

**IMPORTANT: This document requires your immediate attention. If you have any question about the content of this document, you should seek independent professional advice. Unless otherwise provided in this document, all terms used in this document have the same meanings as in the Hong Kong Summary Prospectus.**

20 August 2010

Dear Unitholder,

### **Legg Mason Portfolios**

This letter from the board of directors of Legg Mason Investments (Luxembourg) S.A. (the "board"), the management company of Legg Mason Portfolios (the "Fund"), is to notify Unitholders of the Fund's liquidation in conformity with Article 17 of the Fund's management regulations. The Fund's 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") are experiencing a continuing decline in assets, which is contributing to an increase in the total expense ratio of the sub-funds. These declines are a result of the significant falls in global financial markets and continuing trend of redemptions. As such, the board, with the consent of the Fund's custodian, Citibank International plc (Luxembourg Branch), has decided it is 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 is 4 October 2010. The sub-funds have been closed to further subscriptions as from the date of this notice.

The liquidation will proceed as follows:

Until 3 p.m. Luxembourg time / 9 p.m. Hong Kong time on 30 September 2010 you may:

- (1) redeem your holdings in the sub-funds free of charge by following the procedures described in the Fund's current Hong Kong Summary Prospectus; or
- (2) choose to re-invest your holdings into another fund within the Legg Mason family of funds that is authorised for sale in Hong Kong at no charge. Before investing in such other fund, please ensure that you have read the prospectus of the relevant fund and understood in particular the investment policies and fees applicable to the relevant fund as described in the prospectus (which will be available free of charge upon request to the Hong Kong Representative).

Estimated expenses and costs relating to the termination, as indicated in the table below, have been taken into account and reflected in the net asset values per unit of the sub-funds as from the date of this notice.

As disclosed in the Hong Kong Summary Prospectus and in Article 9 of the Fund's management regulations, if considered appropriate, the board may apply a charge of up to 1% of the net asset value of the units redeemed, in order to reflect any reasonably estimated fiscal charges and dealing cost incurred

on the realisation of assets of the relevant sub-fund. This charge will be for the benefit of the relevant sub-funds, with the aim to protect the remaining Unitholders from bearing such costs and to seek to safeguard the equal treatment of all Unitholders. If redemption requests in a particular sub-fund on any business day (as defined in the Hong Kong Summary Prospectus) exceed 10% of all the units in such sub-fund in issue on such business day, the board is entitled at its discretion to defer or delay the payment of such redemptions and the requests for redemption on such date shall be reduced rateably among the investors. Furthermore, in accordance with Article 8 of the Fund's management regulations, the board reserves the right in its discretion to apply fair value pricing methodology to the assets to be realised if it is in the interest of all Unitholders. Copies of the Fund's current Hong Kong Summary Prospectus are available free of charge upon request to the Hong Kong Representative. No redemption requests will be accepted after 3 p.m. Luxembourg time / 9 p.m. Hong Kong time on 30 September 2010.

### **Liquidation Proceeds**

On liquidation, the board will arrange for all outstanding liabilities of the sub-funds to be paid and will arrange for all monies required to cover the costs of the liquidation to be set aside. After realisation of the Fund's assets, Unitholders in the sub-funds will receive their liquidation proceeds in the form of a cash payment based on the proportion of their respective unitholdings in the relevant sub-fund(s). Expenses and costs of liquidation will be borne by the relevant sub-funds. As outlined above, expenses and costs relating to the liquidation, as indicated in the table below, have been taken into account and reflected in the net asset values per unit of each sub-fund as from the date of this notice. There are no unamortised preliminary expenses of the Fund.

The table below sets out the estimated costs per liquidation expressed in US Dollars as of 30 June 2010.

<b>Liquidated sub-funds</b>	<b>Estimated liquidation costs in USD</b>
Legg Mason Global Balanced Portfolio	\$3,000.00
Legg Mason Global Growth Portfolio	\$8,000.00
Legg Mason Global Enhanced Growth Portfolio	\$1,000.00
Legg Mason Asia Tilt Balanced Portfolio	\$30,000.00
Legg Mason Asia Tilt Growth Portfolio	\$31,000.00
Legg Mason Asia Tilt Enhanced Growth Portfolio	\$35,000.00

The investment manager will start realising the sub-funds' holdings as from the date of this letter.

Liquidation proceeds which are not claimed by or cannot be distributed to Unitholders will be deposited with Caisse de Consignation within nine months following the decision to liquidate the fund. The termination shall be closed within the above-mentioned nine month period.

The table below lists the size expressed in US Dollars of the liquidated sub-funds as of 30 June 2010 and the average total expense ratio per sub-fund in per cent as of 30 June 2010. Unitholders should note that the actual total expense ratio for a given class of units may differ from the total expense ratio indicated in the table below. The total expense ratio is calculated by dividing the expense bookings of a sub-fund year to date by the average net asset value of a sub-fund over the period.

<b>Liquidated sub-funds</b>	<b>Size of sub-fund in USD</b>	<b>Total expense ratio in %</b>
Legg Mason Global Balanced Portfolio	\$859,297	1.49%
Legg Mason Global Growth Portfolio	\$2,487,361	1.55%
Legg Mason Global Enhanced Growth Portfolio	\$254,438	1.63%
Legg Mason Asia Tilt Balanced Portfolio	\$9,463,909	1.46%
Legg Mason Asia Tilt Growth Portfolio	\$9,879,095	1.53%
Legg Mason Asia Tilt Enhanced Growth Portfolio	\$11,011,845	1.66%

If Unitholders have any questions about the Fund's liquidation they should contact the Hong Kong Representative at 12/F., York House, The Landmark, 15 Queen's Road Central, Hong Kong (Tel: +852 3652 3088) or their usual representative at their intermediary. Ordinarily, the liquidation of a fund will not have any tax implications for Hong Kong investors. However, Unitholders should seek guidance on this letter from their professional advisors on any taxes in the country of their respective citizenship, domicile or residence that may apply.

The board accepts responsibility for the accuracy of the contents of this letter.

Yours faithfully,



Director  
for and on behalf of Legg Mason Investments (Luxembourg) S.A.

