

LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason, Inc
Bank of America
Merrill Lynch
Banking and Financial Services
Conference
November 16, 2010

Mark R. Fetting
Chairman & CEO



Batterymarch • Brandywine Global • ClearBridge Advisors • Legg Mason Capital Management • Legg Mason Global Equities Group
Permal • 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.

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 September 30, 2010:

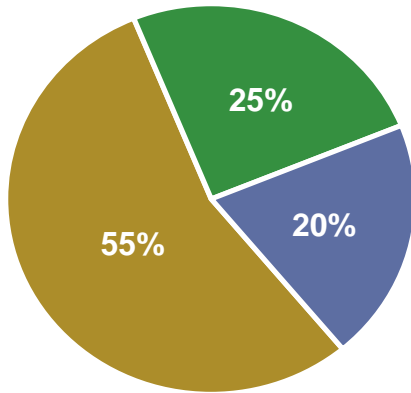
- Revenue TTM: \$2.7B
- Shares Outstanding:
 - Diluted – 152M
- Institutional Holdings: 88%
- AUM: \$674B
- Equity: \$5.7B
- Market Cap¹: \$5.2B
- Stock Price¹: \$33.90

¹ As of November 11, 2010

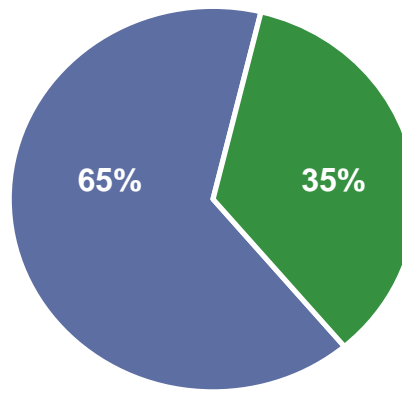
Achieving Diversity & Scale

Total AUM \$674B

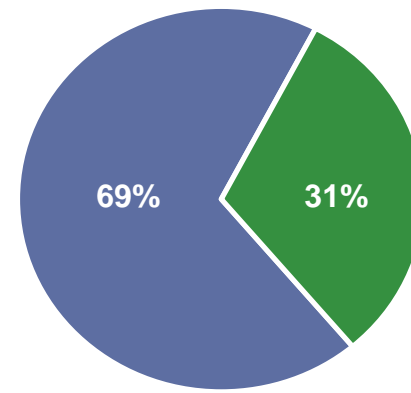
AUM by Asset Class



AUM by Client Domicile



AUM by Client



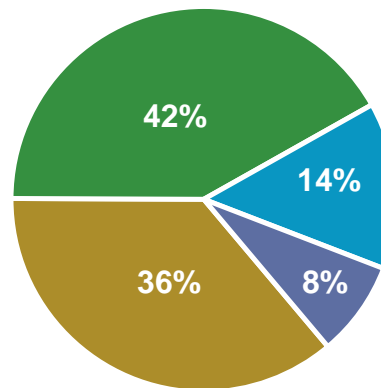
■ Fixed Income ■ Equity ■ Liquidity

■ US ■ Non-US

■ Institutional

■ Retail

F2Q11 Gross Revenues \$675M



■ Fixed Income ■ Equity
■ Alternative ■ Liquidity

Data as of September 30, 2010

Business Developments

- Investment performance at many of our affiliates continues to be strong
 - As of September 2010, 92% of Western Asset Funds* assets were ranked 4 or 5 stars by Morningstar, up from 72% last quarter and 5% at the end of September 2008
- Continued closed end fund success with launch of Western Asset High Yield Defined Opportunity Fund in October
 - Raised \$479M (assuming full exercise of underwriters' over allotment option)
 - \$11M of launch costs in F3Q11
- Streamlining initiatives
 - Implementation began July 1st
 - Solid progress on transition
- Executed Share Repurchase
 - 1.7M shares during the quarter
 - 11.4M shares, or 7% of FY '10 outstanding shares, in the past two quarters
- Board announced a 50% increase in the quarterly dividend to \$0.06 per share

* The information does not reflect the ratings of any specific fund. Individual fund ratings will differ. Includes Western Institutional fund family. Source: Morningstar.

Financial Highlights Second Quarter FY 2011

- Net Income, \$75M, \$0.50 per diluted share
 - Results include:
 - \$11.6M pre-tax transition costs related to our streamlining initiative
 - \$8.9M United Kingdom tax benefit
- In second quarter FY 2011
 - Average AUM of \$659B, down \$10B or 1% from the prior quarter
 - Operating revenues \$675M, up slightly from prior quarter
 - Operating expenses of \$587M increased by 3% primarily due to an increase in MTM on deferred compensation and seed investments
 - Operating income \$88M, operating margin 13.0%
 - Adjusted income¹ \$115M or \$0.76 per diluted share
 - Operating margin, as adjusted¹, 24.1%

¹ See Appendix for GAAP reconciliation

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

Legg Mason - Streamlined Business Model



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



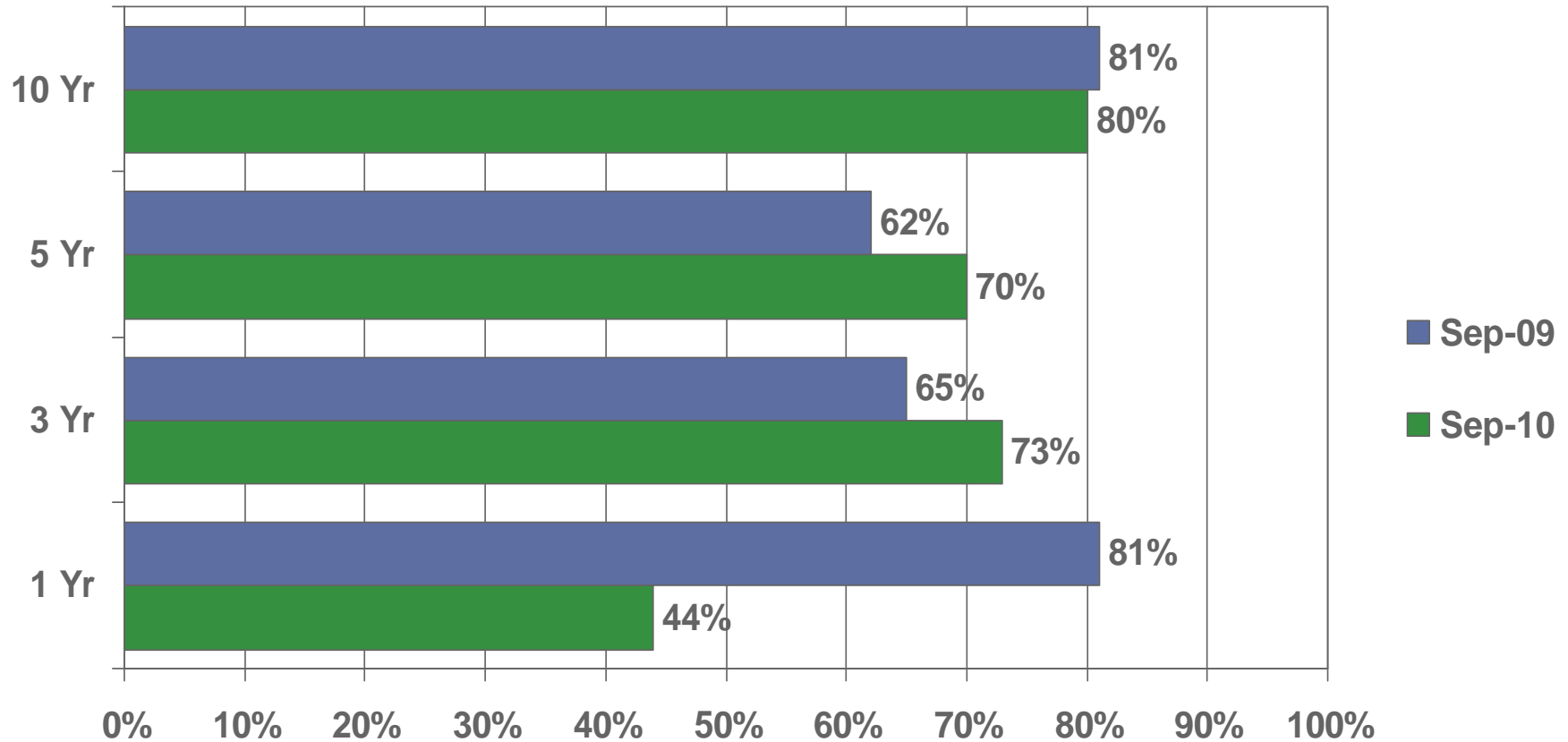
Provides discretionary investment services to individuals, trusts and institutions



