

Annual Report (Audited)

Legg Mason

Portfolios (in liquidation)

A Mutual Fund constituted under the Luxembourg Law as a “fonds commun de placement” with multiple compartments (Sub-Funds)

For the period from 1 January 2010 to 4 October 2010
(date of liquidation)

Legg Mason Portfolios (in liquidation)

A Mutual Fund under Luxembourg Law

*Audited Report for the period from 1 January 2010 to
4 October 2010 (date of liquidation)*

Table of Contents

Legg Mason Portfolios (in liquidation)	
General Information on the Fund	2
Information to Unitholders	2
Report of the Directors of the Management Company to Unitholders	3
Audit Report	4
Financial Statements	
<i>Statement of Net Assets</i>	5
<i>Statement of Operations and Changes in Net Assets</i>	6
<i>Net Assets Information</i>	7
Notes to the Financial Statements	8

General Information on the Fund

Management Company

Legg Mason Investments (Luxembourg) S.A.
145, rue du Kiem
L-8030 Strassen, Grand Duchy of Luxembourg

Incorporation

Legg Mason Investments (Luxembourg) S.A., (the "Management Company") was established in Luxembourg on 26 May 1988 as a Société Anonyme under the laws of Luxembourg for an unlimited period of time.

Its Articles of Incorporation were deposited with the "Registre du Commerce et des Sociétés" of Luxembourg and published in the "Mémorial" on 25 July 1988 with the last amendment on 31 March 2008.

Its objective is the creation, administration, marketing and management of one or several Luxembourg and/or foreign collective investments funds in transferable securities authorised according to the directive 85/611/EEC and to provide services to UCI (Undertakings for Collective Investment).

Board of Directors of the Management Company

Chairman

Joseph P. LaRocque
Managing Director
Legg Mason & Co., LLC
100 International Drive
Baltimore, MD 21202, U.S.A.

Directors

John Alldis
Managing Director
Legg Mason Investments (Luxembourg) S.A.
145, rue du Kiem
L-8030 Strassen, Grand Duchy of Luxembourg

Brian Collins
Consultant
Festina Lente
Herbert Road
Bray. Co. Wicklow, Ireland

Joseph M. Keane
Consultant
15 Rathasker Heights
Nass. Co. Kildare, Ireland

General Portfolio Manager

Legg Mason Global Asset Allocation, LLC
620 Eighth Avenue
New York, NY 10018, U.S.A.

Investment Advisors

The General Portfolio Manager and the Management Company have appointed the following Investment Advisors:

AXA Rosenberg Investment Management, LLC
4 Orinda Way
Building E.
Orinda, CA 94563, U.S.A.

BlackRock Financial Management Inc.
40 East 52nd Street
New York, NY 10022, U.S.A.

ClearBridge Advisors LLC
620 Eighth Avenue, 48th Floor
New York, NY 10018, U.S.A.

Gartmore Investment Limited
Gartmore House
8 Fenchurch Place
London EC3M 4PB, United Kingdom

Martin Currie Investment Management Limited
Saltire Court
20 Castle Terrace
Edinburgh, EH1 2ES, United Kingdom

Schroder Investment Management (Singapore) Limited
65, Chulia Street # 47-01
OCBC Centre
Singapore 049513

Custodian Bank, Administrator, Transfer Agent and Registrar

Citibank International plc (Luxembourg Branch)
Atrium Business Park
31, Z.A. Bourmicht
L-8070 Bertrange, Grand Duchy of Luxembourg

Auditor

PricewaterhouseCoopers S.à r.l.
400, Route d'Esch
L-1471 Luxembourg, Grand Duchy of Luxembourg

Information to Unitholders

Audited annual reports are available for inspection by Unitholders at the registered office of the Management Company and distributors within four months after the close of the accounting year. Unaudited semi-annual reports are also made available in the same manner within two months after the end of the period to which they refer.

Report of the Directors of the Management Company to Unitholders

Background

The Board of Directors of Legg Mason Investments (Luxembourg) S.A. and the management company of the Fund has decided to terminate the following Sub-Funds: Legg Mason Global Balanced Portfolio, Legg Mason Global Growth Portfolio, Legg Mason Global Enhanced Growth Portfolio, Legg Mason Asia Tilt Balanced Portfolio, Legg Mason Asia Tilt Growth Portfolio and Legg Mason Asia Tilt Enhanced Growth Portfolio (the "Sub-Funds") as they were experiencing a continuing decline in assets, which was contributing to an increase in the total expense ratio of the Fund. These declines were a result of the significant falls in global financial markets and a continuing trend of redemptions. The effective date of liquidation of the Sub-Funds was 4 October 2010.

