

Sub-fund of Irish domiciled open-ended investment company

Fund owner: Legg Mason Investments

Fund manager/adviser: Batterymarch Financial Management

Named portfolio manager/adviser(s):

David Lazenby (since launch) / Team

Peer group: Global Emerging Markets Equities

Location: Boston

Launch date: April 2008

Fund size (May 2011): US\$29m

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 July 2011

Investment style

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

Performance statistics

	Three years
Fund	-5.1%
Standard & Poor's peer median	1.6%
Index**	11.2%
Fund rank	698/960

Note: returns are cumulative

Three-year risk characteristics

Maximum monthly drawdown (%)	-29.7
Volatility	33.6
Correlation	1.0
Beta	1.0

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 - © 2011 Lipper Inc. All rights reserved. All statistical data on this report has been run to 29 April 2011 on NAV to NAV basis, with gross income reinvested, in USD.

Standard & Poor's opinion (July 2011)

As one of the pioneers of embedding quantitative techniques into bottom-up, fundamentals-driven investment, Batterymarch - nowadays a Legg Mason company - applies this approach consistently across all equity mandates. This includes the emerging markets, where Batterymarch has a solid 20-year track record and over \$11bn under management.

Batterymarch's five emerging markets managers have an average of over 16 years' experience and are supported by three dedicated analysts and input from across the group. Team leader, David Lazenby has focused on emerging markets since joining the firm in 1987.

The team follows its quant model even in difficult conditions, using fundamental analysis largely as a means of rejecting stocks the model suggests. This confirmation is important as it ensures the model's output is not followed slavishly and allows the managers to add value over and above the model's recommendations. This has proved particularly important in minimising the response lag inherent in all quant models at market turning points, such as the start of the cyclical rally in March 2009. It should also be stressed that the model itself is dynamic and is steadily evolving via improved inputs and factor efficiencies.

While we remain impressed by the firm's depth of knowledge and long-term track record, returns from this particular fund have oscillated around the sector median, with the team seemingly reluctant to use its risk mandate and staying too defensively positioned in 2010. The previous AA rating is hard to justify, but the fund comfortably attains an S&P A rating.

Fund manager & team

Batterymarch's Boston-based emerging markets team comprises five portfolio managers and three analysts. The managers are David Lazenby (team head), Ray Prasad, Nathalie Wallace, Claudio Brocado and Courtney Wei, with an average experience of 16 years' experience. The analysts are Jana Minn, Ken D'Souza and Liz Su, with an average of just over two years' experience. The team manages over \$11bn in global emerging markets, Asia ex Japan and global small-cap mandates.

David Lazenby - graduate (Brigham Young University), has been a member of the emerging markets team since 1987 and team head since 2003.

Ray Prasad - graduate (Delhi University), MS, MBA (Boston), joined Batterymarch in 1997 as an emerging markets analyst, becoming a portfolio manager in 2000 (covering Asia since 2005).

Nathalie Wallace - BBA (ISG Business School, Paris), has been in the industry since 1993 at firms such as Wellington and Barings, before joining Batterymarch as a portfolio manager on the emerging markets team.

Claudio Brocado - BA (Washington State University), MBA (University of California), worked in research at Valores Finamex and Dresdner RCM, then fund management at Putman and Fidelity. He joined Batterymarch in 2005 and covers Latin America.

Courtney Wei - BS (Central South University, China), MBA (university of California), was an intern at IBM and a quantitative analyst at Babson College Fund before joining Batterymarch in 2003.

Management style

Batterymarch's characteristic investment approach is a blend of quant screens and detailed qualitative fundamental analysis, with no pre-set style bias. This fund aims to beat the MSCI Emerging Markets index.

Over 1,750 stocks are assessed daily, weeding out those with under \$1m daily trading volume and those covered by less than three outside analysts.

Stocks are ranked using five equally weighted criteria - value, cashflow, earnings growth, expectations and technicals. Factors within each category are considered monthly and altered as necessary. Stocks ranked first quintile are potential buys and subjected to detailed fundamental analysis and management interviews, stressing structural quality, business culture and the competitive environment. A proprietary model ranks each market's outlook to ensure country exposure fits with the bottom-up findings.

A portfolio of 200-250 stocks is constructed within the following risk controls relative to benchmark: top quintile (buy) +1%; top half (hold) neutral; remainder (sell) zero. Stocks exceeding 1% of the benchmark will typically be held, but at weights reflecting their ranking. Annual turnover is typically 80-120%.