A collection of specialty firms dedicated to global equities

Long-Term Fund Performance

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



¹ Includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc.

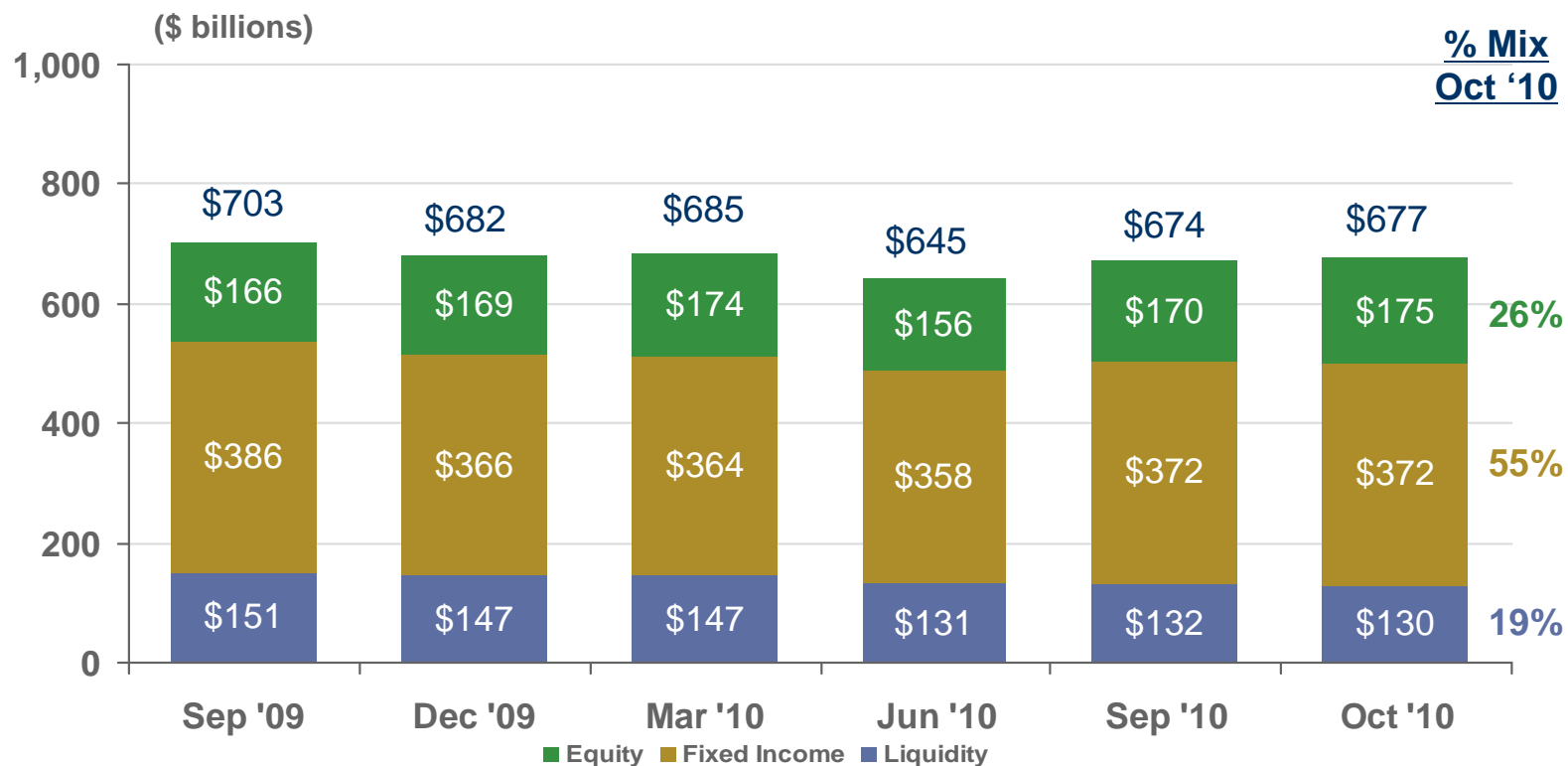
Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ.

Assets Under Management (\$ billions)

AUM by Affiliate ¹	Sep '10 AUM	Jun '10 AUM	Sep '09 AUM	% Change vs	
				Jun '10	Sep '09
Western Asset	\$ 469.1	\$ 456.7	\$ 505.5	3 %	(7)%
Permal Group	18.5	17.9	18.2	3 %	1 %
ClearBridge	51.3	47.1	52.4	9 %	(2)%
Royce & Associates	34.0	31.0	28.7	10 %	18 %
LM Capital Mgmt	15.5	14.8	16.8	5 %	(8)%
Batterymarch	22.0	19.5	20.4	13 %	8 %
Brandywine	31.4	29.4	29.2	7 %	7 %

¹ Primary affiliates ordered by contribution to fiscal year to date 2011 pre-tax earnings

