006)

Website:

www.leggmason.co.uk

Location:

London

S&P ID Number: OS359931

Share Class screened:

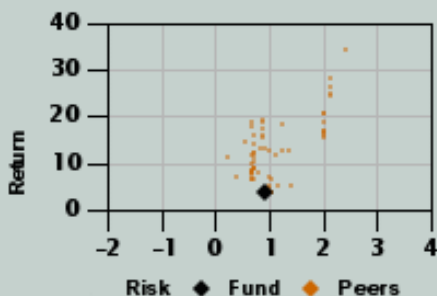
Ord



INVESTMENT STYLE

	Inv Grade	Blend	Sub Inv Grade
Govt			
Corp			
Emerging			

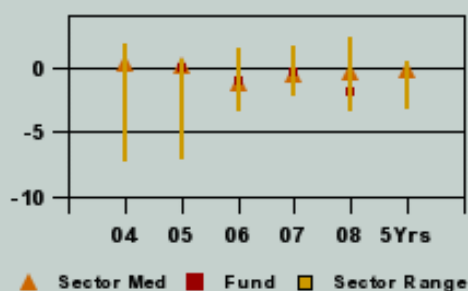
RISK RETURN (STD DEVIATION) OVER 3 YEARS



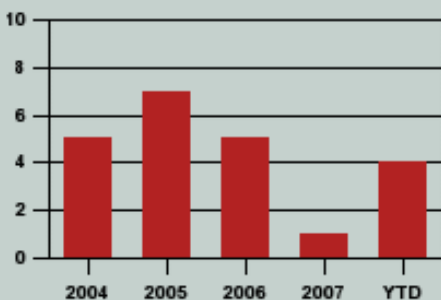
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-3.0
Volatility	Low	3.2
Correlation	High	0.6
Beta	Medium	0.7

SHARPE RATIO VS PEER GROUP



CALENDAR YEAR DECILE RANKS



Decile ranking in 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
Performance Data Source - © 2007 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 31/01/2008 on NAV to NAV basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (MARCH 2008)

The fund was renamed the Legg Mason Global Corporate Bond Fund and restructured at the beginning of 2006, after it was acquired from Citigroup Asset Management. Legg Mason gave the fund to its specialist fixed income business, Western Asset Management, which appointed Jonathan Gregory, head of corporate bonds in London, as named manager. Gregory spent at least three months restructuring the portfolio and the prospectus has been revised to give it full Ucits III status.

Western uses a team-driven process. A committee of senior portfolio managers sets broad top-down guidelines for sector allocation, duration, etc. The portfolio manager adapts these to the fund's mandate and relies on specialist sector teams for security selection.

The process is value-based and, like all value-based processes, can lead the team to be "too early" both in taking and unwinding positions. This is what seems to have happened in 2007. The team unwound the fund's underweight to credit throughout the second half of the year as credit spreads widened and suffered in consequence. We note it was also incorrectly overweight subordinated financials and underweight industrials, but so were many of its competitors.

It is a nice distinction when "too early" becomes "wrong". Western's long-term track record is good. We recognise that being true to its style has caused at least part of 2007's very poor performance. However, the well-resourced team and consistent process enables the fund to retain its S&P A/V4 rating.

FACT FILE

Group: Legg Mason Investments is part of Legg Mason Inc, a global asset management company with a history stretching back 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: Jonathan Gregory is head of the London corporate bond team, which is responsible for about \$12bn of funds under management.

Fund Manager: Jonathan Gregory has over 20 years' fixed income experience and has been a

corporate bond portfolio manager with Western since 1998. Back-up manager Simon Chester has 18 years' bond experience.

Style: The fund objective to is provide an annualised 75bps (gross) over the Citigroup World BIG Corporate Bonds (US\$ hedged) index within a 150-200bps tracking error range.

Performance: Over the three years to 31/01/2008 the fund has returned 3.8%, compared with 12.0% for the sector median and 15.6% for the index, ranking 62/62.

FUND MANAGER & TEAM

Western Asset Management, based in Pasadena, is owned by Legg Mason. It is a specialist fixed income manager with over 140 investment professionals managing over \$600bn, of which about \$95bn is in investment grade credit-based mandates. Jonathan Gregory is head of the London corporate bond team, which is responsible for about \$12bn funds under management. He is also the lead manager of the fund, and is backed up by Simon Chester.

Jonathan Gregory - has over 20 years of investment experience gained with the Agricultural Mortgage Corporation, Sumitomo Bank and National Westminster Bank. He joined Western Asset Management in 1998 and is head of the London corporate bond team.

Simon Chester - business (University of South Africa), started with First National Bank of South Africa in 1989, becoming a corporate manager. From 1997-99 he worked as a credit analyst for ABN AMRO and then for National Westminster Bank (1999-2000). Rejoined ABN AMRO in 2000 as director of fixed income research. He joined Western Asset Management in 2001 as a credit research analyst.

Ian Edmonds - graduate (University College, London), started his career with Bacon & Woodrow. In 1994 he joined Lehman Brothers Global Asset Management, later acquired by Western Asset Management. He covers European high yield markets.

