

Sub-fund of Dublin IFSC domiciled umbrella unit trust

Fund owner: Legg Mason Investments

Fund manager: ClearBridge Advisors

**Named portfolio manager(s):**

John Goode (since launch)

Peer group: US Mainstream Equities

**Location:** San Francisco

**Launch date:** April 2007

**Fund size (August 2009):** US\$110m

**Contact group:** +1 800 691 6960 or

www.clearbridgeadvisors.com

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



Report date May 2010

### Investment style

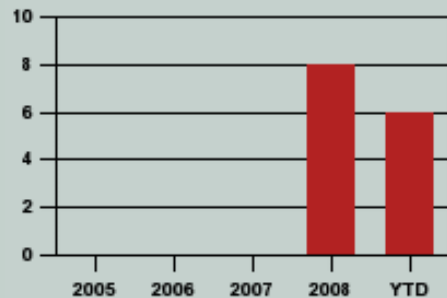
	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

### Performance statistics

	Launch
Fund	-26.5%
Standard & Poor's peer median	-26.2%
Index**	-24.4%
Fund rank	780/1507

Note: returns are cumulative

### 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.

Performance Data Source - © 2009 Morningstar Inc. All Rights Reserved. All statistical data on this report has been run to 30/09/2009 on NAV to NAV basis, with gross income reinvested, in US Dollars.

### Standard & Poor's opinion (November 2009)

Despite the change of ownership in April 2007 and the name change from Salomon Brothers GH US Fundamental Value Fund, the investment team managing this fund has remained consistent throughout. John Goode, of Davis Skaggs, a subsidiary of Legg Mason via Clearbridge, has applied his long-established value style since the fund's inception in 1996.

Goode and his colleague Peter Hable, are among the most experienced managers in this sector. They have worked together since 1983 and are supported by four fundamental analysts and a junior, whose experience ranges from six to 11 years. Research is split along sector lines, with each member covering 10-15 companies. Goode and Hable were looking to recruit a healthcare analyst last year, but now seem comfortable - and have the experience - to cover the sector themselves. To empower the team and aid its development, the managers have made each analyst a listed portfolio manager on one of the group's small-cap mandates, enabling them to think more in terms of portfolio construction in their research.

Goode combines this bottom-up, stock-specific input with top-down views, to follow a long-term buy-and-hold approach with a value focus, but with the flexibility to vary from deep to relative value as conditions dictate.

Although returns remain roughly in line with the sector median over five years, the fund has had a decent run of late, helped by strong stock selection across the board. This, together with the increased stability of the analyst team and the managers' long experience, ensures the fund maintains its S&P A rating.

### Fund manager & team

Davis Skaggs Asset Management is a subsidiary of Legg Mason. Its style is value-driven, though not deeply contrarian and it has \$10.5bn under management.

The two senior fund managers, John Goode and Peter Hable, have worked together since 1983. They are supported by four analysts and an associate analyst. All, including Goode and Hable, have sector research responsibilities. At the beginning of 2008, Goode listed each analyst as a named portfolio manager on one of the small-cap mandates to encourage them to think of stocks more in terms of portfolio construction.

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), joined the firm in 1991.

### Management style

Davis Skaggs' investment approach combines a variety of inputs to produce a value-aware portfolio whose concentration depends on its capitalisation tilt. The team combines top-down thematic views with technical and fundamental research as well as using quantitative screens to focus the research effort. Of these various elements, the most important by far is fundamental research.

Using this as the basis of investment, the team looks to identify the three- to five-year themes that may act as a catalyst to drive undervalued business forward. A multifactor quantitative screen, led by four standard price metrics (price-to-book, price-to-cashflow, price-to-sales and P/E ratios), helps to define valuation ranges within different industries. It also helps obtain a broad definition of value. Technical analysis is used to assist with timing buy/sell decisions and to confirm changes in relative performance.

The portfolio is built with reference to the Russell 3000 benchmark, using a flexible definition of value, varying between relative value and deep value, but with a concern to preserve capital. Sector bets may vary between a half and twice the benchmark weight. Stocks are held below 5%.

# LEGG MASON GLOBAL FUNDS PLC - LEGG MASON CLEARBRIDGE US FUNDAMENTAL VALUE FUND

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# STANDARD & POOR'S



## Portfolio & performance analysis (October 2009)

There has been little significant change to the portfolio structure over the past 12 months. The number of holdings had increased to 69 (from 62 last year) but remained towards the bottom of the targeted range as the manager continued to find the most opportunities among large-caps (large-cap exposure was towards historical highs). The top-10 concentration remained flat at 29%.

