

Sub-fund of UK-authorized Oeic
Fund owner: Legg Mason Investments
Fund manager/adviser: Western Asset Management

Named portfolio manager(s):
Ian Edmonds (since launch)
Peer group: global bonds in GBP hedged

Location: London
Launch date: May 2008
Fund size (January 2011): £511m
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



Report date March 2011

Investment style

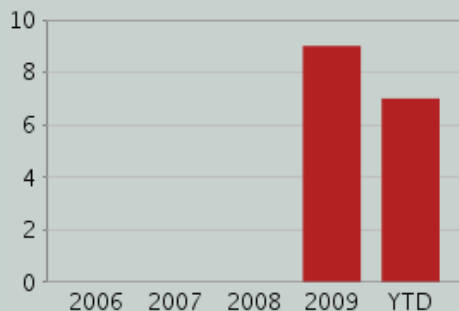
	Inv Grade	Blend	Sub Inv Grade
Govt			
Corp			
Emerging			
ABS/MBS			

Performance statistics

	Launch
Fund	21.5%
Standard & Poor's peer median	17.3%
Index**	17.2%
Fund rank	16/41

Note: returns are cumulative

Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank 9, with tenth decile as rank 1.

Performance Data Source - © 2010 Lipper Inc. All rights reserved. All statistical data on this report has been run to 31/12/2010 on NAV to NAV basis, with gross income reinvested, in GBP.

Standard & Poor's opinion (March 2011)

This fund is benchmarked against a composite of 50% BarCap Global Aggregate, 25% BarCap US High Yield and 25% JPM EMBI+, all hedged into sterling. It therefore has more credit exposure than is usual for this peer group and this has affected its relative returns. Furthermore, Western's process used to structurally underweight Treasuries but it has adopted a more flexible approach since 2009, although we note that an overweight to spread product has been the correct strategy to implement for the last two years.

The process is structured and team-driven but Ian Edmonds, the lead manager since launch, has some discretion as to sizing positions. He is supported by Western's extensive and experienced global team.

The fund has held more Treasuries in the last couple of years, as the manager sold mortgage-backed following the quantitative easing implemented by the Fed. The team bought these back at the end of 2010 but has also been cutting back the overweight to high yield and investment grade in expectation of a credit pullback. It has also partially switched from external emerging markets debt to local currency issues.

The fund has underperformed its benchmark before fees since inception, primarily thanks to the credit positioning in 2008. However, it outperformed the peer group median in 2009 and 2010 and is second quartile cumulatively since inception.

We are pleased the team has adopted a more flexible approach and hope it will result in continued improved performance. We have retained the S&P A/V4 rating.

Fund manager & team

Western Asset Management, based in Pasadena, is owned by Legg Mason. It is a specialist fixed income manager led by CIO Stephen Walsh. The group has more than 170 investment professionals managing around £300bn. Andrew Belshaw is head of London investments, which includes part of the global multi-strategy team that draws on the firm's entire resources, and manages £35bn.

Ian Edmonds - BSc mathematics (University College, London), started his career with Bacon & Woodrow. In 1994 he joined Lehman Brothers Global Asset Management, later acquired by Western Asset Management. He covers European high yield markets.

Dipankar Shewaram - BSc (University College, London), MSc finance (LSE), CFA, joined Western Asset Management in 2009 from BlueBay where he spent seven years on the European investment grade desk. He had previously worked for ING Barings, BNP Paribas and Deutsche Asset Management as an emerging markets investment manager/strategist.

Andrew Belshaw - economics (Manchester Polytechnic), PhD (University of York), joined Western Asset Management in 2009 from BlackRock where he was head of sterling fixed income. He previously worked at M&G, Barings, Gartmore and Whittingdale.

Management style

The fund has a dual objective: to generate a high total return and to beat its currency hedged composite index (50% BarCap Global Aggregate, 25% BarCap US High Yield 2% Issuer Capped, 25% JPMorgan EMBI+). It invests across the full range of fixed income asset classes. It has had a more flexible approach since 2009, and credit may now be underweight and/or Treasuries overweight.

Western Asset's process is team-based and it applies a long-term fundamental value philosophy. The global strategy team sets broad top-down themes and individual specialist teams make recommendations on sector and security allocation and currency views. The key decisions for this fund are sector and security selection.

Edmonds implements these ideas in line with the fund's guidelines. He has some discretion as to the amount of risk he takes on each trade.

Sector allocations can vary substantially. Historically, exposures to high yield and EMD have ranged from 20% to 35% and 0-35%, respectively, in the US dollar version of this fund. The portfolios are diversified and a risk manager participates in global strategy meetings, giving advice on correlations between holdings and bets.

LEGG MASON FUNDS ICVC - LEGG MASON GLOBAL MULTI STRATEGY BOND FUND

Sub-fund of UK-authorized Oeic
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Portfolio & performance analysis (January 2011)

This fund is a near-clone of the Legg Mason Western Asset Global Multistrategy Fund, except that the benchmark is fully hedged into sterling.

