

LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason, Inc
Barclays Capital Global
Financial Services Conference
September 13, 2010

Mark R. Fetting
Chairman & CEO



Batterymarch • Brandywine Global • ClearBridge Advisors • Legg Mason Capital Management • Legg Mason Global Equities Group
Permal • Private Capital Management • Royce & Associates • Western Asset Management

Forward-Looking Statements

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are not statements of facts or guarantees of future performance, and are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those discussed in the statements.

For a discussion of these risks and uncertainties, please see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2010 and in the Company’s quarterly reports on Form 10-Q.

Market Overview

- Slow recovery
 - *“Continue to be in a slow recovery, and that the Fed’s monetary policy will continue to be extremely accommodating. The full force of monetary policy should serve to mitigate the risk of double dip recession.” (Western Asset)*
- The American economy is de-leveraging
 - *“Employment becomes very important in a de-leveraging economy that is 71% consumption driven. The employment picture remains at best mixed.” (Permal)*
- Global economy
 - *“More confident that China can engineer soft landing (80% odds) than I am confident the US can avoid a double dip recession (70%). The soft landing is beginning and we see that in output numbers.” (Permal)*
- Equity markets
 - *“The public’s distaste for equities is palpable and understandable.” “US large capitalization stocks represent a once-in-a-lifetime opportunity in my opinion to buy the best quality companies in the world at bargain prices. The last time they were this cheap relative to bonds was 1951.” (Financial Times, September 9, 2010 – Bill Miller)*
 - *“Many companies retrenched during the downturn, lowered their cost structure dramatically and have really turned themselves around.” “So in a slow economic recovery period, I think it makes sense to focus on companies that are growing earnings one way or the other.” (Royce)*

Good environment for active managers

Legg Mason Today

- A Diversified Global Asset Management Firm
- Headquartered in Baltimore, Maryland
- Serving Individual and Institutional Investors for Over a Century
- Approximately 3,500 Employees with 31 Offices Around the World
- Ticker: LM (NYSE)

As of June 30, 2010:

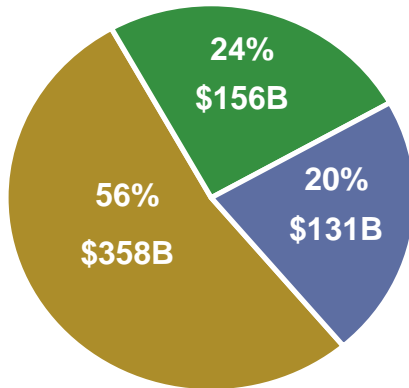
- Revenue TTM: \$2.7B
- Shares Outstanding:
 - Diluted – 155M
- Institutional Holdings: 88%
- AUM: \$656B¹
- Equity: \$5.6B
- Market Cap²: \$4.3B
- Stock Price²: \$28.08

¹ As of August 31, 2010
² As of September 9, 2010

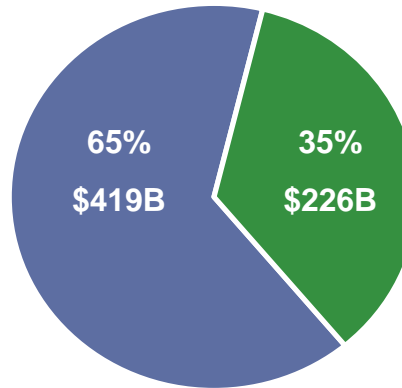
Achieving Diversity & Scale

Total AUM \$645B

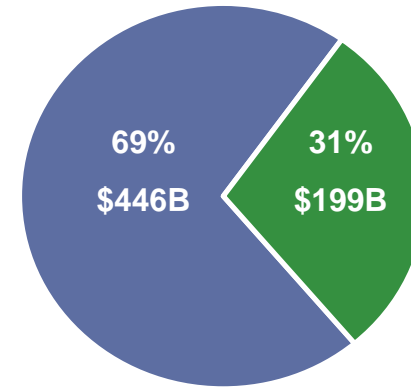
AUM by Asset Class



AUM by Client Domicile



AUM by Client



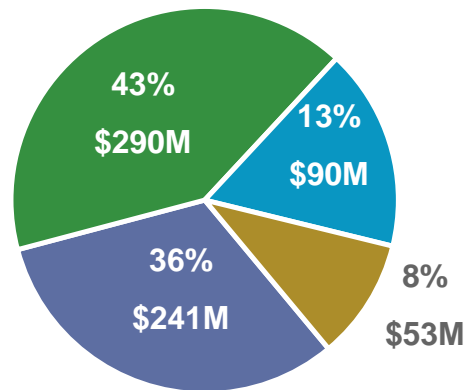
■ Fixed Income ■ Equity ■ Liquidity

■ US ■ Non-US

■ Institutional

■ Retail

FYTD 2011 Gross Revenues \$674M



■ Fixed Income ■ Equity
■ Alternative ■ Liquidity

Data as of June 30, 2010

Business Developments

- Streamlining our business
 - Implementation began July 1st
 - Have made progress on transition plans
 - Core project team in place
- Improving momentum in business
 - Raised \$1.3B through the launch of the ClearBridge Energy MLP closed-end fund
 - As of June 2010, over 72% of Western Asset Funds assets were ranked 4 or 5 stars by Morningstar, up from 7% at the end of June 2008
 - Permal is gaining momentum in institutional mandates
- Executed Share Repurchase
 - 10.7M shares repurchased
 - Up to an additional \$100M share repurchase by end of FY 2011

Financial Highlights First Quarter FY 2011

- Net Income, \$48M, \$0.30 per diluted share
- In first quarter FY 2011
 - Average AUM of \$668B, down \$13B or 2% from the prior quarter
 - Operating revenues \$674M, up slightly from prior quarter
 - Operating expenses of \$571M increased by 1%.
 - First quarter operating expenses include closed-end fund launch expenses of \$18M or \$.07 per share
 - Operating income \$103M, operating margin 15.2%
 - Adjusted income¹ \$96M or \$0.60 per diluted share
 - Operating margin, as adjusted¹, 20.9%.
 - Impact of closed-end fund launch expenses on operating margin, as adjusted, was 2.9%

¹ See Appendix for GAAP reconciliation

Note: Adjusted income was formerly reported as “Cash income, as adjusted”

Legg Mason - Streamlined Business Model



Positioned for Long Term Earnings Growth and Margin Expansion

Enhanced Value through Multiple Sources

- Top line growth from affiliates marketing to institutional clients supported by retail and individual distribution globally
- Distribution sharing in revenue on retail-based AUM growth
- Significant expense reduction and margin improvement
- Accretive share repurchase program – a compelling capital use given our growth prospects

Transition of Shared Services

- Shared Services transitioned to Affiliates and Distribution organizations
- Better organized to deliver the customized support our clients require more efficiently and effectively
- Shared services provided closer to the client fosters stronger client relationships

