

Legg Mason

Opportunity Trust

Investment Commentary and
Annual Report to Shareholders
December 31, 2008



**LEGG
MASON**

Commentary

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Annual Report to Shareholders

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Legg Mason Opportunity Trust

Total returns for the Fund for various periods ended December 31, 2008 are presented below, along with those of comparative indices:

	Three Months	One Year	Average Annual Total Returns		
			Three Years	Five Years	Since Inception ^A
Opportunity Trust:					
Primary Class ^B	-41.36%	-65.49%	-27.24%	-14.10%	-4.43%
Class R	-41.17%	-65.32%	N/A	N/A	-41.46%
Financial Intermediary Class	-41.18%	-65.20%	-26.69%	N/A	-14.26%
Institutional Class	-41.25%	-65.15%	-26.49%	-13.20%	-4.19%
S&P 500 Index ^C	-21.94%	-37.00%	-8.36%	-2.19%	-3.60%
Dow Jones Industrial Average ^D	-18.39%	-31.93%	-4.09%	-1.12%	-0.84%
Lipper Multi-Cap Growth Funds Category Average ^E	-24.01%	-41.87%	-10.32%	-2.64%	-5.87%

The performance data quoted represent past performance and do not guarantee future results. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance information for Classes C^B and R, please visit www.leggmason.com/individualinvestors. For the Financial Intermediary and Institutional Classes, please visit www.lminstitutionalfunds.com. The investment return and principal value of the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Calculations assume reinvestment of dividends and capital gain distributions. Performance would have been lower if fees had not been waived in various periods. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

The expense ratios for the C, R, Financial Intermediary and Institutional Classes were 2.29%, 1.95%, 1.57%, and 1.25%, respectively, as indicated in the Fund's most current prospectus dated February 1, 2009. These expenses include management fees, 12b-1 distribution and service fees and other expenses.

On February 1, 2009, Primary Class shares were renamed Class C shares. In addition, on February 1, 2009, the class began to charge a contingent deferred sales charge of 1% for shares purchased by investors on and after that date and redeemed within one year of purchase.

Dear Shareholder:

“The tumult of the time disconsolate
To inarticulate murmurs dies away,
While the eternal ages watch and wait.”
Longfellow, 1864

As disconsolate as we all may be, in looking at our investment results for 2008, contemplating our errors and thinking about what might have been if only... those words from Longfellow’s first sonnet on translating Dante, written during the height of the Civil War, remind us that “gam zeh ya’aver,” – “this too shall pass,” as King Solomon was reminded in Hebrew folklore, and as Abraham Lincoln recounted in a speech in 1859.

Events in this financial and economic crisis are moving so fast that one is constantly revising one’s view as conditions unfold and the evidence warrants, making much commentary obsolete soon after it has been written. As Wittgenstein said in a different context, the words look like corpses soon after they are on the page. I will say a bit about how things look now, and what I expect in 2009, but such comments are even more provisional than usual.

2009 Outlook

It *appears* (emphasis mine) that the S&P 500 Index bottomed November 21st at 741 intraday. The number of new lows was less than at the previous October bottom, something market technicians consider a positive. Stocks then rallied over 20% into early January, and then turned down, with the S&P 500 Index, as of this writing, at 805, down almost 11% so far for 2009. As has been the case during this entire bear market, financials led on the way down, and led off the bottom. They are again leading this mid-January sell-off. I believe the trend of the financials leading the market will continue.

This financial crisis began with housing in the U.S., but has spread to encompass the global economy. It will not end until the financial system is stabilized and credit flows are restored. As Federal Reserve Board (“Fed”)^F Chairman Bernanke said in an important speech on January 13, “History demonstrates conclusively that a modern economy cannot grow if its financial system is not operating effectively.” I believe if 2009 is a bad year for U.S. equities, it will be a bad year for financials, and if it is a good year for equities, I believe financials will outperform.

Quoting Chairman Bernanke again: “The global economy will recover, but the timing and strength of the recovery are highly uncertain. Government policy responses around the world will be critical determinants of the speed and vigor of the recovery.” The question for investors centers on the evaluation of policy and its impact on securities. So far the picture is, at best, mixed.

For policy to be effective, it must accomplish two things: stabilize collateral values and stimulate aggregate demand. I believe the massive stimulus under consideration in Congress will help the second, but nothing so far has been effective in doing the first, which is far more important since it is the source of the problem, as I noted in my last letter. I think the release of additional Troubled Asset Relief Program (“TARP”) funds and the capitalizing of an aggregator bank to buy assets directly should both help, and ultimately I believe the government will succeed, but they can do substantial damage in the interim by ill-conceived words and actions.

Federal Deposit Insurance Corporation (“FDIC”) Chairwoman Sheila Bair expressed a view apparently widely held in the government when she said last week, “It is essential to get some private capital back into these banks.” I completely agree with that, but the problem for private capital is there has to be some prospect of earning a return by investing in banks, something the government seems not to understand. As this is being written, private capital is fleeing even what have heretofore been thought to be the strongest banks: Wells Fargo, down 50% this year, Bank of America, down almost 60% this year, PNC down 54%, U.S. Bancorp down almost 40%. The story is the same or even worse in Europe, where Deutsche Bank is down 46%, HSBC down 30%, Barclays down 57%, despite announcing it will have profits that exceed analysts’ estimates. Then there’s Royal Bank of Scotland, down 79% and Allied Irish, down 64%, in just the first three weeks of the new year. Clearly, the market is concerned the forthcoming government policies are not going to be effective, and may be counter-productive. It is the substance of those policies, and not the market’s fears or hopes for them, that will determine the outcome.

The financial authorities seem to think of private capital as, to borrow a phrase from Justice Holmes, some “brooding omnipresence in the sky.” Private capital is us, it is Davis, it is Dodge & Cox, it is Brandes, and so on. That is, it is mutual funds and pension plans and endowments, and every time we have bought bank shares recently, either new capital or existing shares, we have been killed. Until policy becomes clearer and more capital friendly, the chances of attracting new capital to banks is nil, in my opinion.

Policy has improved. It has moved away from being purely punitive – wiping out shareholders (private capital) if the institution needs government support, a counter-productive policy, if ever there were one, when you are saying the banking system needs more private capital – to one that is opaque and apparently confused.

Coincidence or not, the rout in banks now underway began when reports began to circulate that regulators wanted Citigroup (“Citi”) to sell assets and shrink its balance sheet. Citi has since announced a plan to do just that, and the stock has collapsed. There are at least two major problems here: first, the regulators are subverting the governance process (if the stories are true) and making strategic decisions that are the purview of management, and second, who is going to buy hundreds of billions of dollars worth of assets from Citi in this environment? If the government wants board seats in return for

capital, that would be fine. But to have an anonymous regulator apparently deciding what the right size of Citi is, or declaring that Bank of America has to cut the dividend to a penny per quarter, leaves investors completely in the dark as to who is responsible for their capital and what policies the institution will pursue. As to the second issue, no one will buy those assets without the prospect of earning a significant risk-adjusted return, and if the buyer is going to get such a good deal, then it is a bad deal for Citi.

At this point, no one knows what the government's policy is. Is it to shrink the size of the biggest banks so they don't pose systemic risk, as Chairman Bernanke apparently suggested in his speech, and as the actions of Citi may suggest, or is it to have them bigger and more diversified, as the additional capital to Bank of America to complete the Merrill deal suggests?

Attracting private capital to banks requires, first, that there be a reasonable prospect of earning a good return on that capital, and so far the record is that there has been the opposite: capital committed has been capital lost. Second, policy has to be transparent and not opaque and ad hoc. Third, the accounting rules need to be sensible instead of idiotic, as is now the case with so-called "fair value" accounting.

None of these involves heroic or herculean efforts. There is some prospect of relief on the latter, as The Group of Thirty^G has recently recommended changes in the accounting standards (although the Financial Accounting Standards Board ("FASB") has so far resisted efforts to enact sensible rules). To reiterate what I have written elsewhere: the transparency of marking assets to market is valuable to investors; but rules that equate the marginal price at which an asset trades with its "fair value," and require banks to raise capital as a result of changes in those prices, are an important part of why the industry is capital short and why we have a financial crisis. Price is one thing, value is another. State Street Bank & Trust Company fell 60% because it showed several billion of mark to market losses on debt securities in its portfolio in the quarter, raising fears about its capital adequacy, despite having regulatory capital well over double what is necessary to be considered well capitalized. In addition, all of those debt securities are current as to interest and principal payments. Fears, not facts, are driving prices.

To come full circle: I agree completely with Chairman Bernanke that we need to stabilize the financial system and restore the flow of credit, and with Chairwoman Bair that we need to get private capital into banks. The question is, when will policies be adopted that will lead to more credit being extended and to investors making money in banks and other financials?

We have been investing in banks and other financials for over a quarter of a century, and were involved in putting new capital into them during the last crisis around 1990. That worked out very well. We have also been part of the private capital that has put money into financials in this crisis, and that has been a disaster, for us and for every other investor who has done so. If we are typical, the appetite for private capital to go into banks now approaches zero, unless there are substantial changes in policy that are capital friendly.

The problem with credit, by the way, is not that banks are not lending, a statement one reads almost every day in the Wall Street Journal or the Financial Times, or hears from some politician or other. The facts are, according to the Fed, that bank lending has grown 5.7% since the recession began in December 2007, and consumer loans grew 8.9%. Only home equity loans actually declined.

The problem with credit is that it is far too expensive to make it economic to use it to grow. With investment-grade debt having yields greater than the growth rate of nominal U.S. gross domestic product (“GDP”)^H, the cost of new debt in the system exceeds the ability to earn enough to pay for it. Hence, the deleveraging going on. The government, on the other hand, can borrow at half the growth rate of nominal GDP, and hence, it is the government that will, and should, borrow aggressively to invest in the country’s future.

All of this was explained a generation ago by Keynes when we last had a crisis like this, and anyone seeking to understand it should either go to the source, or to the second volume of Robert Skidelsky’s monumental 3 volume biography.

I remain optimistic that the new administration, which is staffed with first-rate financial talent, coupled with the Fed, will craft policies that will be effective in stabilizing the financial system and restoring the flow of credit.

Despite the raggedy start, I also think this will be a pretty good year for equity investors. Last year was the worst for U.S. (and most other) stocks since the 1930s. Pessimism and gloom abound. Short-term trading has replaced long-term thinking. The consensus is for economic growth to resume in the second half of the year but, of course, no one knows. But growth will resume, and when it does, equity prices will be much higher, in my opinion. Valuation-based strategies had a strong December and early January and we performed very well, as one would expect when that is happening. The sell-off in financials and the market in the past two weeks has interrupted that trend, and the S&P 500 Index has now had its worst start to a new year ever. Fear has returned to the fore.

This too shall pass.

Opportunity Trust Comments

We were fairly active in the Fund in the fourth quarter, adding 15 names and eliminating 19. The performance of several of the Fund’s private equity investments suffered as values decreased as a result of the poor market environment and decreases in comparable securities prices. When the Fund initially made these investments, I thought we had a fairly well diversified group of companies, including a couple of cash-generating private equity deals, some early stage venture companies, a private equity partnership, some hedge funds, and so forth. Unfortunately, the lack of credit available at reasonable rates broadly impaired the values of businesses dependent on

capital markets, hurting some of these names. While most of the hedge funds did well comparatively, we redeemed the holdings in some of the funds and put the cash to work in the market, which we believe is rife with opportunities.

The Fund is heavily weighted toward what we believe will be recovery names, including many of last year's worst performers. Three broad themes are evident in the portfolio: Airlines, Housing and Financials, with the latter more heavily tilted toward Insurance than to Banks, though the recent massacre in banks may lead us to broaden that out. Airlines may be the most surprising part of the equation, as there has not been any money made in that industry since Kitty Hawk. But consolidation is well underway, oil prices are way down, capacity has come out, pricing discipline is increasing and the archaic global regulations that have hampered the industry are slowly being dismantled.

In my opinion, the portfolio is filled with great values and as the economy improves over time and fear recedes, those values should begin to be realized.

As always, we appreciate your support and welcome your comments.

Bill Miller, CFA

January 20, 2009

DJIA:7,949.09

^A The inception date of the Primary Class is December 30, 1999. The inception date of Class R is December 29, 2006. The inception date of the Financial Intermediary Class is February 13, 2004. The inception date of the Institutional Class is June 26, 2000. Index returns are for periods beginning December 31, 1999. Although it is not possible to invest in an index, it is possible to purchase investment vehicles designed to track the performance of certain indices.