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

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

Legg Mason Portfolios

# Hong Kong Summary Prospectus

a mutual fund constituted under Luxembourg Law as a  
"fonds commun de placement" with multiple compartments (Sub-Funds)

September 2008

## **IMPORTANT**

- **The Fund is an open-ended umbrella fund with different Sub-Funds investing primarily in equities and/or bonds, each with a different investment objective and/or risk profile.**
- **Certain Sub-Funds may invest in emerging market securities, which are subject to higher currency, liquidity, political and regulatory risks.**
- **Certain Sub-Funds may invest, to a greater or lesser degree, in asset backed securities and mortgage backed securities, which may have a heightened risk of exposure to liquidity or credit downgrade issues in a volatile market.**
- **The investment decision is yours but you should not invest unless the intermediary who offers you the Sub-Funds has advised you that the Sub-Funds are suitable for you and has explained why, including how the investment will be consistent with your investment objectives.**

---

## Important Information

**IMPORTANT: This document (the "Summary") is a summary of the prospectus of Legg Mason Portfolios in Luxembourg dated September 2008 (the "Prospectus").** For further information, investors should refer to the Prospectus, which is available for inspection at the office of the Hong Kong Representative during normal business hours on any business day in Hong Kong and the Prospectus is not available for distribution in Hong Kong and may contain information relating to funds not authorised by the Securities and Futures Commission in Hong Kong. **Prospective investors should review this Summary carefully and consult with their legal, tax and financial advisers in relation to (i) the legal requirements within their own countries for the purchase, holding, redemption or disposal of Units; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the purchase, holding, redemption or disposal of Units; and (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, redeeming or disposing of Units. Prospective investors should seek the advice of their legal, tax and financial advisers if they have any doubts regarding the contents of this Summary.**

Legg Mason Portfolios (the "**Fund**") was established in Luxembourg on 26 March 1996 and is registered on the official list of collective investment undertakings pursuant to Part I of the Luxembourg law of 20 December 2002 relating to Undertakings for Collective Investment. The Fund has been authorised by the Securities and Futures Commission in Hong Kong (the "**SFC**"). In granting such authorisation the SFC does not take responsibility for the financial soundness of the Fund or for the accuracy of any statements or opinion expressed in this document and does not imply that investment in the Fund is recommended by the SFC.

The distribution of this Summary and the offering or purchase of Units may be restricted in certain jurisdictions. No persons receiving a copy of this Summary in any such jurisdiction may treat this Summary as constituting an invitation to them to subscribe for Units unless in the relevant jurisdiction such an invitation could lawfully be made without compliance with any registration or other legal requirements.

The Fund is an umbrella fund and at the date of this Summary offers units in a range of sub-funds, each representing a portfolio of assets (a "**Sub-Fund**"). **Units in any Sub-Fund described in this Summary are offered only on the basis of the information contained in this Summary and (if applicable) any supplement and the latest audited annual accounts and any subsequent half-yearly report of the Fund. The Board of Directors of the Management Company ("Board") accepts responsibility for the accuracy of the information contained in this document at the date hereof.**

**Investment in any Sub-Fund carries with it a degree of risk, which may vary between the Sub-Funds. The value of Units and the income from them may go down as well as up, and investors may not get back the amount invested. Investment risk factors for an investor to consider are set out under *Risk Factors* below.**

**Notwithstanding the incorporation into the offering documents of the Fund of the availability of investment powers under the UCITS directive 2001/108/EC, it is the intention of the Board to operate the Fund in accordance with the investment restrictions under UCITS I regulations. However, the Fund will be subject to the new investment restrictions under UCITS III to the extent they are more restrictive than the UCITS I restrictions. Investors may view a copy of the UCITS I regulations upon request at the office of the Hong Kong Representative.**

**The Board will give investors prior written notification of not less than one month and update the Hong Kong offering documents should they intend to change the investment objectives, policy and/or restrictions applicable to the Fund in the future.**

**Capitalized words and expressions used herein are defined in the Definitions section at the end of the Prospectus which is available for inspection at the offices of the Hong Kong Representative.**

**The Fund does not represent an obligation of, nor is it guaranteed by the Legg Mason group, or any subsidiary of and/or Legg Mason, Inc. ("Legg Mason").**

# Index

SECTION	PAGE
Directory	1
The Fund	2
Investment Objectives And Policies	3
Further Information On Investments By The Sub-Funds	5
Investment And Borrowing Restrictions	11
Investment Techniques	16
Risk Management Process	19
Risk Factors	20
Investing In The Fund	24
Distribution Policy	28
Fees And Expenses	29
Net Asset Value	31
Temporary Suspension Of Dealings	32
Taxation	33
Fund And Management Information	34
Segregation Of Assets And Liabilities And Pooling	36
General	39
Appendix 1	42

---

# Directory

**Management Company**

Legg Mason Investments (Luxembourg) S.A.  
145, rue du Kiem  
L-8030 Strassen  
Trade Register: R.C.S. Luxembourg B-28121

**Directors of the Management Company**

Chairman:  
Joseph P. La Rocque

Directors:  
Joseph M. Keane  
John Alldis

**Custodian Bank, Administrator, Transfer Agent and Registrar**

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

**General Portfolio Manager**

Legg Mason Global Asset Allocation, LLC  
399 Park Avenue  
New York, NY 10022  
U.S.A.

**Auditor**

PricewaterhouseCoopers SaRL  
400 Route d'Esch  
L-1471 Luxembourg

**Hong Kong Representative**

Legg Mason Asset Management Hong Kong Limited  
12/F., York House  
The Landmark  
15 Queen's Road Central  
Hong Kong

# The Fund

The Fund is an umbrella fund and at the date of this Summary offers units in a range of sub-funds, each representing a portfolio of assets (a "**Sub-Fund**"). Units ("**Units**") in any particular Sub-Fund will be further divided into different classes ("**Classes**") to accommodate different subscription and redemption provisions and/or fees and charges to which they are subject.

The Management Company has established two types of investment series ("**Series**"), each designed to meet different investors' needs: the **Legg Mason Global Series** and the **Legg Mason Asia Tilt Series**.

1. **Legg Mason Global Series:**

- 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

2. **Legg Mason Asia Tilt Series:**

- 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

# Investment Objectives And Policies

The Fund has been established for the purpose of investing in Transferable Securities and/or other liquid financial assets in accordance with the European Union's Council Directive 85/611/EEC (as amended) applicable to UCITS (the "**UCITS Directive**") as implemented in Luxembourg law in Part I of the law of 20 December 2002 relating to Undertakings for Collective Investment, as amended (the "**2002 Law**"). The Sub-Funds invest primarily in Transferable Securities and/or other liquid financial assets listed on stock exchanges or traded on other Regulated Markets.

**The investment objective and policies of each Sub-Fund are set out below.**

The investment policies of certain Sub-Funds, as described below, refer to investments in various geographical areas, countries, economic sectors and or categories of issuers of securities, but market or other conditions may make it, from time to time, inappropriate for a Sub-Fund to invest in all the countries, economic sectors or categories of issuers referred to in its investment policy.

