LEGG MASON GLOBAL FUNDS PLC - LEGG MASON ROYCE SMALLER COMPANIES FUND

Sub-fund of Irish-domiciled open-ended investment company
Fund owner: Legg Mason Investments
Fund manager: Royce & Associates

Named portfolio manager(s):
Whitney George (since March 2007), Lauren Romeo (since March 2007)
Peer group: US Small and Mid Cap Equities

Location: New York
Launch date: March 2004
Fund size (October 2009): US$64m
Contact group: +1 800 221 4268 or www.roycefunds.com

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

Report date May 2010

Investment style

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

Performance statistics

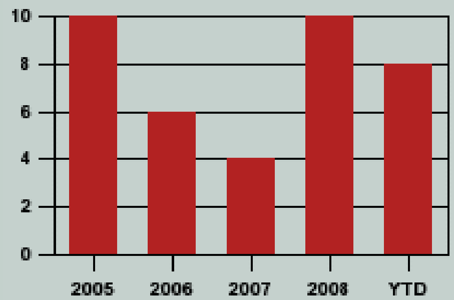
	3 Years
Fund	-0.8%
Standard & Poor's peer median	-12.0%
Index**	-11.4%
Fund rank	53/251

Note: returns are cumulative

Three-year risk characteristics

Maximum drawdown (%)	Low	-46.6
Volatility	Medium	25.6
Correlation	High	0.9
Beta	Medium	0.9

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.

 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.

Please see page three for required research analyst certification disclosure.

Standard & Poor's opinion (November 2009)

Whitney George and Lauren Romeo took over the management of this fund in March 2007. George is long experienced in small-cap investing and since joining small-cap specialist Royce & Associates (a subsidiary of Legg Mason) in 1991 his fund management efforts have led to performance success across a number of different mandates. Romeo has 15 years' experience and joined the group in 2004.

The fund is managed in line with Royce's primarily bottom-up investment style, focusing on high quality value companies capitalised below $5bn. The managers make good use of the fundamental research carried out by the nine supporting assistant portfolio manager/analysts, but also perform their own stock analysis. They can also access the experience of the other 15 portfolio managers on the team.

Romeo is named assistant portfolio manager on paper, but in practice she and George are equally responsible for the fund. Each manager can invest up to 1% in a company independent of the other, but anything larger requires agreement from both. Both managers have high levels of stock knowledge, but George tends to incorporate more of a top-down perspective than Romeo, and this makes for a healthy dynamic between the two.

Since taking over the fund they have secured a solid track record - it outperforms the Russell 2000 benchmark and ranks within the top quartile of our small-cap universe from March 2007. Stock selection has been the primary driver of returns.

This, together with their combined experience, well-structured process and extensive resources, allows the fund to retain an S&P AA rating.

Fund manager & team

Royce & Associates was established in 1972 by Charles Royce to manage US mid-, small- and micro-cap value portfolios. Although acquired by Legg Mason in 2001, it has maintained its investment independence, its approach and its experienced team of 17 portfolio managers (averaging 22 years' investment experience), nine analysts (average 18 years' experience) and eight traders. Specific to this fund are:

Whitney George - BA (Trinity College), started his investment career in 1981. Before joining Royce in 1991 he worked for various brokerages. He is part of the senior management team.

Lauren Romeo - senior analyst and assistant portfolio manager - BA (University of Notre Dame), MBA (Wharton School, University of Pennsylvania), has 14 years' industry experience and joined Royce in 2004.

Charles Royce - BA, MBA (Columbia University), has been in the industry for over 40 years and managed money for 36 years. He launched Royce & Associates in 1972. Royce was previously an analyst at Blair & Co and director of research at Scheinman, Hochstin & Trotta.

Management style

The fund is benchmarked against the Russell 2000 index, aiming to produce strong absolute and relative returns on a risk-adjusted basis.

The approach is long term, value-oriented and contrarian. There is an emphasis on quality in terms of balance sheet strength, low financial leverage and management ability to produce high returns on invested capital. Industry dynamics play a part in forming a three- to five-year view. Companies are bought when short-term valuation levels are attractive, which often means a single-digit prospective P/E ratio. Analyst/managers have contact with five to 10 companies a day. Ideally, companies will be bought at a discount of 30-50% to fair value, affording a wide margin of safety.

Portfolio construction is primarily bottom-up from a universe of companies $500m-$5bn in size. Stock weights are set on conviction and built gradually with favourite stocks (A) representing around 30% of assets and B ideas held at around 40%. The rest is in C stocks, which are stocks currently being researched or where conviction is not yet full.

Risk is controlled through diversification into around 100 stocks. Individual stocks may rise to 3%, but are usually under 2%.