Our Core – A Portfolio of World Class Affiliates



One of the world's leading fixed income managers



Equity strategies selecting high-quality companies through rigorous research and analysis



One of America's leading equity managers recognized for their distinct value investment process



Value investing in both equities and fixed income, in both the US and internationally



A value oriented, small and micro-cap equity manager



A US, international and global equity manager focusing on quantitative analysis



One of the largest fund-of-hedge-fund managers in the world



Value-focused US equity manager for high net worth investors



A collection of specialty firms dedicated to global equities



Provides discretionary investment services to individuals, trusts and institutions

Strength of Business

(\$ in Billions)

Managers by Worldwide Assets

Rank	Firm	AUM (\$B)
1	BlackRock	\$3,346
2	State Street Global	1,911
3	Fidelity Investments	1,699
4	Vanguard Group	1,509
5	JPMorgan Asset Mgmt	1,249
6	BNY Mellon Asset Mgmt	1,115
7	Capital Research	1,039
8	PIMCO	1,000
9	Goldman Sachs	871
10	Deutsche Asset Mgmt	709
11	Legg Mason	681

Source: Pensions & Investments, December 31, 2009

Top Worldwide Institutional Managers

Rank	Firm	AUM (\$B)
1	BlackRock	\$2,462
2	State Street Global	1,682
3	BNY Mellon Asset Mgmt	980
4	Fidelity Investments	977
5	Vanguard Group	830
6	PIMCO	810
7	JPMorgan Asset Mgmt	754
8	Legg Mason	580
9	AXA Investment	563
10	Wellington Mgmt	537
11	Northern Trust	502

Source: Pensions & Investments, December 31, 2009

Strength of Business

(\$ in Billions)

Largest Small Cap Mutual Fund Managers

Rank	Firm	AUM (\$B)
1	Fidelity	\$44.1
2	Vanguard	34.8
3	Royce & Associates	26.6
4	Columbia	24.3
5	DFA	23.7
6	T Rowe Price	17.9
7	Neuberger Berman	9.6
8	Baron Cap Mgmt	8.7
9	Wells Fargo	8.1
10	Pimco/Allianz Gbl	6.8

Source: Strategic Insight, July 2010
Data includes Domestic Open-End Small Cap Mutual Funds

Largest Hedge Fund of Funds

Rank	Firm	AUM (\$B)
1	Blackstone	\$28.5
2	HSBC	26.8
3	UBS	24.2
4	Grosvenor	23.0
5	Goldman Sachs	20.8
6	Permal	19.0
7	Morgan Stanley	17.5
8	GAM Multi-Mananger	17.0
9	BlackRock	16.8
10	Pacific Alternative Asset	16.6

Source: InvestHedge, June 2010

Strength of Business

(\$ in Billions)

Top Active Domestic Fixed Income Managers		
Rank	Firm	AUM (\$B)
1	PIMCO	\$253.9
2	Legg Mason	168.3
3	BlackRock	140.6
4	TIAA-CREF	127.7
5	Prudential Financial	93.9
6	Loomis, Sayles	91.2
7	Principal Global Investors	71.2
8	JP Morgan	69.6
9	Fidelity	59.7
10	BNY Mellon	57.8

Source: Pension & Investments, December 31, 2009

Top Closed End Fund Managers		
Rank	Firm	AUM (\$B)
1	Nuveen Investments	\$45.6
2	BlackRock	35.4
3	Eaton Vance	22.8
4	PIMCO/Allianz Gbl	13.5
5	Invesco	13.1
6	Legg Mason	10.8
7	Calamos	7.2
8	Cohen & Steers	6.5
9	Gabelli	5.6
10	ING Investments	5.4

Source: Strategic Insight, July 31, 2010

Strength of Business

(\$ in Billions)

Largest Advisor Sold Fund Complexes

Rank	Firm	AUM (\$B)
1	American Funds	\$857
2	BlackRock	678
3	PIMCO/Allianz Gbl	417
4	Franklin Templeton	304
5	Federated	269
6	Goldman Sachs	200
7	Legg Mason	175
8	Columbia Funds	143
9	OppenheimerFunds	132
10	DFA	104

Source: Simfunds as of June 30, 2010

Largest Separate Account Managers

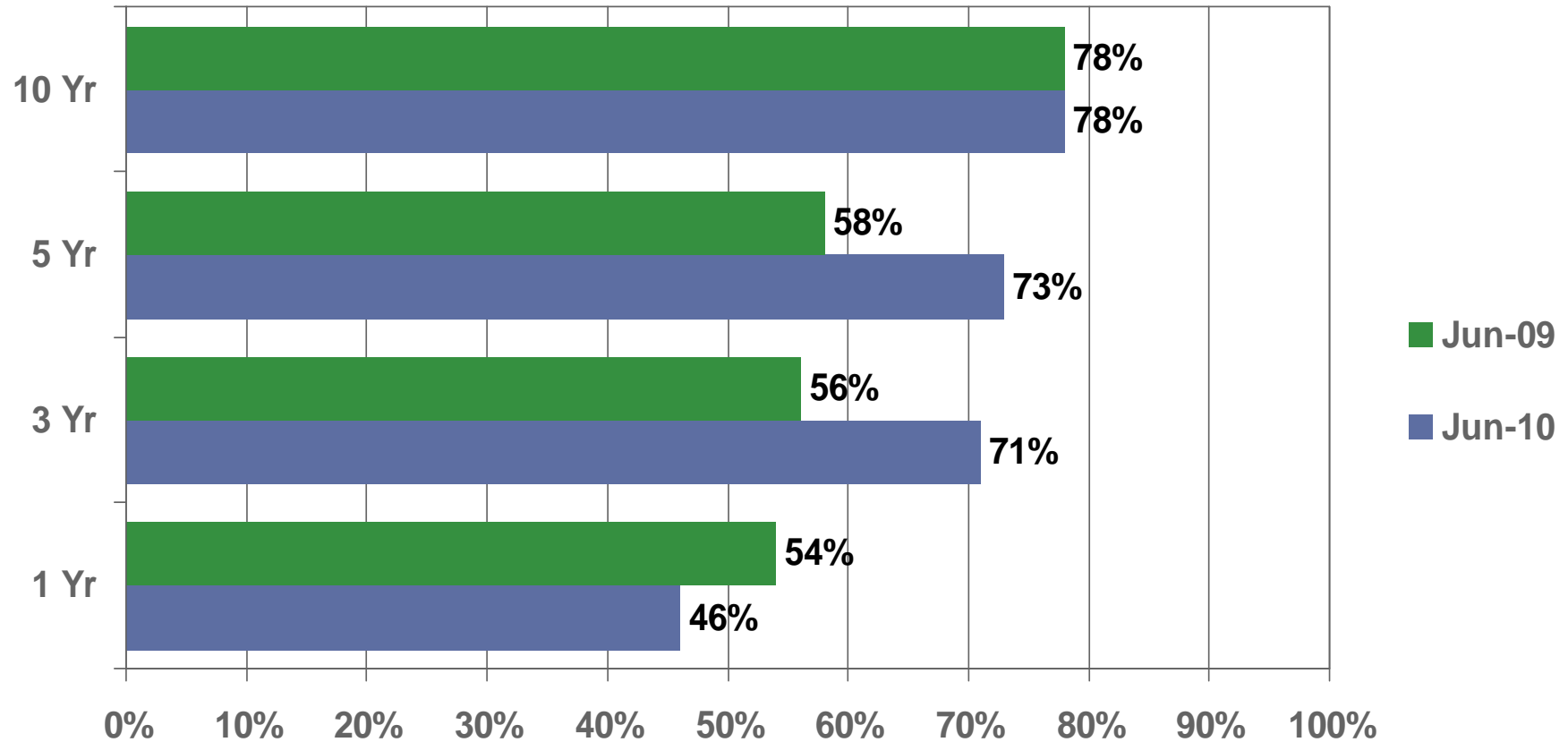
Rank	Firm	AUM (\$B)
1	Nuveen Investments ¹	\$38.6
2	BlackRock	33.8
3	Legg Mason	32.7
4	Allianz Global Investors	25.8
5	Neuberger Berman	15.5
6	Lord Abbett & Co.	13.4
7	Eaton Vance	12.0
8	Brandes Inv. Partners	11.0
9	JP Morgan	10.9
10	Columbia Management	8.8