**There can be no assurance that the Sub-Funds will be successful in producing the desired results of their investment objectives.**

## **1. Legg Mason Global Series**

Legg Mason Global Series is designed for investors seeking mid- to long- term capital appreciation through globally diversified equity and fixed-income portfolios in one simple investment. Each Legg Mason Global Series Sub-Fund is designed to offer a different level of potential returns with a corresponding level of risk.

### **Legg Mason Global Balanced**

The Sub-Fund seeks to increase capital value through a balanced emphasis on the global equities markets and fixed income securities traded on an official exchange, in a Regulated Market, or recognised market, which is open to the public. Such fixed income securities may be either US Dollars or non-US Dollar denominated bonds The Sub-Fund is denominated in USD.

### **Legg Mason Global Growth**

The Sub-Fund seeks to increase capital value through a primary emphasis on the global equities markets and a secondary emphasis on fixed-income securities traded on an official exchange, in a Regulated Market, or recognised market which is open to the public. Such fixed income securities may be either US Dollars or non-US Dollar denominated bonds The Sub-Fund is denominated in USD.

### **Legg Mason Global Enhanced Growth**

The Sub-Fund seeks to increase capital value through a dominant emphasis on the global equities markets and a small allocation to fixed-income securities traded on an official exchange, in a Regulated Market, or recognised market which is open to the public. Such fixed income securities may be either US Dollars or non-US Dollar denominated bonds The Sub-Fund is denominated in USD.

## **2. Legg Mason Asia Tilt Series**

Legg Mason Asia Tilt Series is designed for investors seeking mid- to long-term capital appreciation through globally diversified equity and fixed-income portfolios, with a particular emphasis towards Asian markets, in one simple investment. Each Legg Mason Asia Tilt Series Sub-Fund is designed to offer a different level of potential returns within a corresponding level of risk.

### **Legg Mason Asia Tilt Balanced**

The Sub-Fund seeks to increase capital value through a balanced investment in i) global equities markets, with a particular emphasis toward Asian equities markets and ii) fixed-income securities traded on an official exchange, in a Regulated Market, or recognised market which is open to the public. Such fixed income securities may be either US Dollars or non-US Dollar denominated bonds The Sub-Fund is denominated in USD.

### **Legg Mason Asia Tilt Growth**

The Sub-Fund seeks to increase capital value through a primary emphasis on the global equities markets, with a particular emphasis towards Asian equities markets and a secondary emphasis on fixed-income securities traded on an official exchange, in a Regulated Market, or recognised market which is open to the public. Such fixed income securities may be either US Dollars or non-US Dollar denominated bonds The Sub-Fund is denominated in USD.

### **Legg Mason Asia Tilt Enhanced Growth**

The Sub-Fund seeks to increase capital value through a dominant emphasis on the global equities markets, with a particular emphasis toward Asian equities markets and a small allocation to fixed-income securities traded on an official exchange, in a Regulated Market, or recognised market which is open to the public. Such fixed income securities may be either US Dollars or non-US Dollar denominated bonds The Sub-Fund is denominated in USD.

### **Investment Policies**

The Sub-Funds may allocate their investments among equity, fixed income and money market instruments and/or other liquid financial assets to offer a different level of potential return with a different level of risk. The Funds' assets may be diversified globally among such markets as North America (including Mexico), Europe, the United Kingdom, Japan, Asia Pacific and Emerging Markets.

Each Sub-Fund has a benchmark mix, which represents the way each Sub-Fund's assets typically will be allocated over the long term. Each Sub-Fund's asset allocations will vary, within specified ranges, over the short term based on the General Portfolio Manager's projections of investment returns for each asset class. The General Portfolio Manager will not try to choose the precise moment when a major reallocation should be made, rather reallocation decisions will be implemented gradually over time.

Diversification and efficient portfolio management will be emphasized in the management of all the Sub-Funds. However, over time, the Growth Series are expected to experience higher interim volatility and potentially higher returns than the Balanced Series. Similarly, the Enhanced Growth Series are expected to exhibit greater volatility in its pursuit of higher returns than the Growth Series.

Where circumstances are appropriate, the Fund may hold for each Sub-Fund liquid assets on an ancillary basis in current or deposit accounts or in regularly traded short-term Money Market Instruments issued or guaranteed by highly rated institutions and having a remaining maturity of less than twelve months.

Subject to the *Investment and Borrowing* Restrictions, set out below, the Fund can make use of various instruments to hedge the Sub-Funds against market and currency risks, as well as to enhance returns in accordance with the principles of prudent and efficient portfolio management. From time to time, the General Portfolio Manager and the investment advisers ("**Investment Advisers**") appointed by it may actively use instruments for both risk management and return purposes.

When managing the assets of the Fund the Management Company shall comply with the safeguards set forth in *Investment and Borrowing Restrictions* hereafter.

## Further Information On Investments By The Sub-Funds

### **ESTABLISHMENT WHICH IS SUBJECT TO AND COMPLIES WITH PRUDENTIAL RULES CONSIDERED BY THE CSSF TO BE AT LEAST AS STRINGENT AS THOSE LAID DOWN BY COMMUNITY LAW**

The reference to an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by Community law shall be understood as a reference to an issuer which is subject to and complies with prudential rules and fulfils one of the following criteria:

- 1) it is located in the European Economic Area;
- 2) it is located in the OECD countries belonging to the Group of Ten;
- 3) it has at least "investment grade" rating;
- 4) it can be demonstrated on the basis of an in-depth analysis of the issuer that the prudential rules applicable to that issuer are at least as stringent as those laid down by Community law.

### **FINANCIAL INDICES**

- (1) The reference under section 1) e) of *Investment Restrictions* to financial indices shall be understood as a reference to indices which fulfil the following criteria:
  - a) they are sufficiently diversified, in that the following criteria are fulfilled:
    - (i) the index is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
    - (ii) where the index is composed of assets referred to under section 1) of *Investment Restrictions*, its composition is at least diversified in accordance with section 2) j) of *Investment Restrictions*;
    - (iii) where the index is composed of assets other than those referred to under section 1) of *Investment Restrictions*, it is diversified in a way which is equivalent to that provided for under section 2) j) of *Investment Restrictions*;
  - b) they represent an adequate benchmark for the market to which they refer, in that the following criteria are fulfilled:
    - (i) the index measures the performance of a representative group of underlyings in a relevant and appropriate way;
    - (ii) the index is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers following criteria which are publicly available;
    - (iii) the underlyings are sufficiently liquid, which allows users to replicate the index, if necessary;
  - c) they are published in an appropriate manner, in that the following criteria are fulfilled:
    - (i) their publication process relies on sound procedures to collect prices and to calculate and to subsequently publish the index value, including pricing procedures for components where a market price is not available;
    - (ii) material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- (2) Where the composition of assets which are used as underlyings by financial derivatives in accordance with section 1) of *Investment Restrictions* does not fulfil the criteria set out in paragraph (1) above, those financial derivatives shall, where they comply with the criteria set out in (1) of "Liquid financial assets with respect to financial derivative instruments", be regarded as financial derivatives on a combination of the assets referred to in points (1) a) (i), (ii) and (iii) of "Liquid financial assets with respect to financial derivative instruments".