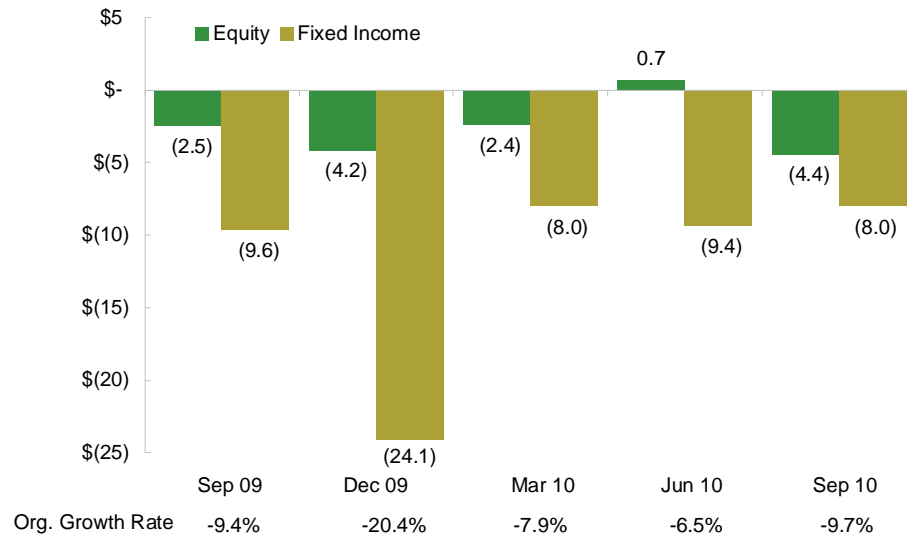
Assets Under Management by Asset Class



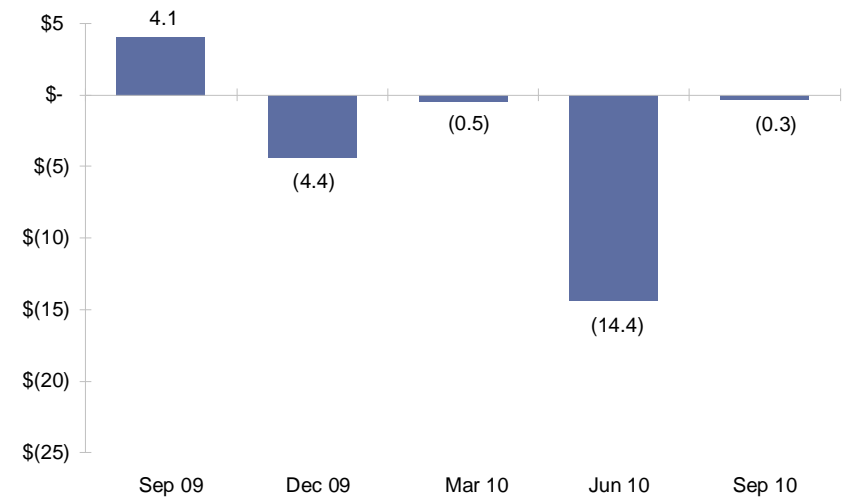
- AUM increased approximately \$3B in October due to market appreciation on long term assets
- Long term flow trends improving through September quarter end
- Retail liquidity sweep business expected to convert to a third party proprietary platform in June 2011 quarter

Net Flows

Long Term Net Flows (\$ billions)



Liquidity Net Flows (\$ billions)



- Prior quarter equity flows included \$1.3B for the ClearBridge closed-end fund launch
- Equity outflows were higher, following the industry trend
- Fixed Income outflows driven by two large redemptions
- Permal flows positive for two consecutive quarters

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	\$45.6
2	Vanguard	36.1
3	Royce & Associates	30.4
4	Columbia	25.7
5	DFA	24.7
6	T Rowe Price	18.7
7	Neuberger Berman	10.0
8	Baron Cap Mgmt	8.9
9	Wells Fargo	8.3
10	Pimco/Allianz Gbl	6.8

Source: Strategic Insight, September 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 Global Fixed Income Managers

Rank	Firm	AUM (\$B)
1	BlackRock	\$1,216
2	Allianz/PIMCO	830
3	State Street	439
4	Vanguard	371
5	Legg Mason	360
6	Prudential	354
7	Goldman Sachs	315
8	Fidelity	237
9	BNY Mellon	234
10	JP Morgan	226

Source: Institutional Investor US Money Managers Ranking, December 31, 2009

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

Strength of Business

(\$ in Billions)

Top Managers of Sovereign Wealth Fund Assets

Rank	Firm	AUM (\$B)
1	BlackRock	\$67.0
2	JP Morgan Asset Mgmt	50.1
3	Northern Trust	48.0
4	Legg Mason	47.1
5	PIMCO	32.2
6	Goldman Sachs	18.1
7	T Rowe Price	15.1
8	HSBC Global Asset	14.3
9	Morgan Stanley	11.6
10	Mondrian Investment	10.2

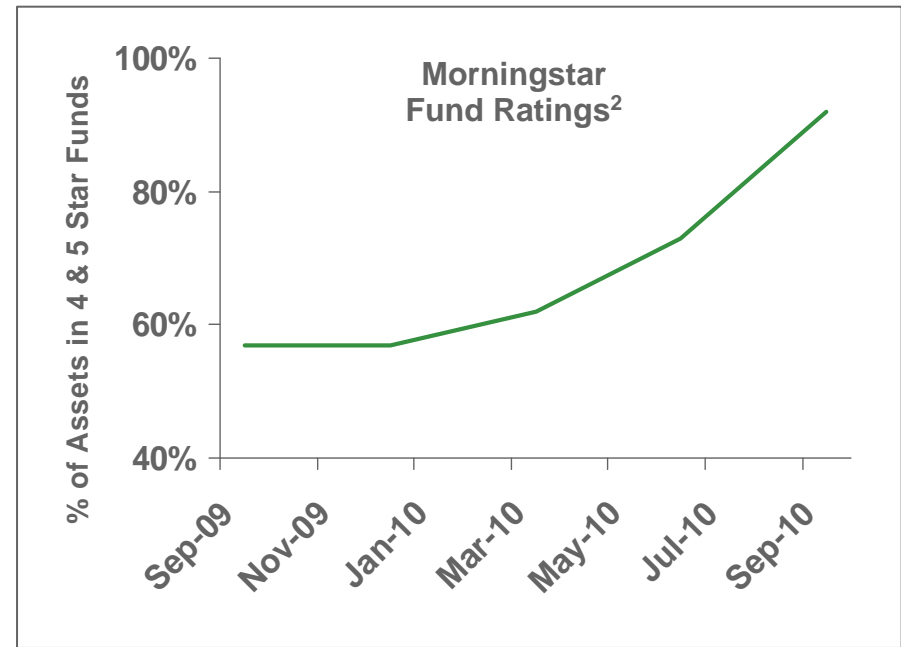
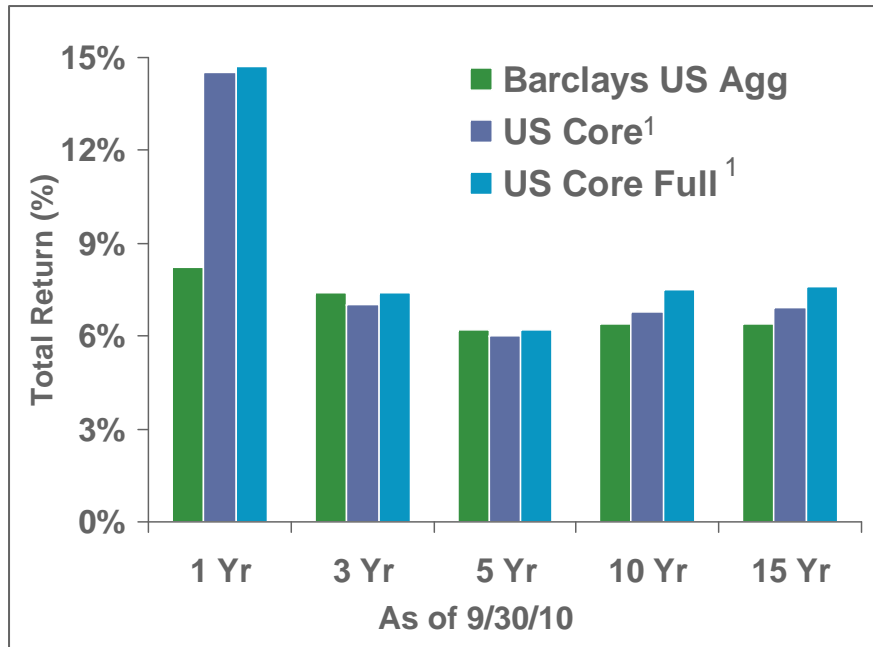
Source: Pension & Investments, December 31, 2009