Please refer to **Note 9 Important Event** at the back of this report for further details about this decision.

Market Review

Global Bonds

Financial markets experienced significant volatility over the nine month reporting period to the 4 October 2010, as the debate raged over the state of the global economy, including whether inflation or deflation was the larger threat, the possibility of a double-dip recession in the US, the need for a second round of quantitative easing by the major central banks and the long-term sustainability of the European Monetary Union (EMU). Indeed, in the case of the latter, increasing concerns over sovereign debt, and in particular the state of Greece's public finances and its impact on the wider eurozone, were the main factors unsettling markets.

Against this backdrop, bond markets swung between bouts of risk aversion, with investors taking refuge in government bonds, and periods of risk taking, benefiting the credit sectors. Government bonds recorded strong gains over the reporting period, as fears of a faltering economic recovery drove their yields to historically low levels in most developed economies late in the period. The credit sectors, which are valued relative to government bonds, also recorded gains, benefiting from the strength in government issues.

Global Equities

Global equity markets enjoyed a positive start to the year, rising steadily over the first three-and-a-half months of the reporting period before reaching a peak in mid-April. But the sovereign debt problems in the eurozone and mounting worries about the condition of the global economy gradually began to take centre stage, weighing on markets for much of the remainder of the period.

The UK stock market was negatively impacted by BP, one of its largest constituents, in the wake of a disastrous oil spill in the Gulf of Mexico in April. Defensive stocks outperformed over the summer, meanwhile, with the utilities, healthcare and telecommunication services sectors being among the UK's top performers. The new coalition government pledged to cut spending to tackle the country's deficit problems, while weakness in the housing market started to become evident towards the end of the period under review.

Within Continental European equity markets, banks fell the most on their exposure to sovereign debt in Greece and the region's other troubled European countries, as well as concern over EU bank stress tests. Utilities stocks also recorded steep declines amid proposals for increased regulation. The consumer staples and consumer discretionary sectors held up better, however, as the weak euro, which fell against the US dollar and the Japanese yen, helped exporters such as BMW and Daimler.

In the US the period saw a marked rise in volatility and against this backdrop the S&P 500 Index rose one month and then fell the next over the summer period. The Small-Cap Russell 2000 Index experienced a similar roller-coaster ride to the S&P. Among the concerns that investors fretted over were the durability of the US economic recovery, the growing economic impact of the oil spill in the Gulf of Mexico, and uncertainty about the potential impact of financial regulatory reform in the US.

Turning to Japan, exporters suffered from a steady appreciation in the value of the yen for much of the period. Political uncertainty over who would win the leadership contest for the ruling Democratic party also helped to dampen investor sentiment. Nevertheless, there were a number of brighter moments over the period. Business confidence among major domestic manufacturers, for example, turned positive for the first time since June 2008, thanks largely to increasing exports to emerging markets and government stimulus measures. Consumer sentiment also continued to improve, aided in part by government initiatives such as monthly child benefits. The unemployment rate, however, remained stubbornly high.

In Asia, investors responded favourably to China's announcement that it would allow its currency, the renminbi, to float instead of being pegged to the US dollar. In another encouraging signal for the region, Asian emerging markets experienced a higher rise in IPO activity, a typical signal of recovery, than occurred in the US and Europe over the period.

Indeed, Asia generally escaped some of the turmoil that impacted Europe and the US, with wage growth and domestic consumption continuing to gain traction in both India and China, for example. Indeed, the Asia ex Japan region ended the period under review on a stronger note than equity markets in the US and Europe.

Luxembourg, 26 November 2010

The Board of Directors

Note:

The information provided in this report by the Board of Directors represents opinions that are based on present conditions and is not intended to be a forecast of future events or an offer or solicitation with respect to the purchase or sale of any security and is subject to change without notice.

Past investment results are not necessarily indicative of future investment results. This publication is for informational purposes only. Information contained herein is believed to be accurate, but cannot be guaranteed.

Statements in this material should not be considered investment advice.