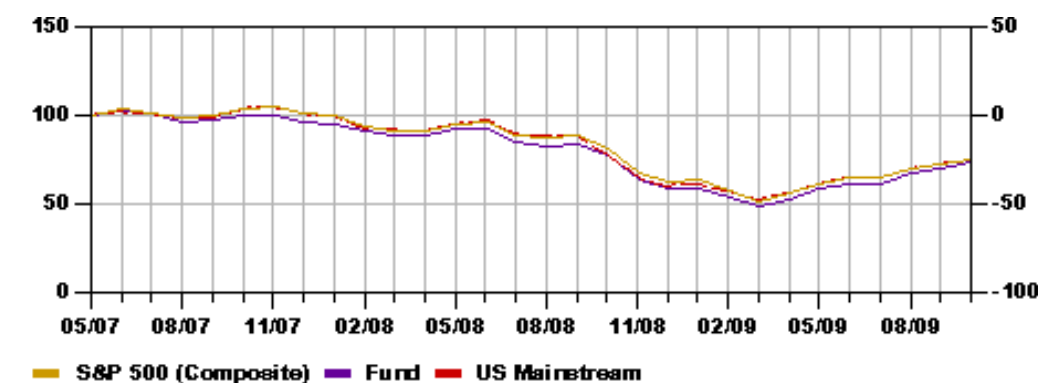
Goode had positioned the portfolio defensively going into the market correction in 2008, with a focus on large-cap quality names. The fund was overweight IT and industrials, and underweight financials, with a particular focus on insurance companies. In November/December, Goode started to reduce the defensive stance, balancing positions in quality industry leaders with more speculative positions. For example, within financials, he started adding to select banks (Bank of America), while maintaining his position in JPMorgan. Within energy, he switched from large integrated Exxon Mobil to smaller Devon Energy and XTO Energy, in line with his positive view on natural gas. This, together with some stock-specific changes (eg, Wal Mart was switched for Safeway on valuation grounds), contributed to a higher than average portfolio turnover for the 12 month period.

Performance has been relatively mixed over the past five years, although the last 20 months has seen good outperformance. The fund's defensive stance and value-bias helped performance in 2008 and, despite the move to more aggressive positions at the end of the year proving early, the returns ranked within the top quartile of our peer group.

The shift to more aggressive stocks helped returns in 2009 to date, although the overall focus on quality generally detracted during the low quality rally, leaving the fund outperforming the Russell 3000 benchmark and ranked within the second quartile.

Despite recent outperformance, the funds three and five year performance remain more or less in line with the sector median.

## Cumulative performance



## Portfolio characteristics

No. of holdings	70
Turnover ratio (%)	N/A
% in top 10	29

## Asset allocation (01/10/09)

Asset Class	%
Cash	5.5
Consumer discretionary	8.9
Consumer staples	4.3
Energy	15.0
Financials	18.3
Healthcare	7.6
Industrials	14.0
Information technology	21.3
Materials	1.6
Telecoms	3.5

## Top 10 holdings (01/10/09)

Company	%
Samsung Electronics	3.6
JPMorgan Chase	3.4
Bank of America	3.3
Safeway	2.8
Cisco Systems	2.7
Franklin Resources	2.7
Applied Materials	2.6
State Street	2.6
Texas Instruments	2.6
McDermott International	2.5

\* In top 10 holdings a year ago

## Discrete performance (calendar years)

	2005		2006		2007		2008		YTD 30/09/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/		/	-38.2	511/1648	24.7	783/1837
Index**	4.9		15.8		5.5		-37.0		19.5	
Median	4.8		12.9		6.6		-40.2		22.9	

\*\* S&P 500 (Composite)

Fund benchmark: Russell 3000

## Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
A USD Acc	5.00	0	1.25		1000		IE00B1BXJ635
Registered for sale							Austria, Belgium, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Luxembourg, Netherlands, Poland, Singapore, Spain, Sweden, Switzerland, Taiwan, United Kingdom

# 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-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.

### Absolute Return 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.

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### Specialist Fund Ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

**AA** The fund demonstrates very high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

**A** The fund demonstrates high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

### All Fund Ratings

**NR** Funds designated as NR (Not Rated) currently do not meet the requisite performance standards and/or the minimum qualitative criteria.

**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

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 comprised of 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 comprised of 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.