

LEGG MASON GLOBAL FUNDS PLC - LEGG MASON CAPITAL MANAGEMENT VALUE FUND

Sub-fund of Irish domiciled open-end investment company

Fund owner: Legg Mason Investments

Fund manager/adviser: Legg Mason Capital Management

Named portfolio manager/adviser(s):

Bill Miller (since launch), Sam Peters (since November 2010)

Peer group: US Mainstream Equities

Location: Baltimore

Launch date: March 1998

Fund size (October 2011): US\$215.8m

Contact group: +44 20 7070 7444 or
www.leggmason.co.uk

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

Investment style

	Value	Blend	Growth
Large-cap			
Mid-cap			
Small-cap			

Performance statistics

	Three years
Fund	-14.6%
Standard & Poor's peer median	-1.2%
Index**	3.7%
Fund rank	2119/2250

** S&P 500 TR
Note: returns are cumulative

Risk characteristics

	Three years
Maximum monthly drawdown (%)	-22.6
Volatility	27.4
Correlation	1.0
Beta	1.2

Calendar-year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine with tenth decile as rank one.

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Standard & Poor's opinion (November 2011)

Sam Peters joined Bill Miller on this fund last November. He has been at the group since 2005 and has become a central pillar of the investment team, involved in organising stock coverage in the analyst team and enhancing the investment process applied to this fund.

Peters is truly a co-manager on the fund: he has veto powers over investment ideas along with Miller. Stock selection criteria have remained relatively constant over time, with a clear focus on value and probability-weighted scenario analysis. Peters is exerting most change in portfolio construction, where he analyses the fund in terms of factor exposures. The aim is to increase diversification but also to provide additional return, without overly compromising the value style. These changes are welcome, but as yet we have little firm evidence of success.

Returns from the fund are now close to the bottom of the mainstream peer group over three and five years, with considerable underperformance against the S&P 500 benchmark. Returns against value benchmarks are also weak.

Miller has a high level of experience and an impressive historical track record with this strategy, which saw him outperform the index in 15 consecutive years, but the very weak performance over recent years and a lack of evidence of the effectiveness of the recent changes, leads to the fund being Not Rated by S&P at the current time.

Subsequent to our rating decision, Miller announced that he is stepping down as LMCM CIO and co-manager of this fund.

Fund manager & team

Chairman and CIO of Legg Mason Capital Management Bill Miller has been responsible for the management of the flagship value strategy (on which this fund is based) since 1982, initially as co-manager and then as lead from 1990. From 1 November 2010, he again became a co-manager, with Sam Peters working alongside him.

They are supported by a team comprising 12 sector analysts. In addition, there are three research analysts and four associate analysts, all of whom are led by head of research Randy Befumo.

Fund manager and team member Mary Chris Gay is responsible for implementing the strategy set by Miller and Peters on offshore funds.

Bill Miller - economics (Washington and Lee University), CFA, was treasurer of J.E. Baker & Co, joining Legg Mason as research director in 1981. He co-managed the Value Trust from launch in 1982, taking overall control of the fund management area in 1990.

Sam Peters - BA economics (The College of William & Mary), MBA (University of Chicago), CFA, started his career as a financial consultant in 1992 and served as an analyst and fund manager at Fidelity before joining LMCM in 2005.

Management style

The fund is managed with a long-term buy and hold approach to intrinsic value. Stocks are selected bottom up, but portfolio construction aims to diversify earnings drivers, while also taking factor exposures into account. Internal research on valuation led to a new policy of finding stocks with good intrinsic value in lowly valued sectors that could benefit from future momentum areas of the market.

Analysts cover only 10-15 stocks each, studying each business in great depth. Intrinsic value is assessed using a variety of valuation approaches, including dividend discount and discounted cashflow models and ratio analysis.

Purchases typically trade at a 30-50% discount to long-term intrinsic value. The portfolio is diversified across 30-50 stocks and weightings are primarily driven by the discount to intrinsic value. Risk is assessed primarily at the stock level and may lead to significant deviations from the benchmark S&P 500 at both stock and sector level.

Investments range from traditional value/restructuring ideas to high-growth stocks where the manager believes the market underestimates their potential.

Turnover is low, with minimal topping and tailing on valuation grounds.

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STANDARD & POOR'S

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FUND MANAGEMENT RATING

Portfolio & performance analysis (October 2011)

The main areas of change in this portfolio over the review period have been increasing allocations to consumer staples and industrials and a reduction in utilities. With the introduction of Sam Peters as a co-manager, the fund has been managed with greater regard to factor exposures. The increase in consumer staples reflected a view on dividend yield and market-cap exposure as well as attractive valuations. This move was made in spring 2011, while the addition of industrials has been more recent, taking advantage of market falls.

