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News Release

For Immediate Release
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RESEARCH BY LEGG MASON AFFILIATE ROYCE & ASSOCIATES POINTS TO OUTPERFORMANCE BY US SMALL CAPS OVER 1, 3 + 5 YEARS

- **Royce sees good value in financials, energy services, trucking and technology sectors**

Singapore – 13 August 2010 – Analysis of performance data* by Legg Mason affiliate Royce & Associates shows that US smaller companies are enjoying an accelerated rebound versus their larger US peers as the US economy recovers.

The (Investment Management Association) IMA North American Smaller Companies Sector delivered an average return of 43.6% over the year to 21 June 2010, whereas the North American Sector delivered 34.6% over the same timeframe. Over three years, the North American Smaller Companies sector returned 17.3% versus just 1.4% by the North American Sector. Whilst five year figures show an even wider gap, with North American Smaller Companies returning 46.5% over double the returns (22.1%) delivered by the North American sector.

Whitney George, Co-CIO of Royce & Associates and portfolio manager on the Legg Mason Royce Smaller Companies Fund, **commented**: “Historical evidence shows smaller companies’ stocks historically provide strong returns as the market rebounds. According to our analysis, this pattern looks set to continue following the most recent downturn – what’s more the out-performance also tends to endure for a number of years during the recovery so investors can still exploit the potential for out-performance in the small cap space.”

Royce & Associates has been using a value approach to managing small and micro-cap stocks in the US for over 30 years. Through careful analysis of each company, Royce aims to ensure that the price it pays for a security is significantly below their appraisal of its current worth because of temporary or cyclical factors.

George added: "Compared with large caps, small caps are not overly cheap at present if traditional metrics such as price to earnings or price to book ratios are used. But the relief rally in the Russell 2000 from March 2009 was led by lower quality companies, such as non-earners, low return on equity generators and non-dividend payers. Companies with track records of high returns on invested capital, strong balance sheets and the ability to generate free cash flow can still be purchased at highly attractive valuations. We believe this will increasingly be a stock picker's market, in which fundamentals and valuations are key."

Whitney George and co-portfolio manager Lauren Romeo are currently finding good value in the financials, energy services, trucking and technology sectors while also seeing the stage set for increased M&A activity across the small cap universe as larger companies seek to consolidate their industry or enter new lines of business. In their view, factors supporting this include stronger corporate balance sheets as a result of cash generation and de-leveraging by companies; improved access to debt and equity financing; the need for mature companies to find new revenue sources in the face of decelerating organic growth; pending changes in US capital gains tax laws that will spur business owners to sell before more onerous rates take effect in 2011; and the existence of around US$500 billion of committed capital in private equity funds.

The benefit of The Legg Mason Royce Smaller Companies Fund's value-driven approach is borne out over the longer term, with the Fund delivering 30.05% return over the five years as at 31 May 2010.**

- **Ends –**

* **Source:** Morningstar, on a bid to bid basis. Figures to 21 June 2010. Figures based on performance returns for the IMA North America sector and the IMA North American smaller companies sector. Past performance is not indicative of future performance.

** Source: Legg Mason, as of 31 May 2010. Class A Dis (A) USD performance is net of fees and is calculated on a NAV to NAV basis (USD). Performance for periods greater than one year is cumulative. Performance is based on reinvestment of any income and capital gains distribution derived from securities held in the Fund. Recent performance of the Fund: YTD 2010 (2.52%), 2009 (37.21%), 2008 (-33.59%), 2007 (4.75%), 2006 (12.96%) and 2005 (13.30%). Past performance is not indicative of future performance. The Fund invests in companies with small capitalisations. The risks associated with investments in small companies include less experienced management, limited product lines and financial resources, shorter operating histories, less publicly available information, reduced liquidity and increased share price volatility.

Notes to editors

About Royce & Associates

Royce & Associates is a wholly owned affiliate of Legg Mason, Inc. entirely focused on the US Small Cap market. Founded in 1972 by Charles M. Royce, it is one of the pioneers of small-cap investing.

About Legg Mason Global Asset Management

Legg Mason is a global asset management firm with $645 billion in assets under management as of June 30, 2010. The Company provides active asset management in many major investment centres throughout the world. Legg Mason is headquartered in Baltimore, Maryland, and its common stock is listed on the New York Stock Exchange (symbol: LM).

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Important Information