Audit Report ¹

To the Unitholders of
Legg Mason Portfolios (in liquidation)

We have audited the accompanying financial statements of Legg Mason Portfolios (in liquidation) and of each of its sub-funds, which comprise the Statement of Net Assets as of 4 October 2010 (date of liquidation) and the Statement of Operations and Changes in Net Assets for the period from 1 January 2010 to 4 October 2010 (date of liquidation), and a summary of significant accounting policies and other explanatory notes to the financial statements.

Board of Directors of the Management Company's responsibility for the financial statements

The Board of Directors of the Management Company is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the Management Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Legg Mason Portfolios (in liquidation) and of each of its sub-funds as of 4 October 2010 (date of liquidation), and of the results of their operations and changes in their net assets for the period from 1 January 2010 to 4 October 2010 (date of liquidation) in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 9 of the financial statements relating to the liquidation of Legg Mason Portfolios (in liquidation).

Other matters

Supplementary information included in the audit report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

PricewaterhouseCoopers S.à r.l.
Represented by

Luxembourg, 26 November 2010

Valérie Arnold

Cabinet de révision agréé
Expert comptable (autorisation gouvernementale n°95992)
R.C.S. Luxembourg B 65 477 – Capital social EUR 516 950 – TVA LU17564447

¹ Appendix E - Contents of the Auditor's Report.

Legg Mason Portfolios (in liquidation)

Statement of Net Assets as of 4 October 2010 (date of liquidation)

	Legg Mason Global Balanced Portfolio USD	Legg Mason Global Growth Portfolio USD	Legg Mason Global Enhanced Growth Portfolio USD	Legg Mason Asia Tilt Balanced Portfolio USD	Legg Mason Asia Tilt Growth Portfolio USD	Legg Mason Asia Tilt Enhanced Growth Portfolio USD	Combined *
	USD	USD	USD	USD	USD	USD	USD
Assets							
Liquid assets ¹	374,612	435,248	12,248	1,732,570	2,028,168	902,257	5,485,103
Dividends receivable (note 2d) ²	791	2,165	226	5,263	10,827	10,771	30,043
Receivable from securities sold ²	426,262	1,167,672	120,137	1,781,631	3,921,849	3,702,495	11,120,046
Other receivables ²	72	193	19	193	473	407	1,357
Total assets ³	801,737	1,605,278	132,630	3,519,657	5,961,317	4,615,930	16,636,549
Liabilities							
Redemptions payable ⁴	790,365	1,573,964	129,268	3,415,097	5,843,242	4,485,087	16,237,023
Accrued expenses	8,372	23,314	2,362	74,560	87,075	95,843	291,526
Liquidation fees payable (note 9)	3,000	8,000	1,000	30,000	31,000	35,000	108,000
Total liabilities ⁵	801,737	1,605,278	132,630	3,519,657	5,961,317	4,615,930	16,636,549
Net assets ⁶	—	—	—	—	—	—	—

¹ Appendix E – Statements of Assets and Liabilities, (2) Bank balances

² Appendix E – Statements of Assets and Liabilities, (4) Dividends and other receivables

³ Appendix E – Statements of Assets and Liabilities, (9) Total value of all assets

⁴ Appendix E – Statements of Assets and Liabilities, (7) Amounts payable on redemption

⁵ Appendix E – Statements of Assets and Liabilities, (10) Total value of all liabilities

⁶ Appendix E – Statements of Assets and Liabilities, (11) Net asset value

*Please see note 2g.

The accompanying notes form an integral part of these financial statements

Legg Mason Portfolios (in liquidation)

Statement of Operations and Changes in Net Assets for the period from 1 January 2010 to 4 October 2010 (date of liquidation)