### **INDEX REPLICATING UCITS**

- (1) The reference under section 2) j) of *Investment Restrictions* to replicating the composition of a stock or debt securities index shall be understood as a reference to replication of the composition of the underlying assets of the index, including the use of derivatives or other techniques and instruments as referred to under *Investment Restrictions* and under Investment Techniques.

- (2) The reference in the first indent under section 2) j) of *Investment Restrictions* to an index whose composition is sufficiently diversified shall be understood as a reference to an index which complies with the risk diversification rules under section 2) j) of *Investment Restrictions*.
- (3) The reference in the second indent under section 2) j) of *Investment Restrictions* to an index which represents an adequate benchmark shall be understood as a reference to an index whose provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.
- (4) The reference in the third indent under section 2) j) of *Investment Restrictions* to an index which is published in an appropriate manner shall be understood as a reference to an index which fulfils the following criteria:
  - a) it is accessible to the public;
  - b) the index provider is independent from the index-replicating UCITS.

Point b) shall not preclude index providers and the UCITS forming part of the same economic group, provided that effective arrangements for the management of conflicts of interest are in place.

#### **INSTRUMENTS OF WHICH THE ISSUE OR ISSUER IS REGULATED FOR THE PURPOSE OF PROTECTING INVESTORS AND SAVINGS**

- (1) The reference to money market instruments, other than those dealt in on a regulated market, of which the issue or the issuer is itself regulated for the purpose of protecting investors and savings, shall be understood as a reference to financial instruments which fulfil the following criteria:
  - a) they fulfil one of the criteria set out in (2) under "Money Market Instruments" and all the criteria set out in (1) and (2) under "Liquid instruments with a value which can be accurately determined at any time";
  - b) appropriate information is available for them, including information which allows an appropriate assessment of the credit risks related to the investment in such instruments, taking into account paragraphs (2), (3) and (4) below;
  - c) they are freely transferable.
- (2) For money market instruments covered by the second and the fourth indents under section 1) f) of *Investment Restrictions*, or for those which are issued by a local or regional authority of an EU Member State or by a public international body but are not guaranteed by an EU Member State or, in the case of a federal State which is a EU Member State, by one of the members making up the federation, appropriate information as referred to in point (b) of paragraph 1 shall consist in the following:
  - a) information on both the issue or the issuance programme and the legal and financial situation of the issuer prior to the issue of the money market instrument;
  - b) updates of the information referred to in point (a) on a regular basis and whenever a significant event occurs;
  - c) the information referred to in point (a), verified by appropriately qualified third parties not subject to instructions from the issuer;
  - d) available and reliable statistics on the issue or the issuance programme.
- (3) For money market instruments covered by the third indent under section 1) f) of *Investment Restrictions*, appropriate information as referred to in point (b) of paragraph (1) shall consist in the following information:
  - a) information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the money market instrument;
  - b) updates of the information referred to in point (a) on a regular basis and whenever a significant event occurs;
  - c) available and reliable statistics on the issue or the issuance programme or other data enabling an appropriate assessment of the credit risks related to the investment in such instruments.

- (4) For all money market instruments covered by the first indent under section (1) f) of *Investment Restrictions* except those referred to in paragraph (2) and those issued by the European Central Bank or by a central bank from an EU Member State, appropriate information as referred to in point (b) of paragraph (1) shall consist in information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the money market instrument.

#### **LIQUID FINANCIAL ASSETS WITH RESPECT TO FINANCIAL DERIVATIVE INSTRUMENTS**

- (1) The reference to liquid financial assets shall be understood, with respect to financial derivative instruments, as a reference to financial derivative instruments which fulfil the following criteria:
- a) their underlyings consist in one or more of the following:
    - (i) assets as listed in the first indent under section 1) e) of *Investment Restrictions* including financial instruments having one or several characteristics of those assets;
    - (ii) interest rates;
    - (iii) foreign exchange rates or currencies;
    - (iv) financial indices;
  - b) in the case of OTC derivatives, they comply with the conditions set out in the second and third indents under section 1) e) of *Investment Restrictions*.
- (2) Financial derivative instruments as referred to under section 1) e) of *Investment Restrictions* shall be taken to include instruments which fulfil the following criteria:
- a) they allow the transfer of the credit risk of an asset as referred to in point a) of paragraph (1) above independently from the other risks associated with that asset;
  - b) they do not result in the delivery or in the transfer, including in the form of cash, of assets other than those referred to under section 1) and 2) a) b) and c) of *Investment Restrictions*;
  - c) they comply with the criteria for OTC-derivatives laid down in the second and third indents under section 1) e) of *Investment Restrictions* and in paragraphs (3) and (4) below;
  - d) their risks are adequately captured by the risk management process of the Fund, and by its internal control mechanisms in the case of risks of asymmetry of information between the Fund and the counterparty to the credit derivative resulting from potential access of the counterparty to non-public information on firms the assets of which are used as underlyings by credit derivatives.
- (3) For the purposes of the third indent under section 1) e) of *Investment Restrictions*, the reference to fair value shall be understood as a reference to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
- (4) For the purposes of the third indent under section 1) e) of *Investment Restrictions*, the reference to reliable and verifiable valuation shall be understood as a reference to a valuation, by the Fund, corresponding to the fair value as referred to in paragraph (3) above, which does not rely only on market quotations by the counterparty and which fulfils the following criteria:
- a) the basis for the valuation is either a reliable up-to-date market value of the instrument, or, if such a value is not available, a pricing model using an adequate recognised methodology;
  - b) verification of the valuation is carried out by one of the following:
    - (i) an appropriate third party which is independent from the counterparty of the OTC-derivative, at an adequate frequency and in such a way that the Fund is able to check it;
    - (ii) a unit within the Fund which is independent from the department in charge of managing the assets and which is adequately equipped for such purpose.
- (5) The reference to liquid financial assets shall be understood as excluding derivatives on commodities.

