

Sub-fund of Irish domiciled open-ended investment company

Fund owner: Legg Mason Investments

Fund manager: Batterymarch Financial Management

Named portfolio manager(s):

Team

Peer group: South East Asian Equities

Location: Boston

Launch date: February 2004

Fund size (November 2009): US\$155m

Contact group: +44 20 7070 7444 or

www.batterymarch.com

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



Report date June 2010

Investment style

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

Performance statistics

3 Years

Fund	8.7%
Standard & Poor's peer median	7.8%
Index**	-3.3%
Fund rank	337/755

Note: returns are cumulative

Three-year risk characteristics

Maximum drawdown (%)	-24.8
Volatility	9.4
Correlation	1
Beta	1

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 - © 2010 Lipper Inc. All Rights Reserved. All statistical data on this report has been run to 31/03/2010 on NAV to NAV basis, with gross income reinvested, in US Dollars.

Standard & Poor's opinion (December 2009)

The fund is managed by Legg Mason's Boston-based Batterymarch emerging markets team. The investment approach is the same disciplined quantitative process that Batterymarch applies in developed markets, but incorporates a qualitative assessment to pick up more intangible factors.

Ray Prasad is lead manager of this Asia ex Japan fund, although the approach is team-focused. The team is relatively small, but covers a large number of companies through disciplined use of a quantitative model. The model assesses five equally weighted metrics: value, cashflow, earnings growth, expectations and technicals. This enables the managers to very quickly narrow down the universe to the most attractive stocks. Fundamental analysis is an integral part of the stock selection process to reinforce final scoring - essentially by differentiating the scores of good stocks and downgrading the weak stocks. This may be for several reasons, ranging from the geopolitical to management quality. Stock rankings are also aggregated to provide a country ranking, with the most attractive countries then overweighted in the portfolio.

The fund has suffered some underperformance in 2008 and 2009 to date, due to its quality bias and fund outflows. However, the team's disciplined and consistent approach, and integrated qualitative assessment, has resulted in strong stock selection and above-median performance in the peer group over the past three and five years cumulatively. The fund therefore retains its S&P AA rating.

Fund manager & team

Batterymarch's emerging markets team is based in Boston and consists of five portfolio managers and one quantitative analyst. The team is headed by David Lazenby, who is also responsible for the Korean market. Ray Prasad is the lead portfolio manager, and also focuses on South East Asia and China. He joined Legg Mason in 1996 and has 14 years' investment experience. Lazenby and Prasad are supported by Courtney Wei.

David Lazenby - graduate (Brigham Young University), CFA, has been on the emerging markets team since 1987, and became head of the team in 2003.

Ray Prasad - graduate (Delhi University), MBA, MS (Boston), CFA, joined Batterymarch in 1997 as an emerging markets analyst, becoming a portfolio manager in 2000. He has had primary responsibility for Asia since 2005, and has 14 years' investment experience.

Management style

The approach blends disciplined quantitative screening with qualitative fundamental analysis.

Around 1,500 South East Asian stocks are assessed. Only stocks with a daily trading volume over \$1m, and minimum coverage by three analysts, are considered for screening purposes. Stocks are ranked using five, equally weighted criteria: valuation, cashflow, earnings growth, expectations and technicals.

Stocks ranked in the first quintile are deemed potential "buys". Fundamental analysis is then undertaken, with an emphasis on management quality, business structure and the competitive environment, and supported by company visits.

The portfolio normally contains 120-160 stocks and positions above 5% of assets usually trigger partial sales. Bottom and third-quartile stocks are also sold. A proprietary model ranks each market's outlook to ensure that country exposure fits with the bottom-up results. Annual turnover is generally 80-120%.

Deviations from the MSCI AC Asia ex Japan index are typically +/-7% at country and industry level, and +/-1.5% for stocks, ensuring exposure to the largest index constituents. Mega-caps are kept within +/-10%. Cash is maintained at operating levels.

LEGG MASON GLOBAL FUNDS PLC - LEGG MASON BATTERYMARCH ASIA PACIFIC EQUITY FUND

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Portfolio & performance analysis (November 2009)

At the time of review, the number of holdings had increased from 110 to 164, as the fund's investable universe increased to around 1,500 stocks. The team is currently selecting stocks from the top quintile of the investable universe only. Prasad reports that he would like to see the number of portfolio holdings drop back down to the top end of the usual 120-160 range.

