

Investment Commentary

Legg Mason Capital Management American Leading Companies Trust

Market Commentary

It has been six months since our last letter to shareholders. And what a six months it was! As illustrated in the table below, every major U.S. market index was up at least 30% for the six months ended September 30, 2009, save for the Dow Jones Industrial Average (“DJIA”)^A, which only missed by a fraction, gaining 29.68%. The Fund produced strong returns during the period, outperforming the S&P 500 Index^B (the “Index”). For a more complete discussion of Fund performance, please refer to the Investment Results section that follows.

	Total Returns ^C		
	Three Months Ended 9/30/09	Three Months Ended 6/30/09	Six Months Ended 9/30/09
S&P 500 Index	15.61%	15.93%	34.02%
DJIA	15.82%	11.96%	29.68%
NASDAQ Composite Index ^D	15.91%	20.34%	39.48%
S&P MidCap 400 Index ^E	19.98%	18.75%	42.47%
Russell 2000 Index ^F	19.28%	20.69%	43.95%
Dow Jones U.S. Total Stock Market Index ^G	16.32%	16.79%	35.85%
S&P 100 Index ^H	14.33%	14.59%	31.02%
Russell 1000 Growth Index ^I	13.97%	16.32%	32.57%
Russell 1000 Value Index ^J	18.24%	16.70%	37.99%

All ten industry sectors of the Index participated in the rally, but five were materially stronger than average, while the other five were materially weaker. Leading on the upside were the Financials (+70.29%), followed by the Industrials (+45.03%), Materials (+41.27%), Consumer Discretionary (+40.94%) and Information Technology (“IT”) (+40.05%) stocks. The traditionally more defensive sectors of the market, such as Telecommunication Services (+9.17%), Utilities (+16.95%), Health Care (+19.26%), Energy (+21.91%) and Consumer Staples (+22.29%), lagged the market. Unlike 2008, the six months ended September 30, 2009 was a period during which it paid to be positioned aggressively.

Strong stock market returns during the last six months were not confined to the U.S. alone. In fact, of the nine major foreign developed and emerging market indices listed on the following page, eight posted better returns in dollar terms than the Index, with the exception being China’s Shanghai Stock Exchange Composite Index^K (“Shanghai SE Composite Index”), which was up only 18.94% for the period. We think China’s underperformance in the last six months is likely a rest period following

Before investing, carefully consider a fund’s investment objectives, risks, charges and expenses. You can find this and other information in each prospectus which is available at www.leggmason.com/individualinvestors. Please read it carefully.

Investment Commentary

a very strong first calendar quarter of 2009, when the Shanghai SE Composite Index was up over 30%, while the U.S. and most other foreign markets were down sharply. For the nine-months ended September 30th, the Shanghai SE Composite Index is the fourth best performing foreign market we follow closely, up 54.84%.

	Total Returns ^L (in U.S. dollars)		
	Three Months Ended 9/30/09	Three Months Ended 6/30/09	Six Months Ended 9/30/09
FTSE 100 Index ^M (UK)	18.69%	26.48%	50.12%
DAX Index ^N (Germany)	23.01%	25.03%	53.79%
CAC 40 Index ^O (France)	26.28%	22.96%	55.28%
MICEX Index ^P (Russia)	27.92%	39.24%	78.11%
NIKKEI 225 Index ^Q (Japan)	9.86%	26.71%	39.21%
Hang Seng Index ^R (Hong Kong)	14.78%	37.68%	58.02%
Kospi Index ^S (South Korea)	30.27%	23.85%	61.34%
Shanghai Stock Exchange Composite Index (China)	-5.69%	26.11%	18.94%
BSE Sensex 30 Index ^T (India)	18.33%	58.65%	87.73%