	Legg Mason Global Balanced Portfolio USD	Legg Mason Global Growth Portfolio USD	Legg Mason Global Enhanced Growth Portfolio USD	Legg Mason Asia Tilt Balanced Portfolio USD	Legg Mason Asia Tilt Growth Portfolio USD	Legg Mason Asia Tilt Enhanced Growth Portfolio USD	Combined *
							USD
Net assets at the beginning of the period ¹	941,289	2,885,905	322,979	10,947,563	11,741,391	13,597,368	40,436,495
Income ²							
Interest income (note 2c)	12,139	20,732	660	132,260	82,714	28,211	276,716
Dividend income (note 2d)	6,756	27,264	3,593	85,629	124,683	181,895	429,820
Other Income	3,575	14,585	1,452	53,112	58,008	53,469	184,201
Total income	22,470	62,581	5,705	271,001	265,405	263,575	890,737
Expenses ³							
Management fees (note 5)	11,341	34,619	3,890	123,528	139,059	169,406	481,843
Liquidation fees (note 9)	3,000	8,000	1,000	30,000	31,000	35,000	108,000
Audit and legal fees	1,369	4,174	391	18,098	18,142	19,864	62,038
Custody, transfer agent and administration fees (note 4)	974	2,819	293	10,718	11,414	12,896	39,114
Publication and printing fees	642	1,877	191	7,088	7,382	8,346	25,526
Director and insurance fees	432	1,259	130	4,829	5,062	5,690	17,402
Taxation (note 6)	335	898	88	3,137	3,595	3,776	11,829
Regulatory fees	312	858	70	3,476	3,650	4,103	12,469
Total expenses	18,405	54,504	6,053	200,874	219,304	259,081	758,221
Net income/(loss) from investments	4,065	8,077	(348)	70,127	46,101	4,494	132,516
Net realised gain / (loss) on: ⁴							
Sales of investments (notes 2a, 2e)	71,615	254,041	31,357	1,302,726	1,671,607	2,453,805	5,785,151
Forward foreign exchange contracts (note 2f)	17,644	32,532	1,392	209,637	135,845	49,784	446,834
Future contracts (note 2f)	(3,125)	(5,118)	(141)	(31,351)	(20,185)	(5,196)	(65,116)
Net change in unrealised appreciation / (depreciation) on:							
Investments (note 2b)	(67,276)	(268,523)	(37,187)	(1,147,168)	(1,566,235)	(2,318,409)	(5,404,798)
Forward foreign exchange contracts	(8,364)	(15,148)	(517)	(96,839)	(60,872)	(22,027)	(203,767)
Future contracts	(83)	(151)	(5)	(963)	(606)	(219)	(2,027)
Net change in net assets for the period resulting from operations	14,476	5,710	(5,449)	306,169	205,655	162,232	688,793
Proceeds from subscriptions ⁵	2,772	130,739	43,671	155,653	885,607	422,005	1,640,447
Payments for redemptions ⁶	(958,537)	(3,022,354)	(361,201)	(11,409,385)	(12,832,653)	(14,181,605)	(42,765,735)
Net payments from subscription and redemption activity	(955,765)	(2,891,615)	(317,530)	(11,253,732)	(11,947,046)	(13,759,600)	(41,125,288)
Net assets at the end of the period ⁷	—	—	—	—	—	—	—

¹ Appendix E – Statement of Movements in Capital Account (1)

² Appendix E – Revenue Statement (1)

³ Appendix E – Revenue Statement (4)

⁴ Appendix E – Statement of Movements in Capital Account (4)

⁵ Appendix E – Statement of Movements in Capital Account (2)

⁶ Appendix E – Statement of Movements in Capital Account (3)

⁷ Appendix E – Statement of Movements in Capital Account (6)

*Please see note 2g.

The accompanying notes form an integral part of these financial statements

Legg Mason Portfolios (in liquidation)

Net Assets Information

as of 4 October 2010 (date of liquidation), 31 December 2009 and 31 December 2008

		Legg Mason Global Balanced Portfolio USD	Legg Mason Global Growth Portfolio USD	Legg Mason Global Enhanced Growth Portfolio USD	Legg Mason Asia Tilt Balanced Portfolio USD	Legg Mason Asia Tilt Growth Portfolio USD	Legg Mason Asia Tilt Enhanced Growth Portfolio USD
Net assets as of ¹	4 October 2010	—	—	—	—	—	—
	31 December 2009	941,289	2,885,905	322,979	10,947,563	11,741,391	13,597,368
	31 December 2008	849,282	3,091,152	267,845	12,420,593	13,346,605	12,329,474
Net asset value per unit as of ²	4 October 2010	—	—	—	—	—	—
	31 December 2009	11.59	12.47	9.10	17.89	16.47	14.25
	31 December 2008	9.85	10.16	7.13	14.40	12.58	10.21
Number of units outstanding as of ³	4 October 2010	—	—	—	—	—	—
	31 December 2009	81,212.782	231,371.363	35,505.097	611,833.992	712,774.546	953,937.013
	31 December 2008	86,213.186	304,375.730	37,586.701	862,420.744	1,060,675.576	1,206,998.069

