

Legg Mason Investments  
Sub-fund of Dublin IFSC domiciled umbrella unit trust

Report Issued: August 2007

Peer Group:

US Mainstream Equities

Fund Manager/Adviser:

John Goode (since launch)

Location:

San Francisco

Launch Date: November 1996

Fund Size (September 2006):

US\$277m

Group Contact No:

+353 1790 6200

Website:

www.leggmason.co.uk

S&P ID Number: OS305604

Share class screened:

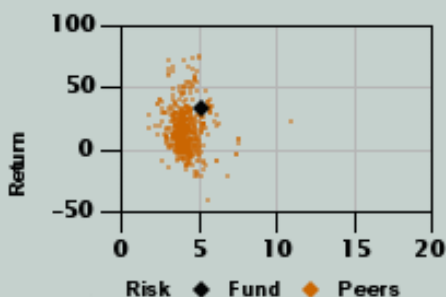
A



### INVESTMENT STYLE

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

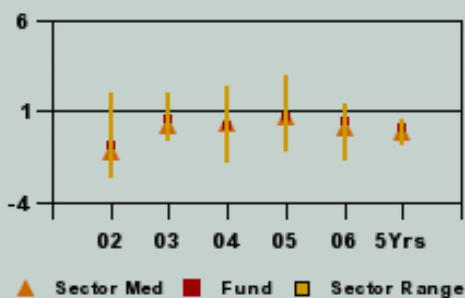
### RISK RETURN (STD DEVIATION) OVER 5 YEARS



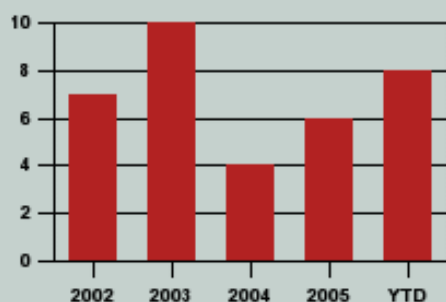
### 3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-7.2
Volatility	Medium	10.1
Correlation	High	0.9
Beta	Medium	1.2

### 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.

Please see page 2 for required research analyst certification disclosure.

Further information on S&P's fund coverage can be found at

[www.funds.standardandpoors.com](http://www.funds.standardandpoors.com)

Performance Data Source - © 2007 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 31/08/2006 on NAV to NAV basis, with gross income reinvested, in US Dollars.

### STANDARD & POOR'S OPINION (DECEMBER 2006)

Legg Mason's acquisition of Citicorp's asset management divisions has proved seamless in the way in which this fund is managed. The contract remains with John Goode at the San Francisco-based investment boutique Davis Skaggs. With over 37 years in the industry, Goode is one of the most experienced managers in our review. His approach is contrarian, value-oriented and supported by a team of 10, including Peter Hable who has over 23 years' experience.

The investment style combines elements of top-down and bottom-up. Goode mainly looks at the top-down and sets the overall shape of the portfolio based on his views on sectors, themes or relative valuations across the cap-scale. Stock research is directed by a quant screening and rests with the team of sector analysts, who mainly use value metrics.

The fund's contrarian stance can show through its large deviations from the benchmark, including the ability to raise cash during bear markets, as happened in 2001 when cash reached 20% of the portfolio. However, more recently, Goode has increasingly positioned the portfolio in line with the index at a sector level, with most of the risk taken at a stock level.

We are comforted by the improvement of returns. The recent pick-up of performance is mainly a result of last year's early move to large-caps and media companies.

After some turnover in 2004 and 2005, the team now appears stable. Goode is an experienced manager who has shown the ability to shift the portfolio successfully across different areas of the market. The fund retains the AA 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 all of the asset management part of Citigroup in December 2005, Legg Mason became the fifth largest money manager in the US.

**Team:** The San Francisco-based team of ten professionals is responsible for approximately \$22bn. The two senior managers are supported by six analysts with sector research responsibilities.

**Fund Manager:** Goode is an experienced fund manager, who has over 35 years' experience. He joined Davis Skaggs in 1969 and is now CIO and joint managing director.

**Style:** The fund is managed in a flexible, value-driven style. Top-down and bottom-up elements are combined to build the portfolio, which at times can show wide deviations from the Russell 3000 index.

**Performance:** Over the five years to 31/08/2006, the fund has returned 33.6%, compared with 13.0% for the sector median and 25.5% for the index, ranking 71/650.

### FUND MANAGER & TEAM

Davis Skaggs Asset Management - a subsidiary of Legg Mason - is a value-oriented investor responsible for approximately \$22bn. The team comprises two senior fund managers supported by six sector research analysts, two analyst associates and four traders. Those most involved with this portfolio include:

John Goode - CIO, joint MD - economics & MBA (Stanford University), has over 35 years' investment experience, joining Davis Skaggs in 1969.

Peter Hable - joint MD - economics (Southern Methodist University), MBA (Wharton Business School), joined Davis Skaggs in 1983. He is a senior portfolio manager.

John Rutledge - government (Hamilton College), joined the group in 2000 with seven years' experience.

Paul Tiao - quantitative analyst - legal studies (University of Berkeley, California), joined the firm in 1991.

