

Legg Mason Funds Management

Bill Miller, CFA
CEO

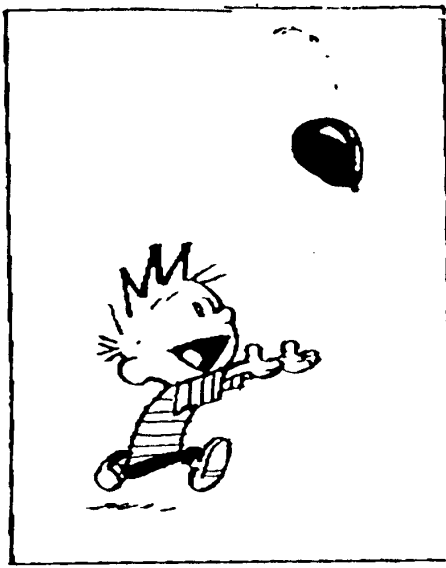
Las Vegas, NV
November, 2003

“Where is there an end of it, the soundless wailing...
Where is there an end to the drifting wreckage...

There is no end, but addition...
Years of living among the breakage
Of what was believed in as the most reliable...

We had the experience but missed the meaning...”

- T. S. Eliot



“...beliefs are man-made...they are a conceptual language we use to write down our observations of nature...ideas become true in so far as they help us get into satisfactory relation with other parts of our experience...A belief is true and has ‘cash value’ if it helps us get from one place to another. Truth becomes a ‘verb’, not a ‘noun’.”

- William James

“For a *large* class of cases – though not for all – in which we employ the word ‘meaning’ it can be defined thus: the meaning of a word is its use in the language.”

- Ludwig Wittgenstein

“I have personally tried to invest money, my client’s and my own, in every single anomaly and predictive result that academics have dreamed up. And I have yet to make a nickel on any of these supposed market inefficiencies. An inefficiency ought to be an exploitable opportunity. If there’s nothing investors can exploit in a systematic way, time in and time out, then it’s very hard to say that information is not being properly incorporated into stock prices. Real money investment strategies don’t produce the results that academic papers say they should.”

- Richard Roll

Buffett on Value

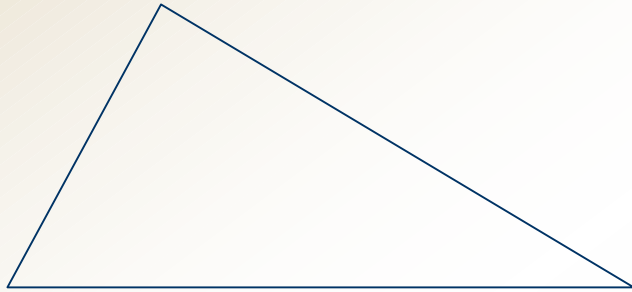
“Whether appropriate or not, the term ‘value investing’ is widely used. It connotes the purchase of stocks having attributes such as a low ratio of price to book value, a low price-earnings ratio, or a high dividend yield. Unfortunately, such characteristics, even if they appear in combination, are far from determinative as to whether an investor is indeed buying something for what it is worth and is therefore truly operating on the principle of obtaining value in his investments. Correspondingly, opposite characteristics--a high ratio of price to book value, a high price-earnings ratio, and a low dividend yield--are in no way insistent with a ‘value’ purchase.”

- Warren Buffett

“When we think about the future of the world, we always have in mind its being where it would be if it continued to move as we see it moving now. We do not realize that it Moves not in a straight line...and that its direction changes constantly.”

- Ludwig Wittgenstein

“Take as an example the aspects of a triangle. This triangle



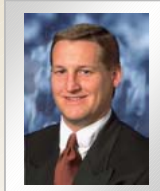
can be seen as a triangular hole, as a solid, as a geometrical drawing; as standing on its base, as hanging from its apex, as a mountain, as a wedge, as an arrow or a pointer, as an overturned object which is meant to stand on the shorter side of the right angle, as a half Parallelogram, and as various other things.”

Investment Professionals

“... low value diversity – high information diversity...”



RANDY BEFUMO, CFA



ALBERT L. (BURR) BURKNER, IV



THOMAS (CHIP) COLEMAN, JR.



NANCY DENNIN, CFA



MARY CHRIS GAY



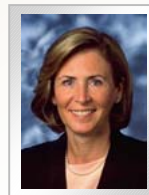
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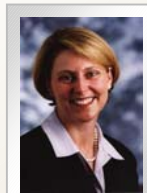
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