### LIQUID INSTRUMENTS WITH A VALUE WHICH CAN BE ACCURATELY DETERMINED AT ANY TIME

- (1) The reference to money market instruments as instruments which are liquid shall be understood as a reference to financial instruments which can be sold at limited cost in an adequately short time frame, taking into account the obligation of the Fund to repurchase or redeem its Units at the request of any Unitholder.
- (2) The reference to money market instruments as instruments which have a value which can be accurately determined at any time shall be understood as a reference to financial instruments for which accurate and reliable valuations systems, which fulfil the following criteria, are available:
  - a) they enable the Fund to calculate a net asset value in accordance with the value at which the financial instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction;
  - b) they are based either on market data or on valuation models including systems based on amortised costs.
- (3) The criteria referred to in paragraphs (1) and (2) above shall be presumed to be fulfilled in the case of financial instruments which are normally dealt in on the money market and which are admitted to, or dealt in on, a Regulated Market, unless there is information available to the Fund that would lead to a different determination.

### MONEY MARKET INSTRUMENTS

- (1) The reference to Money Market Instruments as instruments means a reference to the following:
  - a) financial instruments which are admitted to trading or dealt in on a Regulated Market;
  - b) financial instruments which are not admitted to trading.
- (2) The reference to money market instruments as instruments normally dealt in on the money market means a reference to financial instruments which fulfil one of the following criteria:
  - a) they have a maturity at issuance of up to and including 397 days;
  - b) they have a residual maturity of up to and including 397 days;
  - c) they undergo regular yield adjustments in line with money market conditions at least every 397 days;
  - d) their risk profile, including credit and interest rate risks, corresponds to that of financial instruments which have a maturity as referred to in points (a) or (b), or are subject to a yield adjustment as referred to in point (c).

### SECURITISATION VEHICLES WHICH BENEFIT FROM A BANKING LIQUIDITY LINE

- (1) The reference in the fourth indent under section 1) f) of *Investment Restrictions* to securitisation vehicles shall be understood as a reference to structures, whether in corporate, trust or contractual form, set up for the purpose of securitisation operations.
- (2) The reference in the fourth indent under section 1) f) of *Investment Restrictions* to banking liquidity lines shall be understood as a reference to banking facilities secured by a financial institution which itself complies with the third indent under section 1) f) of *Investment Restrictions*.

### TRANSFERABLE SECURITIES

- (1) The reference to Transferable Securities means a reference to financial instruments which fulfil the following criteria:
  - a) the potential loss which the Fund may incur with respect to holding those instruments is limited to the amount paid for them;
  - b) their liquidity does not compromise the ability of the Fund to comply with its ability to redeem its Units at the request of the Unitholders;
  - c) reliable valuation is available for them as follows:
    - (i) in the case of securities referred to under sections 1) a) and b) of *Investment Restrictions* admitted to or dealt in on a Regulated Market, in the form of accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

- (ii) in the case of other securities as referred to under section 2) a) of *Investment Restrictions* in the form of a valuation on a periodic basis which is derived from information from the issuer of the security or from competent investment research;
- d) appropriate information is available for them as follows:
  - (i) in the case of securities admitted to or dealt in on a Regulated Market, accurate and comprehensive information to the market on the security or, where relevant, on the portfolio of the security;
  - (ii) in the case of other securities as referred to under section 2) a) of *Investment Restrictions* in the form of regular and accurate information to the Fund on the security or, where relevant, on the portfolio of the security;
- e) they are negotiable;
- f) their acquisition is consistent with the investment objectives or the investment policy, or both, of the Fund pursuant to the 2002 Law;
- g) their risks are adequately captured by the risk management process of the Fund.

For the purposes of points (b) and (e) and unless there is information available to the Fund that would lead to a different determination, financial instruments which are admitted or dealt in on a Regulated Market in accordance with sections 1) a) and b) of *Investment Restrictions* shall be presumed not to compromise the ability of the Fund to redeem its Units at the request of the Unitholders and shall also be presumed to be negotiable.

- (2) Shares and other securities equivalent to shares, bonds and other debt instruments, any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange, excluding the techniques and instruments referred to in article 42 of the 2002 Law shall be taken to include the following:
  - a) units in closed-ended undertakings for collective investment constituted as investment companies or as unit trusts which fulfil the following criteria:
    - (i) they fulfil the criteria set out in paragraph (1) above;
    - (ii) they are subject to corporate governance mechanisms applied to companies;
    - (iii) where asset management activity is carried out by another entity on behalf of the closed-ended undertaking of collective investment, that entity is subject to national regulation for the purpose of investor protection;
  - b) units in closed-ended undertakings for collective investment constituted under the law of contract which fulfil the following criteria:
    - (i) they fulfil the criteria set out in paragraph (1) above;
    - (ii) they are subject to corporate governance mechanisms equivalent to those applied to companies as referred to in point (a) (ii);
    - (iii) they are managed by an entity which is subject to national regulation for the purpose of investor protection;
  - c) financial instruments which fulfil the following criteria:
    - (i) they fulfil the criteria set out in paragraph (1) above;
    - (ii) they are backed by, or linked to the performance of, other assets, which may differ from those referred to in sections 1) a) and b) of *Investment Restrictions*.

#### **TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS EMBEDDING A DERIVATIVE**

- (1) The reference in the fourth subparagraph under section 2) q) of *Investment Restrictions* to Transferable Securities embedding a derivative shall be understood as a reference to financial instruments which fulfil the criteria set out in (1) of "Transferable Securities" above and which contain a component which fulfils the following criteria:
  - a) by virtue of that component some or all of the cash flows that otherwise would be required by the Transferable Security which functions as host contract can be modified according to a specified interest rate, a financial instrument price, a foreign exchange rate, an index of prices or rates, a credit rating or credit index, or another variable, and therefore vary in a way similar to a stand-alone derivative;

- b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract;
  - c) it has a significant impact on the risk profile and pricing of the Transferable Security.
- (2) Money Market Instruments which fulfil one of the criteria set out in (2) of "Money Market Instruments" and all the criteria set out in (1) and (2) "Liquid instruments with a value which can be accurately determined at any time" and which contain a component which fulfils the criteria set out in paragraph (1) above shall be regarded as Money Market Instruments embedding a derivative.
- (3) A Transferable Security or a Money Market Instrument shall not be regarded as embedding a derivative where it contains a component which is contractually transferable independently of the Transferable Security or the Money Market Instrument. Such a component shall be deemed to be a separate financial instrument.