^B On February 1, 2009, Primary Class shares were renamed Class C shares.

^C The S&P 500 Index is an unmanaged index of 500 stocks and is generally representative of the performance of larger companies in the U.S.

^D The Dow Jones Industrial Average ("DJIA") is a widely followed measurement of the stock market. The average is comprised of 30 stocks that represent leading companies in major industries. These stocks, widely held by both individual and institutional investors, are considered to be all blue-chip companies.

^E Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. The Lipper Multi-Cap Growth Funds Category Average is comprised of the Fund's peer group of mutual funds.

^F The Federal Reserve Board ("Fed") is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

^G The Group of Thirty is an international body of leading financiers and academics which aims to deepen understanding of economic and financial issues and to examine consequences of decisions made in the public and private sectors related to these issues.

^H Gross domestic product ("GDP") is the market value of all final goods and services produced within a country in a given period of time.

N/A — Not applicable

Investment risks: Investment in shares of this Fund is more volatile and risky than some other forms of investment. Investments in securities that involve special circumstances may involve greater risks of loss than investments in securities of well-established companies with a history of consistent operating patterns. The Fund may suffer significant losses on assets that the Fund sells short. Unlike the possible loss on a security that is purchased, there is no limit on the amount of loss on an appreciating security that is sold short. This Fund can invest in debt securities, which can be subject to interest rate, credit, and inflation risk. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.

As a “non-diversified” fund, an investment in the Fund will entail greater price risk than an investment in a diversified fund because a higher percentage of investments among fewer issuers may result in greater fluctuation in the total market value of the Fund’s portfolio. International investments are subject to currency fluctuation, social, economic and political risks. A fund that invests in smaller companies may involve higher risks than a fund that invests in larger, more established companies. Bonds are subject to a variety of risks including interest rate, credit and inflation. As interest rates rise, bond prices fall, reducing the value of a fixed-income investment. All investments are subject to risk including possible loss of principal. Past performance is no guarantee of future results.

The views expressed in this commentary reflect those solely of the portfolio manager as of the date of this commentary and may differ from those of Legg Mason, Inc. as a whole or the other portfolio managers of its affiliates. Any such views are subject to change at any time based on market or other conditions, and the portfolio manager, Legg Mason Opportunity Trust, and Legg Mason Investor Services, LLC disclaim any responsibility to update such views. These views are not intended to be a forecast of future events, a guarantee of future results or investment advice. Because investment decisions for the Legg Mason Funds are based on numerous factors, these views may not be relied upon as an indication of trading intent on behalf of any Legg Mason Fund. The information contained herein has been prepared from sources believed to be reliable, but is not guaranteed by the portfolio manager, Legg Mason Opportunity Trust or Legg Mason Investor Services, LLC as to its accuracy or completeness.

References to particular securities are intended only to explain the rationale for the Adviser’s action with respect to such securities. Such references do not include all material information about such securities, including risks, and are not intended to be recommendations to take any action with respect to such securities.

Annual Report to Shareholders



Legg Mason
Opportunity Trust

December 31, 2008

To Our Shareholders,

We are pleased to provide you with Legg Mason Opportunity Trust's annual report for the year ended December 31, 2008.

Total returns for various periods ended December 31, 2008 are:

	Total Returns	
	6 Months	12 Months
Opportunity Trust:		
Primary Class ^A	-53.76%	-65.49%
Class R	-53.65%	-65.32%
Financial Intermediary Class	-53.55%	-65.20%
Institutional Class	-53.57%	-65.15%

The performance data quoted represent past performance and do not guarantee future results. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance information for Classes C^A and R, please visit www.leggmason.com/individualinvestors. For the Financial Intermediary and Institutional Classes, please visit www.lminstitutionalfunds.com. The investment return and principal value of the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Calculations assume reinvestment of dividends and capital gain distributions. Performance would have been lower if fees had not been waived in various periods. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

The market environment of the past twelve months has been among the most challenging seen by equity investors for generations. Concerns about our global financial system and the health of the global economy have negatively affected virtually all asset classes, including, of course, U.S. equities.

We understand the concerns created by market turmoil and declining prices. While no one can predict with certainty when the current crisis will end, we are heartened by the recent actions of the U.S. government to support and repair our financial system.

We continue to believe in the resiliency of the U.S. economy. We believe that turmoil and downturn will eventually be followed by recovery and appreciation. We also believe in the long-term potential of our equity markets to provide rewards to patient investors. We remain committed to helping you, our shareholders, build wealth over the long term.

Information about the Fund's performance over longer periods of time is shown in the Performance Information section within this report. For more information about the Fund's share classes included in this report, please contact your financial advisor.

PricewaterhouseCoopers LLP, the Fund's independent registered public accounting firm, has completed its annual examination of the Fund, and audited financial statements for the fiscal year ended December 31, 2008 are included in this report.

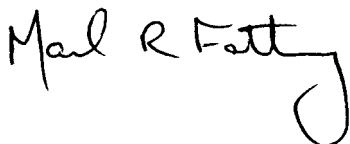
Many Primary Class shareholders invest regularly in Fund shares on a dollar cost averaging basis. Most do so by authorizing automatic, monthly transfers of \$50 or more from their bank checking or brokerage accounts. Dollar cost averaging is a convenient and sensible way to invest, as it encourages continued purchases over time regardless of fluctuating price levels. Of course, it does not ensure a profit nor protect against declines in the value of your investment. Your financial advisor will be happy to help you establish a dollar cost averaging account should you wish to do so.

Since the Fund's inception, we have mailed quarterly reports to the Fund's shareholders. With the increasing availability of other sources that provide important information about the Fund on a timely basis, and given the expense to the Fund of printing and mailing shareholder reports every three months, in the future, shareholders will receive shareholder reports every six months. The reports will be delivered to shareholders following the end of the first six months of the Fund's fiscal year and following the end of the fiscal year. These reports will continue to include a complete portfolio of holdings, detailed financial information as of the end of each period, and commentary from the Fund's portfolio manager about the Fund's performance during the period.

There are a number of sources from which you can obtain current information about the Fund. The Legg Mason website, <http://www.leggmason.com/individualinvestors>, includes detailed information about the Fund, is updated daily and provides a link to the Fund's shareholder reports, current portfolio manager commentaries and other information. The Fund files a complete portfolio of holdings as of the end of the first and third quarter of its fiscal year with the SEC on Form N-Q. These reports can be found on the SEC's website, www.sec.gov.

This is my first letter to you as Chairman of the Fund. In November, the Fund's Board of Directors elected David Odenath as President and me as Chairman of the Board of Directors of the Fund. At that meeting, Jack Curley, who served as Chairman of all the Legg Mason Funds, retired after many years of exemplary service. Jack embodied the finest qualities of a good chairman; he was ethical, hard-working and perceptive. He had a deep understanding of mutual fund issues and always acted in the shareholders' best interests. I have big shoes to fill and I will work hard to do so. We wish Jack all the best and thank him for his many years of service.

Sincerely,



Mark R. Fetting
Chairman



David Odenath
President

February 27, 2009

^A On February 1, 2009, Primary Class shares were renamed Class C shares.

Management's Discussion of Fund Performance

Legg Mason Opportunity Trust

Total returns for the Fund for various periods ended December 31, 2008 are presented below, along with those of comparative indices:

	Three Months	One Year	Average Annual Total Returns		
			Three Years	Five Years	Since Inception ^A
Opportunity Trust:					
Primary Class ^B	-41.36%	-65.49%	-27.24%	-14.10%	-4.43%
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Financial Intermediary Class	-41.18%	-65.20%	-26.69%	N/A	-14.26%
Institutional Class	-41.25%	-65.15%	-26.49%	-13.20%	-4.19%
S&P 500 Index ^C	-21.94%	-37.00%	-8.36%	-2.19%	-3.60%
Dow Jones Industrial Average ^D	-18.39%	-31.93%	-4.09%	-1.12%	-0.84%
Lipper Multi-Cap Growth Funds Category Average ^E	-24.01%	-41.87%	-10.32%	-2.64%	-5.87%

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Most major stock indices were down significantly in 2008. The S&P 500 Index was down 37.0%, its worst year since 1937. Other U.S. indices, the Dow Jones Industrial Average ("DJIA") and NASDAQ Composite Index^F fell 31.9% and 40.0%, respectively. Globally, stocks fared just as poorly. Major indices were down 65% in China, 46% in Hong Kong, 41% in Japan, 28% in the UK, 73% in Russia and 53% in India. Both growth and value strategies suffered as the Russell 1000 Growth Index^G dropped 38.4% and the Russell 1000 Value Index^H was down 36.9%. Financials, at the heart of many of the system's problems underperformed other sectors. The S&P 500 Financials Index^I dropped 55.3% for the year. Sectors associated with relative stability outperformed, with the S&P 500 Index's Consumer Staples and Health Care sectors losing 15.4% and 22.8%, respectively.

	Dec	Q4	Year
S&P 500 Index	1.1%	-21.9%	-37.0%
Dow Jones Industrial Average	-0.4%	-18.4%	-31.9%
NASDAQ Composite Index	2.8%	-24.4%	-40.0%
S&P MidCap 400 Index ^J	4.8%	-25.6%	-36.2%
Russell 2000 Index ^K	5.8%	-26.1%	-33.8%
Dow Jones Wilshire 5000 Index ^L	1.9%	-22.9%	-37.3%
S&P 100 Index ^M	0.0%	-20.1%	-35.3%
Russell 1000 Growth Index	1.8%	-22.8%	-38.4%
Russell 1000 Value Index	1.4%	-22.2%	-36.9%

While the last quarter was the worst, credit problems plagued the markets all year long causing stocks to fall in every quarter. The U.S. financial system was at the center of the storm. Continuing trends started in 2007, credit spreads widened, home prices declined, credit issues expanded and financial companies suffered large write-downs. By mid-year, the S&P was down 12% for the year, Case-Shiller home prices had fallen 19% from the 2006 peak and unemployment had risen to 5.5%. Crude oil prices peaked in July at \$147 per barrel as many believed the supply of oil would have trouble keeping up with growing demand in China, India and other emerging markets. Conditions deteriorated in the fourth quarter. In September, the government nationalized Freddie Mac and Fannie Mae by placing them into a conservatorship. A crisis of confidence followed, and the government was forced to supply AIG with financial assistance, while Lehman Brothers declared bankruptcy. The credit system stopped functioning as investors rushed to safety, liquidity dried up and panic ensued. The day of Lehman's bankruptcy, 3-month Treasury yields fell 66 basis points^N ("bps") to 0.88% and TED spreads^O jumped from 135 bps to 201 bps. One of the largest and oldest U.S. money market funds "broke the buck" dropping below a \$1 net asset value ("NAV")^P and investors rushed to pull their money. The stock market suffered two consecutive crashes, in October and November, dropping over 22% month-to-date at each respective monthly low. The result of the trauma was massive losses throughout the system resulting in one of the worst declines on record. Through the November low, the S&P 500 Index had experienced a 53% correction from the October 2007 high, comparable in size to the 2000 Tech Bubble, 1973 Oil Crisis or the initial 1929 Crash (through the 1929 low). A 20% rally off the November bottom wasn't enough to stop this from being the third worst quarter and the worst year in the post-Great Depression era. A flight to quality assets continued through year end, as evidenced by negative one-month Treasury yields.

The market made its bottom around the time the government supported Citigroup for the second time, injecting more capital into the bank and guaranteeing some of its

assets against losses. Throughout the year, the government responded to the unfolding crisis with a number of measures. The Federal Reserve Board (“Fed”)^Q lowered its target federal funds rate^R to between 0% and 0.25% from 4.25% at the beginning of the year, and announced a variety of programs to provide liquidity to the system, including increasing lending to banks and buying mortgage-backed securities. The U.S. Department of the Treasury announced a guarantee program for money market funds in September and injected capital into banks. Congress passed a \$150 billion stimulus bill in February, followed by a \$700 billion bailout plan in October (the initial failure to pass this plan caused the market much angst). By the end of the year, the economy was suffering from all the harm done to the system. December’s unemployment rate reached 7.2%, crude had fallen over \$100 to a low of \$31.41 and deflation, rather than inflation, was the concern. Also, the National Bureau of Economic Research (“NBER”) officially declared that a recession had begun a year earlier.

For the 12 months ended December 31, 2008, Primary Class shares of Legg Mason Opportunity Trust returned -65.49%. The Fund’s unmanaged benchmark, the S&P 500 Index, returned -37.00% for the same period. The Lipper Multi-Cap Growth Funds Category Average returned -41.87% over the same time frame.