PORTFOLIO CHARACTERISTICS

No. of holdings	235
Turnover ratio (%)	63
Modified duration (years)	5.24
Portfolio yield(%)	6.76

SOURCES OF RETURN (01/01/08)

	Low Emphasis	Average Emphasis	High Emphasis
Portfolio Duration		██████████	
Credit Spreads			██████████
Country / Sectors		██████████	
Yield Curve Positioning	██████████		
Currency Exposure	██████████		
Alt. Fixed Income	██████████		
Derivatives		██████████	
Trading Strategies	██████████		
Quant. Value Techniques	██████████		

BREAKDOWN BY CREDIT RATING (01/01/08)

	%
AAA	8.0
AA	18.0
A	40.0
BBB	28.0
BB	8.0
B & below	1.0
Unrated Securities	0.0
Cash	-3.0

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

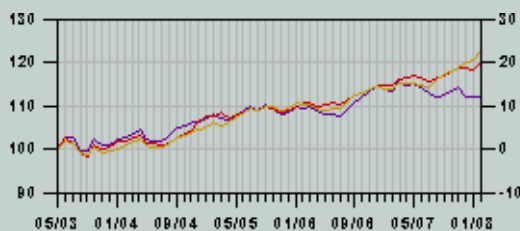
PORTFOLIO EXPOSURE

	Fund	
	Bond	Curr
North America	63.0	100.0
Europe (ex UK)	26.0	0.0
United Kingdom	14.0	0.0
Japan	0.0	0.0
Others	0.0	0.0
Cash	-3.0	0.0

PERFORMANCE STATISTICS

	3 Years
Fund	3.8%
Standard & Poor's Peer Median Index**	12.0%
Fund Rank	62/62
Annualised Standard Deviation	3.2
Relative Standard Deviation	1.0
Volatility Adjusted Ranking	58/62

CUMULATIVE PERFORMANCE



Page 1 Citi Curr-Hedged WGBI USD! Fund

LEGG MASON GLOBAL FUNDS - GLOBAL CORPORATE BOND FUND

Peer Group: Global Bond Funds in Dollars Hedged



MANAGEMENT STYLE

- The fund objective is to provide an annualised 75bps (gross) over the Citigroup World BIG Corporate Bonds (US\$ hedged) index within a 150-200bps tracking error range. This is expected to give an information ratio of 0.5.
- About 75% of the alpha is expected to come from issue selection, credit and sector positioning, with the remaining 25% from duration positioning and currency exposure.
- The approach is team-based. The portfolio manager applies the yield curve and credit positioning targets set by Western Asset's investment strategy committee and selects securities from those favoured by the research analysts. The analysts cover

markets regionally, but make cross-currency comparisons to identify undervalued securities.

- Investment strategies focus on capturing longer-term value primarily from corporate bonds, but with scope to diversify into government bonds (up to 20%) and high yield/emerging market debt (up to 15%). It may also have modest exposure to asset-backed and mortgage-backed paper. Up to 5% non-dollar exposure may be left unhedged.
- The fund is Ucits III-compliant, and the manager may therefore apply long/short strategies, making use of CDS and iTraxx when appropriate.

PORTFOLIO REVIEW

Western was cautious on credit at the start of 2007, particularly investment grade corporate names. The fund was over 20% underweight industrials in the first half of 2007, but overweight financials, particularly subordinated bonds issued by large, globally diversified names. It also has about 5% each in off-benchmark governments, high yield and mortgage-backed issues.

about 18% overweight, and to high yield. It also increased the fund's exposure to mortgage-backed. Most of the new subordinated purchases were in lower Tier 2 bonds, and the larger bank exposures are now in the range 1.25-2%.

The fund was slightly long duration for most of 2007, but was underweight US duration by 1 year at the time of review and overweight eurozone and sterling, particularly at the front end.

The team doubled its overweight to subordinated financials in the second half of the year as credit spreads widened, ending at

PERFORMANCE ANALYSIS (JANUARY 2008)

The fund was managed by a different team under a different process before 2006. Gregory spent about three months restructuring the fund, and the group has also taken it through the regulatory hurdles to achieve Ucits III status. Therefore the early track record shown below is of limited relevance.

was sub-median and slightly underperformed its benchmark net of fees in 2006, partly because of the restructuring.

A Western Asset Management composite of similarly managed mandates outperformed its benchmark by 30bps pa net of fees for the three years to mid-2007. However, this fund

It underperformed its (pure credit) benchmark by about 400bps net of fees in 2007. Widening credit spreads were entirely responsible for this. Roughly half the underperformance was due to the position in subordinated financials, 150bps from the off-benchmark exposure to high yield and about 50bps from the off-benchmark exposure to mortgage-backed.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 31/01/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	4.9	24/46	2.4	26/63	3.7	39/64	-1.6	77/77	0.0	61/86
Index**	4.8		5.1		3.1		5.7		1.9	
Median	4.9		1.7		4.6		3.6		1.5	

** Citi Curr-Hedged WGBI USD!

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