With the U.S. equity market having shown such remarkable resilience, it is logical to wonder who has been stepping in to stem market declines. This is a difficult question to answer, but one thing is crystal clear from the data we've seen: it hasn't been the general public. The public's main contribution to the advance is that they've stopped selling stocks, but their activity on the buy-side has been anemic given that the Index is up nearly 20% calendar year-to-date through September, and over 58% from its March low. Despite the powerful move off the bottom, investors are still sitting on \$3.5 trillion in money market funds, assets which are yielding them a return somewhere in the range of five to ten basis points^U ("bps"), annualized. The decline in money fund assets from the \$3.9 trillion peak in January 2009 has been largely directed to bonds and bond mutual funds. Bond funds have attracted net deposits of \$209.1 billion year-to-date through August, according to Morningstar, and \$249.8 billion through September 16th, according to Leuthold Group. In comparison, investors have purchased only \$6 billion of U.S. equity funds through mid-September, according to Morningstar. Admittedly, this is a big turnaround from the \$173.9 billion that investors pulled out of stock funds in 2008, but the comparatively modest sum speaks to the continuing skepticism with which the general public views stocks.

Investors' reticence to embrace the stock market's advance is reflected in the behavior of 401K participants as well. According to Lincolnshire, Illinois-based, Hewitt Associates, despite the spirited advance, investors have not shifted back into equities in a meaningful way thus far this year. The reason, says Pamela Hess, director of retirement research at Hewitt, is that people are still too traumatized by last year's losses to summon the courage to increase their exposure to equities.

Investment Commentary

So, if it's not mutual fund investors and not 401K participants, who is stepping in to buy when the market sells off? Our candidate is the under-invested professional money manager. Obviously, any manager who is fully invested can't be a net buyer of stocks in a decline because they have to sell something to buy something else. Only managers with cash reserves can be net buyers. What is their mindset right now? Praying for a correction would be our guess. All last year, cash reserves were a boon to performance. Ten percent cash boosted a manager's relative performance nearly 400 bps versus the Index return of -37% for calendar year 2008, assuming the rest of the portfolio tracked the Index. If ten percent felt good, twenty percent probably felt better. Since March, however, cash reserves have gone from being a blessing to being an albatross. Any equity manager with 20% cash in March who still has it today has lost over a thousand bps of relative performance since then, again assuming the rest of the portfolio tracked the Index over that time frame.

We would imagine that the performance pressure on equity managers with "too much" cash is probably getting excruciating. The anecdotal evidence is that there are a good number of managers in this position. Veteran market technician, John Mendelson, now hanging his hat at Potomac Research Group, has reported on several occasions that a frequent comment from managers he sees on client visits is something to the effect that: "I have too much cash. When do you think we'll see a meaningful correction, so I can put the money to work?" When the market pulls back, we suspect that under-invested managers are putting money to work. That suspicion is borne out by data from the Investment Company Institute which indicates that the composite cash-to-asset ratio^V of stock mutual funds has dropped from 5.51% in February to a most recent reading of 3.96%.

Another phenomenon that Mendelson has observed, which probably helps explain the shallowness of corrections so far in the market advance since March, is the speed with which investors become bearish on any pullback. Mendelson has long measured investor sentiment by watching what investors do, rather than what they say. One indicator he monitors closely is the CBOE put/call data. In the dark days of March 2009, a period of deep investor pessimism that Mendelson called "one of the blackest ever," the five-day average CBOE put/call ratio reached a high of 99.3 on March 5th. The Index bottomed two days later and rallied 40% into mid-June, whereupon a month-long -7.1% correction ensued. By July 10th, at what proved to be the end of the correction, the put/call ratio reached 101.3, exceeding the March low and suggesting that investors were even more bearish than they had been in March. On August 17th, after a two-day correction of -3.3%, the put/call ratio hit 99.4, again exceeding the March low. In early September and again in late September, the five-day average put/call ratio spiked over 90, hitting 93.3 on September 1st, and 98.5 on September 24th. Fascinatingly, on September 28th, a day when the Index rallied 1.8%, the put/call ratio hit 100.3, indicating heavy put buying into a strong rally.

