

Royce & Associates

SMALLER COMPANY VALUE INVESTING THROUGH COMMITMENT, DISCIPLINE AND CONSISTENCY

At Royce & Associates, smaller company investing has been our only business for more than 30 years. We use a disciplined value approach to build what we believe are the best available smaller company portfolios — all with the goal of delivering above-average, long-term performance. Based in New York City with \$17 billion in assets under management,¹ we believe our singular focus and experience set us apart from most other asset management firms.

Firm highlights

- A pioneer in smaller company investing, President and Chief Investment Officer Charles M. Royce enjoys one of the longest tenures of any active mutual fund manager.
- Our time-tested approach emphasizes paying close attention to risk and adhering to a strict buy-sell discipline, regardless of market movements and trends.
- Royce’s officers, employees and their affiliates maintain both an intellectual and financial commitment to our success, with \$74 million invested in the Royce Funds.
- Morningstar recently named Charlie Dreifus of Royce Special Equity Fund its 2008 Domestic-Stock Manager of the Year. The annual award recognizes managers who demonstrate excellent investment skill and the courage to differ from the consensus to benefit investors.²

Investment process

At Royce, we complete a thorough analysis of the financial and operating dynamics of a business, as if we were purchasing the entire company. We attempt to limit volatility by emphasizing risk management, something we believe does not diminish long-term returns.

HOW WE CHOOSE STOCKS

HOW WE ATTEMPT TO MANAGE RISK

Use a bottom-up stock selection approach that targets individual companies.	Take a contrarian view of buying and selling stocks, often buying when others are selling, and vice versa.
Select companies from the entire smaller-company universe, not just the “value” portion.	Diversify portfolios to include stocks from a wide variety of industries and sectors. Of course, diversification does not assure a profit or protect against market loss.
Target companies with a history of earnings, high internal rates of return and the ability to generate free cash flow.	Examine less tangible factors such as a company’s ability to weather difficult times.
Look for valuation discrepancies, not just statistically cheap stocks.	Purchase stocks that are priced significantly lower than our estimate of what the company is worth.

¹ Assets under management as of 3/31/09.

² **This award does not imply positive performance for the year.** Morningstar, Inc. is a leading provider of mutual fund, stock and variable products investment information, which does not own, operate or hold any interest in mutual funds, stocks or insurance products. Morningstar Fund Manager of the Year award recognizes portfolio managers who demonstrate excellent investment skill and the courage to differ from the consensus to benefit investors. To qualify for the award, managers’ funds must have not only posted impressive returns for the year, but the managers also must have a record of delivering outstanding long-term performance and of aligning their interests with shareholders’. The Fund Manager of the Year award winners are chosen based on Morningstar’s proprietary research and in-depth evaluation by its Fund analysts.

Legg Mason products managed by Royce & Associates

Investors can access Royce's investment expertise through the Royce Funds (open- and closed-end funds), 529 college savings plan choices and a range of retirement-related products.

A disciplined approach to smaller cap investing

Our funds are designed to address three distinct market segments — Micro-Cap (market capitalizations up to \$500 million); Small-Cap (market capitalizations between \$500 million and \$2.5 billion); and Mid-Cap (market capitalizations between \$2.5 billion and \$10 billion). The chart below breaks down the portfolio composition of the Royce funds:

CURRENT FUND CHARACTERISTICS (As of March 31, 2009) ³				
FUND	FUND COMPOSITION			FUND APPROACH
Royce Pennsylvania Mutual	Micro	Small	Mid	Diversified
Royce Micro-Cap	Micro	Small	Mid	Diversified
Royce Premier	Micro	Small	Mid	Limited
Royce Total Return	Micro	Small	Mid	Diversified
Royce Heritage	Micro	Small	Mid	Diversified
Royce Opportunity	Micro	Small	Mid	Diversified
Royce Special Equity	Micro	Small	Mid	Limited
Royce Value	Micro	Small	Mid	Limited
Royce Value Plus	Micro	Small	Mid	Diversified

■ Indicates primary fund composition (based on average market capitalization) ■ Indicates secondary fund composition (based on exposure greater than 20%) ■ Indicates little (less than 20%) or no exposure

³ Source: Royce & Associates

Diversified: Diversified funds hold more than 100 securities. Their top positions generally do not exceed 2% of net assets. **Limited:** Limited funds either invest in no more than 100 companies, and their top positions generally exceed 2% of net assets, or they invest primarily in a single sector.

Fund approach: Funds are diversified according to our view of the attendant risks within each fund's investment universe and approach.

Experienced portfolio management

With a staff of 29 investment professionals, Royce offers a wealth of experience and expertise. Founder Chuck Royce leads our senior management team and investment staff, 10 of whom have more than 20 years of industry experience.

Senior portfolio managers

CHARLES M. ROYCE

President, Co-Chief Investment Officer and Portfolio Manager

- 46 years of investment industry experience
- 36 years at Royce & Associates

CHARLES R. DREIFUS, CFA

Principal, Portfolio Manager

- 40 years of investment industry experience
- 10 years at Royce & Associates

BONIFACE A. ZAINO, CFA

Managing Director, Portfolio Manager

- 40 years of investment industry experience
- 10 years at Royce & Associates

W. WHITNEY GEORGE

Co-Chief Investment Officer, Portfolio Manager and Managing Director

- 28 years of investment industry experience
- 17 years at Royce & Associates

For more information, please contact your financial advisor or visit www.leggmason.com/individualinvestors.

Important information about risks

All investments involve risk, including possible loss of principal. The funds referenced invest primarily in small- and micro-cap stocks, which may involve considerably more risk than investing in larger-cap stocks. In addition, Royce Heritage Fund and Royce Micro-Cap Fund may invest up to 25% of assets in foreign securities that may involve political, economic and other risks not encountered in U.S. investments. Funds investing primarily in micro-caps generally hold relatively smaller positions in a large number of securities, while small- or mid-cap based funds typically hold larger positions in a smaller number of securities. Diversification does not assure against market loss.

Past performance is no guarantee of future results.

Legg Mason Investor Services LLC and Royce & Associates LLC are subsidiaries of Legg Mason Inc.

© 2009 Legg Mason Investor Services, LLC, member FINRA, SIPC

402969 ROY601 7/09 TN09-4604

AN INVESTOR SHOULD CONSIDER A FUND'S INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES CAREFULLY BEFORE INVESTING. FOR A FREE PROSPECTUS, WHICH CONTAINS THIS AND OTHER INFORMATION ON ANY LEGG MASON FUND, VISIT WWW.LEGGMASON.COM/INDIVIDUALINVESTORS. AN INVESTOR SHOULD READ THE PROSPECTUS CAREFULLY BEFORE INVESTING.