India and Pakistan represent around 10.5% of the portfolio, which is low relative to the peer group. China is slightly underweight against the MSCI AC Asia ex Japan index. Korean stocks continue to be the most attractive in the team's model, although their overweighting has been reduced recently and the monies reinvested in Singaporean stocks.

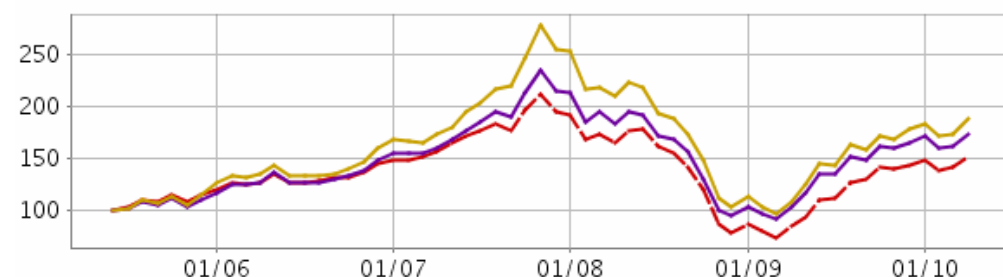
The consumer discretionary sector was the biggest overweight in the portfolio at the beginning of November, driven by value factors in the model. Financials and basic materials were also slightly overweight. The portfolio held no utilities, making it the biggest sector underweight followed by telecoms.

Cash has been reduced from 6% last year to 2%, in line with the normal close-to-fully-invested approach.

The fund ranks in the second quartile over five years. It showed strong performance in 2005 through to the end of 2008. In 2005, successful stockpicking in, and an overweight to Korea contributed significantly to top decile returns. However, performance in 2006 was held back by a couple of Korean small-caps that misled the market in January, and an early move into Taiwanese financials. 2007 returns held up during the market correction, with stock selection in South Korea (insurance stocks) strong and an underweight to Taiwan adding value.

Returns were in the bottom quartile in 2008. Country positioning (overweight Korea and India and underweight Taiwan) and fund outflows hurt performance. The fund has recovered in the past six months, but underperformed early in 2009 due to its quality bias.

Cumulative performance



— Legg Mason Batterymarch Asia Pacific Eq A DisA USD — SEA SEA
 - - S&P Asia Pacific ex Japan BMI CR USD

Discrete performance (calendar years)

	2006		2007		2008		2009		YTD 31/03/2010	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	33.2	226/584	49.7	75/737	-55.4	681/843	63.1	617/971	2	320/1012
Index**	24.7		28.3		-54.4		70.4		2.4	
Median	32.2		37.5		-51.4		65.7		1.1	

** S&P/Citi BMI Pan Asia ex Japan!

Fund benchmark: MSCI AC Asia ex Japan Index

Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
A	5.00	0	1.50	2.03	1,000		IE0034204895
Registered for sale							Austria, Belgium, Chile, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Singapore, Spain, Sweden, Switzerland, Taiwan, United Kingdom

STANDARD & POOR'S



Portfolio characteristics

No. of holdings	164
Turnover ratio (%)	125.9
% in top 10	21

Top 10 holdings (01/11/09)

	%
Samsung Electronics *	4.3
China Construction Bank	2.2
China Mobile *	2.1
Bank of China	2.0
Geely Automobile	1.9
Taiwan Semiconductor *	1.9
China Life Insurance	1.8
Hong Kong Exchange	1.8
Hon Hai Precision Industry	1.7
Wistron	1.7

* In top 10 holdings a year ago

Regional allocation

(01/11/09)

	%
Hong Kong	10.7
Indonesia	4.9
Korea	21.0
Philippines	0.8
Singapore	5.3
Australia/NZ	0.0
Cash	1.3
China	26.4
Malaysia	1.6
Others	11.0
Taiwan	14.4
Thailand	2.6

Sector allocation

(01/11/09)

	%
Basic materials	8.8
Consumer discretionary	11.6
Consumer staples	2.9
Energy	5.6
Financials	37.2
Industrials	11.8
Technology	17.6
Telecomms	3.2
Cash	1.3

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.

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.

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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.