We have cited Mendelson's work on the put/call ratio in such detail because we think it illustrates very dramatically how quickly and easily spooked investors are by any hint of a downturn. The Index has rallied over 380 bps (+58.25%) from its March low and investors are still incredibly jumpy. What this means is that at the first hint of trouble, investors are taking aggressive action to protect themselves on the downside, which, ironically, has the effect of mitigating the decline. As long as investors continue to react this way, corrections will likely continue to be moderate. When all the under-invested money managers get fully invested, and when investors stop fearing the downside, then we need to watch out.

Investment Commentary

Investment Results

Total returns for the Fund for various periods ended September 30, 2009 are presented below, along with those of comparative indices:

	Three Months	Six Months	Average Annual Total Returns			
			One Year	Five Years	Ten Years	Since Inception
<i>Without Sales Charges</i>						
Class A	21.70%	50.96%	N/A	N/A	N/A	35.92%
Class C*	21.41%	50.37%	-9.62%	-4.03%	-0.88%	4.53%
Class I*	21.68%	51.07%	-8.84%	-3.08%	N/A	-1.03%
S&P 500 Index	15.61%	34.02%	-6.91%	1.01%	-0.15%	7.28%
Lipper Large-Cap Value Funds Category Average ^W	16.26%	35.47%	-7.92%	0.65%	2.04%	7.00%
<i>With Sales Charges</i>						
Class A	14.71%	42.33%	N/A	N/A	N/A	28.07%
Class C*	20.41%	49.37%	-10.52%	-4.03%	-0.88%	4.53%
Class I*	21.68%	51.07%	-8.84%	-3.08%	N/A	-1.03%

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 performance data current to the most recent month-end, please visit our website at 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 the reinvestment of dividends and capital gain distributions. Performance would have been lower if fees and expenses had not been waived and/or reimbursed in various periods. Performance figures for periods shorter than one year represent cumulative figures and are not annualized. Please note that Class A has been in existence for less than one year. Results for longer periods may differ, in some cases, substantially.

For performance data including the effects of sales charges, Class A shares reflect the deduction of a maximum initial sales charge of 5.75%, and Class C shares reflect the deduction of a contingent deferred sales charge of 1.00%, which applies if shares are redeemed within one year of purchase.

The inception dates of Classes A, C and I are February 3, 2009, September 1, 1993 and June 14, 2001, respectively. The Index return is for the period beginning September 1, 1993. The Lipper return is for the period beginning August 31, 1993. All Index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

The gross expense ratios for Classes A, C and I were 1.34%, 1.89% and 0.87%, respectively, as indicated in the Fund's most current prospectus dated

August 1, 2009. These expenses include management fees, 12b-1 distribution and/or service fees and other expenses. As a result of expense limitations, the ratio of expenses, other than interest, brokerage, taxes and extraordinary expenses, will not exceed 1.20% for Class A shares, 1.95% for Class C shares and 0.95% for Class I shares. These expense limitations may be reduced or terminated at any time.

Actual expenses may be higher. For example, expenses may be higher than those shown if average net assets decrease. Net assets are more likely to decrease and Fund expense ratios are more likely to increase when markets are volatile.

* Prior to February 1, 2009, Class C was known as the Primary Class. In addition, on February 1, 2009, the class began to charge a contingent deferred sales charge of 1.00% for shares purchased by investors on and after that date and redeemed within one year of purchase. Prior to October 5, 2009, Class I was known as the Institutional Class.

The Fund produced strong results for the three- and six-month periods ended September 30, 2009, outperforming the S&P 500 Index, the Fund's unmanaged benchmark, and its Lipper peer group by a comfortable margin over both timeframes. The results are a welcome change from the poor results produced in calendar 2008 and for the first three months of calendar 2009. Much work remains to be done to repair the long-term record.