The fund continues to show divergence from the index at the sector level, with a 7.6% overweight to financials and a 4.3% overweight to healthcare. Underweights include energy, utilities, materials and telecoms.

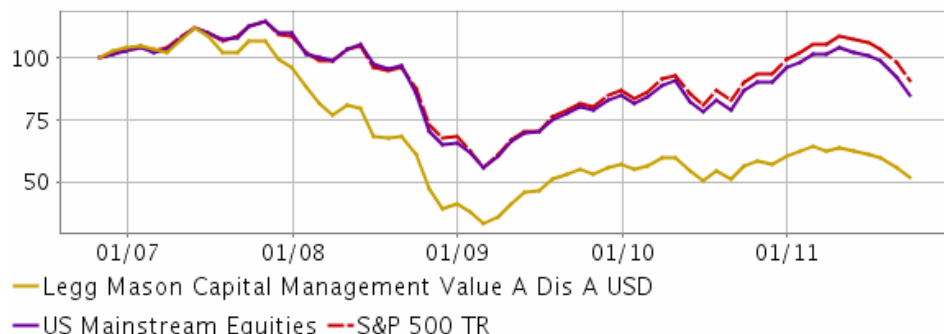
After outperforming the S&P 500 index for 15 consecutive years up to 2005, the fund experienced a prolonged period of extreme underperformance from 2006 to 2008. This can be in part explained by the long-term intrinsic value investment style suffering in momentum-driven markets - the fund had minimal exposure to energy and materials in 2006 and 2007. Underperformance in 2008 was largely due to a heavy overweight to financials combined with poor stock selection.

2009 saw strong outperformance as those stocks most badly beaten up in 2008 rebounded, but further underperformance was seen in 2010 (poor stock selection). Over the past year performance has again been poor.

Attribution for year-to-date 2011 shows both sector allocation and stock selection as negatives. Selection in consumer discretionary was weak, with difficulties also seen in utilities, energy, IT and consumer staples.

Returns are now very close to the bottom of the mainstream peer group over three and five years. Against the S&P 500, performance is also very weak, with five-year returns of -45.1% against -5.8%; returns are only marginally better against value peers and benchmarks.

Cumulative performance



Calendar year performance

	2007		2008		2009		2010		YTD October 2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	-7.4	1651/1718	-56.8	1984/2034	36.9	582/2335	6.7	2345/2565	-14.2	2007/2762
Index**	5.5		-37.0		26.5		15.1		-8.7	
Median	6.7		-40.1		29.5		12.9		-11.8	

** S&P 500 TR

Fund benchmark: S&P 500 (Composite)

Share class screened: IE0002270589 (A)

Portfolio characteristics (October 2011)

No. of holdings	46
% in top 10	28.2
Turnover ratio (%)	N/A

Top 10 holdings

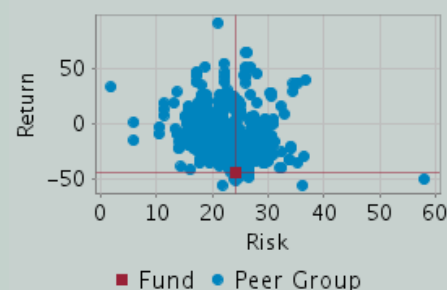
	%
Apple	3.5
Microsoft	3.2
Amazon.com *	3.1
eBay *	2.8
Wells Fargo & Company	2.7
Philip Morris International	2.6
General Electric Company	2.6
Intel	2.6
PepsiCo	2.6
Pfizer	2.5

* In top 10 holdings a year ago

Sector allocation

	%
Consumer discretionary	13.9
Consumer staples	9.8
Energy	6.8
Financials	21.2
Healthcare	16.4
Industrials	8.7
Information technology	23.1
Materials	0.0
Telecoms	0.0
Utilities	0.0
Other	0.0
Cash	0.1

Risk return (standard deviation) over five years



STANDARD & POOR'S

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Symbols and Definitions

Long-only fund ratings

- AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
- AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
- A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings

Absolute return fund ratings

Specialist fund ratings

- AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
- AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
- A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Ucits III flexible beta fund ratings

- AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
- AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
- A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

All fund ratings

- Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.
- Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.
- (New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.
- Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.
- Long-term fund management rating The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

- V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.
- V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.
- V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.
- V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.
- V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.
- V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.