¹ Appendix E – Performance table (1a)

² Appendix E – Performance table (1b) / Statement of Assets and Liabilities, (13) Net asset value per unit / share

³ Appendix E – Statement of Assets and Liabilities, (12) Number of units / shares in issue

Notes to the Financial Statements as of 4 October 2010 (date of liquidation)

1. Description of the Fund

Legg Mason Portfolios (in liquidation) (the "Fund") is a mutual fund (Fonds Commun de Placement) established in Luxembourg on 26 March 1996 and launched on 14 June 1996 under the laws of the Grand Duchy of Luxembourg. The Fund is an Undertaking for Collective Investment in Transferable Securities (UCITS) qualifying under Part I of the Luxembourg law of 20 December 2002 relating to undertakings for collective investment.

The Fund was offering the following two different types of Investment Series, each of which was designed to meet different investors needs.

The Legg Mason Global Series has 3 Sub-Funds being in liquidation (denominated in USD):

- Legg Mason Portfolios - Legg Mason Global Balanced Portfolio
- Legg Mason Portfolios - Legg Mason Global Growth Portfolio
- Legg Mason Portfolios - Legg Mason Global Enhanced Growth Portfolio

The Legg Mason Asia Tilt Series has 3 Sub-Funds being in liquidation (denominated in USD):

- Legg Mason Portfolios - Legg Mason Asia Tilt Balanced Portfolio
- Legg Mason Portfolios - Legg Mason Asia Tilt Growth Portfolio
- Legg Mason Portfolios - Legg Mason Asia Tilt Enhanced Growth Portfolio

The securities and other assets of the Fund were segregated from the assets of the Management Company, and are managed by the Management Company in the interests of the Unitholders and on their behalf.

The above listed Sub-Funds of Legg Mason Portfolios were experiencing a continuing decline in assets, which contributed to an increase in the total expense ratio of the Sub-Funds, the board of directors of the Management Company resolved on August 20, 2010 in the best interest of the Unitholders of the Fund to put the fund into liquidation with effect on October 4, 2010.

2. Summary of Significant Accounting Policies

The accounting policies of the Fund conform with Luxembourg legal and regulatory requirements relating to investment funds.

a) Foreign Currencies ¹

The financial statements and accounting records of each Sub-Fund are expressed in the reference currency of the relevant Sub-Fund. Transactions in currencies other than the Sub-Fund's currency are translated into the Sub-Fund's currency based on the exchange rates in effect at the date of the transaction.

Assets and liabilities denominated in other currencies are translated at the exchange rate on the balance sheet date. Any resulting gains or losses are recognised in the Statement of Operations and Changes in Net Assets under the heading "Net realised gain/(loss) on sales of investments".

Main exchange rates used as of 4 October 2010 (date of liquidation) are:

1 USD =	EUR	1.37465
	JPY	0.01199

b) Investment Securities ²

Securities, money market instruments listed on an official exchange or dealt on another regulated market, are valued on the basis of the last available price.

If a security is quoted on different markets, the quotation of the main market for this security will be used. Fixed income securities are valued on the basis of the latest available middle price on the relevant stock exchange or the middle prices of last available quotes from market makers that constitute the main market for such securities.

Non-listed securities and money market instruments as well as securities which are listed or dealt on another regulated market but in respect of which the last sales price is not representative of the fair value, are valued on the basis of their probable sales price as determined with prudence and in good faith by the Management Company.

In the case of short term instruments (especially discount instruments) that have a maturity of less than 90 days, the value of the instrument based on the net acquisition cost, is gradually adjusted to the repurchase price thereof while the investment return calculated on the net acquisition cost is kept constant. In the event of material changes in market conditions, the valuation basis of the investment is adjusted to the new market yields. All other liquid assets are valued on the basis of their applicable market rates. Assets denominated in a currency other than that in which the Net Asset Value is expressed, are re-valued using the applicable foreign exchange rate as set out in (a) above.

In the event of it being impossible or incorrect to carry out a valuation in accordance with the above rules owing to particular circumstances, such as hidden credit risk, the Management Company is entitled to use other generally recognised valuation principles, which can be examined by the Auditor of the Fund in order to reach a proper valuation of the total assets of the Fund.

The difference between the cost of securities and their market value on the balance sheet date is recognised in the Statement of Net Assets under the heading "Unrealised appreciation/(depreciation)".