For the six-month period ended September 30, 2009, the best performing stocks in the portfolio included **Hartford Financial Services Group Inc.**, **CBS Corp.**, **Capital One Financial Corp.**, **Prudential Financial Inc.**, **The AES Corp.**, **Aflac Inc.**, **United States Steel Corp.**, **Wells Fargo & Co.**, **UAL Corp.** and **Alcoa Inc.** Laggards included **Exxon Mobil Corp.**, **AT&T Inc.**, **Sprint Nextel Corp.**, **Altria Group Inc.**, **Lockheed Martin Corp.**, **PepsiCo Inc.**, **Aetna Inc.**, **Amgen Inc.**, **Kraft Foods Inc.** and **Costco Wholesale Corp.**

On a performance contribution basis, which takes into account both price performance and portfolio weighting, the biggest contributors to six-month performance were **Capital One Financial Corp.**, **JP Morgan Chase and Co.**, **eBay Inc.**, **Hartford Financial Services Group**, **UAL Corp.**, **Prudential Financial Inc.**, **The Goldman Sachs Group Inc.**, **Hewlett-Packard Co.**, **Texas Instruments Inc.** and **Microsoft Corp.** Though none actually declined in price during the six-month period, the biggest detractors from performance by virtue of appreciating less than the market were **Exxon Mobil Corp.**, **PepsiCo Inc.**, **Aetna Inc.**, **The Procter & Gamble Co.**, **Altria Group Inc.**, **Pfizer Inc.** and **AT&T Inc.** On a sector basis, the largest contribution to performance came from the portfolio's overweighting in Financials, with strong contributions from Energy, Industrials and Consumer Discretionary stocks as well. Health Care, Telecommunication Services and Consumer Staples were lagging sectors in the portfolio, but we mitigated the negative effects by being underweight these groups relative to the benchmark.

Investment Commentary

Portfolio turnover for the six-month period dropped somewhat from late last year but was still a bit elevated relative to historic norms as we continued to reposition the portfolio for an expected economic recovery. During the period, we modestly reduced our exposure to Energy by selling **Devon Energy Corp.**, **ConocoPhillips** and **Anadarko Petroleum Corp.**, while purchasing a new position in **Chesapeake Energy Corp.**, a U.S.-based independent oil and gas producer with major exposure to shale. We are now slightly underweight our benchmark in Energy, a position which balances the near-term risks of weak end demand against what we see as the high probability of rising oil and gas prices in the long-term.

In the Health Care area, we reduced our exposure to managed care by selling a long-time holding, **Health Net Inc.**, and redirected the proceeds into **Stryker Corp.**, a major manufacturer of orthopedic products including hip, knee, trauma, spinal and craniomaxillofacial implants. Stryker has an outstanding long-term record of product innovation, is currently debt-free and has consistently earned very high returns on capital. In IT, we sold electronic manufacturing services supplier, **Jabil Circuit Inc.**, and started a new position in **QUALCOMM Inc.**, a world leader in the development and marketing of CDMA-based integrated circuits for the telecommunications industry.

Other purchase activity during the period included new positions in defense and aerospace titan, **The Boeing Co.**; supermarket giant, **Safeway Inc.**; and banking behemoth, **Bank of America Corp.** Investor concern over multiple delays in the delivery of Boeing's new 787 airliner provided an attractive entry point, in our view, as we believe this aircraft will ultimately provide decades of profit for the company. We bought Safeway to beef up our holdings in Consumer Staples. We believe the stock offers a very attractive combination of relatively limited downside risk and above average appreciation potential. Our repurchase of Bank of America was an admission that we made a mistake selling the stock in February. Having recognized our error, we felt the best course of action was to buy it back.

We continue to believe that the Fund is positioned for much improved results going forward and that the portfolio offers an attractive combination of good growth prospects and attractive valuation. According to data from Mellon Analytical Solutions, the Fund's portfolio trades at a forward twelve-month price-to-earnings ("P/E") ratio^X of 13.9 as of September 30, 2009, compared to the Index's P/E ratio of 16.0, despite having a comparable return on equity and, in our opinion, slightly better long-term growth prospects. We believe the portfolio continues to be positioned for a recovery with large overweights in IT, Financials and Industrials stocks. In an attempt to reduce the downside volatility of the portfolio, we have recently begun to reduce the portfolio's beta^Y somewhat, but we still believe that a relatively aggressive posture is warranted.

