

Legg Mason Investments

Sub-fund of Irish domiciled open-ended investment company

Report Issued: August 2009

Peer Group:

Global Mainstream Equities

Fund Manager/Adviser:

Paul Ehrlichman (since October 2006)

Location:

Wilmington, Delaware

Launch Date: September 2006

Fund Size (May 2009):

US\$29m

Group Contact No:

+44 20 7070 7444

Website:

www.leggmason.co.uk

S&P ID Number: OS221085

Share class screened:

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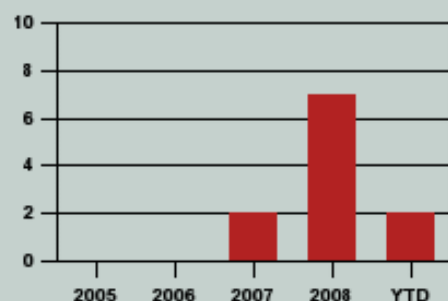


INVESTMENT STYLE

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

AS THE FUND IS UNDER THREE YEARS OLD THERE IS INSUFFICIENT PERFORMANCE DATA FOR RISK/RETURN ANALYSIS.

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.FundsInsights.com

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STANDARD & POOR'S OPINION (JULY 2009)

Legg Mason Global Funds plc GC Global Equity Fund (formerly Brandywine Global Equity Fund) has had a mixed time since October 2006, when its management team set up as a separate, autonomous business within the Legg Mason Group. Its quant guided quality/value philosophy has met a series of different challenges since and, with the exception of Q3 2008, performance within the peer group has been poor. The fund now ranks in the fourth quartile of the global equity sector peer group.

We are aware, however, that this pattern of performance is consistent with other quant guided funds, challenged by high volatility, and that neither value nor quality has been consistently rewarded in this period.

The team spent the first year of its independence reconfiguring the quant model that directs their

qualitative research to try and establish more timely signals. They have hired a specialist from FactSet to assist with this and have undertaken 20 years' backtesting on a variety of investment horizons to build into the optimised process. They have also tested the optimum rebalancing period. Indications are that a combination of a 12-month view and a monthly rebalancing should be an improvement when implemented later this year.

Although this is work in progress, it is evidence that the team retains both the resources and the determination to adapt a process that in earlier years produced much more satisfactory results. Poor performance since 2006 does put pressure on the rating, but given the team's experience, earlier track record and growing resources, the fund retains its 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: Global Currents' investment team has five portfolio managers (average 21 years' experience) and seven analysts (average 11 years). Four of these have joined since Q2 2008.

Fund Manager: Global equity CIO Paul Ehrlichman manages this fund and has global research responsibilities for industrials and technology. He has 25 years' experience.

Style: This portfolio of 50-100 names is constructed on a bottom-up value approach, using a quant screen followed through with detailed fundamental analysis. Turnover is usually around 60% a year.

Performance: Since launch to 29/05/2009, the fund has returned -32.7%, compared with -25.5% for the sector median and -23.1% for the index**, ranking 2409/2838.

FUND MANAGER & TEAM

Global Currents Investment Management was set up in May 2008 by the global equity value team at another Legg Mason subsidiary, Brandywine. It is an autonomous affiliate within Legg Mason and its expertise is in global equity mandates run with a clear value bias and an emphasis on bottom-up stock selection. With over \$4.5bn assets under management, the investment team comprises five portfolio managers, seven research analysts and two traders.

Paul Ehrlichman - global equity CIO - finance & quant analysis (La Salle University), has been an analyst and manager of US and international equity portfolios since 1983 when he was at First Pennsylvania Bank. In 1984 he moved to Provident Capital Management, then to Brandywine in 1988.

Sean Bogda - finance (University of Colorado), began his career in 1990 as an analyst at Brandywine and is now a senior portfolio manager in the global equities team.