Top Closed End Fund Managers

Rank	Firm	AUM (\$B)
1	Nuveen Investments	\$46.5
2	BlackRock	31.2
3	Eaton Vance	23.2
4	PIMCO/Allianz Gbl	14.0
5	Invesco	13.3
6	Legg Mason	11.2
7	Calamos	7.4
8	ING Investments	5.5
9	Gabelli	5.2
10	Cohen & Steers	5.0

Source: Strategic Insight, September 30, 2010

Western Update



Legacy Runoff

- Global sovereign product in low rate environment
- Some continued institutional move to passive
- Variable annuity mandate

Incremental Growth

- Emerging local currency
- Global multi-sector
- Municipal bonds
- Brazil & Australia AUM at all-time high

All performance shown is historical and past performance is no guarantee of future results

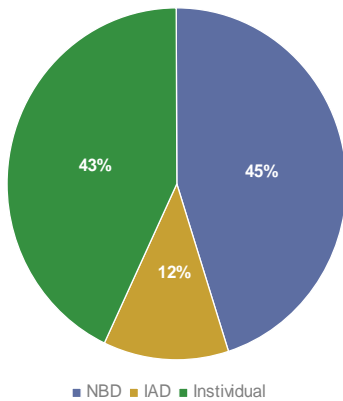
¹ Please see GIPS endnotes at the end of this presentation for complete performance information

² The information shown above does not reflect the ratings of any specific fund. Individual fund ratings will differ. Includes Western Institutional fund family. Source: Morningstar.

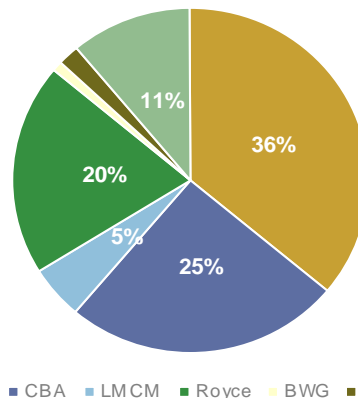
Americas Distribution - Overview

Centralized distribution, marketing, and product development platform for retail and individual clients with \$162B of total long-term assets

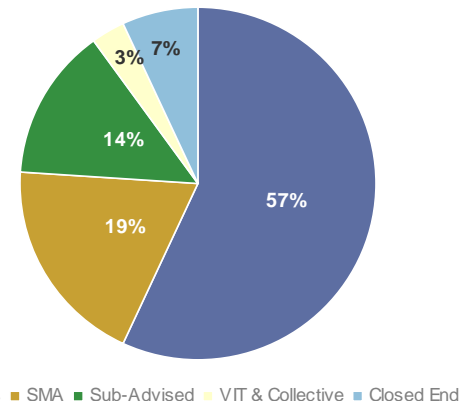
AUM by Channel



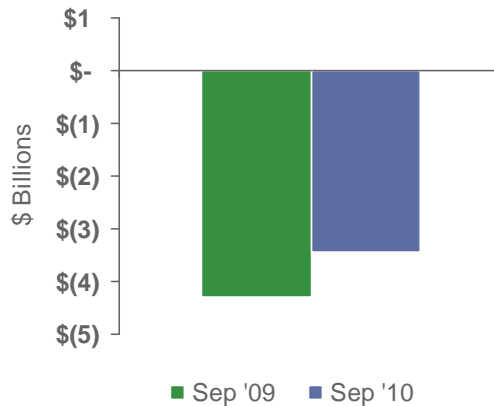
AUM by Affiliate



AUM by Product



FYTD Net Flows



- Gross sales last quarter included \$1.3B related to the closed-end fund launch
- Of the \$3.5B in net outflows for FYTD, 75% relates to a single sub-advisory client

As of 9/30/10

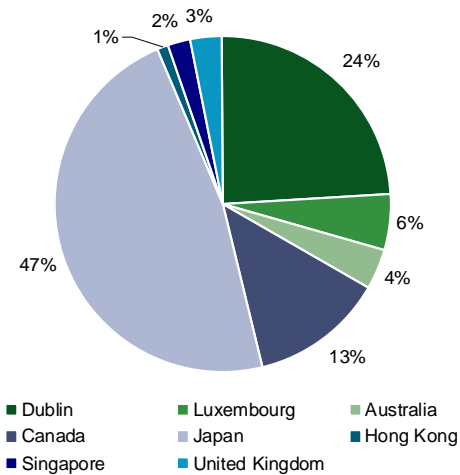
Americas Distribution - Diversified Product Sales

Top product launches since 2007	Launch Date	Assets at Sep-10
ClearBridge Energy MLP Fund Inc. (CEM)	June 2010	\$1,274M
Legg Mason Batterymarch US Large Cap Equity Fund	April 2008	\$516M
Western High Yield Defined Opportunity Fund (HYI)	October 2010	\$479M*
Western Global Corporate Defined Opportunity Fund Inc. (GDO)	November 2009	\$306M
Western Municipal Defined Opportunity Trust Inc. (MTT)	March 2009	\$258M
Western Investment Grade Defined Opportunity Trust Inc. (IGI)	June 2009	\$231M
Western Mortgage Defined Opportunity Fund Inc. (DMO)	February 2010	\$221M
Legg Mason BW Diversified Large Cap Value Fund	September 2010	\$122M