## Investment And Borrowing Restrictions

The assets of each Sub-Fund must be invested in accordance with the restrictions on investments set out in Part I of the 2002 Law and such additional investment restrictions, if any, as may be adopted from time to time by the Board with respect to any Sub-Fund such as those described under *Investment Objectives and Policies* above. The principal investment restrictions applying to each Sub-Fund (and the whole Fund, if so specified below) are as follows:

- 1) The investments of the Fund must consist solely of:
  - a) Transferable Securities and Money Market Instruments admitted to or dealt in on a Regulated Market;
  - b) new issues of Transferable Securities and Money Market Instruments, provided that:
    - the terms of issue include an undertaking that application will be made for admission to official listing on a Regulated Market (see *Investment Objectives and Policies*);
    - such admission is secured within one year of issue;
  - c) shares or units of UCITS and/or other UCIs situated in an EU Member State or not, provided that:
    - such other UCIs have been authorised under laws of any Member State of the EU or under the laws of Canada, Hong Kong, Japan, Norway, Switzerland or the United States of America;
    - the level of protection for unitholders in such UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of Transferable Securities and Money Market Instruments are equivalent to the requirements of the UCITS Directive, as amended;
    - the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period;
    - no more than 10% of the UCITS' or of the other UCIs' assets, whose acquisition is contemplated, can, according to their constitutional documents, be invested in aggregate in units of other UCITS or other UCIs;
  - d) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a country which is an OECD Country and a FATF Country;
  - e) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market; and/or financial derivative instruments dealt in over-the counter ("**OTC derivatives**"), provided that:
    - the underlying consists of instruments covered by this paragraph 1), financial indices, interest rates, foreign exchange rates or currencies, in which the Sub-Fund may invest according to its investment objectives;
    - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg regulatory authority; and
    - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed at any time at their fair value at the Fund's initiative;
  - f) Money Market Instruments other than those dealt in on a Regulated Market, if the issue or issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
    - issued or guaranteed by a central, regional or local authority or central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong; or
    - issued by an undertaking any securities of which are dealt in on Regulated Markets; or
    - issued or guaranteed by a credit institution which has its registered office in a country which is an OECD Country and a FATF Country; or
    - issued by other bodies belonging to the categories approved by the Luxembourg regulatory authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose

capital and reserves amount to at least EUR 10 million and which presents and publishes its annual accounts in accordance with the fourth directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line;

2) the following limits shall apply to each Sub-Fund and the limits set forth in paragraphs m), n) and o) shall apply to the Fund as a whole:

- a) a Sub-Fund may invest no more than 10% of its assets in Transferable Securities and Money Market Instruments other than those referred to in paragraph 1);
- b) a Sub-Fund may not acquire either precious metals or certificates representing them;
- c) a Sub-Fund may hold ancillary liquid assets;
- d) a Sub-Fund may invest no more than 10% of its assets in Transferable Securities or Money Market Instruments issued by the same body;

A Sub-Fund may not invest more than 20% of its assets in deposits made with the same body.

The risk exposure of the Sub-Fund to a counterparty in an OTC derivative transaction may not exceed:

- 10% of its assets when the counterpart is a credit institution referred to in paragraph 1) d); or
- 5% of its assets, in other cases;

- e) the total value of the Transferable Securities and Money Market Instruments held by each Sub-Fund in each issuing body in which it invests more than 5% of its assets must not exceed 40% of the value of its assets;

This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision;

Notwithstanding the individual limits laid down in paragraph d), a Sub-Fund may not combine:

- investments in Transferable Securities or Money Market Instruments issued by
- deposits made with, and/or
- exposures arising from OTC derivative transactions undertaken with a single body in excess of 20% of its assets.

- f) the limit of 10% foreseen in d) first sentence is increased to a maximum of 35% if the Transferable Securities or Money Market Instruments are issued or guaranteed by an EU Member State, by its local authorities, or by another Eligible State or by public international bodies of which one or more EU Member States are members;
- g) the limit of 10% laid down in d), first sentence is increased to 25% for certain debt securities if they are issued by a credit institution whose registered office is situated in an EU Member State and which is subject, by law, to special public supervision for the purpose of protecting the holders of such debt securities. In particular, the amounts resulting from the issue of such debt securities must be invested pursuant to the law in assets which sufficiently cover, during the whole period of validity of such debt securities, the liabilities arising therefrom and which are assigned to the preferential repayment of capital and accrued interest in the case of bankruptcy of the issuer. If a Sub-Fund invests more than 5% of its assets in such debt securities as referred to in this paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the value of the Sub-Fund's assets;
- h) the Transferable Securities and Money Market Instruments referred to in 2) f) and g) are not included in the calculation of the limit of 40% laid down in paragraph 2) e). The limits set out in paragraphs 2) d), e), f) and g) may not be aggregated and accordingly, investments in Transferable Securities or Money Market Instruments issued by the same body and in deposits or derivative instruments made with the same issuing body may not, in any event, exceed a total of 35% of the assets of each Sub-Fund. Companies which are included in the same Group for the purposes of consolidated accounts, as defined in accordance with directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in paragraphs 2) d) to h). Sub-Funds may cumulatively invest in Transferable Securities and Money Market Instruments within the same Group up to a limit of 20% of its assets;

- i) **a Sub-Fund is authorised to raise the limits foreseen in paragraph 2) d) to h) in terms of Transferable Securities and Money Market Instruments to 100% of its assets in accordance with the principle of risk spreading, provided that the Transferable Securities and Money Market Instruments are issued or guaranteed by a EU Member State, by its local authorities or agencies or by another OECD Country or by public international bodies of which one or more EU Member States are members and the Sub-Fund holds securities from at least six different issues. The securities falling within one issue may not exceed 30% of the assets of such Sub-Fund;**
- j) without prejudice to the limits laid down paragraphs 2) m) and n), the limits laid down in paragraphs 2) d) to i) can be raised to a maximum of 20% for investment in shares and/or debt securities issued by the same body when the aim of the Sub-Funds' investment policy is to replicate the composition of a certain stock or bond index which is recognised by the Luxembourg regulatory authority, on the following basis:
- its composition is sufficiently diversified;
  - the index represents an adequate benchmark for the market to which it refers;
  - it is published in an appropriate manner and disclosed in the relevant Sub-Fund's investment policy.

This limit may be raised to a maximum of 35% where this proves to be justified by exceptional market conditions in particular on Regulated Markets where certain Transferable Securities or Money Market Instruments are highly dominant. The investment up to this limit is only permitted for a single issuer;

- k) no more than 20% of the assets of a Sub-Fund may be invested in the units of a single UCITS or other UCI. For the purpose of this investment restriction, each compartment of a UCITS or other UCI with multiple compartments shall be considered as a separate issuer, provided that the principle of segregation of liabilities of the various compartments is ensured in relation to third parties. Investments in units of non-UCITS may not exceed, in aggregate, 30% of the assets of a Sub-Fund.

When a Sub-Fund has acquired units of UCITS and/or other UCIs, the assets of the respective UCITS or other UCIs do not have to be combined for the purposes of the limits laid down in paragraphs 2) d) to h).

When a UCITS invests in units of other UCITS and/or other UCI that are managed, directly or by delegation, by the same Management Company or by any other company with which the Management Company is linked by common management or control or by a substantial direct or indirect holding, that Management Company or other company may not charge subscription or redemption fees on accounts of the Sub-Funds' investment in the units of such other UCITS and /or UCI.