Underperformance of the Fund was driven mostly by overweight positions in areas of the market most hurt by the credit crisis, namely the Financials and Housing sectors. Also, the Fund pursued a valuation-based strategy, which proved unsuccessful in a year where valuation strategies underperformed as valuation spreads reached an all-time wide of 4.5 standard deviations. Investors’ risk aversion wreaked havoc on any names with debt or deteriorating business conditions. Individual names in the Fund that most hurt performance tended to be the most levered companies, including Level 3 Communications and Domus Co-Investment Holdings (Realogy), as market fears increased about credit availability. Other top detractors included NII Holdings, Amazon.com and Eastman Kodak.

Bill Miller, CFA

January 20, 2009

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^F The NASDAQ Composite Index is a market-value weighted index, which measures all securities listed on the NASDAQ stock market.

^G The Russell 1000 Growth Index measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. (A price-to-book ratio is the price of a stock compared to the difference between a company's assets and liabilities.)

^H The Russell 1000 Value Index measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

^I The S&P 500 Financial Index is a capitalization-weighted index representing nine financial groups and 53 financial companies, calculated monthly with dividends reinvested at month end.

^J The S&P MidCap 400 Index is a market value weighted index which consists of 400 domestic stocks chosen for market size, liquidity and industry group representation.

^K The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the U.S. equity market.

^L The Dow Jones Wilshire 5000 Index represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data.

^M The S&P 100 Index is a market-capitalization weighted index consisting of 100 large blue-chip stocks covering a broad range of industries.

^N A basis point is one-hundredth ($1/100$ or 0.01) of one percent.

^O The TED spread is the price difference between three-month futures contracts for U.S. Treasuries and three-month contracts for euros having identical expiration months.

^P Net asset value ("NAV") is the dollar value of a single mutual fund share, based on the value of the underlying assets of the fund minus its liabilities, divided by the number of shares outstanding. NAV is calculated at the end of each business day.

^Q The Federal Reserve Board ("Fed") is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

^R The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

N/A — Not applicable.

Expense Example

Legg Mason Opportunity Trust

As a shareholder of the Fund, you incur ongoing costs, including management fees, distribution and service (12b-1) fees on Primary Class, Class R and Financial Intermediary Class shares; and other Fund expenses. These examples are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The examples are based on an investment of \$1,000 invested on July 1, 2008 and held through December 31, 2008. The ending values assume dividends were reinvested at the time they were paid.

Actual Expenses

The first line for each class in the table below provides information about actual account values and actual expenses for each class. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During the Period" to estimate the expenses you paid on your account if your shares were held through the entire period.

Hypothetical Example for Comparison Purposes

The second line for each class in the table below provides information about hypothetical account values and hypothetical expenses based on the relevant class's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the class's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare these 5% hypothetical examples with the 5% hypothetical examples for the relevant class that appear in the shareholder reports of other funds.

	Beginning Account Value 7/1/08	Ending Account Value 12/31/08	Expenses Paid ^A During the Period 7/1/08 to 12/31/08
Primary Class:			
Actual	\$1,000.00	\$ 462.40	\$ 8.16
Hypothetical (5% return before expenses)	1,000.00	1,013.98	11.24
Class R:			
Actual	\$1,000.00	\$ 463.50	\$ 6.92
Hypothetical (5% return before expenses)	1,000.00	1,015.69	9.53
Financial Intermediary Class:			
Actual	\$1,000.00	\$ 464.50	\$ 5.52
Hypothetical (5% return before expenses)	1,000.00	1,017.60	7.61
Institutional Class:			
Actual	\$1,000.00	\$ 464.30	\$ 4.34
Hypothetical (5% return before expenses)	1,000.00	1,019.20	5.99

^A These calculations are based on expenses incurred in the most recent fiscal half-year. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratios of 2.22%, 1.88%, 1.50% and 1.18% for the Primary Class, Class R, Financial Intermediary Class and Institutional Class, respectively, multiplied by the average values over the period, multiplied by the number of days in the most recent fiscal half-year (184) and divided by 366.

Performance Information

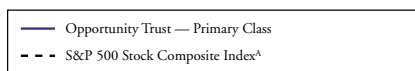
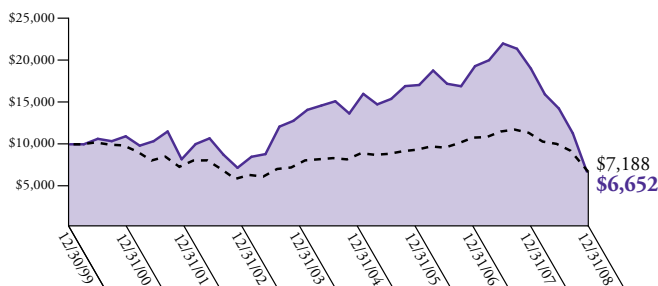
Legg Mason Opportunity Trust

The graphs on the following pages compare the Fund's total returns to the S&P 500 Stock Composite Index. The graphs illustrate the cumulative total return of an initial \$10,000 investment in the Primary Class and an initial \$1,000,000 investment in each of Class R, Financial Intermediary Class and Institutional Class for the periods indicated. The lines for the Fund represent the total return after deducting all Fund investment management and other administrative expenses and the transaction costs of buying and selling portfolio securities. The lines representing the securities market index do not take into account any transaction costs associated with buying and selling portfolio securities in the index or other administrative expenses.

Total return measures investment performance in terms of appreciation or depreciation in a fund's net asset value per share, plus dividends and any capital gain distributions. Both the Fund's results and the index's results assume reinvestment of all dividends and distributions at the time they were paid. Average annual returns tend to smooth out variations in a fund's return, so that they differ from actual year-to-year results.

Performance Information — Continued

Growth of a \$10,000 Investment — Primary Class



Periods Ended December 31, 2008

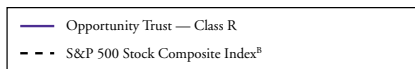
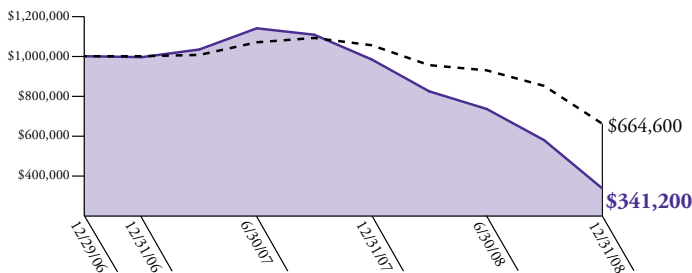
	Cumulative Total Return	Average Annual Total Return
One Year	-65.49%	-65.49%
Five Years	-53.23%	-14.10%
Life of Class*	-33.48%	-4.43%

* Inception date: December 30, 1999

The performance data quoted represent past performance and do not guarantee future results. The performance stated may have been due to extraordinary market conditions, which may not be duplicated in the future. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance information please visit www.leggmason.com/individualinvestors. The investment return and principal value of the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Calculations assume reinvestment of dividends and capital gain distributions. Performance would have been lower if fees had not been waived in various periods.

The graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

^A Index returns are for periods beginning December 31, 1999.

Growth of a \$1,000,000 Investment — Class R**Periods Ended December 31, 2008**

	Cumulative Total Return	Average Annual Total Return
One Year	-65.32%	-65.32%
Life of Class*	-65.88%	-41.46%
* Inception date: December 29, 2006		

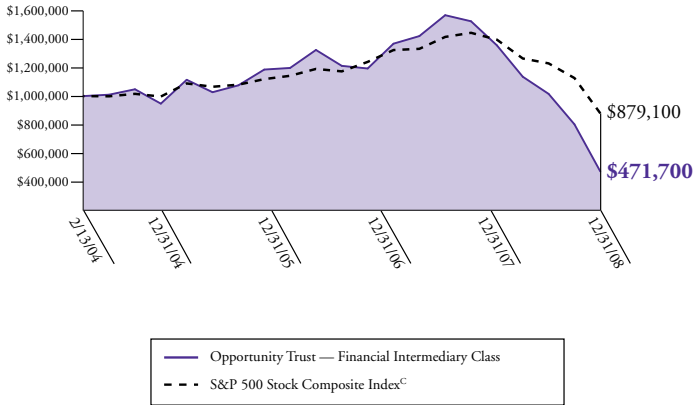
The performance data quoted represent past performance and do not guarantee future results. The performance stated may have been due to extraordinary market conditions, which may not be duplicated in the future. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance information please visit www.leggmason.com/individualinvestors. The investment return and principal value of the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Calculations assume reinvestment of dividends and capital gain distributions. Performance would have been lower if fees had not been waived in various periods.

The graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

^B Index returns are for periods beginning December 31, 2006.

Performance Information — Continued

Growth of a \$1,000,000 Investment — Financial Intermediary Class



Periods Ended December 31, 2008

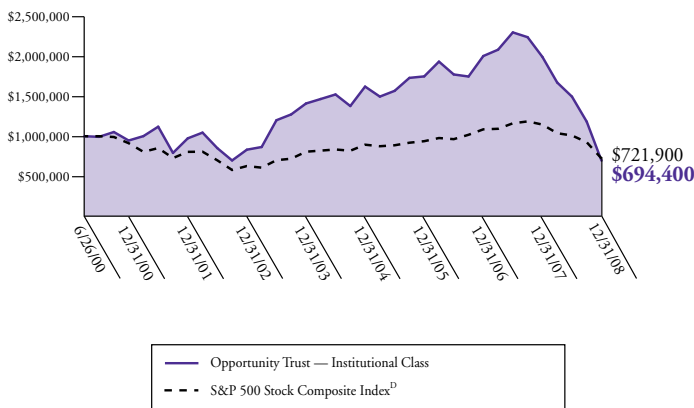
	Cumulative Total Return	Average Annual Total Return
One Year	-65.20%	-65.20%
Life of Class*	-52.83%	-14.26%
* Inception date: February 13, 2004		

The performance data quoted represent past performance and do not guarantee future results. The performance stated may have been due to extraordinary market conditions, which may not be duplicated in the future. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance information please visit www.lminstitutionalfunds.com. The investment return and principal value of the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Calculations assume reinvestment of dividends and capital gain distributions. Performance would have been lower if fees had not been waived in various periods.

The graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

^c Index returns are for periods beginning January 31, 2004.

Growth of a \$1,000,000 Investment — Institutional Class



Periods Ended December 31, 2008

	Cumulative Total Return	Average Annual Total Return
One Year	-65.15%	-65.15%
Five Years	-50.73%	-13.20%
Life of Class*	-30.56%	-4.19%

* Inception date: June 26, 2000

The performance data quoted represent past performance and do not guarantee future results. The performance stated may have been due to extraordinary market conditions, which may not be duplicated in the future. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance information please visit www.lminstitutionalfunds.com. The investment return and principal value of the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Calculations assume reinvestment of dividends and capital gain distributions. Performance would have been lower if fees had not been waived in various periods.

The graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

^D Index returns are for periods beginning June 30, 2000.

Performance Information — Continued

Sector Diversification December 31, 2008^E

	% of Net Assets
Consumer Discretionary	23.7%
Financials	27.3%
Health Care	5.2%
Industrials	16.1%
Information Technology	14.5%
Investment Funds	4.0%
Telecommunication Services	9.2%
Utilities	4.8%
Total Investment Portfolio	104.8%
Other Assets Less Liabilities	(4.8)%
	<u>100.0%</u>

Top Ten Holdings (as of December 31, 2008)

Security	% of Net Assets
UAL Corp.	5.4%
Assured Guaranty Ltd.	5.3%
Red Hat Inc.	5.0%
The AES Corp.	4.8%
Delta Air Lines Inc.	4.0%
Level 3 Communications Inc.	3.7%
NII Holdings Inc.	3.5%
Eastman Kodak Co.	3.3%
CA Inc.	3.3%
Health Net Inc.	3.3%

^E The Fund is actively managed. As a result, the composition of its portfolio holdings and sectors is subject to change at any time.