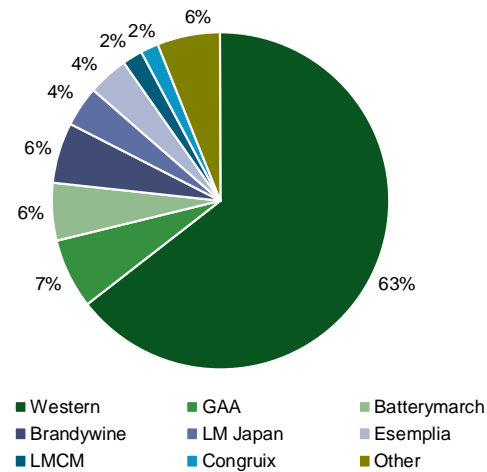
International Distribution - Overview

Centralized distribution platform for retail, individual and selected institutional markets with \$48B in total AUM

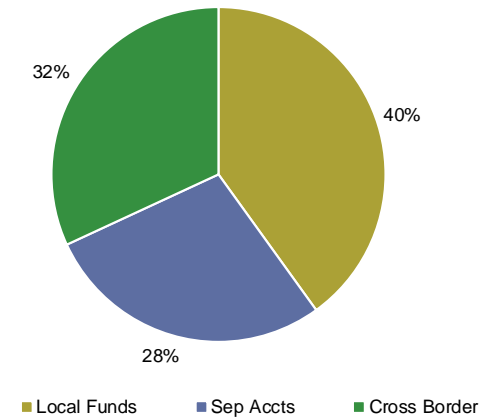
AUM by Location



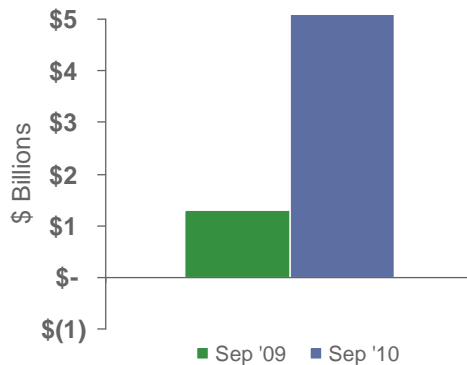
AUM by Affiliate



AUM by Product



FYTD Net Flows



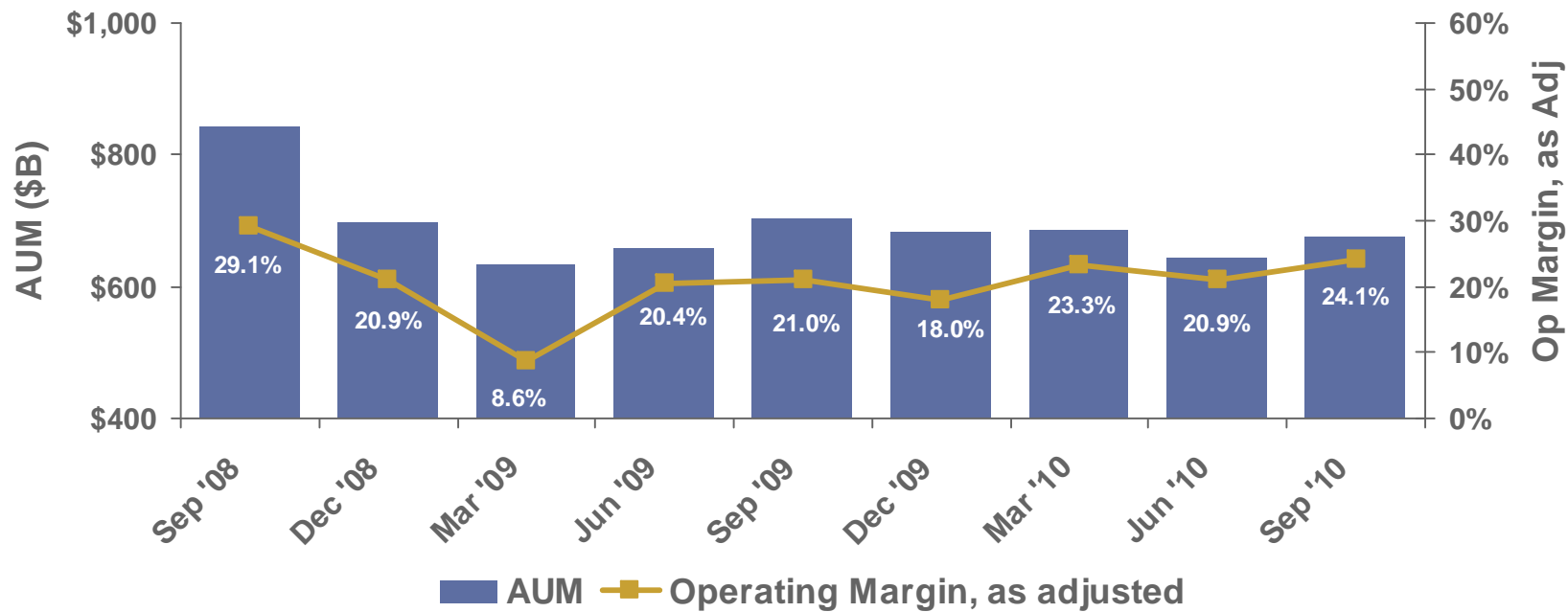
- International long-term net flows have been positive for the past seven quarters
- YTD 2010 compared to YTD 2009, net flows have increased \$4.0B

As of 9/30/10

International Distribution - Diversified Product Sales

Top product launches since 2007	Launch Date	Assets at Sep-10
LM Brazilian Government Bond Fund	October 2008	\$2,990M
LM Global Plus	August 2007	\$1,849M
Legg Mason Global Multi Sector Strategy Fund	May 2008	\$698M
Legg Mason Western Asset Asian Opportunities Bond Fund	July 2008	\$389M
Legg Mason Western Asset Global Blue Chip Bond Fund	June 2009	\$215M
Legg Mason Batterymarch Emerging Markets Equity Fund	May 2008	\$149M
Legg Mason Capital Management US Opportunity Fund	February 2009	\$117M
Legg Mason Western Asset Global Credit Absolute Return Fund	May 2010	\$104M

Operating Margin, as Adjusted



- June 2010 and September 2010 quarters exclude \$3.2M and \$11.6M, respectively, of transition expenses related to the streamlining initiative
- Operating margin, as adjusted, is the highest in two years