Source: MMI, Dover Financial Research 1Q 2010 Edition (data as of 4Q 09)

¹ Includes Nuveen, Rittenhouse, Santa Barbara, NWQ Investment Management, Tradewinds and Symphony.

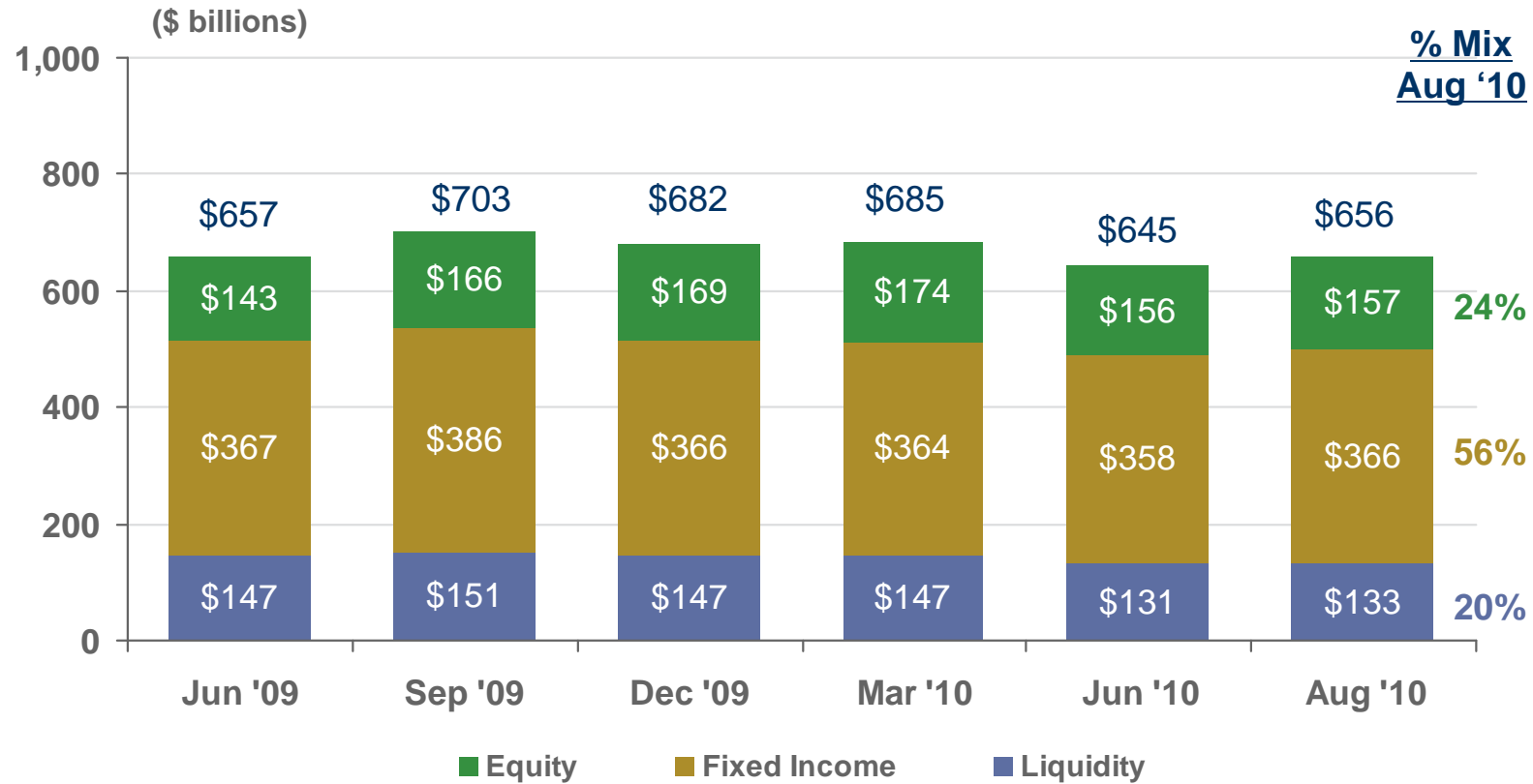
Long-Term Fund Performance

% of Long-Term U.S. Fund Assets beating Lipper Category Average¹



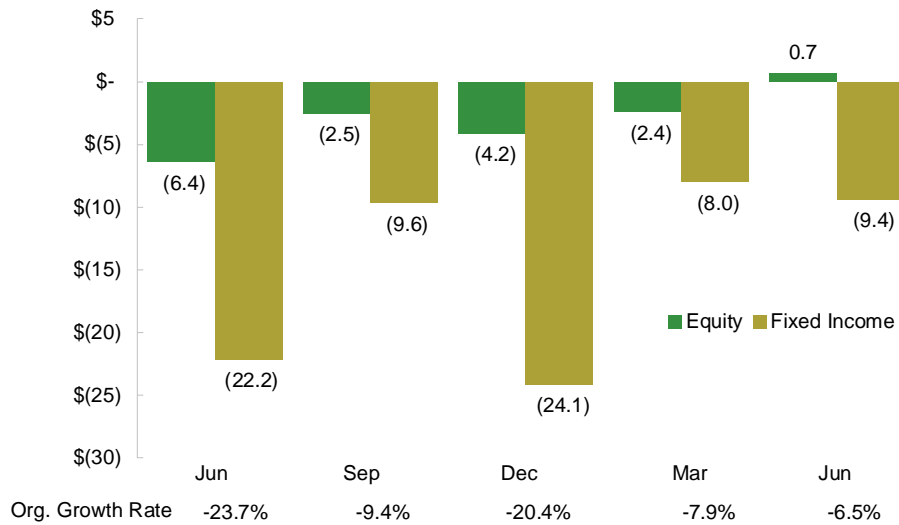
¹ As of June 30, 2010, includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc.