Selected Portfolio Performance^F

Strongest performers for the year ended December 31, 2008^G

1. Delta Air Lines Inc.	-23.0%
2. CA Inc.	-25.2%
3. The Ryland Group Inc.	-34.6%
4. Red Hat Inc.	-36.6%
5. Amazon.com Inc.	-44.7%

Weakest performers for the year ended December 31, 2008^G

1. AP Alternative Assets, LP	-92.0%
2. Convera Corp.	-90.6%
3. Sprint Nextel Corp.	-86.1%
4. Apollo Global Management	-85.2%
5. CIT Group Inc.	-80.0%

Portfolio Changes

New positions established during the quarter Positions completely sold during the quarter^H

Citigroup Inc.	AmeriCredit Corp.
General Electric Co.	Arience Capital Partners I LP
Hartford Financial Services	Arience Capital Partners III LP
Hatteras Financial Corp.	Arience Capital Offshore Intermediate Plan Fund, Ltd.
International Game Technology	Bill Me Later Inc. Pfd.
MGM Mirage	Chimera Investment Corp.
Masco Corp.	iStar Financial Inc.
Morgan Stanley	JPMorgan Chase and Co.
Prudential Financial Inc.	MBIA Inc.
SLM Corp.	Meritage Homes Corp.
	National City Corp.
	Nomad Investment Co. LP
	Omega Capital Partners LP
	Pulte Homes Inc.
	Sun Microsystems Inc.
	Wachovia Corp.

^F Individual security performance is measured by the change in the security's price; for stocks, dividends are assumed to be reinvested at the time they were paid.

^G Securities held for the entire year, does not include illiquid holdings.

^H Does not include activity in short positions.

Portfolio of Investments

Legg Mason Opportunity Trust

December 31, 2008

	Shares	Value
Common Stocks and Equity Interests — 104.8%		
Consumer Discretionary — 23.7%		
Hotels, Restaurants and Leisure — 4.0%		
Boyd Gaming Corp.	2,020,000	\$ 9,554,600
Fontainebleau Equity Holding LLC	2,083,333	93,750 ^{A,B}
Fontainebleau Resorts LLC 12.5% Pfd.	48,039	3,575,066 ^{A,B}
International Game Technology	1,000,000	11,890,000
MGM Mirage	1,800,000	24,768,000 ^C
		<u>49,881,416</u>
Household Durables — 8.1%		
Centex Corp.	3,100,000	32,984,000
Lennar Corp.	3,400,000	29,478,000
The Ryland Group Inc.	2,100,000	37,107,000
		<u>99,569,000</u>
Internet and Catalog Retail — 6.1%		
Amazon.com Inc.	750,000	38,460,000 ^{C,D}
Expedia Inc.	4,500,000	37,080,000 ^C
		<u>75,540,000</u>
Leisure Equipment and Products — 3.3%		
Eastman Kodak Co.	6,289,200	41,382,936
		<u>41,382,936</u>
Media — 2.2%		
Spot Runner Inc.	10,250,359	26,650,933 ^{A,B,E}
		<u>26,650,933</u>
Financials — 27.3%		
Capital Markets — 2.3%		
Apollo Global Management	3,000,000	9,750,000 ^{B,F}
Morgan Stanley	1,200,000	19,248,000
		<u>28,998,000</u>
Consumer Finance — 2.2%		
SLM Corp.	3,041,132	27,066,075 ^C
		<u>27,066,075</u>

	Shares	Value
Financials — Continued		
Diversified Financial Services — 5.0%		
CIT Group Inc.	6,947,300	\$ 31,540,756
Citigroup Inc.	3,000,000	20,130,000
OANDA Corp.	710,721	9,942,987 ^{A,B}
		<u>61,613,743</u>
Insurance — 12.7%		
Assured Guaranty Ltd.	5,781,740	65,911,836 ^E
Genworth Financial Inc.	4,700,000	13,301,000
Hartford Financial Services Group Inc.	1,759,000	28,882,780
Prudential Financial Inc.	960,000	29,049,600
XL Capital Ltd.	5,300,000	19,610,000
		<u>156,755,216</u>
Real Estate Investment Trusts (REITs) — 3.7%		
Ellington Financial LLC	2,500,000	31,875,000 ^{A,B,C,E,F}
Hatteras Financial Corp.	500,000	13,300,000
		<u>45,175,000</u>
Real Estate Management and Development — 1.4%		
Domus Co. Investment Holdings LLC	95,000,000	10,288,500 ^{A,B}
Market Leader Inc.	4,513,007	7,672,112 ^{C,E}
		<u>17,960,612</u>
Health Care — 5.2%		
Biotechnology — 1.9%		
MannKind Corp.	6,911,953	23,707,999 ^{C,E}
Health Care Providers and Services — 3.3%		
Health Net Inc.	3,700,000	40,293,000 ^C
Industrials — 16.1%		
Airlines — 9.4%		
Delta Air Lines Inc.	4,300,000	49,278,000 ^C
UAL Corp.	6,105,000	67,277,100 ^C
		<u>116,555,100</u>

Portfolio of Investments — Continued

Legg Mason Opportunity Trust — Continued

	Shares	Value
Industrials — Continued		
Building Products — 1.1%		
Masco Corp.	1,200,000	\$ <u>13,356,000</u>
Industrial Conglomerates — 2.6%		
General Electric Co.	2,000,000	<u>32,400,000</u>
Professional Services — 3.0%		
Monster Worldwide Inc.	3,000,000	<u>36,270,000^C</u>
Information Technology — 14.4%		
Internet Software and Services — 6.0%		
Ning Inc. Pfd.	7,796,420	31,731,429 ^{A,B,E,G}
Sermo Inc. Series C Cv. Pfd.	2,783,874	13,919,370 ^{A,B,E,G}
Yahoo! Inc.	1,900,000	23,180,000 ^C
Zillow Inc. Series C Pfd.	4,326,440	<u>5,624,372^{A,B,E,G}</u>
		<u>74,455,171</u>
Software — 8.4%		
CA Inc.	2,200,000	40,766,000
Convera Corp.	4,443,889	1,199,850 ^{C,E}
Red Hat Inc.	4,708,170	<u>62,242,007^C</u>
		<u>104,207,857</u>
Investment Funds — 4.1%		
AP Alternative Assets, LP	3,750,000	4,500,000 ^B
Aston Capital Partners LP	25,000,000	12,287,500 ^{A,B}
Lane Five Capital Partners	25,000,000	14,312,500 ^{A,B}
Pangaea One LP	26,638,252	<u>18,806,606^{A,B,E}</u>
		<u>49,906,606</u>
Telecommunication Services — 9.2%		
Diversified Telecommunication Services — 3.7%		
Level 3 Communications Inc.	64,780,500	<u>45,346,350^C</u>

	Shares	Value
Telecommunication Services — Continued		
Wireless Telecommunication Services — 5.5%		
NII Holdings Inc.	2,400,000	\$ 43,632,000 ^C
Sprint Nextel Corp.	13,500,000	<u>24,705,000^{C,D}</u>
		<u>68,337,000</u>
Utilities — 4.8%		
Independent Power Producers and Energy Traders — 4.8%		
The AES Corp.	7,240,000	<u>59,657,600^C</u>
Total Common Stocks and Equity Interests		
(Cost — \$2,645,738,452)		1,295,085,614
<hr/>		
Total Investments — 104.8% (Cost — \$2,645,738,452) ^H		1,295,085,614
Other Assets Less Liabilities — (4.8)%		<u>(59,558,841)</u>
<hr/>		
Net Assets — 100.0%		<u>\$1,235,526,773</u>

N.M. Not Meaningful.

^A Illiquid security valued at fair value under the procedures approved by the Board of Directors.

^B Restricted Security. Security is valued at fair value as determined in good faith under procedures established by the Board of Directors.

^C Non-income producing.

^D All or a portion of this security is pledged to cover future purchase commitments at December 31, 2008.

^E In this instance, as defined in the Investment Company Act of 1940, an "Affiliated Company" represents Fund ownership of at least 5% of the outstanding voting securities of an issuer. At December 31, 2008, the total market value of the Fund's position in Affiliated Companies was \$227,099,507, and the cost was \$368,722,433.

^F Rule 144a Security — A security purchased pursuant to Rule 144a under the Securities Act of 1933 which may not be resold subject to that rule except to qualified institutional buyers. These securities, which the Fund's investment adviser has determined to be liquid, represent 3.37% of net assets.

^G Convertible Security — Security may be converted into the issuer's common stock.

^H At December 31, 2008, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 125,781,520
Gross unrealized depreciation	<u>(1,518,678,098)</u>
Net unrealized depreciation	<u><u>\$(1,392,896,578)</u></u>

Pfd. — Preferred stock

See notes to financial statements.

Statement of Assets and Liabilities

Legg Mason Opportunity Trust

December 31, 2008

Assets:

Investment securities at value:		
Affiliated companies (Cost – \$368,722,433)		\$ 227,099,507
Non-affiliated companies		
(Cost – \$2,277,016,019)		1,067,986,107
Cash		3,987,713
Receivable for securities sold		132,979,911
Receivable for fund shares sold		4,245,945
Dividends and interest receivable		1,595,004
Total assets		<u>1,437,894,187</u>

Liabilities:

Payable for borrowings against line of credit	\$180,000,000	
Payable for fund shares repurchased	18,630,028	
Accrued distribution and service fees	871,625	
Accrued management fee	833,809	
Accrued expenses	<u>2,031,952</u>	
Total liabilities		<u>202,367,414</u>

Net Assets \$ 1,235,526,773

Net assets consist of:

Accumulated paid-in-capital	\$ 4,279,883,399
Undistributed net investment income	4,248,520
Accumulated net realized loss on investments, short sales and foreign currency transactions	(1,697,952,308)
Net unrealized depreciation of investments	<u>(1,350,652,838)</u>

Net Assets \$ 1,235,526,773

Net Asset Value Per Share:

Primary Class ^A (190,762,080 shares outstanding)	<u>\$5.16</u>
Class R (1,277,760 shares outstanding)	<u>\$5.33</u>
Financial Intermediary Class (3,815,712 shares outstanding)	<u>\$5.37</u>
Institutional Class (40,934,605 shares outstanding)	<u>\$5.47</u>

^A On February 1, 2009, Primary Class shares were renamed Class C shares.

See notes to financial statements.

Statement of Operations

Legg Mason Opportunity Trust

For the Year Ended December 31, 2008

<i>Investment Income:</i>			
Dividends	\$	39,166,492	
Interest		17,903,437	
Less: Foreign taxes withheld		(489,041)	
Total income			\$ 56,580,888
<i>Expenses:</i>			
Management fees		33,579,573	
Distribution and service fees:			
Primary Class		28,507,865	
Class R		66,154	
Financial Intermediary Class		2,347,159	
Audit and legal fees		323,167	
Custodian fees		441,472	
Directors' fees and expenses		102,054	
Interest expense		11,946,211	
Registration fees		110,000	
Reports to shareholders:			
Primary Class		744,722	
Class R		4,449	
Financial Intermediary Class		200,456	
Institutional Class		173,480	
Transfer agent and shareholder servicing expense:			
Primary Class		1,683,319	
Class R		30,464	
Financial Intermediary Class		860,835	
Institutional Class		102,335	
Dividend expense on short dividends		3,558,390	
Other expenses		408,862	
		85,190,967	
Less: Compensating balance credits		(22,821)	
Net expenses			85,168,146
Net Investment Loss			(28,587,258)
<i>Net Realized and Unrealized Gain/(Loss) on Investments:</i>			
Net realized gain/(loss) on:			
Investments		(1,687,192,727) ^A	
Short sales		30,047,660	
			(1,657,145,067)
Change in unrealized depreciation of:			
Investments and short sales		(2,197,715,285)	
			(2,197,715,285)
Net Realized and Unrealized Loss on Investments			(3,854,860,352)
Change in Net Assets Resulting From Operations			\$(3,883,447,610)

^A Includes \$1,083,448,646 of net realized loss on the sale of shares of Affiliated Companies.

See notes to financial statements.

Statement of Changes in Net Assets

Legg Mason Opportunity Trust

	For the Years Ended December 31,	
	2008	2007
<i>Change in Net Assets:</i>		
Net investment loss	\$ (28,587,258)	\$ (48,887,927)
Net realized gain/(loss)	(1,657,145,067)	1,278,645,639
Change in unrealized depreciation	(2,197,715,285)	(1,370,378,168)
Change in net assets resulting from operations	(3,883,447,610)	(140,620,456)
Distributions to shareholders from:		
Net realized gain on investments:		
Primary Class	(363,569,305)	(448,076,829)
Class R	(1,852,358)	(1,003,424)
Financial Intermediary Class	(117,011,460)	(158,797,746)
Institutional Class	(83,363,099)	(91,225,053)
Change in net assets from Fund share transactions:		
Primary Class	(848,139,804)	442,517,531
Class R	9,523,376	13,707,982
Financial Intermediary Class	(684,755,812)	486,561,570
Institutional Class	(120,873,283)	448,092,202
Change in net assets	(6,093,489,355)	551,155,777
<i>Net Assets:</i>		
Beginning of year	7,329,016,128	6,777,860,351
End of year	\$ 1,235,526,773	\$ 7,329,016,128
Undistributed/(accumulated) net investment income/(loss)	\$ 4,248,520	\$ (460,003)

See notes to financial statements.