Note: See Appendix for GAAP reconciliation

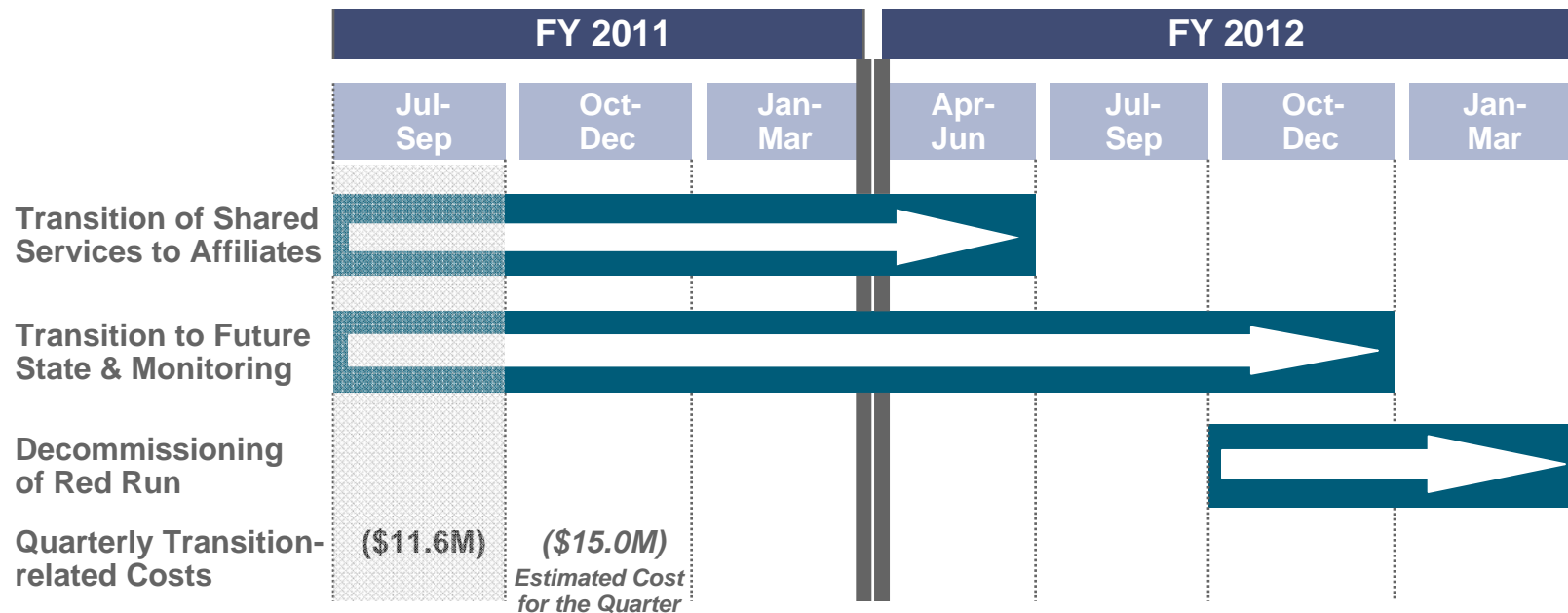
Update on Streamlining our Business Model

- Continue to make progress on transition plans at the corporate and affiliate levels
- No change expected from targets
- Expect \$130M - \$150M savings to be fully realized on a run rated basis by fourth quarter FY 2012
- Restructuring and related costs are estimated between \$125M - \$135M
- Anticipate third quarter results will include approximately \$15M in transition-related 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

Expenses associated with streamlining initiative YTD total \$14.7M



	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 Share Repurchase

- 11.4M shares have been repurchased in the past two quarters

Shares	Transaction
0.5M	Open market repurchase - May 2010
9.2M	Accelerated Share Repurchase – June 2010
1.0M	Additional shares retired when ASR closed - August 2010
0.7M	Open market share repurchase - September 2010
11.4M	Total shares repurchased under \$1B Board Authorization announced last quarter

- \$664M remains of the Board authorized stock repurchase of up to \$1B
- Cash & cash equivalents remains strong at \$1.3B, allowing for flexibility in continued share repurchases
- Expect to repurchase up to \$80M of shares by end of FY 2011, subject to market and company performance, actual cash flows and other capital needs

Mission

*“to be a **proven leader in global asset management** by delivering **specialized investment solutions** that meet our **clients objectives** and by rewarding our **shareholders and employees**”*

Our Strategy to Deliver Value

**Outstanding
independent
investment
managers**

**A corporate
center that delivers
strategic value**

**A balanced portfolio
across asset
classes, geographies
and channels**

Appendix

Appendix - GAAP Reconciliation

Consolidated Statement of Income excluding Investment Vehicles¹

(\$ millions)	Quarter Ended September 30, 2010			Quarter Ended June 30, 2010			Quarter Ended September 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
Operating Revenues:									
Investment advisory fees	\$ 581.2	\$ 0.9	\$ 582.1	\$ 576.4	\$ 0.8	\$ 577.2	\$ 563.9	\$ 0.6	\$ 564.5
Distribution and service fees	92.3	0.0	92.4	96.3	0.0	96.3	94.6	0.0	94.7
Other	1.3	-	1.3	1.4	-	1.4	1.4	-	1.4
Total operating revenues	674.8	1.0	675.8	674.2	0.8	674.9	659.9	0.6	660.5
Operating Expenses:									
Compensation and benefits	295.9	-	295.9	268.8	-	268.8	287.6	-	287.6
Distribution and servicing	165.8	-	165.8	184.7	(0.0)	184.7	174.4	-	174.4
Other	125.2	(0.5)	124.7	117.9	(0.5)	117.4	120.1	0.4	120.5
Total operating expenses	586.9	(0.5)	586.4	571.4	(0.5)	570.9	582.0	0.4	582.4
Operating Income	87.9	1.5	89.4	102.8	1.2	104.0	77.9	0.2	78.1
Other Non-Operating Income (Expense):									
Net interest income (expense)	(22.3)	-	(22.3)	(21.0)	-	(21.0)	(26.8)	-	(26.8)
Fund Support	-	-	-	-	-	-	5.6	-	5.6
Other income (expense)	37.7	(2.7)	35.0	(9.7)	1.7	(8.0)	18.3	(1.7)	16.6
Other non-operating income (expense)	15.4	(2.7)	12.7	(30.7)	1.7	(29.0)	(2.9)	(1.7)	(4.6)
Income Before Income Tax Provision	103.3	(1.2)	102.1	72.1	2.9	75.0	75.0	(1.5)	73.5
Income tax provision	26.7	-	26.7	27.1	-	27.1	27.7	-	27.7
Net Income	76.6	(1.2)	75.4	45.0	2.9	48.0	47.3	(1.5)	45.8
Less: Net income (loss) attributable to noncontrolling interests	1.3	(1.2)	0.1	(2.9)	2.9	0.1	1.5	(1.5)	0.0
Net Income Attributable to Legg Mason, Inc.	\$ 75.3	\$ 0.0	\$ 75.3	\$ 47.9	\$ -	\$ 47.9	\$ 45.8	\$ (0.0)	\$ 45.8
Effective Income Tax Rate	25.9%			37.5%			36.9%		
Effective Income Tax Rate Excluding Consolidated Investment Vehicles			26.2%			36.1%			37.7%