Assets Under Management by Asset Class

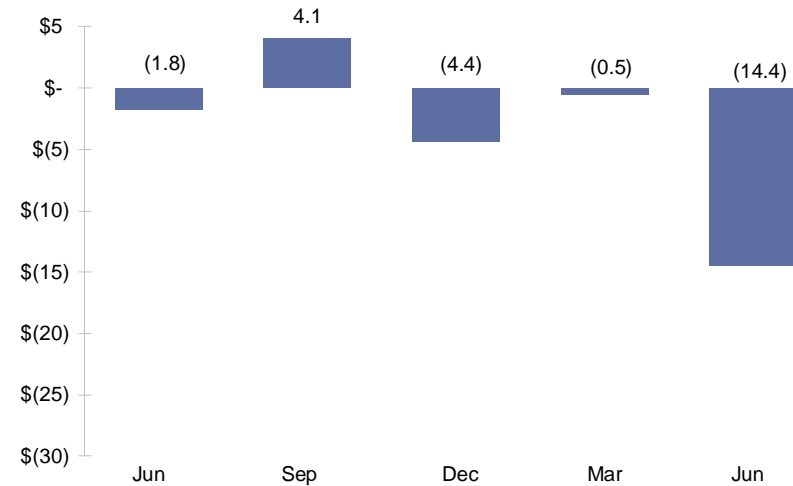


Net Flows

Long Term Net Flows (\$ billions)



Liquidity Net Flows (\$ billions)



- June 2010 best quarter of long term net flows since September 2007
- Positive equity net flows of \$0.7B were driven by launch of ClearBridge Energy MLP

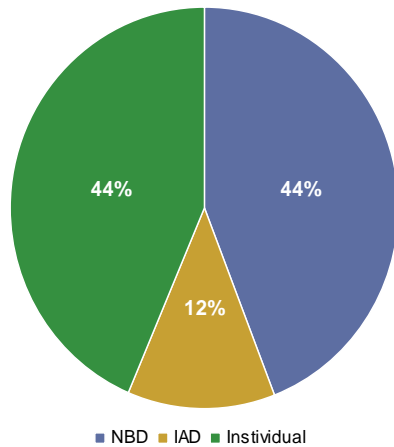
Americas Distribution - Overview

Overview: Centralized Distribution, Marketing, and Product Development Platform for Retail and Individual Clients

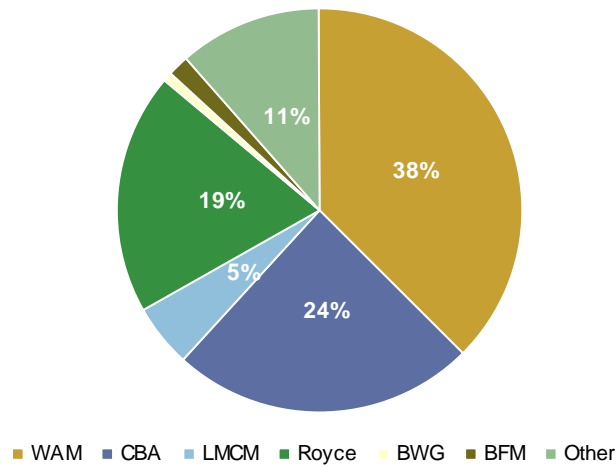
Total AUM: \$150 Billion Long-Term Assets

Locations: Offices in Stamford, New York, and Baltimore

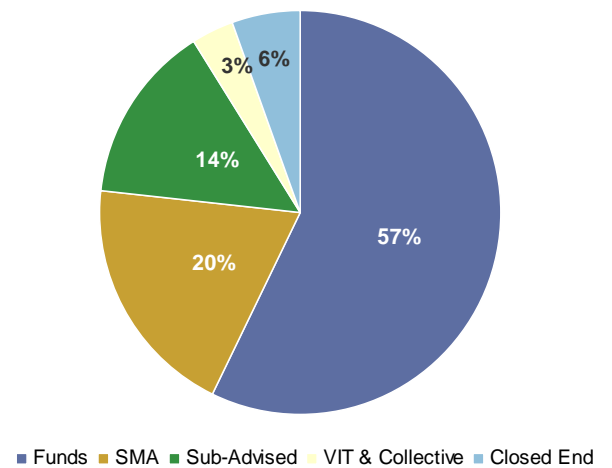
AUM by Channel



AUM by Affiliate



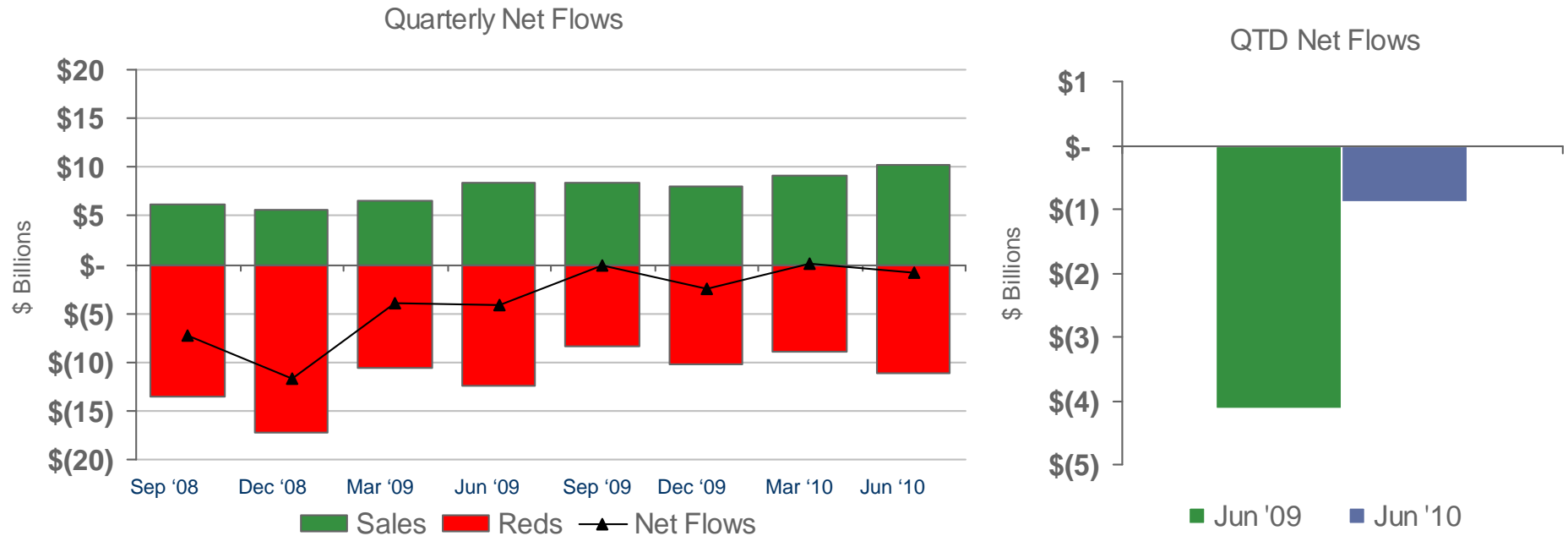
AUM by Product



As of 6/30/10

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Americas Distribution Long-Term Flow Trends