Statement of Cash Flows

Legg Mason Opportunity Trust

For the year ended
December 31, 2008

<i>Cash flows provided (used) by operating activities:</i>	
Interest and dividends received	\$ 57,820,224
Operating expenses paid	(80,617,155)
Net sales and maturities of short-term investments	283,369,693
Realized gain on foreign currency transactions	5
Realized loss on options	(3,088,182)
Purchases of long-term investments	(2,947,775,034)
Proceeds from disposition of long-term investments	6,296,471,946
Realized loss on investments	(1,657,145,067)
Interest paid	(11,946,211)
Net Cash Provided By Operating Activities	1,937,090,219
<i>Cash flows provided (used) by financing activities:</i>	
Cash distributions paid on Common Stock	(2,192,481)
Proceeds from shares sold	1,130,620,041
Payment on shares redeemed	(3,323,731,709)
Repayment of loan	(326,772,647)
Return of deposits with brokers for short sales	588,974,290
Net Cash Flows Used By Financing Activities	(1,933,102,506)
<i>Net increase in cash</i>	<i>3,987,713</i>
Cash, Beginning of year	0
Cash, End of year	\$ 3,987,713
<i>Reconciliation of decrease in net assets from operations to net cash flows provided (used) by operating activities:</i>	
Decrease in Net Assets From Operations	\$(3,883,447,610)
Decrease in cost of investments	3,756,722,332
Change in unrealized depreciation	2,197,715,285
Decrease in interest and dividends receivable	1,528,033
Increase in receivable for securities sold	(128,032,601)
Decrease in accrued expenses	(7,395,220)
Total Adjustments	5,820,537,829
Net Cash Flows Provided By Operating Activities	\$ 1,937,090,219

Noncash financing activities not included herein consist of reinvestment of distributions of \$563,603,741

See notes to financial statements.

Financial Highlights

Legg Mason Opportunity Trust

For a share of each class of capital stock outstanding:

Primary Class:

	Years Ended December 31,				
	2008	2007	2006	2005	2004
Net asset value, beginning of year	\$16.86	\$18.94	\$16.72	\$15.67	\$13.77
Investment operations:					
Net investment loss	(.10) ^A	(.19) ^A	(.06) ^A	(.15)	(.09)
Net realized and unrealized gain/(loss)	(10.01)	(.11)	2.30	1.20	1.99
Total from investment operations	(10.11)	(.30)	2.24	1.05	1.90
Distributions from:					
Net investment income	(0.00) ^B	—	—	—	—
Net realized gain on investments	(1.59)	(1.78)	(.02)	—	—
Total distributions	(1.59)	(1.78)	(.02)	—	—
Net asset value, end of year	\$5.16	\$16.86	\$18.94	\$16.72	\$15.67
Total return	(65.49)%	(1.57)%	13.41%	6.70%	13.80%
Ratios to Average Net Assets:^C					
Total expenses (including interest expense)	2.22%	2.36%	2.25%	2.08%	1.87%
Expenses (including interest expense) net of waivers, if any	2.22%	2.36%	2.25%	2.08%	1.87%
Expenses (including interest expense) net of all reductions	2.22%	2.36%	2.25%	2.08%	1.87%
Expenses (excluding interest expense) net of all reductions	1.95%	1.99%	1.91%	1.84%	1.85% ^D
Net investment loss	(.86)%	(.93)%	(.37)%	(.97)%	(.66)%
Supplemental Data:					
Portfolio turnover rate	51.7%	44.2%	14.2%	29.7%	13.3%
Net assets, end of year (in thousands)	\$984,198	\$4,632,504	\$4,722,622	\$3,778,018	\$3,597,267

^A Computed using average daily shares outstanding.

^B Represents less than \$0.01 per share.

^C Total expenses including interest expense reflects operating expenses prior to any voluntary expense waivers and/or compensating balance credits. Expenses including interest expense net of waivers reflects total expenses before compensating balance credits but net of any voluntary expense waivers. Expenses including interest expense net of all reductions reflects expenses less any compensating balance credits and/or voluntary expense waivers. Expenses excluding interest expense net of all reductions reflects expenses less interest expense, any compensating balance credits, and/or voluntary expense waivers.

^D These amounts were not audited by the previous auditor.

See notes to financial statements.

Class R:

	Years Ended December 31,		
	2008	2007	2006 ^E
Net asset value, beginning of year	\$17.27	\$19.28	\$19.37
Investment operations:			
Net investment income/(loss)	(.11) ^A	.05 ^A	—
Net realized and unrealized gain/(loss)	(10.24)	(.28)	—
Total from investment operations	(10.35)	(.23)	—
Distributions from:			
Net realized gain on investments	(1.59)	(1.78)	(.09)
Total distributions	(1.59)	(1.78)	—
Net asset value, end of year	\$5.33	\$17.27	\$19.28
Total return	(65.32)%	(1.18)%	(.47)% ^F
Ratios to Average Net Assets: ^C			
Total expenses (including interest expense)	1.88%	2.36%	1.69% ^G
Expenses (including interest expense) net of waivers, if any	1.88%	2.36%	1.69% ^G
Expenses (including interest expense) net of all reductions	1.88%	2.36%	1.69% ^G
Expenses (excluding interest expense) net of all reductions	1.62%	2.02%	—% ^{G,H}
Net investment income (loss)	(.95)%	.24%	(1.34)% ^G
Supplemental Data:			
Portfolio turnover rate	51.7%	44.2%	14.2% ^F
Net assets, end of year (in thousands)	\$6,810	\$11,535	\$10

^E December 29, 2006 (commencement of operations) to December 31, 2006.

^F Not annualized.

^G Annualized.

^H Amount less than .01%.

See notes to financial statements.

Financial Highlights — Continued

Legg Mason Opportunity Trust — Continued

Financial Intermediary Class:

	Years Ended December 31,				
	2008	2007	2006	2005	2004 ¹
Net asset value, beginning of year	\$17.33	\$19.28	\$16.90	\$15.73	\$14.15
Investment operations:					
Net investment income/(loss)	.05 ^A	(.03) ^A	.05 ^A	(.03)	.05
Net realized and unrealized gain/(loss)	(10.42)	(.14)	2.35	1.20	1.56
Total from investment operations	(10.37)	(.17)	2.40	1.17	1.61
Distributions from:					
Net investment income	—	—	—	—	(.03)
Net realized gain on investments	(1.59)	(1.78)	(.02)	—	—
Total distributions	(1.59)	(1.78)	(.02)	—	(.03)
Net asset value, end of year	\$5.37	\$17.33	\$19.28	\$16.90	\$15.73
Total return	(65.20)%	(.87)%	14.21%	7.44%	11.43% ^F
Ratios to Average Net Assets:^C					
Total expenses (including interest expense)	1.50%	1.67%	1.54%	1.39%	1.13% ^G
Expenses (including interest expense) net of waivers, if any	1.50%	1.67%	1.54%	1.39%	1.13% ^G
Expenses (including interest expense) net of all reductions	1.50%	1.67%	1.54%	1.39%	1.13% ^G
Expenses (excluding interest expense) net of all reductions	1.23%	1.30%	1.19%	1.15%	1.10% ^{D,G}
Net investment income (loss)	.38%	(.16)%	.27%	(.24)%	1.03% ^G
Supplemental Data:					
Portfolio turnover rate	51.7%	44.2%	14.2%	29.7%	13.3% ^F
Net assets, end of year (in thousands)	\$20,483	\$1,705,269	\$1,404,852	\$806,276	\$332,678

¹ For the period February 13, 2004 (commencement of operations) to December 31, 2004.

See notes to financial statements.

Institutional Class:

	Years Ended December 31,				
	2008	2007	2006	2005	2004
Net asset value, beginning of year	\$17.59	\$19.48	\$17.02	\$15.78	\$13.75
Investment operations:					
Net investment income	.02 ^A	.03 ^A	.12 ^A	.06	.08
Net realized and unrealized gain/(loss)	(10.55)	(.14)	2.36	1.18	1.98
Total from investment operations	(10.53)	(.11)	2.48	1.24	2.06
Distributions from:					
Net investment income	—	—	—	—	(.03)
Net realized gain on investments	(1.59)	(1.78)	(.02)	—	—
Total distributions	(1.59)	(1.78)	(.02)	—	(.03)
Net asset value, end of year	\$5.47	\$17.59	\$19.48	\$17.02	\$15.78
Total return	(65.15)%	(.55)%	14.58%	7.86%	15.02%

Ratios to Average Net Assets:^C

Total expenses (including interest expense)	1.18%	1.32%	1.20%	1.04%	.84%
Expenses (including interest expense) net of waivers, if any	1.18%	1.32%	1.20%	1.04%	.84%
Expenses (including interest expense) net of all reductions	1.18%	1.32%	1.20%	1.04%	.84%
Expenses (excluding interest expense) net of all reductions	.91%	.96%	.86%	.80%	.82% ^D
Net investment income	.15%	.16%	.71%	.13%	.40%

Supplemental Data:

Portfolio turnover rate	51.7%	44.2%	14.2%	29.7%	13.3%
Net assets, end of year (in thousands)	\$224,036	\$979,708	\$650,376	\$505,091	\$193,873

See notes to financial statements.

Notes to Financial Statements

Legg Mason Opportunity Trust

1. Organization and Significant Accounting Policies:

Legg Mason Investment Trust, Inc. (“Corporation”), consisting of the Legg Mason Opportunity Trust (“Fund”), was organized on October 8, 1999, and is registered under the Investment Company Act of 1940, as amended (“1940 Act”), as an open-end, non-diversified investment company.

As of December 31, 2008, the Fund offered four classes of shares: Primary Class, Class R, Financial Intermediary Class, and Institutional Class. The income and expenses of the Fund are allocated proportionately to each class of shares based on daily net assets, except for Rule 12b-1 distribution and service fees, which are charged only on Primary Class, Class R and Financial Intermediary Class shares, and transfer agent and shareholder servicing expenses, which are determined separately for each class. On February 1, 2009, the Primary Class was renamed Class C.

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements:

Investment Valuation

The Fund’s securities are valued under policies approved by and under the general oversight of the Board of Directors. Effective January 1, 2008, the Fund adopted Statement of Financial Accounting Standards No. 157 (“FAS 157”). FAS 157 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for reporting methods of measuring fair value based on inputs used to value the Fund’s investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

Equity securities for which market quotations are available are valued at the last sale price or official closing price on the primary market or exchange on which they trade. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market and are valued at the bid price as of the close of business of that market. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events

after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund may value these securities at fair value as determined in accordance with the procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used in valuing the Fund's assets carried at fair value:

	December 31, 2008	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in				
Securities – assets	\$1,295,085,614	\$1,101,727,601	\$14,250,000	\$179,108,013
Total	<u>\$1,295,085,614</u>	<u>\$1,101,727,601</u>	<u>\$14,250,000</u>	<u>\$179,108,013</u>

The following is a reconciliation between the beginning and ending balances of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

	Investments in Securities
Balance as of December 31, 2007	\$ 629,117,200
Accrued Premiums/Discounts	—
Realized Gain (Loss)	9,802,069
Change in unrealized appreciation (depreciation)	(345,793,263)
Net purchases (sales)	(114,017,993)
Transfers in and/or out of Level 3	
Balance as of December 31, 2008	<u>\$ 179,108,013</u>

Security Transactions

Security transactions are accounted for as of the trade date. Realized gains and losses from security transactions are reported on an identified cost basis for both financial reporting and federal income tax purposes.

Notes to Financial Statements — Continued

Legg Mason Opportunity Trust — Continued

For the year ended December 31, 2008, security transactions (excluding short-term investments) were as follows:

Purchases	Proceeds From Sales
\$2,451,032,576	\$4,724,539,111

Foreign Currency Translation

Assets and liabilities initially expressed in non-U.S. currencies are translated into U.S. dollars using currency exchange rates determined prior to the close of trading on the New York Stock Exchange, usually at 2:00 p.m. Eastern time. Purchases and sales of securities and income and expenses are translated into U.S. dollars at the prevailing market rates on the dates of such transactions. The effects of changes in non-U.S. currency exchange rates on investment securities and other assets and liabilities are included with the net realized and unrealized gain or loss on investment securities.