LEGG MASON GLOBAL FUNDS PLC - LEGG MASON BATTERYMARCH EMERGING MARKETS EQUITY FUND

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Portfolio & performance analysis (May 2011)

Until recent months, this fund was returning above the sector median. Now, although the cumulative returns remain comfortably ahead of the benchmark MSCI Emerging Markets index, the fund has slipped below the sector median, returning -5.1% against the benchmark's +1.6% since launch.

Returns have been hurt by stock selection and the fund being less exposed to smaller companies than some competitor portfolios.

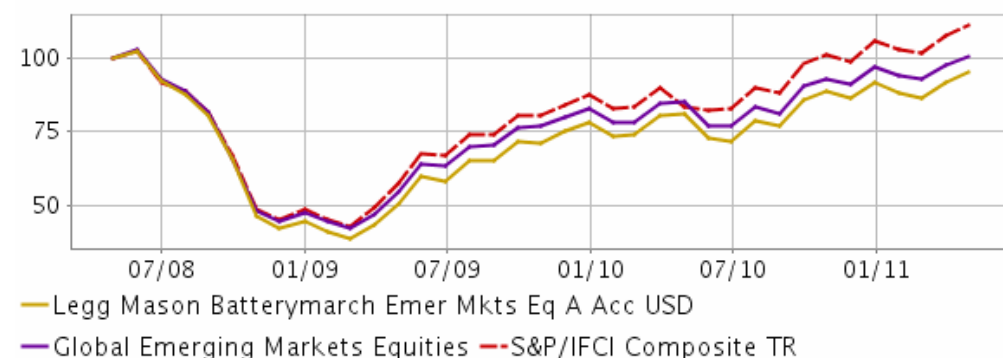
More importantly, given the firm's long-term approach to managing money, this team's track record on GEM mandates has beaten its MSCI benchmark in seven of the last 10 years, producing a 10-year cumulative return that outperforms the index on a net of fees basis.

Portfolio construction continues to reflect the team's risk-controlled approach. Given maximum country and industry deviation limits of index +/-5%, positioning has tended to be modest, with the current portfolio typically 97% invested with an underweight of just 300bps in Asia after profit-taking following the region's strong contribution to fund performance in 2010. EMEA exposure is also now underweight, by around 100bps, allowing an equally modest overweight of 100bps in Latin America, which, while a positive contributor to performance over 2010, had far less impact (4.7%) than Asia (11.2%).

Sector deviation is more pronounced, with overweights in consumer discretionary (+700bps), materials (+400bps) and energy (+200bps), against a 500bps underweight in financials. At industry level, the current portfolio is most heavily overweight capital goods, real estate and consumer durables and underweight banks, energy and telecom services.

A key move for this fund over the last 12 months has been the sharp reduction in the number of holdings, down from 252 to 199, reflecting two key issues: significant redemptions which have reduced the size of the fund from €120 to just €29m, and a move into larger capitalisation companies. The top-10 concentration has risen from 19% to 23% of total portfolio assets.

Cumulative performance



Discrete performance (calendar years)

	2009		2010		YTD 29-04-11	
	%	Rank	%	Rank	%	Rank
Fund			75.2	521/1139	17.5	563/1306
Index**	40.3		-53.7		81.0	
Median	37.4		-54.9		74.5	
					16.9	
					3.4	915/1499
					5.2	
					3.9	

** S&P/IFCI Composite USD

Fund benchmark: MSCI Emerging Markets Net index

Share class screened: IE00B19ZCC84 (A USD Acc)

STANDARD & POOR'S



Portfolio characteristics (1 May 2011)

No. of holdings	199
Turnover ratio (%)	140
% in top 10	23

Top 10 holdings

Company	%
Petrobas *	3.6
Vale *	3.1
Taiwan Semiconductor Manufacturing Co	2.6
Gazprom	2.3
Samsung Electronic *	2.2
America Movil *	2.1
CNOOC	1.8
KIA Motor Corp	1.8
Hon Hai Precision *	1.7
Industrial & Commercial Bank of China	1.7

* In top 10 holdings a year ago

Regional allocation

Region	%
Asia	55.0
EMEA	18.0
Latin America	24.0
Cash	3.0

Sector allocation

Sector	%
Consumer discretionary	15.0
Consumer staples	3.0
Energy	16.0
Financials	19.0
Healthcare	1.0
Industrials	7.0
Information technology	10.0
Materials	19.0
Telecommunications	6.0
Utilities	1.0
Cash	3.0

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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.