- Compared to June 2009 quarter, net flows have improved by 78% reflecting both an increase in sales and lower redemption rate

Represents sales, redemptions and net flows by Legg Mason's centralized Americas distribution operations

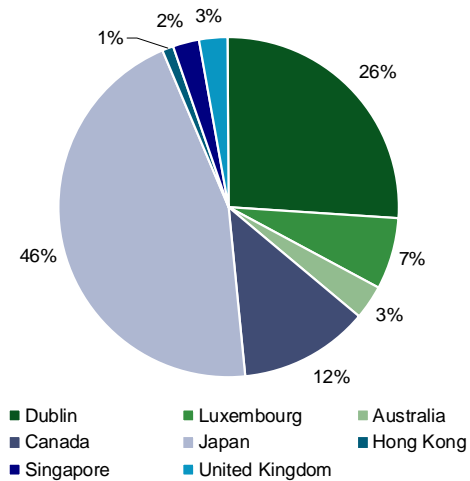
International Distribution - Overview

Overview: Centralized Distribution Platform for Retail, Individual and Selected Institutional Markets

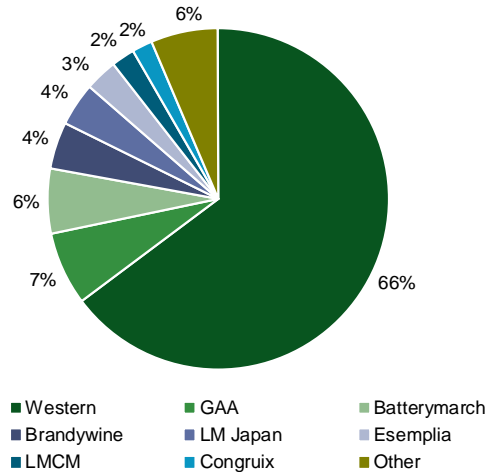
Total AUM: \$40 Billion

Locations: Offices in Americas, Asia, Europe, Australia, Japan and Canada

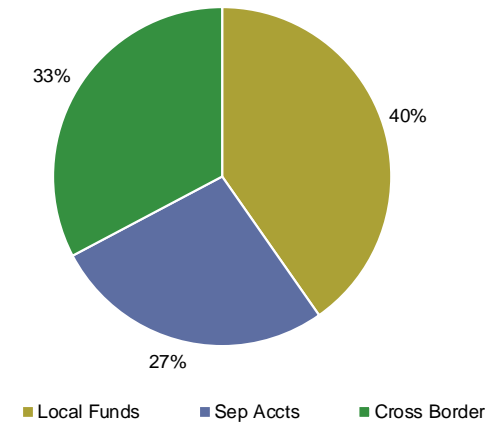
AUM by Location



AUM by Affiliate



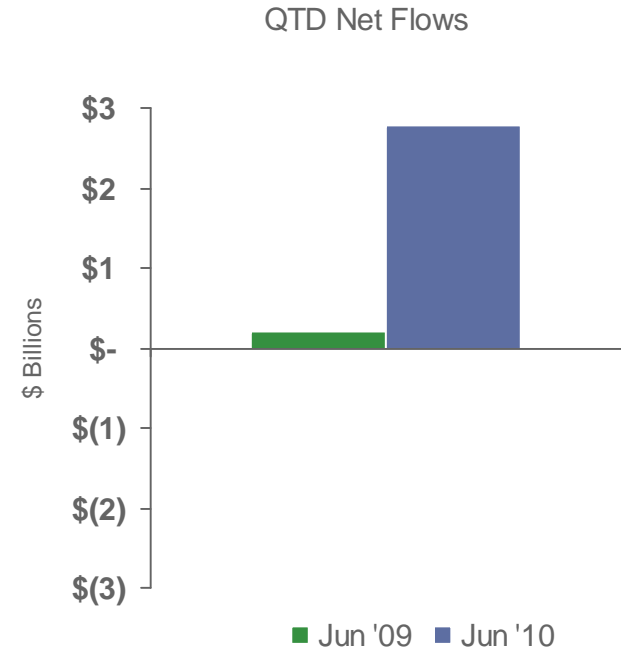
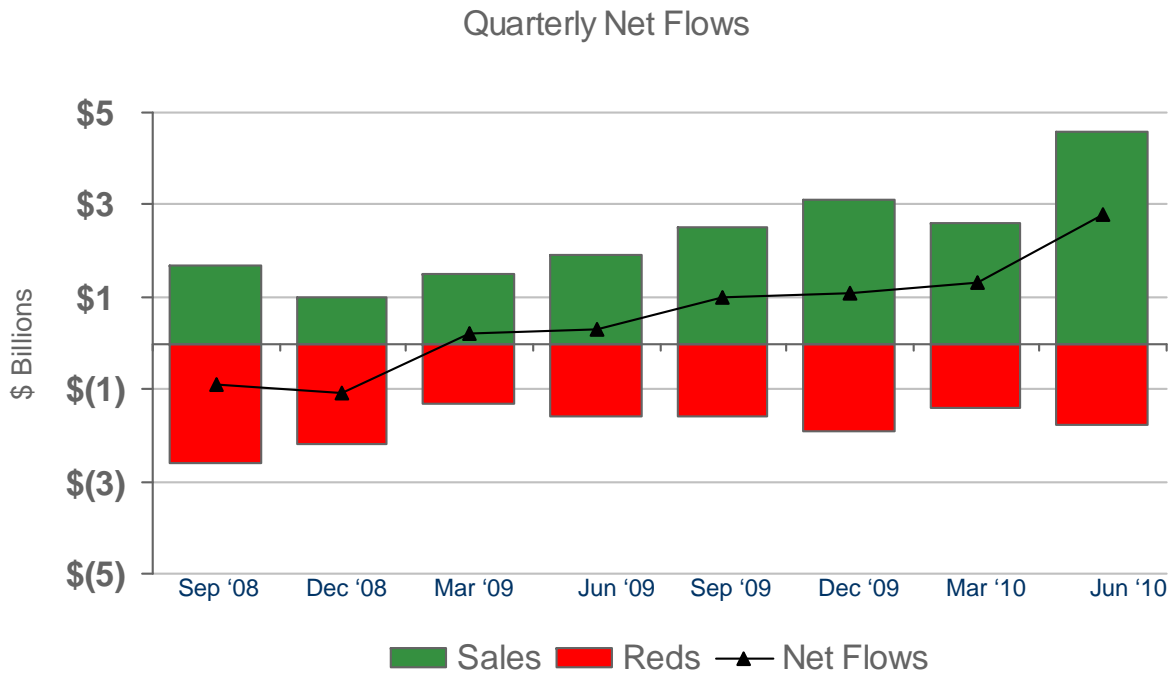
AUM by Product