Repurchase Agreements

The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, a fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and of the fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during a fund's holding period. When entering into repurchase agreements, it is the Fund's policy that its custodian, acting on the Fund's behalf, or a third party custodian take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked to market daily in an effort to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights or if bankruptcy proceedings are commenced with respect to the seller of the security, realization on the collateral by the Fund may be delayed or limited.

Compensating Balance Credits

The Fund has an arrangement with its custodian bank, whereby a portion of the custodian's fee is paid indirectly by credits earned on the Fund's cash on deposit with the bank. This deposit arrangement is an alternative to purchasing overnight investments.

Commission Recapture

The Fund has entered into a directed brokerage agreement with State Street Bank & Trust Company, its custodian, whereby a portion of commissions paid on investment transactions may be rebated to the Fund. Such payments are included in realized gain/(loss) on investment transactions. During the year ended December 31, 2008, the Fund did not receive any commission rebates.

Redemptions-In-Kind

The Fund under certain conditions may redeem its shares in-kind by distributing portfolio securities rather than making cash payment. Gains and losses realized on redemption in-kind transactions are not recognized for tax purposes, and are reclassified from undistributed realized gain (loss) to paid in capital. During the year ended December 31, 2008, the Fund realized \$12,875,888 of net gain on \$39,066,792 redemption in-kind transactions, which will not be recognized for tax purposes.

Investment Income and Distributions to Shareholders

Interest income and expenses are recorded on the accrual basis. Bond premiums and discounts are amortized for financial reporting and federal income tax purposes. Dividend income is recorded on the ex-dividend date. Distributions from net investment income, if available, are determined at the class level and paid annually. Net capital gain distributions, which are calculated at the Fund level, are declared and paid annually in June, if available. An additional distribution may be made in December, to the extent necessary in order to comply with federal excise tax requirements. Distributions are determined in accordance with federal income tax regulations, which may differ from those determined in accordance with accounting principles generally accepted in the United States of America. Accordingly, periodic reclassifications are made within the Fund's capital accounts to reflect income and gains available for distribution under federal income tax regulations.

Short Sales

The Fund is authorized to engage in short-selling, which obligates the Fund to replace the security borrowed by purchasing the security at current market value sometime in the future. The Fund will incur a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund will realize a gain if the price of the security declines between those dates. Until the Fund replaces the borrowed security, the Fund will maintain a segregated account with cash and/or liquid securities sufficient to cover its short position on a daily basis. Dividends declared on securities sold short are recorded as an expense on the ex-dividend date.

Notes to Financial Statements — Continued

Legg Mason Opportunity Trust — Continued

Restricted Securities

Certain of the Fund's investments are restricted as to resale and are valued at fair value as determined in good faith by, or under the direction of, the Board of Directors under procedures established by the Board of Directors in the absence of readily ascertainable market values.

Security	Number of Units/Shares/ Interest	Acquisition Date(s)	Cost	Fair Value at 12/31/08	Percent of Net Assets	Distributions Received
AP Alternative Assets, LP	3,750,000	06/06	\$ 75,000,000	\$ 4,500,000	0.36%	\$1,725,000
Apollo Global Management	3,000,000	08/07	72,000,000	9,750,000	0.79%	1,680,000
Aston Capital Partners LP	25,000,000	11/05	25,000,000	12,287,500	0.99%	
Domus Co. Investment Holdings LLC	95,000,000	04/07	95,000,000	10,288,500	0.83%	
Ellington Financial LLC	2,500,000	08/07	50,000,000	31,875,000	2.58%	
Fontainebleau Equity Holding LLC	2,083,333	06/07	24,999,996	93,750	0.01%	
Fontainebleau Resorts LLC 12.5% Pfd.	48,039	06/07	48,039,041	3,575,065	0.29%	
Lane Five Capital Partners LP	25,000,000	01/07	25,000,000	14,312,500	1.16%	
NING Inc.	7,796,420	07/07	25,000,000	31,731,429	2.57%	
OANDA Corporation	710,721	08/07	20,292,364	9,942,987	0.80%	
Pangaea One LP ^A	26,638,252	— ^B	26,638,252	18,806,606	1.52%	5,032,761
Sermo Inc. Series C	2,783,874	08/07	25,000,000	13,919,370	1.13%	
Spot Runner Inc.	10,250,359	03/07, 06/07, 01/08	50,000,006	26,650,933	2.16%	
Zillow Inc. Series C, Pfd.	4,326,440	09/07	20,000,001	5,624,372	0.46%	
			<u>\$581,969,660</u>	<u>\$193,358,012</u>	<u>15.65%</u>	<u>\$8,437,761</u>

^A As of December 31, 2008 the Fund has an outstanding commitment to purchase an additional \$47,348,011 interest.

^B Acquisition dates were: 08/07, 09/07, 01/08, 03/08, 05/08, 08/08, 10/08, 12/08.

Illiquid Securities

Illiquid securities are those that cannot be sold or disposed of within seven days for approximately the price at which the Fund values the security. Illiquid investments include: repurchase agreements with terms of greater than seven days, restricted securities other than those the advisor has determined are liquid pursuant to guidelines established by the Board of Directors and securities involved in swap, cap, floor and collar transactions, and over-the-counter ("OTC") options and their underlying collateral. Due to the absence of an active trading market, the Fund may have difficulty valuing or disposing of illiquid securities promptly. Judgment plays a greater role in valuing illiquid securities than those for which a more active market exists.

Market Price Risk

The prices of securities held by the Fund may decline in response to certain events, including those directly involving the companies whose securities are owned by the Fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and

commodity price fluctuations. The value-oriented, equity-type securities generally purchased by the Fund may involve large price swings and potential for loss.

Other

In the normal course of business, the Fund enters into contracts that provide general indemnifications. The Fund's maximum exposure under these arrangements is dependent upon claims that may be made against the Fund in the future and, therefore, cannot be estimated; however, based on experience, the risk of material loss from such claims is considered remote.

2. Federal Income Taxes:

It is the Fund's policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute substantially all of its taxable income and net realized gains, if any, to shareholders each year. Therefore, no federal income tax provision is required in the Fund's financial statements.

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years and has concluded that as of December 31, 2008, no provision for income tax would be required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

Reclassifications:

Generally Accepted Accounting Principals ("GAAP") require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. During the current year, the following reclassifications have been made:

	Overdistributed Net Investment Income	Accumulated Net Realized Loss	Paid-In-Capital
(a)	\$38,275,301	\$(13,050,407)	\$(25,224,894)
(b)	(4,979,517)	4,979,517	—

(a) Reclassifications are primarily due to a tax net operating loss, book/tax differences in the treatment of an in-kind distribution of securities, and prior year distributions paid in connection with the redemption of Fund shares.

Notes to Financial Statements — Continued

Legg Mason Opportunity Trust — Continued

(b) Reclassifications are primarily due to book/tax differences in the treatment of various items.

Distributions to Shareholders:

The tax character of distributions paid during the fiscal years ended December 31, was as follows:

Distributions paid from:	12/31/2008	12/31/2007
Net Long-term Capital Gains	<u>\$565,796,222</u>	<u>\$699,103,052</u>
Total Distributions Paid	<u>\$565,796,222</u>	<u>\$699,103,052</u>

Accumulated Earnings on a Tax Basis:

As of December 31, 2008, the components of accumulated earnings on a tax basis were as follows:

Capital loss carryforward	\$(1,201,689,081)	(*)
Other book/tax temporary differences	(449,770,967)	(a)
Unrealized appreciation/(depreciation)	<u>(1,392,896,578)</u>	(b)
Total accumulated earnings/(losses) — net	<u><u>\$(3,044,356,626)</u></u>	

(*) As of December 31, 2008, the Fund had the following net capital loss carryforward remaining:

Year of Expiration	Amount
12/31/2016	\$(1,201,689,081)

This amount will be available to offset any future taxable capital gains.

- (a) Other book/tax temporary differences are attributable primarily to the deferral of post-October capital losses for tax purposes and book/tax differences in the timing of the deductibility of various expenses.
- (b) The difference between book-basis and tax-basis unrealized appreciation/(depreciation) is attributable primarily to the tax deferral of losses on wash sales and differences in the book/tax treatment of limited partnership investments.

Tax Cost of Investments:

As of December 31, 2008, the aggregate cost of investments for federal income tax purposes was \$2,687,982,192.

3. Financial Instruments:

Options

As part of its investment program, the Fund may utilize options. Options may be purchased by the Fund. When the Fund purchases a put or call option, the premium paid is recorded as an investment and its value is marked-to-market daily.

When purchased options expire, are exercised or are closed (by entering into a closing purchase or sale transaction), the Fund realizes a gain or loss as described in the chart below:

Purchased option:	Impact on the Fund:
The option expires	Realize a loss in the amount of the cost of the option.
The option is closed through a closing sale transaction	Realize a gain or loss depending on whether the proceeds from the closing sale transaction are greater or less than the cost of the option.
The Fund exercises a call option	The cost of the security purchased through the exercise of the option will be increased by the premium originally paid to purchase the option.
The Fund exercises a put option	Realize a gain or loss from the sale of the underlying security. The proceeds of that sale will be reduced by the premium originally paid to purchase the put option.

4. Transactions With Affiliates:

The Fund has an investment management agreement with LMM, LLC ("LMM"). Pursuant to the agreement, LMM provides the Fund with management services for which the Fund pays a fee, computed daily and payable monthly, at annual rates of the Fund's average daily net assets. The annual management fee rates are provided in the chart below:

Management Fee	Asset Breakpoint
1.00%	on net assets up to \$100 million
0.75%	on net assets in excess of \$100 million

Legg Mason Capital Management, Inc. ("LMCM") serves as investment adviser to the Fund under an investment advisory agreement with LMM. For LMCM's services to the Fund, LMM (not the Fund) pays LMCM a fee, calculated daily and payable monthly, at an annual rate of 0.10% of the average daily net assets of the Fund up to \$100 million and 0.05% of the average daily net assets of the Fund in excess of \$100 million.

Notes to Financial Statements — Continued

Legg Mason Opportunity Trust — Continued

Legg Mason Fund Adviser, Inc. (“LMFA”) serves as administrator to the Fund under an administrative services agreement with LMM. For LMFA’s services to the Fund, LMM (not the Fund) pays LMFA a fee, calculated daily and payable monthly, at an annual rate of 0.05% of the average daily net assets of the Fund. LMFA has agreed to waive indefinitely all fees payable to it under the agreement. The Fund’s agreement with LMFA provides that certain expense reimbursements be made to the Fund. For the year ended December 31, 2008, there were no expenses reimbursed to the Fund.

Legg Mason Investor Services, LLC (“LMIS”) serves as distributor of the Fund. LMIS receives an annual distribution fee and/or an annual service fee, based on the Fund’s Primary, Class R and Financial Intermediary Classes’ average daily net assets, computed daily and payable monthly as follows:

	Distribution Fee	Service Fee
Primary Class	0.75%	0.25%
Class R ^A	0.25%	0.25%
Financial Intermediary Class ^A	N/A	0.25%

LMM, LMCM, LMIS and LMFA are corporate affiliates of Legg Mason, Inc.

Under a Deferred Compensation Plan (the “Plan”), directors may elect to defer receipt of all or a specified portion of their compensation. A participating director may select one or more funds in which his or her deferred director’s fees will be deemed to be invested. Deferred amounts remain in the fund until distributed in accordance with the Plan.

^A The Rule 12b-1 plans for Class R and the Financial Intermediary Class of the Fund provide for payments of distribution and service fees to LMIS at an annual rate of 0.75% and 0.40% of each class’s average daily net assets respectively, subject to the authority of the Board of Directors to set a lower amount. The Board of Directors of the Fund has currently approved payments under the plans of 0.50% and 0.25% of the average daily net assets of Class R and Financial Intermediary Class, respectively.