The team was positioning itself for a credit pullback at the time of review and the portfolio had 18% in cash and about 11% in OECD government bonds. However, it was still broadly bullish on spread product as it did not expect a double-dip.

The fund had been overweight high yield and investment grade credit for much of last year. The team began to cut back industrials in Q4 and switch Tier 1 and Upper Tier 2 financial issues into senior and Lower Tier 2. They were cautious on European banks as they believed the peripheral eurozone crisis still has further to run.

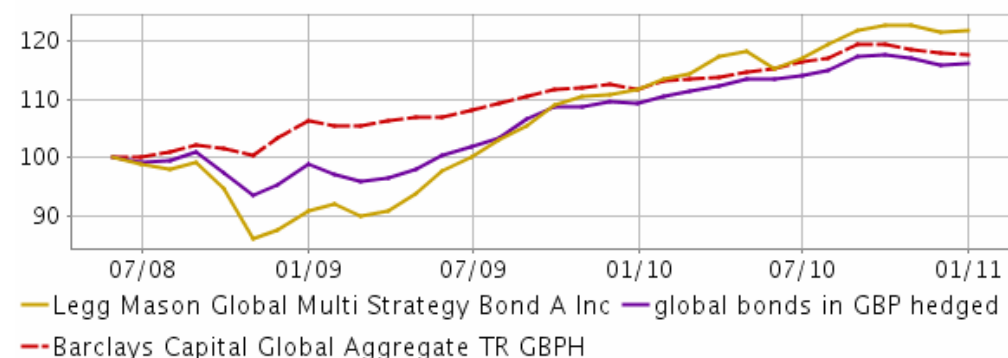
The fund was overweight external emerging markets government debt for much of 2010 but was underweight at the time of review as the team had been switching into corporates and local currency issues (Poland, Egypt, Brazil, Malaysia).

The team had held no agency pass-throughs for a while but bought 5% after spreads widened late in 2010.

The fund was underweight duration at the time of review, but had been longer earlier in the year. The team had generally preferred US duration to eurozone or Japan (where it has no exposure). It had owned some inflation-linked bonds but cut them when real yields tightened as it does not expect inflation to be a long-term problem. The fund had a US curve flattening trade on for much of the year.

The fund has a structural overweight to spread product relative to peers and this added value in 2009 and 2010 as spreads narrowed. Performance against the benchmark has been more mixed. It underperformed before fees in 2008 but outperformed in 2009 due to credit positioning. It underperformed again in 2010 (although its sister fund outperformed its benchmark) due to the cash drag from large inflows. It has underperformed by about 70bps (gross, annualised) since launch.

Cumulative performance



Discrete performance (calendar years)

Fund	2009				YTD 31/12/2010				
	%	Rank	%	Rank	%	Rank	%	Rank	
Index**	3.3	/	5.8	/	7.6	23.2	8/47	8.7	20/53
Median	2.0		3.7		0.9	8.3		7.9	

** Barclays Capital Global Aggregate TR GBPH
Fund Benchmark: 50% BarCap Global Agg; 25% BarCap US HY 2%; 25% JPM EMBI+ (100% GBP hedged)
Share class screened: GB00B2R8FG10 (A Inc)

STANDARD & POOR'S



Sources of return

	Low	Average	High
Portfolio duration		██████████	
Credit spreads			██████████
Country / sectors			██████████
Yield curve positioning		██████████	
Currency exposure		██████████	
Derivatives	██████████		

Portfolio characteristics * (1 January 2011)

Effective duration (years)	4.9
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Credit rating breakdown

	Long	Short	Net
AAA	0.24	0.00	0.24
AA	0.21	0.00	0.21
A	0.55	0.14	0.41
BBB	1.11	0.00	1.11
BB	0.99	0.00	0.99
B	0.39	0.00	0.39
CCC & below	0.04	0.00	0.04
Unrated securities	0.00	0.00	0.00

Duration breakdown

	Long	Short	Net
0-3 years	0.43	0.83	-0.40
3-5 years	0.16	0.00	0.16
5-10 years	1.48	0.00	1.48
10+ years	3.63	0.00	3.63

Asset allocation

	Long	Short	Net
Governments/supranationals	2.38	0.00	2.38
Corporate bonds	1.77	0.00	1.77
Financials	0.83	0.00	0.83
ABS/MBS/covered	0.32	0.00	0.32
Agencies	0.00	0.00	0.00
Emerging markets debt	0.40	0.00	0.40
Other	0.83		-0.83

Regional breakdown

	Long	Short	Net	Curr %
Emerging markets debt	0.09	0.00	0.09	3.0
Europe ex UK	0.96	0.30	0.66	-2.0
North America	3.98	0.23	3.75	-1.0
UK	0.42	0.30	0.12	99.0
Other	0.25	0.00	0.25	1.0

* Credit rating exposures are expressed in spread duration terms. All others expressed in interest rate duration years.

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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 LTFMR 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.