As of 6/30/10

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International Distribution Long-Term Flow Trends



- International long-term net flows have increased over each of the past six quarters
- Compared to June 2009 quarter, sales have increased 138% or \$2.7B

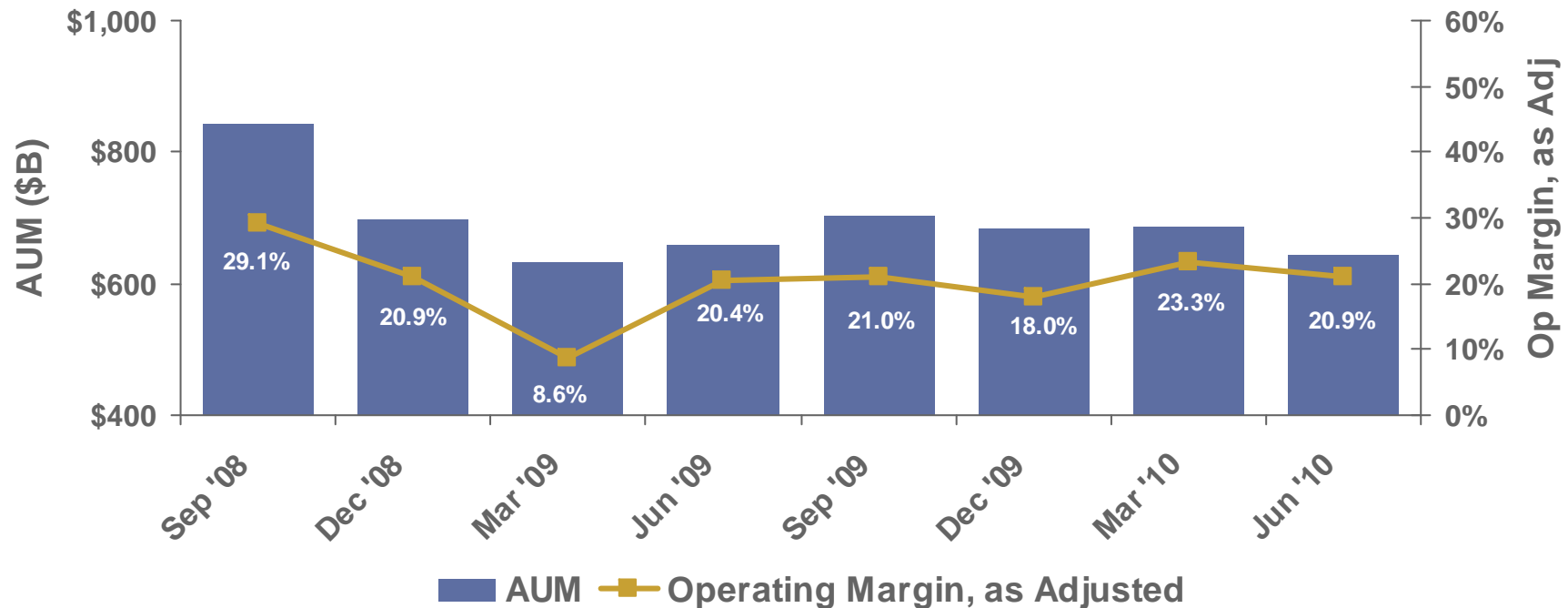
Represents sales, redemptions and net flows by Legg Mason's centralized International distribution operations

Investing With & In Affiliates

Deploy LM's capital to help fuel Affiliate growth and add investment talent / capabilities

- Seed Capital Investment
 - Incubation of products with significant growth potential
 - Launch differentiated products that leverage Affiliates' investment capabilities and LM distribution
 - Total seed capital balance of approximately \$260 million as of June 30, 2010
- Bolt-On Acquisitions and Lift-Out Opportunities
 - Add investment talent and capabilities
 - Broaden investment and management team depth
 - Access new markets / channels / products
 - Remain disciplined on price
 - Financial key is the ability to deliver AUM and enhance growth

Operating Margin, as Adjusted



- Impact of closed-end fund launch expenses on June 2010 quarter Operating Margin, as adjusted was 2.9%

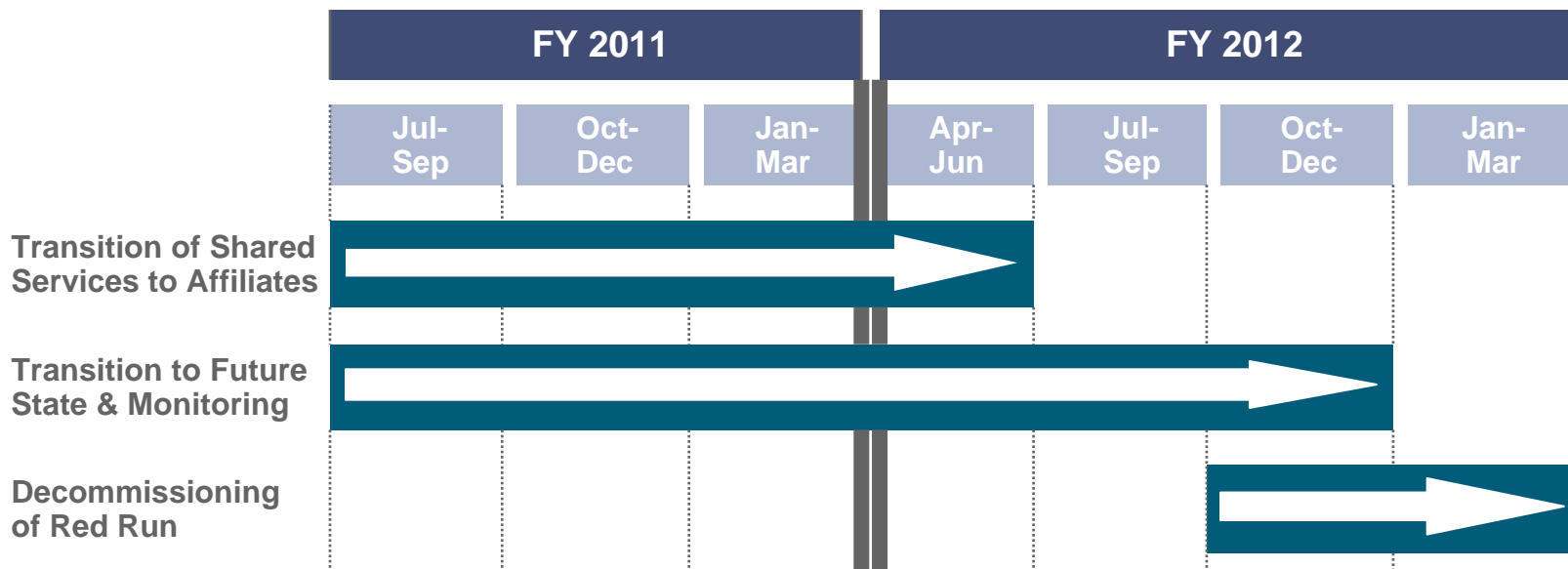
Note: See Appendix for GAAP reconciliation