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

Appendix – GAAP Reconciliation Adjusted Income¹

	Quarters Ended		
	Sep 10	Jun 10	Sep 09
(\$ millions, except per share amounts)			
Net Income attributable to Legg Mason, Inc.	\$ 75.3	\$ 47.9	\$ 45.8
Plus (Less):			
Amortization of intangible assets	5.7	5.7	5.7
Deferred income taxes on intangible assets:			
Tax amortization benefit	33.7	33.7	34.0
UK tax rate adjustment	(8.9)	-	-
Imputed interest on convertible debt	9.1	8.9	8.6
Net money market fund support gains ²	-	-	(4.0)
Adjusted Income	<u>\$ 115.0</u>	<u>\$ 96.3</u>	<u>\$ 90.0</u>
Net Income per Diluted Share attributable to Legg Mason, Inc. common shareholders	\$ 0.50	\$ 0.30	\$ 0.30
Plus (Less):			
Amortization of intangible assets	0.04	0.04	0.04
Deferred income taxes on intangible assets:			
Tax amortization benefit	0.22	0.21	0.22
UK tax rate adjustment	(0.06)	-	-
Imputed interest on convertible debt	0.06	0.05	0.05
Net money market fund support gains ²	-	-	(0.02)
Adjusted Income per Diluted Share	<u>\$ 0.76</u>	<u>\$ 0.60</u>	<u>\$ 0.59</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								
	Sep 08	Dec 08	Mar 09	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10
Operating Revenues, GAAP basis	\$ 966.1	\$ 720.0	\$ 617.2	\$ 613.1	\$ 659.9	\$ 690.5	\$ 671.4	\$ 674.2	\$ 674.8
Plus (Less):									
Operating revenues eliminated upon consolidation of investment vehicles	-	-	1.2	0.8	0.6	0.9	0.5	0.8	1.0
Distribution and servicing expense excluding consolidated investment vehicles	(279.0)	(202.5)	(180.6)	(172.4)	(174.4)	(177.6)	(167.4)	(184.7)	(165.8)
Operating Revenues, as adjusted	<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>	<u>\$ 509.9</u>
Operating Income (Loss)	\$ 220.2	\$ (1,073.0)	\$ (45.3)	\$ 58.3	\$ 77.9	\$ 79.1	\$ 105.8	\$ 102.8	\$ 87.9
Plus (Less):									
Gains (losses) on deferred compensation and seed investments	(19.9)	(44.0)	(1.9)	31.4	24.1	12.6	11.2	(4.6)	22.1
Transition-related costs	-	-	-	-	-	-	-	3.2	11.6
Operating income and expenses of consolidated investment vehicles	-	-	1.9	0.3	0.2	0.8	0.8	1.2	1.5
Impairment charges	-	1,225.1	82.9	-	-	-	-	-	-
Operating Income, as adjusted	<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>	<u>\$ 123.1</u>
Operating margin, GAAP basis	22.8%	-149.0%	-7.3%	9.5%	11.8%	11.5%	15.8%	15.2%	13.0%
Operating margin, as adjusted	29.1%	20.9%	8.6%	20.4%	21.0%	18.0%	23.3%	20.9%	24.1%

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

Appendix – Performance Disclosure

US Core Investment Grade Futures & Options Composite

US Core Investment Grade Futures & Options Composite								
Composite Inception: 1/1/89 Composite Creation: 1/1/00								
	No. of Accts	Mkt. Value (US\$mil)	Net Total Return	Gross Total Return	Benchmark Return	% Firm Assets	Dispersion	Firm Assets (US\$mil)
2000	27	\$7,996	12.85%	13.19%	11.63%	10.45%	0.36%	\$76,504
2001	23	\$5,490	9.06%	9.39%	8.44%	5.83%	0.48%	\$94,186
2002	25	\$8,468	9.93%	10.25%	10.26%	7.55%	0.69%	\$112,087
2003	24	\$9,919	5.94%	6.26%	4.10%	6.69%	1.04%	\$148,333
2004	26	\$11,411	5.24%	5.55%	4.34%	5.77%	0.33%	\$197,837
2005	26	\$9,700	2.02%	2.33%	2.43%	3.89%	0.32%	\$249,233
2006	27	\$11,334	5.45%	5.76%	4.33%	2.22%	0.93%	\$510,172
2007	24	\$11,797	3.06%	3.37%	6.97%	1.90%	1.44%	\$621,493
2008	21	\$7,142	-9.24%	-8.96%	5.24%	1.41%	3.21%	\$505,660
2009	20	\$7,126	19.38%	19.73%	5.93%	1.48%	5.16%	\$482,218
YTD2010	20	\$6,450	11.49%	11.74%	7.94%	1.37%	1.64%	\$469,406

Description: Western Asset's US Core composite includes portfolios that employ an active, team-managed investment approach around a long-term, value-oriented investment philosophy. These portfolios use diversified strategies and all investment-grade sectors of the fixed-income market in seeking to add value while minimizing risk.

Objective: Exceed the benchmark return by 75 basis points annually over the course of a market cycle while approximating benchmark risk.

Benchmark Description: The current benchmark is the Barclays Capital U.S. Aggregate Index. The index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Base Currency: USD | **Composite Minimum:** US\$25 million

Fee Schedule: .30 of 1% on first US\$100 million, .20 of 1% on amounts over US\$100 million. The minimum separate account size is US\$75 million

Western Asset has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

The Firm has been verified for the period from January 1, 1993 to December 31, 2009. Past investment results are not indicative of future investment results.

For GIPS® purposes, the Firm is defined as Western Asset, a primarily fixed-income investment manager comprised of Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd., Western Asset Management Company Ltd, Western Asset Management Company Pty Ltd, and Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários (DTVM) Limitada, with offices in Pasadena, New York, London, Singapore, Tokyo, Melbourne and São Paulo. Each Western Asset company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason") but operates autonomously, and Western Asset, as a firm, is held out to the public as a separate entity. Western Asset Management Company was founded in 1971.

The former Citigroup Brazil's asset management business, located in São Paulo, was integrated into Western Asset Management Company DTVM Limitada (previously known as Western Asset Management Company Limitada), and was subsequently incorporated into the definition of the Firm in March 2009.

The Firm is comprised of several entities as a result of various historical acquisitions made by Western Asset and their respective performance has been integrated into the Firm in line with the portability requirements set forth by GIPS.

The Composite is valued monthly. The Composite returns are the asset-weighted average of the performance results of all the accounts in the Composite. Investment advisory fees are not deducted in computing the gross of fee performance results. Net of fee results are calculated using the highest tier structure of the composite fee schedule. The portfolios in the composites are all actual, fee-paying and performance fee-paying, fully discretionary accounts managed by the Firm for at least one full month. Investment results shown are for taxable and tax-exempt accounts and include the reinvestment of all earnings. Any possible tax liabilities incurred by the taxable accounts have not been reflected in the net performance. Composite performance results are time-weighted net of trading commissions and other transaction costs including non-recoverable withholding taxes. Additional information regarding policies for calculating and reporting returns is available upon request.