Outlook

We continue to be bullish on the outlook for U.S. equities over the next twelve to eighteen months, believing that the Index has the potential to reach the 1250 to 1350 range by the end of 2010. We also continue to believe that an intermediate market correction is increasingly likely. Our guess, and it's obviously only a guess, is that a correction, when it comes, will likely be contained to the -5% to -10% level, implying risk in the Index down to the 975 to 1025 level. At worst, we think the Index could drop back to the low 900s before stabilizing. We believe the proper mindset for investors will be to remain constructive through any correction because the risk/reward ratio becomes increasingly favorable as the market declines.

Our bullish outlook over the next twelve to eighteen months is based on the following reasoning: credit markets continue to normalize with credit spreads back to levels that prevailed prior to the bankruptcy of Lehman Brothers; every meaningful leading economic indicator is pointing to recovery; the recession appears to be ending or over; real gross domestic product ("GDP")^Z growth should be meaningfully positive (3% or more) in the third quarter; corporate profits are poised to snap back sharply and appear to be continuing to surprise on the upside; inflation remains well contained; and the Federal Reserve Board ("Fed")^{AA} will likely not begin tightening until the latter half of 2010. In short, all of the pieces necessary for a constructive backdrop for equities are falling into place.

Our bullishness over the next year or so is based principally upon our belief that the market will return to more normal valuation levels as the economy and corporate profitability recover from the severe economic downturn that we believe is bottoming out. Despite our optimism with respect to the next year or two, on a longer-term basis, we believe the challenges of funding the health care and retirement needs of the baby boom generation within the context of a generally deleveraging economy may create strong enough secular headwinds that the major market indices do not reach new all-time highs before the next bear market sets in. If true, the current bull will have proven to be cyclical, rather than secular, in nature.

Probably the most significant, and least avoidable, headwind we see is the "global aging" wave that will transform the demographic structure of the developed world's population over the next several decades as a result of falling fertility rates and rising longevity worldwide. Throughout most of history, the elderly (aged 65 and over) comprised a relatively small percentage of the population — never more than three or four percent in any country until very recently. In the developed world today, they comprise sixteen percent of the population, according to data from a recently (2008) published book entitled *The Graying of the Great Powers* by Richard Jackson and Neil Howe. By 2030, according to Jackson and Howe, the elderly will comprise twenty-three percent of the developed world's population, rising to twenty-six percent by 2050.

Investment Commentary

The age wave will hit all developed economies hard, but some harder than others. Because of its higher expected fertility rate (2.0%) and more liberal immigration policies, the U.S.'s total population is expected to continue to grow 40% by 2050, while the population of Western Europe is expected to stagnate at current levels, and the population of Japan is expected to fall by more than 20%. Jackson and Howe project that the U.S.'s relatively better population growth outlook will lead to faster real GDP growth rates than Europe or Japan, as well. They forecast baseline real GDP growth of a little over 2% between now and 2050 in the U.S., while they expect the growth rates in Western Europe and Japan over the same time period to average about 1.1% and 0.7%, respectively. As good as it is expected to be in a relative sense, the forecasted real GDP growth rate of 2% is still more than a full percentage point lower than the U.S.'s post-WWII average growth rate of more than 3%.

In addition to its implications for likely future GDP growth rates, the age wave has major implications for the projected costs of two of the "Big Three" entitlement programs — Social Security and Medicare. Jackson and Howe project that the cost of government Medicare and Social Security benefits (what they call the "current deal") will rise from 9.3% of GDP in 2005 to 17.9% in 2030 and 21.4% in 2050. These increases will obviously put considerable strain on U.S. government finances and make running anything even close to a balanced federal budget a real challenge.

As always, we thank you for your support and welcome your comments.

David E. Nelson, CFA
Chairman, Investment Policy Committee
Legg Mason Capital Management

October 21, 2009

Equity securities are subject to price fluctuation and possible loss of principal. The manager's investment style may become out of favor and/or the manager's selection process may prove incorrect which may have a negative impact on the Fund's performance. Additional risks may include those risks associated with investing in foreign and fixed income securities. Please see the prospectus for more information.