Update on Streamlining our Business Model

- Have made progress on transition plans
- No change expected from targets
- Announced corporate staff reductions of approximately 350 positions
- Expect reductions in force to occur over an 18 month period in three stages, with the largest being June 30, 2011
- Expect \$130M - \$150M savings to be fully realized by fourth quarter FY 2012
- Restructuring and related costs are estimated between \$125M - \$135M, and transition support for affiliates remains at approximately \$75M
- Anticipate second quarter results will include approximately \$15M in transition related compensation costs
- Expect 6-8% of margin improvement when fully implemented

Achievement of all projected savings and margin improvements, as well as amount of restructuring and transition related costs, will be affected by many factors, including market conditions and other factors affecting the financial results of Legg Mason and the affiliates and the rate of assets under management growth. Actual results may differ materially from projected amounts.

Timing and Financial Impact of Streamlining



	FY 2011	FY 2012	F4Q12	Run Rate Q4 FY 2012
Estimated Total Impact	(\$35M)	\$0	\$35M	\$140M

Achievement of all projected savings and margin improvements, as well as amount of restructuring and transition related costs, will be affected by many factors, including market conditions and other factors affecting the financial results of Legg Mason and the affiliates and the rate of assets under management growth. Actual results may differ materially from projected amounts.

\$1B Board Authorized Repurchase

- Have historically maintained a conservative approach to capital management and intend to continue that philosophy which has served us extremely well
- In recognition of improved financial results, strong balance sheet and substantial excess cash, the Board has authorized a stock repurchase of up to \$1B
- 500K open market repurchase on May 21st
- Entered into a \$300M Accelerated Share Repurchase on May 24th
 - In total 10.2M shares retired under ASR
 - Retired 9.2M shares on June 21st
 - ASR closed on August 17th with 1.0M additional shares retired
- Up to an additional \$100M share repurchase by end of F2011
- Execution of the plan and timing will be revised as needed based on market and company performance, and may be scaled back or accelerated based on actual cash flows and capital needs

Strategic Priorities Going Forward

Focus on Growth and Margin Expansion

- Streamline our business model
- Partner with affiliates for franchise expansion
- Enhance growth through lift outs, bolt-ons and new product investment
- Effectively deploy capital

Appendix

Appendix - GAAP Reconciliation

Consolidated Statement of Income excluding Investment Vehicles¹

	Quarter Ended June 30, 2010			Quarter Ended March 31, 2010			Quarter Ended June 30, 2009		
	GAAP Basis	Consolidated Investment Vehicles	Non-GAAP Basis - Excluding Investment Vehicles	GAAP Basis	Consolidated Investment Vehicles	Non-GAAP Basis - Excluding Investment Vehicles	GAAP Basis	Consolidated Investment Vehicles	Non-GAAP Basis - Excluding Investment Vehicles
(\$ millions)									
Operating Revenues:									
Investment advisory fees	\$ 576.4	\$ 0.8	\$ 577.2	\$ 573.9	\$ 0.5	\$ 574.4	\$ 524.6	\$ 0.8	\$ 525.4
Distribution and service fees	96.3	0.0	96.3	96.1	0.0	96.1	86.7	-	86.7
Other	1.4	-	1.4	1.4	-	1.4	1.8	-	1.8
Total operating revenues	674.2	0.8	674.9	671.4	0.5	671.9	613.1	0.8	613.9
Operating Expenses:									
Compensation and benefits	268.8	-	268.8	267.3	-	267.3	268.8	-	268.8
Distribution and servicing	184.7	(0.0)	184.7	167.4	(0.0)	167.4	172.5	(0.0)	172.4
Other	117.9	(0.5)	117.4	130.9	(0.2)	130.7	113.5	0.5	114.0
Total operating expenses	571.4	(0.5)	570.9	565.6	(0.2)	565.4	554.8	0.4	555.2
Operating Income	102.8	1.2	104.0	105.8	0.8	106.6	58.3	0.3	58.7
Other Non-Operating Income (Expense)									
Net interest income (expense)	(21.0)	-	(21.0)	(23.5)	(0.0)	(23.5)	(41.6)	-	(41.6)
Fund Support	-	-	-	-	-	-	17.6	-	17.6
Other income (expense)	(9.7)	1.7	(8.0)	19.4	(2.2)	17.2	46.4	(2.6)	43.8
Other non-operating income (expense)	(30.7)	1.7	(29.0)	(4.1)	(2.2)	(6.3)	22.4	(2.6)	19.8
Income Before Income Tax Provision	72.1	2.9	75.0	101.7	(1.4)	100.3	80.7	(2.2)	78.5
Income tax provision	27.1	-	27.1	36.6	-	36.6	28.4	-	28.4
Net Income	45.0	2.9	48.0	65.1	(1.4)	63.7	52.3	(2.2)	50.1
Less: Net income (loss) attributable to noncontrolling interests	(2.9)	2.9	0.1	1.5	(1.4)	0.0	2.3	(2.2)	0.0
Net Income Attributable to Legg Mason, Inc.	\$ 47.9	\$ -	\$ 47.9	\$ 63.6	\$ -	\$ 63.6	\$ 50.1	\$ -	\$ 50.1
Effective Income Tax Rate	37.5%			36.0%			35.2%		
Effective Income Tax Rate Excluding Consolidated Investment Vehicles			36.1%			36.5%			36.2%

⁽¹⁾ See explanations for Use of Supplemental Data as Non-GAAP Performance Measures.