The returns for the accounts in the Composite are calculated using a time-weighted rate of return adjusted for weighted cash flows. Prior to September 1, 2001, the Firm revalued each account when an external cash flow equal to or greater than 10% occurred in an account. Monthly performance returns prior to and after the date of the cash flow were calculated and geometrically linked to derive a monthly performance return. Effective September 1, 2001, the cash flow threshold was changed to 5% of each account's market value. The decrease in the threshold was made to enhance the accuracy of the accounts' returns. The returns for commingled funds in the Composite are calculated daily using net asset value (NAV). Trade date accounting is used since inception and market values include interest income accrued on securities held within the accounts.

Performance is calculated using asset values denominated in a base currency. Composite assets at year-end presented in the Schedule are translated to U.S. dollars using end of year exchange rates.

Composite returns are measured against a market index. The market index is unmanaged and provided to represent the investment environment existing during the time periods shown. For comparison purposes, the market index is a fully invested index, which includes reinvestment of income, and its performance has been linked in the same manner as the Composite. The returns for this unmanaged index do not include any transaction costs, management fees or other costs.

The Composite dispersion of annual returns is measured by the standard deviation of asset-weighted account returns represented within the Composite. For each annual period, accounts with less than 12 months of returns are not represented in the dispersion calculation. Periods with five or fewer accounts are not statistically representative and are not presented. Where account guidelines permit, futures and options are used to implement new account strategies with minimum cost to the account. Futures and options may also be used occasionally to hedge market exposure or add incremental value at the margin.

A complete list and description of Western Asset's composites is available upon request. Please contact Veronica A. Amici at 626•844•9535 or ramici@westernasset.com. All returns for strategies with inception prior to January 1, 2000 are available upon request.

For more information on Western Asset visit www.westernasset.com

Appendix – Performance Disclosure

US Core Full Below Investment Grade Futures & Options Composite

US Core Full Below Investment Grade Futures & Options Composite

	No. of Accts	Mkt. Value (US\$mil)	Composite Inception: 2/1/93		Composite Creation: 1/1/00		Dispersion	Firm Assets (US\$mil)
			Net Total Return	Gross Total Return	Benchmark Return	% Firm Assets		
2000	42	\$15,378	11.68%	12.01%	11.63%	20.10%	0.49%	\$76,504
2001	51	\$18,028	9.58%	9.91%	8.44%	19.14%	0.74%	\$94,186
2002	72	\$25,131	9.56%	9.89%	10.26%	22.42%	0.71%	\$112,087
2003	87	\$32,627	9.46%	9.79%	4.10%	22.00%	1.56%	\$148,333
2004	126	\$44,905	6.99%	7.31%	4.34%	22.70%	0.77%	\$197,837
2005	154	\$56,580	2.81%	3.11%	2.43%	22.70%	0.46%	\$249,233
2006	176	\$73,608	5.91%	6.22%	4.33%	14.43%	0.69%	\$510,172
2007	180	\$83,506	3.35%	3.65%	6.97%	13.44%	1.10%	\$621,493
2008	162	\$56,859	-10.22%	-9.95%	5.24%	11.24%	3.14%	\$505,660
2009	138	\$56,242	21.24%	21.59%	5.93%	11.66%	4.90%	\$482,218
YTD2010	121	\$55,063	11.52%	11.76%	7.94%	11.73%	1.29%	\$469,406

Description: Western Asset's US Core Full Discretion composite includes portfolios that employ an active, team-managed investment approach around a long-term, value-oriented investment philosophy. These portfolios use diversified strategies and all sectors of the fixed-income market in seeking to add value while minimizing risk.

Objective: Exceed the benchmark return by 115 basis points annually over the course of a market cycle while approximating benchmark risk.

Benchmark Description: The current benchmark is the Barclays Capital U.S. Aggregate Index. The index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Base Currency: USD | **Composite Minimum:** US\$25 million

Fee Schedule: .30 of 1% on first US\$100 million, .20 of 1% on amounts over US\$100 million. The minimum separate account size is US\$75 million. This strategy is also available versus the Barclays Capital U.S. Universal Bond Index. Fee schedule available upon request.

Western Asset has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

The Firm has been verified for the period from January 1, 1993 to December 31, 2009. Past investment results are not indicative of future investment results.

For GIPS® purposes, the Firm is defined as Western Asset, a primarily fixed-income investment manager comprised of Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd., Western Asset Management Company Ltd, Western Asset Management Company Pty Ltd, and Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários (DTVM) Limitada, with offices in Pasadena, New York, London, Singapore, Tokyo, Melbourne and São Paulo. Each Western Asset company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason") but operates autonomously, and Western Asset, as a firm, is held out to the public as a separate entity. Western Asset Management Company was founded in 1971.

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The returns for the accounts in the Composite are calculated using a time-weighted rate of return adjusted for weighted cash flows. Prior to September 1, 2001, the Firm revalued each account when an external cash flow equal to or greater than 10% occurred in an account. Monthly performance returns prior to and after the date of the cash flow were calculated and geometrically linked to derive a monthly performance return. Effective September 1, 2001, the cash flow threshold was changed to 5% of each account's market value. The decrease in the threshold was made to enhance the accuracy of the accounts' returns. The returns for commingled funds in the Composite are calculated daily using net asset value (NAV). Trade date accounting is used since inception and market values include interest income accrued on securities held within the accounts.

Performance is calculated using asset values denominated in a base currency. Composite assets at year-end presented in the Schedule are translated to U.S. dollars using end of year exchange rates.

Composite returns are measured against a market index. The market index is unmanaged and provided to represent the investment environment existing during the time periods shown. For comparison purposes, the market index is a fully invested index, which includes reinvestment of income, and its performance has been linked in the same manner as the Composite. The returns for this unmanaged index do not include any transaction costs, management fees or other costs.

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A complete list and description of Western Asset's composites is available upon request. Please contact Veronica A. Amici at 626•844•9535 or ramici@westernasset.com. All returns for strategies with inception prior to January 1, 2000 are available upon request.

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Important Notes

The foregoing information about Legg Mason, Inc. is part of a presentation about the company to financial professionals and other sophisticated market participants and may not be distributed to others without the company's prior permission. This information is designed to enhance these persons' understanding of the company, which offers investment management products and services only through its various subsidiaries. Any information about these products and services is not intended to be an offer or solicitation to investors. All investment products or services are offered and managed by one or more of the company's subsidiaries only, and only such subsidiaries, or persons authorized by such subsidiaries, may make offers or solicitations to investors regarding such products or services in accordance with applicable policies and requirements, including eligibility and other criteria. Past investment performance does not guarantee future results and the investment return and principal value of an investment will fluctuate so that, when an investment is sold, it may be worth more or less than original cost. Current performance may be lower or higher than the performance information noted above and information about current performance may be obtained from the company's subsidiaries. Investors should read the relevant disclosure documents carefully before investing.