5. Transactions in Affiliated Companies:

An "Affiliated Company," as defined in the 1940 Act, includes a company in which a Fund owns 5% or more of the company's outstanding voting securities at any time during the period. The following transactions were effected in shares of such companies for the year ended December 31, 2008:

Company	Affiliates Mkt Value at 12/31/07	Purchased		Sold		Current Yr. Amortization Div/Interest Income	Affiliates Mkt Value at 12/31/08	Realized Gain/Loss
		Cost	Shares/Par	Cost	Shares/Par			
Assured Guaranty Ltd ^B	\$ —	\$ 70,169,722	6,350,708	\$ 7,729,972	568,968	\$ 555,782	\$ 65,911,836	\$ (1,486,514)
Beazer Homes USA Inc. ^A	26,748,000			122,052,379	3,600,000			(104,444,442)
Career Ed Corp. ^A	128,214,000	7,313,251	400,000	166,447,671	5,500,000			(88,423,027)
Chimera Investment Corp. ^A	59,004,000	5,482,853	422,000	54,982,853	3,722,000	1,645,598		(25,822,589)
Convera Corp.	15,388,890			5,002,502	1,111,667		1,199,850	(3,674,604)
CROCS inc. ^C	—	82,072,298	4,977,300	82,072,298	4,977,300			(60,430,407)
Ellington Financial LLC	50,000,000						31,875,000	
Exide Technologies ^A	90,909,896			48,652,563	11,363,737			119,718,091
Health Net Inc. ^C	—	155,451,109	5,400,000	50,503,051	1,700,000			(29,055,701)
Indymac Bancorp Inc ^A	30,345,000			89,951,004	5,100,000			(77,568,596)
Level 3 Communications Inc. ^A	288,800,000	9,467,299	5,000,000	140,646,851	35,219,500			(71,375,730)
MannKind Corp.	112,412,083			121,495,026	7,210,168		23,707,999	(101,686,400)
Market Leader ^D	15,500,000			2,786,803	486,993		7,672,112	1,456,649
Meritage Home Corp ^A	37,882,000			73,911,729	2,600,000			(27,433,769)
Netflix Inc. ^A	199,650,000			164,298,046	7,500,000			52,237,943
Ning, Inc.	25,000,000						31,731,429	—
Nutrisystem Inc. ^A	94,430,000			135,285,291	3,500,000			(88,235,140)
OANDA Corporation ^A	29,999,976			9,707,612	340,000			(2,717,212)
Pangaea One, LP	7,958,102	22,349,589	N/A	2,202,448	N/A		18,806,606	
Radian Group Inc. ^A	65,408,000			108,249,876	5,600,000	167,492		(86,906,271)
Red Hat Inc. ^C	—			92,705,269	4,991,830			(28,901,697)
The Ryland Group Inc. ^A	104,690,000	567,778	27,000	85,171,928	1,727,000	1,817,520		(57,570,382)
Spot Runner, Inc.	46,695,284	10,000,002	1,666,667				26,650,933	
Sermo Inc., Series C Pfd.	25,000,024						13,919,370	
UAL Corp ^A	317,374,000	100,442,373	7,705,000	386,373,502	10,500,000	—		(324,348,455)
US Airways Group Inc. ^C	—	25,281,039	2,150,000	98,325,572	6,150,000			(76,780,393)
Zillow, Inc. Series C Pfd.	19,999,834						5,624,372	
	<u>\$1,791,409,089</u>	<u>\$488,597,313</u>		<u>\$2,048,554,246</u>		<u>\$4,186,392</u>	<u>\$227,099,507</u>	<u>\$(1,083,448,646)</u>

^A This company is no longer an affiliated company

^B At the beginning of the reporting period, this security did not have affiliate status because the Fund owned less than 5% of the company's voting securities.

^C This company is no longer an affiliated company and was not an affiliate at the beginning of the year. During the reporting period this security held affiliate status.

^D This company changed its name from Housevalues to Market Leader on 11/10/08.

Notes to Financial Statements — Continued

Legg Mason Opportunity Trust — Continued

6. Lines of Credit:

The Fund, along with certain other Legg Mason Funds, participates in a \$400 million line of credit (“Credit Agreement”) to be used for temporary or emergency purposes. Pursuant to the Credit Agreement, each participating fund is liable only for principal and interest payments related to borrowings made by that fund. Borrowings under the Credit Agreement bear interest at a rate equal to the prevailing federal funds rate plus the federal funds rate margin. The Fund did not utilize the line of credit during the year ended December 31, 2008.

The Fund may borrow for investment purposes, also known as “leveraging,” from separate lines of credit totaling \$600 million (“Leveraging Credit Agreements”). Leverage is the ability to earn a return on a capital base that is larger than the Fund’s net assets. Use of leverage can magnify the effects of changes in the value of the Fund’s investments and makes such investments more volatile. Leveraging could cause investors to lose more money in adverse environments. Borrowings under the Leveraging Credit Agreements bear interest at a rate equal to the prevailing federal funds rate plus the federal funds rate margin.

For the year ended December 31, 2008, the Fund had average daily borrowings from the Leveraging Credit Agreements of \$412,814,208 at an average annual interest rate of 2.89%. As of December 31, 2008, the Fund had \$180 million in borrowings outstanding.

7. Fund Share Transactions:

At December 31, 2008, there were 650,000,000, 500,000,000, 250,000,000 and 200,000,000 shares authorized at \$0.001 par value for the Primary Class, Class R, Financial Intermediary Class and Institutional Class, respectively, of the Fund. Share transactions were as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Shares	Amount	Shares	Amount
<i>Primary Class</i>				
Shares sold	25,269,062	\$ 282,360,878	42,963,590	\$ 867,451,350
Shares issued on reinvestment	29,151,312	362,666,317	25,486,972	431,659,950
Shares repurchased	(138,466,704)	(1,493,166,999)	(43,018,604)	(856,593,769)
Net Increase (Decrease)	<u>(84,046,330)</u>	<u>\$ (848,139,804)</u>	<u>25,431,958</u>	<u>\$ 442,517,531</u>

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Shares	Amount	Shares	Amount
<i>Class R</i>				
Shares sold	1,096,489	\$ 15,096,882	652,660	\$ 13,589,395
Shares issued on reinvestment	144,490	1,852,359	58,462	1,003,424
Shares repurchased	(631,112)	(7,425,865)	(43,745)	(884,837)
Net Increase	<u>609,867</u>	<u>\$ 9,523,376</u>	<u>667,377</u>	<u>\$ 13,707,982</u>
<i>Financial</i>				
<i>Intermediary Class</i>				
Shares sold	47,867,085	\$ 643,197,695	43,047,575	\$ 870,160,614
Shares issued on reinvestment	9,064,235	116,837,991	9,119,944	158,415,857
Shares repurchased	(151,511,926)	(1,444,791,498)	(26,629,142)	(542,014,901)
Net Increase (Decrease)	<u>(94,580,606)</u>	<u>\$ (684,755,812)</u>	<u>25,538,377</u>	<u>\$ 486,561,570</u>
<i>Institutional Class</i>				
Shares sold	13,496,218	\$ 175,557,270	26,490,726	\$ 548,950,311
Shares issued on reinvestment	6,264,058	82,247,074	5,124,840	90,459,582
Shares repurchased	(34,514,801)	(378,677,627)	(9,312,326)	(191,317,691)
Net Increase (Decrease)	<u>(14,754,525)</u>	<u>\$ (120,873,283)</u>	<u>22,303,240</u>	<u>\$ 448,092,202</u>

8. Recent Accounting Pronouncement:

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("FAS 161"). FAS 161 is effective for fiscal years and interim reporting periods beginning after November 15, 2008. FAS 161 requires enhanced disclosures about a fund's derivative and hedging activities, including how such activities are accounted for and their effect on a fund's financial position, performance and cash flows. Management is currently evaluating the impact the adoption of FAS 161 will have on the Fund's financial statements and related disclosures.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Legg Mason Investment Trust, Inc. and to the Shareholders of Legg Mason Opportunity Trust:

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Legg Mason Opportunity Trust (the "Fund") at December 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years then ended, and the financial highlights of the Primary Class, Financial Intermediary Class and Institutional Class for each of the four years in the period then ended and of the R Class for each of the two years then ended and period from December 29, 2006 to December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion. The financial highlights of the Primary Class, Financial Intermediary Class and Institutional Class for the year or period ended December 31, 2004, were audited by other auditors whose report dated February 11, 2005 expressed an unqualified opinion on those statements.

PricewaterhouseCoopers LLP
February 27, 2009

Important Tax Information (Unaudited)

The following information is provided with respect to the distributions paid during the taxable year ended December 31, 2008:

Record Date:	6/18/2008
Payable Date:	<u>6/20/2008</u>
Long-Term Capital Gain Dividend	<u>\$ 1.586500</u>

Please retain this information for your records.

Directors and Officers

The table below provides information about each of the Corporation's directors and officers, including biographical information about their business experience and information about their relationships with Legg Mason, Inc. and its affiliates. The mailing address of each director and officer is 100 Light Street, c/o Legal and Compliance Department, 32nd Floor, Baltimore, Maryland 21202.

Name, (Year of Birth) and Position with Corporation	Term of Office and Length of Time Served ^A	Number of Funds in Fund Complex Overseen	Other Directorships Held	Principal Occupation(s) During the Past Five Years
INDEPENDENT DIRECTORS:^B				
Hearn, Ruby P. (1940) Director	Since 2004	14	None	Senior Vice President Emerita of The Robert Wood Johnson Foundation (non-profit) since 2001. Formerly: Senior Vice President of The Robert Wood Johnson Foundation (1996-2001).
Lehman, Arnold L. (1944) Lead Independent Director	Since 1999	14	None	Director of the Brooklyn Museum since 1997; Trustee of American Federation of Arts since 1998. Formerly: Director of The Baltimore Museum of Art (1979-1997).
Masters, Robin J.W. (1955) Director	Since 2002	14	Director of Cheyne Capital International Limited (investment advisory firm). Director/Trustee of Legg Mason Asian Funds plc, Legg Mason Institutional Funds plc, Western Asset Fixed Income Funds plc, and Western Asset Debt Securities plc.	Retired. Formerly: Chief Investment Officer of ACE Limited (insurance) (1986-2000).
McGovern, Jill E. (1944) Director	Since 1999	14	None	Senior Consultant, American Institute for Contemporary German Studies (AICGS) since 2007. Formerly: Chief Executive Officer of The Marrow Foundation (non-profit) (1993-2007); Executive Director of the Baltimore International Festival (1991-1993); Senior Assistant to the President of The Johns Hopkins University (1986-1990).

Name, (Year of Birth) and Position with Corporation	Term of Office and Length of Time Served ^A	Number of Funds in Fund Complex Overseen	Other Directorships Held	Principal Occupation(s) During the Past Five Years
Mehlman, Arthur S. (1942) Director	Since 2002	Director/Trustee of all Legg Mason Funds consisting of 14 portfolios; Director/Trustee of the Royce Family of Funds consisting of 28 portfolios.	Director of Municipal Mortgage & Equity, LLC.	Retired. Formerly: Partner, KPMG LLP (international accounting firm) (1972-2002).
O'Brien, G. Peter (1945) Director	Since 1999	Director/Trustee of all Legg Mason Funds consisting of 14 portfolios; Director/Trustee of the Royce Family of Funds consisting of 28 portfolios.	Director of Technology Investment Capital Corp.	Retired. Trustee Emeritus of Colgate University; Board Member, Hill House, Inc. (residential home care); Board Member, Bridges School (pre-school). Formerly: Managing Director, Equity Capital Markets Group of Merrill Lynch & Co. (1971-1999).
Rowan, S. Ford (1943) Director	Since 2002	14	None	Chairman, National Center for Critical Incident Analysis, National Defense University, since 2004; Professorial Lecturer in Organizational Sciences, The George Washington University, since 2008. Formerly: Consultant, Rowan & Blewitt Inc. (management consulting) (1984-2007).
Tarola, Robert M. (1950) Director	Since 2004	14	Director of TeleTech Holdings, Inc. (business process outsourcing)	President of Right Advisory LLC (corporate finance and governance consulting) since 2008; Formerly: Senior Vice President and Chief Financial Officer of W.R. Grace & Co. (specialty chemicals and materials) (1999-2008), and of MedStar Health, Inc. (hospitals and healthcare) (1996-1999); Partner, Price Waterhouse LLP (accounting and auditing) from (1984-1996).