Appendix – GAAP Reconciliation Adjusted Income¹

(\$ millions, except per share amounts)	Quarters Ended		
	Jun 10	Mar 10	Jun 09
Net Income attributable to Legg Mason, Inc.	\$ 47.9	\$ 63.6	\$ 50.1
Plus (Less):			
Amortization of intangible assets	5.7	5.7	5.6
Deferred income taxes on intangible assets	33.8	33.1	35.2
Imputed interest on convertible debt	8.9	8.9	8.4
Net money fund support gains ²	-	-	(12.5)
Adjusted Income	<u>\$ 96.3</u>	<u>\$ 111.3</u>	<u>\$ 86.8</u>
Net Income per Diluted Share attributable to Legg Mason, Inc. common shareholders	\$ 0.30	\$ 0.39	\$ 0.35
Plus (Less):			
Amortization of intangible assets	0.04	0.04	0.04
Deferred income taxes on intangible assets	0.21	0.20	0.24
Imputed interest on convertible debt	0.05	0.06	0.06
Net money fund support gains ²	-	-	(0.08)
Adjusted Income per Diluted Share	<u>\$ 0.60</u>	<u>\$ 0.69</u>	<u>\$ 0.61</u>

¹ See explanations for Use of Supplemental Data as Non-GAAP Performance Measures.

² Net of income taxes.

Note: Adjusted income was formerly reported as "Cash income, as adjusted"

Appendix – GAAP Reconciliation

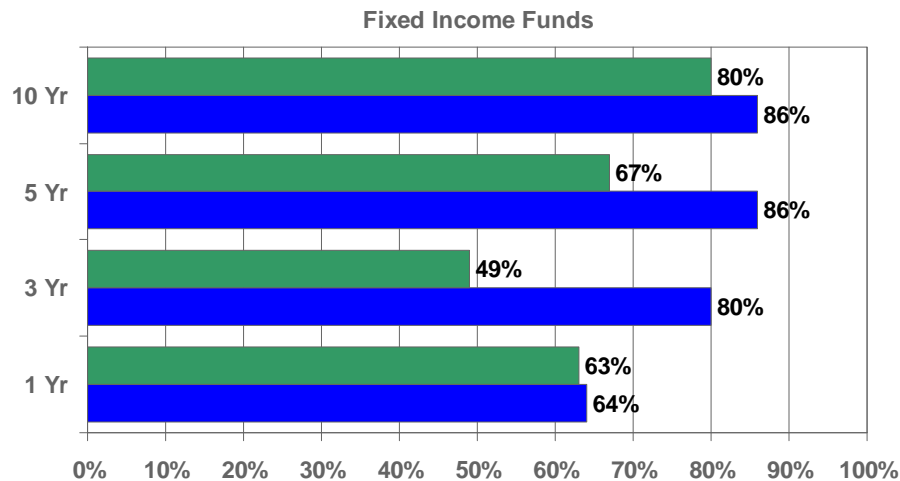
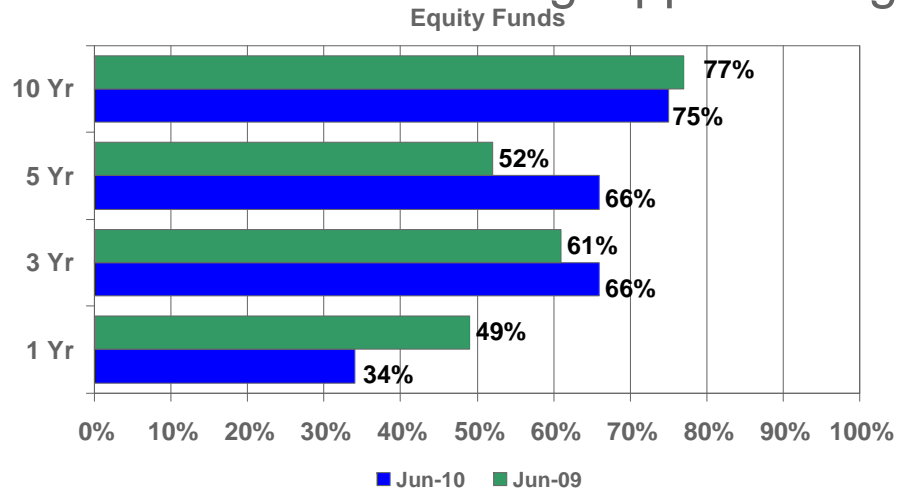
Operating Margin, as adjusted¹

(\$ millions)	Quarters Ended								
	Jun 08	Sep 08	Dec 08	Mar 09	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10
Operating Revenues, GAAP basis	\$ 1,054.0	\$ 966.1	\$ 720.0	\$ 617.2	\$ 613.1	\$ 659.9	\$ 690.5	\$ 671.4	\$ 674.2
Plus (Less):									
Operating revenues eliminated upon consolidation of investment vehicles	-	-	-	1.2	0.8	0.6	0.9	0.5	0.8
Distribution and servicing expense excluding consolidated investment vehicles	(307.9)	(279.0)	(202.5)	(180.6)	(172.4)	(174.4)	(177.6)	(167.4)	(184.7)
Operating Revenues, as adjusted	<u>\$ 746.2</u>	<u>\$ 687.2</u>	<u>\$ 517.5</u>	<u>\$ 437.8</u>	<u>\$ 441.4</u>	<u>\$ 486.1</u>	<u>\$ 513.7</u>	<u>\$ 504.5</u>	<u>\$ 490.3</u>
Operating Income (Loss)	\$ 228.9	\$ 220.2	\$ (1,073.0)	\$ (45.3)	\$ 58.3	\$ 77.9	\$ 79.1	\$ 105.8	\$ 102.8
Plus (Less):									
Gains (losses) on deferred compensation and seed investments	(5.1)	(19.9)	(44.0)	(1.9)	31.4	24.1	12.6	11.2	(4.6)
Transition-related costs	-	-	-	-	-	-	-	-	3.2
Operating income and expenses of consolidated investment vehicles	-	-	-	1.9	0.3	0.2	0.8	0.8	1.2
Impairment charges	-	-	1,225.1	82.9	-	-	-	-	-
Operating Income, as adjusted	<u>\$ 223.8</u>	<u>\$ 200.3</u>	<u>\$ 108.1</u>	<u>\$ 37.6</u>	<u>\$ 90.0</u>	<u>\$ 102.2</u>	<u>\$ 92.5</u>	<u>\$ 117.8</u>	<u>\$ 102.6</u>
Operating margin, GAAP basis	21.7%	22.8%	-149.0%	-7.3%	9.5%	11.8%	11.5%	15.8%	15.2%
Operating margin, as adjusted	30.0%	29.1%	20.9%	8.6%	20.4%	21.0%	18.0%	23.3%	20.9%

¹ See explanations for Use of Supplemental Data as Non-GAAP Performance Measures.

Appendix - Long-Term Performance by Asset Class

% of Long-Term U.S. Fund Assets beating Lipper Category Average¹



¹As of June 30, 2010, includes open-end, closed-end, and variable annuity funds. Sources: Lipper Inc. and Morningstar