

Western Asset Management  
Luxembourg domiciled FCP - Part 1  
Report Issued: May 2008

### Peer Group:

US High Yield  
Investment Objective:  
Total Return

Fund Manager/Adviser:  
Michael Buchanan (since July 2006)

### Location:

Pasadena

Launch Date: April 2002

Fund Size (February 2008):  
US\$79m

### Fund Benchmark:

Citigroup High Yield Bond Index

### Group Contact No:

+352 45 1414 332

### Website:

S&P ID Number: OS357357

### Share Class screened:

A Ord USD

Further information on S&P's fund coverage can be found at  
[www.funds.standardandpoors.com](http://www.funds.standardandpoors.com)



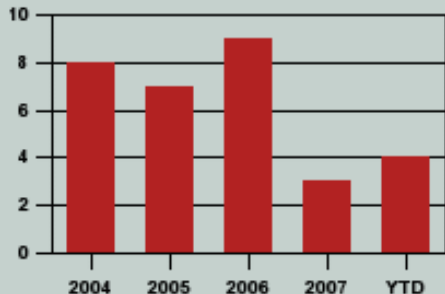
### INVESTMENT STYLE

	Inv Grade	Blend	Sub Inv Grade
Govt			
Corp			
Emerging			

### 3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Medium	-7.6
Volatility	Medium	5.8
Correlation	High	1.0
Beta	High	1.2

### 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.

### SOURCES OF RETURN (01/03/08)

	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			

### UCITS III PERMITS NET FUND EXPOSURE TO BE LESS OR GREATER THAN 100%.

### STANDARD & POOR'S OPINION (APRIL 2008)

This fund has been managed since mid-2006 by Western Asset Management, Legg Mason's specialist fixed income subsidiary based in Pasadena. It is benchmarked against the Citigroup High Yield Bond index.

It is managed by Mike Buchanan, head of Western's high yield team, supported by another portfolio manager and a team of analysts. The team is unusually stable, with no departures in the past nine years. Western's process is very team-driven and the investment committee sets top-down macro themes, which are then adapted to fit the various mandates. This is less relevant for this fund, where about 70% of the predicted tracking error and returns comes from sector and security-specific positions generated by the analysts and approved by Buchanan. The portfolio is very similar to the Dublin-

domiciled Western US High Yield Fund managed by the same team.

The fund underperformed its benchmark just after Western took it over, due to the costs of reorganising the portfolio. It then began to perform better. However, it underperformed in the second half of 2007 and the first part of 2008. Most of this was due to credit spreads widening when the fund was overweight credit beta, particularly CCC names. Some of the balance was due to credit impairment of a few positions. It also suffered from sizeable investor withdrawals, resulting in forced selling into an illiquid market.

Despite this, the stable, experienced team and well-constructed process enable the fund to achieve an S&P A/V5 rating.

### FACT FILE

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

**Team:** The global credit team of 19 is responsible for high yield. It includes two portfolio managers, 14 analysts, two dedicated traders and a risk analyst.

**Fund Manager:** Michael Buchanan has 18 years' portfolio management experience, most of which has

been focused on high yield credit. He joined Western Asset Management in 2005.

**Style:** The fund objective is to outperform the Citigroup High Yield Bond Index. The investment style is driven by fundamental analysis of relative value.

**Performance:** Over the five years to 29/02/2008, the fund has returned 43.2%, compared with 38.9% for the sector median and 55.6% for the index, ranking 29/88.

### CUMULATIVE PERFORMANCE