The Fund may acquire no more than 25% of the units of the same UCITS or other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple compartments, this restriction is applicable by reference to all units issued by the UCITS or other UCI concerned, all compartments combined.

- l) a Sub-Fund need not comply with the limits laid down in this chapter when exercising subscription rights attaching to Transferable Securities or Money Market Instruments which form part of its assets. While ensuring observance of the principle of risk spreading, recently created Sub-Funds may derogate from paragraphs 2) d) to h) and k) for a period of six months following the date of their creation.
- m) the Management Company, on behalf of all Sub-Funds and all the common funds which it manages and which fall within the scope of Part I of the 2002 Law may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body;
- n) the Fund may not acquire more than:
- 10% of the non-voting shares of any single issuing body;
  - 10% of the debt securities of any single issuing body;
  - 25% of the units of any single UCITS and/or other UCI;
  - 10% of the Money Markets Instruments of any single issuing body.

The limits laid down in the second, third and fourth indent may be disregarded at the time of acquisition if, at that time, the gross amount of the debt securities or of the Money Markets Instruments, or the amount of the instruments in issue cannot be calculated;

- o) paragraphs 2) m) and n) do not apply in respect of:
- Transferable Securities and Money Market Instruments issued or guaranteed by an EU Member State or its local authorities or by any other Eligible State, or;
  - Transferable Securities and Money Market Instruments issued or guaranteed by an Eligible State;
  - Transferable Securities and Money Market Instruments issued by public international bodies of which one or more EU Member States are members;
- p) the provisions of paragraphs 2) m) and n) are also waived as regards shares held by the Fund in the capital of a company incorporated in a non-EU Member State which invests its assets mainly in the securities of issuing bodies having their registered office in that State, where under the legislation of that State, such a holding represents the only way in which the Fund can invest in the securities of issuing bodies of that State provided that the investment policy of the company from the non-EU Member State complies with the limits laid down in paragraphs 2) d) to h), k), m) and n);
- q) the Management Company shall ensure for each Sub-Fund that the global exposure relating to derivative instruments does not exceed the assets of the relevant Sub-Fund.
- The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions. This shall also apply to the following subparagraphs.
- If the Fund invests in financial derivative instruments, the exposure to the underlying assets may not exceed in aggregate the investment limits laid down in paragraphs 2) d) to h) above. When the Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in paragraphs 2) d) to h).
- When a Transferable Security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this paragraph q);
- r) a Sub-Fund may not borrow in excess of 10% of its assets, any such borrowings to be from banks and to be effected only on a temporary basis, provided that the Sub-Fund may acquire foreign currencies by means of back to back loans;
- s) a Sub-Fund may not grant loans to or act as guarantor on behalf of third parties.
- This restriction shall not prevent the Sub-Fund from (i) acquiring Transferable Securities, Money Market Instruments or other financial instruments referred to in 1) c), e) and f) which are not fully paid, and (ii) performing permitted securities lending activities, that shall not be deemed to constitute the making of a loan;
- t) a Sub-Fund may not carry out uncovered sales of Transferable Securities, Money Market Instruments or other financial instruments;
- u) the Fund may not acquire movable or immovable property;
- v) if the limits referred to in paragraphs 1) and 2) are exceeded for reasons beyond the control of the Management Company or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interest of its Unitholders;
- w) to the extent that an issuer is a legal entity with multiple compartments where the assets of the compartment are exclusively reserved to the investors in such compartment and to those creditors whose claim has arisen in connection with the creation, operation or liquidation of that compartment, each compartment is to be considered as a separate issuer for the purpose of the application of the risk spreading rules set out in paragraphs 2) d) to j) and k).

The Fund needs not comply with the limits laid down in these *Investment and Borrowing Restrictions* when exercising subscription rights attaching to Transferable Securities or Money Market Instruments which form part of its assets.

The investment restrictions listed in sections 1) and 2) above apply at the time of purchase of the relevant investments.

In accordance with the above *Investment and Borrowing Restrictions*, each Sub-Fund may employ techniques and instruments relating to Transferable Securities, and Money Market Instruments providing that these techniques and instruments are used for the purpose of efficient portfolio management.

When the Sub-Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in paragraphs d), e), f), g) and h).

The Management Company, with the agreement of the Custodian Bank, may impose other investment restrictions at any time in the interest of the Unitholders whenever necessary to comply with the laws and requirements of those countries where the Fund Units are offered.

# Investment Techniques

## 1) TECHNIQUES AND INSTRUMENTS RELATING TO TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS

Subject to any limitations set out in their respective investment policies, the Sub-Funds may use the following techniques and instruments for the purpose of efficient portfolio management.

For the purpose of efficient portfolio management, the Sub-Fund may undertake transactions relating to financial futures, warrants and options contracts traded on a regulated market. Alternatively, the Sub-Fund may undertake transactions relating to options, swaps and swaptions entered into by private agreement (over-the-counter "OTC") with highly rated financial institutions specialising in this type of transaction and participating actively in the relevant OTC market.

The reference to techniques and instruments which relate to transferable securities and which are used for the purpose of efficient portfolio management shall be understood as a reference to techniques and instruments which fulfil the following criteria:

- a) they are economically appropriate in that they are realised in a cost-effective way;
- b) they are entered into for one or more of the following specific aims:
  - i) reduction of risk;
  - ii) reduction of cost;
  - iii) generation of additional capital or income for the Fund with a level of risk which is consistent with the risk profile of the Fund and the risk diversification rules set forth under sections 2) d) to h) of *Investment Restrictions*;
- c) their risks are adequately captured by the risk management process of the Fund.

Techniques and instruments which comply with the criteria set out in the paragraph above and which relate to money market instruments shall be regarded as techniques and instruments relating to money market instruments for the purpose of efficient portfolio management.

### Options on Transferable Securities:

The Sub-Fund may buy and sell put and call options on Transferable Securities. At the conclusion as well as during the existence of contracts for the sale of call options on securities, the Sub-Fund will hold either the underlying securities, matching call options, or other instruments (such as warrants) that provide sufficient coverage of the commitments resulting from these transactions. The underlying securities related to call options written may not be disposed of as long as these options are outstanding unless such options are covered by matching options or by other instruments that can be used for that purpose. The same applies to equivalent call options or other instruments which the Sub-Fund must hold where it does not have the underlying securities at the time of the writing of such options. A Sub-Fund may not write uncovered call options on Transferable Securities. As a derogation to this rule, a Sub-Fund may write call options on securities that it does not hold at inception of the transaction, if the aggregate exercise price of such uncovered call options written does not exceed 25% of the Net Asset Value of the Sub-Fund and the Sub-Fund is, at any time, in a position to cover the open position resulting from such transactions.