Any change in the difference arising between the cost of securities held at period-end and their market value at that date is recognised in the Statement of Operations and Changes in Net Assets under the heading "Net change in unrealised appreciation/(depreciation) on investments".

Security transactions are accounted for on the date the securities are purchased or sold. Purchases of securities are recorded at cost including brokerage commissions.

Shares or units in underlying open-ended investment funds shall be valued at their latest available Net Asset Value, reduced by any applicable charges.

¹ Appendix E – Notes to the Accounts, (1) Principal accounting policies – (c)

² Appendix E – Notes to the Accounts, (1) Principal accounting policies – (a)

c) Interest Income ¹

Interest income includes interest applied to bonds and bank accounts. It is accrued gross on a daily basis. Withholding tax is paid out of the gross income

d) Dividend Income ¹

Dividends are accounted for on an ex-dividend basis net of any irrecoverable withholding tax.

e) Realised Gains and Losses on Sales of Investments ²

Realised gains and losses comprise the profit or loss arising from disposal of securities during the period and differences arising on the revaluation of other assets and liabilities denominated in foreign currencies.

Capital gains or losses are determined on the weighted average cost basis of the securities sold.

f) Derivatives

Financial derivative instruments listed on an official exchange or dealt on another regulated market are valued on the basis of the last available price.

Financial derivative instruments which are not listed on any official stock exchange or traded on any other regulated market will be valued in a reliable and verifiable manner on a daily basis in accordance with market practice.

Forward foreign exchange contract ³

Outstanding forward foreign exchange contracts, if any, are valued at the closing date by reference to the forward exchange rate applicable to the outstanding life of the contract.

The unrealised appreciation or depreciation on open forward foreign exchange contracts is calculated as the difference between the contract rate and the forward rate at the close of business on valuation day. The unrealised appreciation or depreciation on such contracts is disclosed in the Statement of Net Assets under the heading "Net unrealised appreciation/(depreciation) on forward foreign exchange contracts".

The realised gain/(loss) on forward foreign exchange contracts is disclosed in the Statement of Operations and Changes in Net Assets under the heading "Net realised gain/(loss) on forward foreign exchange contracts".

Future contract ³

Outstanding future contracts, if any, are valued at the close of business market prices or the last available market price of the instruments.

The unrealised appreciation or depreciation on future contracts is included in the Statement of Net Assets under the heading "Net unrealised appreciation/(depreciation) on future contracts". All margins accounts are included in "Futures margins on deposit".

The realised gain/(loss) on future contracts is disclosed in the Statement of Operations and Changes in Net Assets under the heading "Net realised gain/(loss) on future contracts".

g) Combined Figures ²

The combined Statement of Net Assets and the combined Statement of Operations and Changes in Net Assets are expressed in United States dollars ("USD") and are presented for information purposes only.

h) Mortgage Related Securities – To Be Announced Securities (TBAs) ²

TBA positions refer to the common trading practice in the mortgage-backed securities market in which a security is to be bought from a mortgage pool (Ginnie Mae, Fannie Mae or Freddie Mac) for a fixed price at a future date. At the time of purchase the exact security is not known, but the main characteristics of it are specified. Although the price has been established at the time of purchase, the principal value has not been finalised.

Although a Sub-Fund will generally enter into TBA purchase commitments with the intention of acquiring securities, a Sub-Fund may also dispose of a commitment prior to settlement if it is deemed appropriate to do so. Proceeds of TBA sales are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, equivalent deliverable securities, or an offsetting TBA purchase commitment (deliverable on or before the sale commitment date), are held as cover for the transaction.

Negative positions reflect the Sub-Fund's sale commitments of TBAs.

3. Pooling and Co-Management of Assets ²

The Management Company may invest and manage all or any part of the portfolio of assets by using joint investment management techniques, together with Legg Mason Funds Investment Series (Luxembourg) for the purpose of efficient portfolio management. A Sub-Fund using joint investment management techniques transfers all or part of its assets to the pool (or Joint Investment Account) of assets, subject to such assets being appropriate in respect of the investment policy of the pool concerned. In return, the Sub-Fund receives the notional pool units representing a certain pro rata of the pool's assets and liabilities.

Prior to 4 October 2010 (date of liquidation), the investment holdings in the pools have been allocated to the Sub-Funds based on each Sub-Fund's ownership percentage in the pools at that date. All quantities (securities holdings) are rounded to the nearest unit. In instances where quantities are shown as 0, a Sub-Fund's percentage allocation of a security may result in a fractional value of less than 0.5.

