

For Immediate Release

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LEGG MASON SEES OPPORTUNITY IN U.S. MEGA CAP SECTOR

Singapore – 9 June 2010 — Despite strong headwinds ahead, Legg Mason Capital Management still believes that the U.S. market should perform well and do better than many other developed markets. The U.S. large-cap equity specialist also believes that the dollar should continue to be firm against the euro.

“Markets have experienced a fairly significant correction since late April as sentiment has shifted from complacency to decidedly negative. The catalyst involved a near-term overbought condition coupled with rising concerns in Europe. Notwithstanding the recent employment data which was inconsistent with other indications of an improving economic environment, the balance of the data in the US points to a sustainable recovery. We believe the cyclical bull market which began in the US in March 2009 is well underpinned by strong and improving fundamentals.” said Mary Chris Gay, Portfolio Manager of the Legg Mason Capital Management Value Fund.

In particular, Ms. Gay sees valuations in the mega-cap space as remaining very attractive across the board, especially relatively to the sometimes more volatile smaller and mid cap companies. “The secular bull market that began in 1982 is very worthwhile remembering. It was the time when there was double-digit unemployment, high inflation, and very strong concern about the rising deficits in the U.S. Many people characterised the Reagan deficits in a similar way then to the Obama deficits today. However, if investors had the courage to invest in the largest capitalization companies relative to other large cap stocks in the early 1980s, that proved to be an exceptional buying opportunity and great long-term investment strategy. When you look at largest 100 companies today relative to other large cap stocks on a ratio of price-to-book, they are actually back to the kind of multiples that we saw in the early to mid-1980s,” she commented.

Ms. Gay said she was encouraged by the strength of the earnings reports and guidance from the companies over the past several quarters. The quality of their balance sheets is also much stronger than compared to 10 years ago. She also expects investors to start appreciating the significant difference between the multiples among selective large-cap companies, as well as the amount of exposure that they have overseas in the faster growing parts of the world.

"We believe it is instructive to remember the words of Sir John Templeton who famously said 'bull markets are born on pessimism; grow on scepticism; mature in optimism and die on euphoria.' Clearly, the early part of 2009 was a period of deep pessimism and great uncertainty where there was a belief that the severe downturn in the economies around the world would rival the Great Depression. Today there is a lot of skepticism and fear," said Ms. Gay citing the potential for policy mistakes, the fear of contagion in the euro area as debt problems get worse in certain euro countries and the stubbornly high level of unemployment. However, the conditions for a continuation of an improving equity market are all in place in the US: low core inflation, stimulative monetary and fiscal policy, strong profit growth and historically low valuations. "Even in the midst of the current environment and uncertainty, we believe exceptional opportunities are available for patient, long-term investors." she concluded.

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Note to Editors

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¹ Legg Mason is the 10th largest asset manager in the world based on worldwide assets under management as of 31 December 2008. Source: Pensions & Investments May 2009 ranking.

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