All investments are subject to risk including possible loss of principal. Past performance is no guarantee of future results.

Portfolio holdings and breakdowns are as of September 30, 2009 and are subject to change and may not be representative of the portfolio manager's current or future investments. The Fund's top ten holdings (as a percentage of net assets) as of this date were: Hewlett-Packard Co. (3.6%), eBay Inc. (3.4%), Microsoft Corp. (3.4%), UAL Corp. (3.2%), JP Morgan Chase and Co. (3.2%), International Business Machines Corp. (3.0%), UnitedHealth Group Inc. (3.0%), Nokia Oyj — ADR (2.9%), Texas Instruments Inc. (2.7%) and The Goldman Sachs Group Inc. (2.6%). Please refer to pages 14 through 18 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of net assets) as of September 30, 2009 were: Information Technology (24.9%), Financials (20.3%), Industrials (14.0%), Health Care (11.4%) and Energy (8.8%). The Fund's portfolio composition is subject to change at any time.

The value approach to investing involves the risk that those stocks deemed to be undervalued by the portfolio manager may remain undervalued. The Fund may focus its investments in certain regions or industries, thereby increasing its potential vulnerability to market volatility. Please see the Fund's prospectus for more information on these and other risks.

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 Investors Trust, Inc. 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 Investors Trust, Inc. or Legg Mason Investor Services, LLC as to its accuracy or completeness. Predictions are inherently limited and should not be relied upon as an indication of actual or future performance.

References to particular securities are intended only to explain the rationales for the portfolio manager'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.

^A The Dow Jones Industrial Average ("DJIA") is a widely followed measurement of the stock market. The average is comprised of thirty 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.

^B 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.

^C Source: Wilshire, Russell[®], NASDAQ[®] via Bloomberg, S&P via Bloomberg.

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

^E 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.

^F 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

Investment Commentary

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.

^G The Dow Jones U.S. Total Stock Market Index measures the performance of all U.S. equity securities with readily available prices.

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

^I 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.) The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

^J 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.

^K The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The Index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

^L Source: Bloomberg.

^M The FTSE 100 Index comprises the 100 most highly capitalized blue-chip companies, representing approximately 81% of the UK market. It is used extensively as a basis for investment products, such as derivatives and exchange-traded funds.

^N The DAX Index is a total return index of thirty selected German blue-chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation. The Index has a base value of 1,000 as of December 31, 1987. As of June 18, 1999 only XETRA equity prices are used to calculate all DAX indices.

^O The CAC 40 Index is a narrow-based, modified capitalization-weighted index of forty companies listed on the Paris Bourse. The Index was developed with a base level of 1,000 as of December 31, 1987. As of December 1, 2003, the Index has become a free float weighted index.

^P The MICEX Index is the real-time cap-weighted Russian composite index. It comprises thirty most liquid stocks of Russia's largest and most developed companies from ten main economy sectors.

^Q The NIKKEI 225 Index is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

^R The Hang Seng Index is a free-float capitalization-weighted index of a selection of companies from the Stock Exchange of Hong Kong. The components of the Index are divided into four sub-indices: Commerce and Industry, Finance, Utilities and Properties.

^S The Kospi Index is a capitalization-weighted index of all common shares on the Korean Stock Exchanges.

^T The Bombay Stock Exchange Sensitive Index (Sensex) is a cap-weighted index. The selection of the index members has been made on the basis of liquidity, depth, and floating-stock-adjustment depth and industry representation. Sensex has a base date and value of 100 in 1978-1979. The Index uses free float.

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

^V The cash-to-asset ratio is the current value of marketable securities and cash divided by the company's current liabilities.

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

^X The price-to-earnings ("P/E") ratio is a stock's price divided by its earnings per share.

^Y Beta measures the sensitivity of the investment to the movements of its benchmark. A beta higher than 1.0 indicates the investment has been more volatile than the benchmark and a beta of less than 1.0 indicates that the investment has been less volatile than the benchmark.

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

^{AA} 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.

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