For profit and loss purposes, the notional pool units held by the Sub-Fund determine the proportional allocation of the results, revenues and expenses of the pool on each net asset value date. The profit and loss allocation is recorded in the accounting records for the Sub-Fund. Co-managed assets are only co-managed with assets intended to be invested pursuant to investment objectives identical to those applicable to the co-managed assets in order to ensure that investments decision are fully compatible with the investment policy of the Sub-Funds. Co-managed assets are only co-managed with assets for which the Custodian Bank is also acting as depository in order to ensure that the Custodian Bank is able, with respect to the Fund or Sub-Funds, to fully carry out its functions and responsibilities pursuant to the law of 20 December 2002 on undertakings for collective investment. The Custodian Bank keeps at all times the Fund's assets segregated from the assets of other co-managed entities and is therefore able at all times to identify the assets of the Fund and of each Sub-Fund. Since co-managed entities may have investment policies, which are not strictly identical to the investment policy of a Sub-Fund, it is possible that, as a result, the common policy implemented may be more restrictive than that of that Sub-Fund

¹ Appendix E – Notes to the Accounts, (1) Principal accounting policies – (b)

² Appendix E – Notes to the Accounts, (1) Principal accounting policies – (g)

³ Appendix E – Notes to the Accounts, (1) Principal accounting policies – (d)

4. Custody, Transfer Agent and Administration Fees

An all-inclusive annual fee up to 0.15% of the Fund's average daily net assets is paid in relation to custody, transfer agency, registrar and administration services provided by Citibank International plc (Luxembourg Branch). The fee is accrued daily and paid monthly in arrears.

5. Management Fees ¹

A management fee is charged and is allocated to the Management Company, the Investment Managers and Investment Advisors as well as the Intermediaries.

The fee is accrued daily, and is paid monthly in arrears at the applicable annual rates set out below calculated on the basis of the average daily net assets attributable to each class of each Sub-Fund during the relevant month.

Sub-Funds	Class A units
Legg Mason Global Balanced Portfolio	1.67%
Legg Mason Global Growth Portfolio	1.77%
Legg Mason Global Enhanced Growth Portfolio	1.92%
Legg Mason Asia Tilt Balanced Portfolio	1.67%
Legg Mason Asia Tilt Growth Portfolio	1.77%
Legg Mason Asia Tilt Enhanced Growth Portfolio	1.92%

6. Taxation ²

The Fund is an investment fund registered in Luxembourg and is, as a result, exempt from tax except for subscription tax. A subscription tax ("Taxe d'abonnement") of 0.05% per annum, payable quarterly, is imposed on the net assets of the Fund by the Luxembourg State, calculated quarterly on the basis of the net asset value of each Sub-Fund on the last day of the quarter.

7. Commitments on Derivatives

As of 4 October 2010 (date of liquidation), the Fund has no open derivative position.

8. Changes in the Investment Portfolio

Changes in the investment portfolio during the reporting period are available to the Unitholders at the registered offices of the Management Company and the Custodian Bank.

9. Important Event

The Board of Directors (the "Board") of Legg Mason Investments (Luxembourg) S.A., the management company of the Fund, decided in conformity with Article 17 of the Fund's management regulations, to terminate the following Sub-Funds: Legg Mason Global Balanced Portfolio, Legg Mason Global Growth Portfolio, Legg Mason Global Enhanced Growth Portfolio, Legg Mason Asia Tilt Balanced Portfolio, Legg Mason Asia Tilt Growth Portfolio and Legg Mason Asia Tilt Enhanced Growth Portfolio (the "Sub-Funds") as they were experiencing a continuing decline in assets, which is contributed to an increase in the total expense ratio of the Fund. These declines were a result of the significant falls in global financial markets and continuing trend of redemptions. As such, the Board, with the consent of the Citibank International plc (Luxembourg Branch) (the "Fund's custodian") decided it was in the best interests of the remaining unitholders to liquidate the Fund in order to protect them against the adverse effects of a continued decline in assets.

The effective date of liquidation of the Sub-Funds was 4 October 2010.

¹ Appendix E – Notes to the Accounts, (2) Transactions with Connected Persons – (f)

² Notes to the Accounts, (1) Principal accounting policies – (f)