Directors and Officers — Continued

Name, (Year of Birth) and Position with Corporation	Term of Office and Length of Time Served ^A	Number of Funds in Fund Complex Overseen	Other Directorships Held	Principal Occupation(s) During the Past Five Years
INTERESTED DIRECTORS: ^C				
Fetting, Mark R. (1954) Chairman and Director	Director since 2001; and Chairman since 2008.	Chairman and Director/Trustee of all Legg Mason Funds consisting of 14 portfolios; Director/Trustee of the Royce Family of Funds consisting of 28 portfolios.	None	President, CEO, Chairman of Legg Mason, Inc. and Chairman of Legg Mason Funds since 2008. Formerly: President of all Legg Mason Funds (2001-2008). Senior Executive Vice President of Legg Mason, Inc., Director and/or officer of various Legg Mason, Inc. affiliates (2000-2008). Division President and Senior Officer of Prudential Financial Group, Inc. and related companies, including fund boards and consulting services to subsidiary companies (1991-2000); Partner, Greenwich Associates (financial consulting); Vice President, T. Rowe Price Group, Inc.
Murphy, Jennifer (1964) Director	Since 1999	1	None	Chief Operating Officer of LMM LLC since 1999; Senior Vice President, and Director of Legg Mason Capital Management, Inc. and predecessors since 1998.
Odenath, David R. (1957) President and Director	Since 2008	14	None	Senior Executive Vice President of Legg Mason, Inc. and President of Legg Mason Funds since 2008. Formerly: President of Prudential Annuities (since August 2002); Executive Vice President (since May 2003) of American Skandia Investment Services, Inc. Chief Executive Officer and Director (since May 2003) of American Skandia Life Assurance Corporation, American Skandia Information Services and Technology Corporation and Skandia U.S. Inc.; President, Chief Executive Officer and Director (since May 2003) of American Skandia Marketing, Inc.; Formerly President, Chief and Officer-In- Charge (1999-2003) of PI; Senior Vice President (since June 1999) of Prudential; formerly Senior Vice President (August 1993-May 1999) of Paine Webber Group, Inc.

Name, (Year of Birth) and Position with Corporation	Term of Office and Length of Time Served ^A	Number of Funds in Fund Complex Overseen	Other Directorships Held	Principal Occupation(s) During the Past Five Years
EXECUTIVE OFFICERS: ^D				
Karpinski, Marie K. (1949) Vice President and Chief Financial Officer	Since 1999	14	None	Vice President and Chief Financial Officer of all Legg Mason Funds. Vice President and Treasurer of Legg Mason Fund Adviser, Inc.; Vice President and Principal Financial and Accounting Officer of Western Asset Funds, Inc., Western Asset Income Fund and Western Asset Premier Bond Fund; Treasurer and Principal Financial and Accounting Officer of Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund (2003-present), and Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund 2 (2004-present).
Merz, Gregory T. (1958) Vice President and Chief Legal Officer	Since 2003	14	None	Vice President and Deputy General Counsel of Legg Mason, Inc. since 2003. Formerly: Associate General Counsel, Fidelity Investments (1993-2002).
Becker, Ted P. (1951) Vice President and Chief Compliance Officer	Since 2007	14	None	Director of Global Compliance at Legg Mason (2006 to present); Managing Director of Compliance at Legg Mason & Co. (2005 to present); Chief Compliance Officer with certain mutual funds associated with Legg Mason & Co. (since 2006); Chief Compliance Officer of Legg Mason Partners Fund Adviser and certain affiliates; Managing Director of Compliance at Citigroup Asset Management (2002 to 2005). Prior to 2002, Managing Director-Internal Audit & Risk Review at Citigroup Inc.
Wachterman, Richard M. (1947) Secretary	Since 2004	14	None	Associate General Counsel of Legg Mason, Inc. since 2004. Formerly: Managing Director, Victory Capital Management, Inc. (investment management) (1993-2003).

Directors and Officers — Continued

Name, (Year of Birth) and Position with Corporation	Term of Office and Length of Time Served ^A	Number of Funds in Fund Complex Overseen	Other Directorships Held	Principal Occupation(s) During the Past Five Years
Hughes, Wm. Shane (1968) Treasurer	Since 2006	11	None	Assistant Vice President and Manager, Funds Accounting of Legg Mason & Co., LLC since 2005. Formerly: Assistant Vice President of Legg Mason Wood Walker, Incorporated (2002-2005) and Manager, Funds Accounting, Legg Mason Wood Walker, Incorporated (1997-2005).

ADDITIONAL INFORMATION ABOUT THE CORPORATION'S DIRECTORS AND OFFICERS IS CONTAINED IN THE STATEMENT OF ADDITIONAL INFORMATION, AVAILABLE WITHOUT CHARGE UPON REQUEST BY CALLING 1-800-822-5544 OR ON THE SECURITIES AND EXCHANGE COMMISSION WEBSITE (<http://www.sec.gov>).

^A Directors of the Corporation serve a term of indefinite length until their retirement, in accordance with the Board's retirement policy, resignation or removal and stand for re-election by shareholders only as and when required by the 1940 Act. Officers of the Corporation are elected annually to serve until their successors are elected and qualified.

^B Each of the Independent Directors serves on the standing committees of the Board of Directors, which include the Audit Committee (chair: Arthur Mehlman), the Nominating Committee (co-chairs: Peter O'Brien and Jill McGovern), and the Independent Directors Committee (chair: Arnold Lehman).

^C Mr. Fetting, Ms. Murphy and Mr. Odenath are considered to be interested persons, as defined in the 1940 Act, of the Corporation on the basis of their current employment with the Corporation's adviser or its affiliated entities (including the Fund's principal underwriter) and Legg Mason, Inc., the parent holding company of those entities, as well as their ownership of Legg Mason, Inc. stock.

^D Officers of the Corporation are interested persons (as defined in the 1940 Act).

Board Consideration of Legg Mason Opportunity Trust's Investment Advisory and Management Agreements

At its November 2008 meeting, the Board of Directors (the "Board"), including all of the Independent Directors, approved the continuation of the Management Agreement between LMM, LLC (the "Manager") and Legg Mason Investment Trust, Inc., on behalf of Legg Mason Opportunity Trust ("Opportunity Trust"), and the Investment Advisory Agreement between the Manager and Legg Mason Capital Management, Inc. (the "Adviser") (each an "Agreement"). In voting to approve the continuation of each Agreement, the Board considered whether continuance would be in the best interest of Opportunity Trust and its shareholders, an evaluation largely based on the nature and quality of the services provided under each Agreement and the overall fairness of each Agreement to Opportunity Trust. In considering each Agreement, the Board did not identify any single factor or item of information as all-important or controlling. Based on its evaluation of all material factors, including those described below, the Board concluded that the terms of each Agreement are reasonable and fair and that the continuation of each Agreement is in the best interest of Opportunity Trust and its shareholders.

Prior to the Board action, the Independent Directors met as a committee, together with experienced 1940 Act counsel, to consider their recommendation as to continuance of each Agreement. As part of the process to consider each Agreement, legal counsel to Opportunity Trust requested certain information from the Manager and the Adviser on behalf of the Independent Directors, and in response, the Manager and the Adviser provided extensive reports that addressed specific factors designed to inform the Board's consideration of each Agreement. Counsel also provided the Independent Directors and the Board with a memorandum detailing their responsibilities pertaining to the continuance of each Agreement.

In addition to the November meeting, the Independent Directors met in executive session in October 2008, at which time they reviewed and analyzed materials relating to each Agreement. The Independent Directors also retained independent consultants to assist them in their review and analysis of each Agreement. The Board meets at least another three times per year in order to oversee the Legg Mason Funds, including meetings at which the portfolio managers of Opportunity Trust or others make presentations and discuss performance, compliance and other applicable issues. The Board also drew upon its long association with the Manager, the Adviser and their personnel and the Board members' familiarity with their culture and the manner in which the management entities have sought to strengthen and enhance themselves.

With respect to the nature, scope and quality of the services provided, the Board considered the experience and commitment of the Manager's and the Adviser's personnel and their efforts to build and support a strong service team. The Board also considered the nature and quality of the Adviser's investment process. In assessing performance, the Board compared Opportunity Trust's returns to the average of an

appropriate Lipper category, a specified benchmark index and a peer group of investment companies pursuing similar strategies, all over multiple time periods. The Board considered very carefully Opportunity Trust's performance and discussed with the Manager and the Adviser steps that the Manager and the Adviser had taken, or intended to take, to improve performance. The Board considered whether a reduction in assets under management would adversely affect the resources available to the Manager and the Adviser. The Board also considered the level of service provided by the Manager and its affiliates to Opportunity Trust, including oversight of the transfer agent and the custodian and preparation of regulatory filings. The Board considered the Adviser's procedures for executing portfolio transactions for Opportunity Trust. The Board also reviewed the Adviser's policies and procedures for the selection of brokers and dealers and on obtaining research from brokers.

In determining whether the terms of each Agreement are reasonable and fair, the Board considered the terms and fee structure of each Agreement. In that connection, the Board considered the costs to the Manager and the Adviser in providing services to Opportunity Trust and profitability for the Manager and its affiliates from their overall association with Opportunity Trust. The Board reviewed information about the advisory fee schedule and overall expense ratio of Opportunity Trust and comparable fee schedules and expense ratios of a peer group of funds. In considering whether any economies of scale experienced by the Manager and the Adviser in providing services to Opportunity Trust were shared with Opportunity Trust, the Board noted that Opportunity Trust's advisory fee structure provides for a reduction of the effective fee rate as asset levels increase. Finally, the Board considered other benefits accruing to the Manager, the Adviser and their affiliates by virtue of their relationship to Opportunity Trust.

After an evaluation of all material factors, including those in the foregoing discussion, the Board concluded that the continuation of each Agreement is in the best interest of Opportunity Trust.

Notes

Investment Manager

LMM, LLC
Baltimore, MD

Investment Adviser

Legg Mason Capital Management, Inc.
Baltimore, MD

Board of Directors

Mark R. Fetting, Chairman
David R. Odenath, President
Dr. Ruby P. Hearn
Arnold L. Lehman
Robin J.W. Masters
Dr. Jill E. McGovern
Arthur S. Mehlman
Jennifer W. Murphy
G. Peter O'Brien
S. Ford Rowan
Robert M. Tarola

Officers

Marie K. Karpinski, Vice President and Chief Financial Officer
Gregory T. Merz, Vice President and Chief Legal Officer
Ted P. Becker, Vice President and Chief Compliance Officer
Wm. Shane Hughes, Treasurer
Susan C. Curry, Assistant Treasurer
William S. Kirby, Assistant Treasurer
Richard M. Wachterman, Secretary
Peter J. Ciliberti, Assistant Secretary

Transfer and Shareholder Servicing Agent

Boston Financial Data Services
Braintree, MA

Custodian

State Street Bank & Trust Company
Boston, MA

Counsel

K&L Gates LLP
Washington, DC

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
Baltimore, MD

About the Legg Mason Funds

Equity Funds

American Leading Companies Trust
Classic Valuation Fund
Growth Trust
Special Investment Trust
U.S. Small-Capitalization Value Trust
Value Trust

Specialty Fund

Opportunity Trust

Global Funds

Emerging Markets Trust
International Equity Trust

Taxable Bond Funds

Investment Grade Income Portfolio
Limited Duration Bond Portfolio

Tax-Free Bond Fund

Maryland Tax-Free Income Trust

Legg Mason, Inc., based in Baltimore, Maryland, has built its reputation, at least in part, on the success of the Legg Mason Funds, introduced in 1979. The primary purpose of our funds is to enable investors to diversify their portfolios across various asset classes and, consequently, enjoy the stability and growth prospects generally associated with diversification.

The success of our funds is contingent on the experience, discipline, and acumen of our fund managers. We believe the quality of our managers is crucial to investment success. Unlike many firms, which focus on a particular asset class or the fluctuations of the market, at Legg Mason we focus on providing a collection of top-notch managers in all the major asset classes.

Information about the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities is contained in the Statement of Additional Information, available without charge upon request by calling 1-800-822-5544 or on the Securities and Exchange Commission's ("SEC") website (<http://www.sec.gov>). Information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is also available on the SEC's website or through the Legg Mason Funds' website at www.leggmason.com/individualinvestors.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. You may obtain a free copy of the Fund's portfolio holdings, as filed on Form N-Q, by contacting the Fund at the appropriate phone number, address or website listed below. Additionally, the Fund's Form N-Q is available on the SEC's website or may be reviewed and copied at the SEC's Public Reference Room in Washington D.C. Information about the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

This report must be preceded or accompanied by a free prospectus. Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the Fund. For a free prospectus for this or any other Legg Mason Fund, visit www.leggmason.com/individualinvestors. Please read the prospectus carefully before investing.

Legg Mason Funds

For Primary, R Class Shareholders
c/o BFDS, P.O. Box 55214
Boston, MA 02205-8504
800-822-5544

www.leggmason.com/individualinvestors

Legg Mason Investor Services—Institutional

For FI, I and IS Class Shareholders
c/o BFDS, P.O. Box 8037
Boston, MA 02206-8037
888-425-6432

www.lminstitutionalfunds.com

Legg Mason Investor Services, LLC, Distributor

A Legg Mason, Inc. subsidiary