PORTFOLIO CHARACTERISTICS

No. of holdings	86
Turnover ratio (%)	N/A
% in top 10	23

TOP 10 HOLDINGS (01/06/09)

	%
Jardine Matheson	2.9
Total	2.8
Cheung Kong	2.4
Intel	2.3
EnCana	2.2
Mylan	2.1
Rayanaire	2.1
BNP Paribas	2.0
Experian	2.0
International Business Machines	2.0

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (01/06/09)

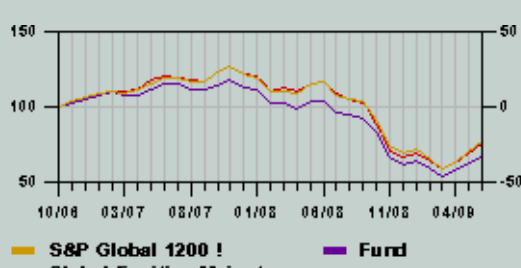
	Index %**	Fund %
Basic materials	6.3	9.5
Cash/bonds	-	1.2
Consumer goods	-	14.2
Consumer services	-	5.2
Energy	11.9	8.1
Financials	18.2	19.1
Healthcare	11.4	12.0
Industrials	10.5	10.2
Information technology	10.4	14.0
Others	-	0.0
Telecoms	6.2	4.0
Utilities	5.7	2.5

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

PERFORMANCE STATISTICS

	Launch
Fund	-32.7%
Standard & Poor's Peer Median	-25.5%
Index**	-23.1%
Fund Rank	2409/ 2838
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

CUMULATIVE PERFORMANCE



LEGG MASON GLOBAL FUNDS PLC GC GLOBAL EQUITY FUND

Peer Group: Global Mainstream Equities



MANAGEMENT STYLE

• From a universe of 17,000 companies, a liquidity screen establishes an investable universe of companies capitalised above \$300m. A quantitative model uses basic value criteria to identify some 1000 companies that are trading at or below historic values. Those with poor financial characteristics, deteriorating competitive position, weak management or poor industry conditions are eliminated, producing a focus research list of 125 names.

• Research focuses on the industry as well as the stock to establish the intrinsic value of each business. The investment horizon is long term, but the research also seeks a shorter-term catalyst for recovery and

growth. The portfolio will typically hold 50-100 stocks; a further 125 potential names/new ideas are held on a focus list.

• The portfolio managers have the final say on what stocks enter or leave the portfolio, although the stock weights are set using a team approach, based on upside potential, downside risk, level of conviction and the impact on diversification.

• Risk is controlled using formal maximums of 5% for stocks, 15% for industries and 35% for sectors. US exposure cannot exceed 75%, Europe and Asia 50% and emerging markets 15%.

PORTFOLIO REVIEW

The fund has not seen severe outflows over the past 12 months and turnover has been modest at 26% year to date. The number of holdings has expanded from 68 to 86 with a slightly reduced top 10 concentration.

The regional split favours Asia and the emerging markets, both 8% overweight, but other positions all fall within 6% of the MSCI World index, the US being the most underweight.

Sector positioning is kept within 5% of the fund's reference benchmark (MSCI World). There is a 4.9% overweight in consumer

discretionary offset by a 5% underweight in consumer staples. Energy too is underweight for lack of value opportunities.

The cap split shows a bias to mid-cap companies with 19% in the \$1bn to \$5bn range taking the weighted average market cap substantially below the benchmark.

Style tilts combine characteristics of both value (P/B and cashflow yield) and growth (IBES 12-month growth and one-year revisions), with some short- and medium-term momentum.

PERFORMANCE ANALYSIS (JUNE 2009)

Apart from a short period of very strong performance relative to the peer group between July and September 2008, the fund has steadily underperformed the S&P global equity median since launch in September 2006, and is now fourth quartile over the whole period. The fund managed mostly to stay ahead of benchmark over the past 12 months, but suffered in the cyclical rally after the March low and ended the period 1.5% adrift.

It is a pattern seen in most other quant-directed funds, all wrong-footed in the very

high market volatility. There were also a number of poor stock selections, such as Enterprise Inns, Punch Taverns, BMW and Signet, which all suffered from the collapse of consumer demand.

Poor performance in 2007 and early 2008 is largely explained by the fund's strict valuation approach which kept it underweight energy, materials and utilities. However, in H2 2008 the fund greatly benefited from a very low exposure to financials that has since been rebuilt.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2005		2006		2007		2008		YTD 29/05/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/	3.5	2384/2713	-42.2	1194/3197	4.1	3045/3601
Index**	10.2		21.5		10.2		-40.1		7.4	
Median	9.4		21.3		10.6		-43.6		9.5	

** S&P Global 1200 (Industry)

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