## PORTFOLIO CHARACTERISTICS

No. of holdings	75
Turnover ratio (%)	N/A
% in top 10	25

## TOP 10 HOLDINGS (01/09/06)

	%
JPMorgan Chase	2.8
News	2.8
Cisco Systems	2.6
Abbott Laboratories *	2.4
Bank of America	2.4
Raytheon *	2.4
Merrill Lynch	2.3
Pfizer	2.3
PMI	2.3
Wyeth *	2.3

\* In top 10 holdings a year ago

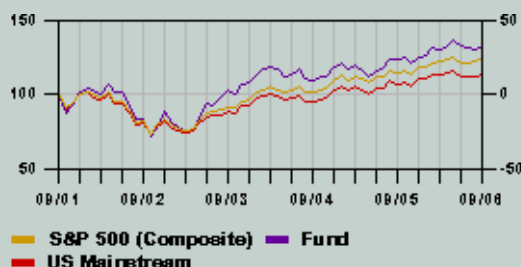
## ALLOCATION BREAKDOWN (01/09/06)

	Index %**	Fund %
Consumer Discretionary	10	13
Consumer Staples	10	8
Energy	10	9
Financials	21	18
Industrials	11	8
Materials	3	6
Utilities	4	-
Health Care	13	14
Information Technology	15	17
Telecommunication Services	3	2
Other	-	-
Cash	-	5

## PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	29.9%	33.6%
Standard & Poor's Peer Median	28.5%	13.0%
Index**	36.6%	25.5%
Fund Rank	412/906	71/650
Standard Deviation	10.1	-
Relative Standard Deviation	1.1	-
Volatility Adjusted Ranking	487/906	-

## CUMULATIVE PERFORMANCE



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

# LEGG MASON CLEARBRIGHT - US FUNDAMENTAL VALUE FUND

Peer Group: US Mainstream Equities



## MANAGEMENT STYLE

- The investment approach is flexible with top-down and bottom-up elements.
- Goode is responsible for the team's top-down views, using macroeconomic and technical indicators to determine the market direction and the desired level of cash in the portfolio. Trend and theme analysis sets sector positioning relative to the benchmark Russell 3000 index.
- Stock analysis is conducted by the research analysts with Goode providing some direction based on top-down views and quantitative screening.
- Stock selection focuses on a flexible definition of value, which may be based on recent price history, sector/market ratio

analysis, sustainable growth rates, yield or restructuring issues. The fund often has a mid-cap bias, although this is largely a result of valuations.

- Risk is controlled through sector bets of between a half and twice their benchmark weights and through diversification, although the manager is looking to move the fund steadily towards 55/65 holdings and focus on the team's best ideas.
- Positions tend to be built gradually to an initial weight of around 1% to 1.5%, with a maximum of 5%.
- Cash is usually under 5%, but hit 20% in adverse market conditions.

## PORTFOLIO REVIEW

Goode remained positive on the prospects for the US market. However, the manager was seeing little value in the mid- and small-cap area of the market, believed to be trading at a premium versus large-caps. As a result, Goode was continuing to shift the portfolio up the cap-scale, a move started towards the end of 2005. This resulted in the tail of the portfolio being cut and the number of holdings falling from 92 to 75, however still higher than Goode's target of 55-65.

risk taken at the stock level. Consumer discretionary was the biggest overweight and was largely concentrated in media companies, including News Corp, Time Warner and Walt Disney. Exposure to overseas stocks represented around 13% of the total assets and included "best of breed" names such as TSMC, Samsung Electronics and Vodafone.

Style Research showed a bias towards stocks with high beta and low price to book.

Sectorwise, the portfolio was largely in line with the Russell 3000 index, with most of the

## PERFORMANCE ANALYSIS (SEPTEMBER 2006)

After a challenging 2004 and 2005, performance of the fund has finally turned around in 2006. As a result, the fund ranks second quartile over three years and is just outside the top decile over five, largely a result of the strong returns achieved in 2003. Performance success has resulted from a focus on valuations coupled with some bold top-down calls.

In 2002, the fund's contrarian stance caused some temporary underperformance, as small technology stocks were added too early. However, this paid off in 2003, as the fund achieved top-decile returns.

In 2004 and 2005, the fund suffered by being too early into media stocks and large-caps. However, this reversed in 2006, notably in the second half of the year. Strong year-to-date figures have been driven by names such as JPMorgan, Bank of Tokyo Mitsubishi, Merrill Lynch, Cisco and News Corp.

The longer-term track record of the team reflects the contrarian approach, which can affect performance in the short-term.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2002		2003		2004		2005		YTD 31/08/2006	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	-22.7	267/716	39.2	69/847	7.5	590/937	4.0	513/1011	5.6	249/1028
Index**	-22.1		28.7		10.9		4.9		5.8	
Median	-24.6		26.2		8.5		4.2		3.3	

\*\* S&P 500 (Composite)

All of the views expressed in this research report accurately reflect our committee's views regarding any and all of the subject securities or issuers. No part of the committee's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. © [2007] The McGraw-Hill Companies, Ltd trading as Standard & Poor's ("S&P") 20 Canada Square, Canary Wharf, London, E14 5LH. Tel: +44 (0)20-7176 3800. All rights reserved. No part of this publication shall be reproduced, stored in any retrieval system or transmitted in any form electronic or otherwise without the prior written consent of S&P. Any part of the publication by S&P of which this page is a part is made accessible subject to the terms and conditions which are accessible at the url address below ("S&P Terms") - by accessing and viewing this page and/or and pages associated with or attached to it you accept the S&P Terms. Go to <http://www.funds-sp.com/terms.cfm?langid=1> Performance Data Source - © 2007 Morningstar, Inc. All Rights Reserved. The performance information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.