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STANDARD & POOR'S

STANDARD & POOR'S AA FUND MANAGEMENT RATING

Portfolio & performance analysis (October 2009)

There had been little change to the portfolio structure over the last 12 months - it was diversified across 93 names (up just one from last year), with only 17% invested in the top 10 holdings. The split between A, B and C stocks also changed little - there remained roughly 15 A stocks, 15 Bs and 60 C names (held below 1%).

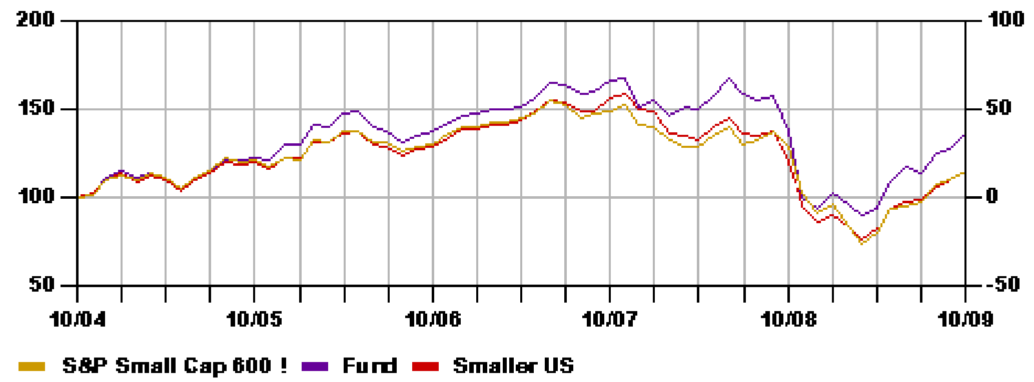
The fund was tilted towards cyclical stocks (25% invested in natural resources) leading into the market correction in Q4 2008, which proved costly, but a sizeable underweight to financials and relatively high cash levels limited the losses and helped secure a second quartile ranking for the year (it should be noted that this fund did not experience net redemptions during this period, hence the differential performance from the identically managed UK Oeic). The managers decreased the levels of cash towards the end of the year, adding to stocks considered high conviction as they fell and a small number of new positions. Turnover was higher than usual as a result, but remained below 40%.

They sold out of a number of miners on stock specifics (Lundin and Denison), although these were soon replaced by more attractive alternatives such as Seabridge Gold and Mexican miner Fresnillo. Exposure to natural resources remained overweight as a result (split 11% precious metals/mining and 12% energy stocks), together with industrial products and services, while financial intermediaries remained underweight.

The overweight to natural resources and underweight to financials proved the key drivers to strong returns in 2009 to date. Key stocks included Oil States International, Graftech and Reliance Steel, which all rebounded very strongly.

Outperformance in 2008 and 2009 to date has extended the managers' track record on this fund. Since they took over the management in March 2007 it ranks within the top quartile of our peer group and outperforms the Russell 2000 index. Returns have been driven primarily by stock selection.

Cumulative performance



Portfolio characteristics

No. of holdings	93
Turnover ratio (%)	N/A
% in top 10	19

Asset allocation (01/10/09)

	%
Consumer products	7.7
Consumer Services	2.6
Financial intermediaries	6.5
Financial services	5.3
Health	1.3
Industrial products	19.0
Industrial services	15.8
Natural resources	23.2
Technology	11.5
Treasuries, Cash & Cash Equivalents	7.1

Top 10 holdings (01/10/09)

	%
Reliance Steel & Aluminum	2.3
Oil States International *	2.2
Knight Capital *	2.1
Silver Standard Resources	1.9
Unit	1.9
Gardner Denver *	1.8
Pason Systems	1.8
Corinthian Colleges	1.7
Federated Investors	1.7
Sims Metal Management	1.7

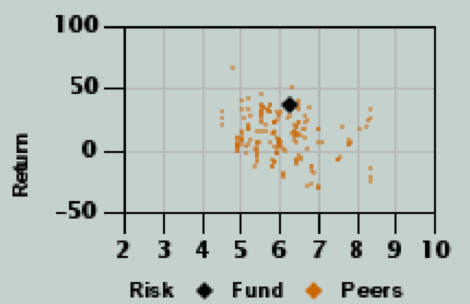
* In top 10 holdings a year ago

Discrete performance (calendar years)

	2005		2006		2007		2008		YTD 30/09/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	13.3	18/203	12.9	97/227	4.8	172/261	-33.6	17/280	32.5	95/307
Index**	7.7		15.1		-0.3		-31.1		19.5	
Median	7.4		12.2		9.1		-40.5		27.9	

** S&P 600 Small Cap TR
Fund benchmark: Russell 2000

Risk return (standard deviation) over five years



Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
A	5.00	0	1.50	2.11			IE0034390439
Registered for sale	Austria, Belgium, Finland, France, Germany, Hong Kong, Ireland, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, Taiwan, United Kingdom						

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

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 fundís sensitivity to changing market conditions. Volatility ratings evaluate the fundís 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 & Poorís indication of a fundís 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.