Where a put option is sold, the Sub-Fund's corresponding portfolio must be covered for the full duration of the contract by adequate liquid assets that would meet the exercise value of the contract, should the option be exercised by the counterparty.

### Hedging through Stock Market Index Futures, Warrants and Options:

As a global hedge against the risk of unfavourable stock market movements, a Sub-Fund may sell futures on stock market indices. For the same purpose, the Sub-Fund may also sell call options, buy put options or transact in warrants on stock market indices. There must be a sufficient correlation between the composition of the index used and the Sub-Fund's corresponding portfolio. The total commitment relating to futures, warrants and options contracts on stock market indices may not exceed the global valuation of securities held by the relevant Sub-Fund's corresponding portfolio in the market corresponding to each index.

### Hedging through Interest Rate Futures, Options, Warrants, Swaps and Swaptions:

As a global hedge against interest rate fluctuations, a Sub-Fund may sell interest rate futures contracts. For the same purpose the Sub-Fund may also sell call options, buy put options or transact in warrants on interest rates or enter into interest rate swaps or swaptions by private agreement with highly rated financial institutions specialising in this type of instruments. The total commitment relating to futures, swaps, swaptions, warrants and options contracts on interest rates may not exceed the total market value of the assets to be hedged held by the Sub-Fund in the currency corresponding to these contracts.

**Futures, Warrants and Options on Other Financial Instruments for a Purpose Other than Hedging:**

As a measure towards achieving a fully invested portfolio and retaining sufficient liquidity, a Sub-Fund may buy or sell futures, warrants and options contracts on financial instruments (other than the Transferable Securities or currency contracts), such as instruments based on stock market indices and interest rates provided that these are in line with the stated investment objective and policy of the corresponding Sub-Fund and that the total commitment arising from these transactions together with the total commitment arising from the sale of call and put options on Transferable Securities at no time exceeds the Net Asset Value of the relevant Sub-Fund.

With regard to the "total commitment" referred to in the preceding paragraph the call options written by the Sub-Fund on Transferable Securities for which it has adequate cover do not enter into the calculation of the total commitment.

The commitment relating to transactions other than options on Transferable Securities shall be defined as follows:

- the commitment arising from futures contracts is deemed equal to the value of the underlying net positions payable on those contracts which relate to identical financial instruments (after setting off all sale positions against purchase positions), without taking into account the respective maturity dates and
- the commitment deriving from options purchased and written as well as warrants purchased and sold is equal to the aggregate of the exercise (striking) prices of net uncovered sales positions which relate to single underlying assets without taking into account respective maturity dates.

The aggregate acquisition prices (in terms of premiums paid) of all options on Transferable Securities purchased by the Sub-Fund together with options acquired for purposes other than hedging (see above) may not exceed 15% of the net assets of the relevant Sub-Fund.

**Securities Lending:**

In accordance with the provisions set forth in CSSF Circular 08/356, (i) each Sub-Fund may enter into securities lending transactions and (ii) cash collateral received by the Fund in relation to these transactions will be reinvested.

**Sale with right of repurchases transactions**

1. Purchase of securities with a repurchase option ("*Achat de titres à r m r *")

Acting as buyer, the Fund may agree to purchase securities with a repurchase option in accordance with the provisions set forth in CSSF Circular 08/356.

The Fund's involvement in such transactions is, however, subject to rules intended to ensure the proper completion of the purchase with a repurchase option transaction as well as to limits applicable to the purchase with a repurchase option transactions. In its financial reports, the Fund will provide separate information on securities purchased with a repurchase option, disclosing the total amount of the open transactions on the date of reference of these reports.

2. Sale of securities with a repurchase option ("*Vente de titres   r m r *")

Acting as the seller, the Fund may agree to sell securities with a repurchase option in accordance with the provisions set forth in CSSF Circular 08/356.

The Fund's involvement in such transactions is, however, subject to rules intended to ensure the proper completion of the sale with repurchase option transactions as well as to limits applicable to the sale with repurchase option transactions. In its financial reports, the Fund will provide separate information on securities sold with a repurchase option, disclosing the total amount of the open transactions on the date of reference of these reports.

**Reverse repurchase and repurchase agreement transactions**

1. Reverse repurchase agreement transactions ("*Op rations de prise en pension*")

The Fund may enter into reverse repurchase agreement transactions in accordance with the provisions set forth in CSSF Circular 08/356.

The Fund's involvement in such transactions is, however, subject to rules intended to ensure the proper completion of the reverse repurchase agreement transactions as well as to limits applicable to reverse repurchase agreement transactions. In its financial reports, the Fund will provide separate information on securities purchased under reverse repurchase agreements, disclosing the total amount of the open transactions on the date of reference of these reports.

2. Repurchase agreement transactions ("*Opérations de mise en pension*")

The Fund may enter into repurchase agreement transactions in accordance with the provisions set forth in CSSF Circular 08/356.

The Fund's involvement in such transactions is, however, subject to rules intended to ensure the proper completion of the repurchase agreement transactions as well as to limits applicable to repurchase agreement transactions

In its financial reports, the Fund will provide separate information on securities sold under repurchase agreements, disclosing the total amount of the open transactions on the date of reference of these reports.

## 2) TECHNIQUES AND INSTRUMENTS TO PROTECT AGAINST EXCHANGE RISKS

For the purpose of protecting against currency fluctuations, the Sub-Fund may undertake transactions relating to financial futures, warrants and options contracts traded on a regulated market. Alternatively, the Sub-Fund may undertake transactions relating to options, swaps and forward contracts entered into by private agreement (OTC) with highly rated financial institutions specialising in this type of transaction and participating actively in the relevant OTC market.

In order to hedge foreign exchange risks a Sub-Fund may have outstanding commitments in currency futures and/or sell call options, purchase put options or transact in warrants with respect to currencies, or enter into currency forward contracts or currency swaps. The hedging objective of the transactions referred to above presupposes the existence of a direct relationship between the contemplated transactions and the assets or liabilities to be hedged and implies that, in principle, transactions in a given currency may not exceed the valuation of the aggregate assets denominated in that currency nor may they, as regards their duration, exceed the period during which such assets are held.

However, hedging of assets and liabilities in currencies with limited weight in the Sub-Fund, which have a minor impact on the Sub-Fund's overall risk, may temporarily exceed the total valuation of such assets and liabilities but without exceeding 0.5% of the Sub-Fund's total Net Asset Value. Cross currency hedging transactions will only be utilised when there is no market for transacting in the currency concerned or when it is uneconomical to do so.

## 3) OTHER INSTRUMENTS

### Warrants:

Warrants shall be considered as Transferable Securities if they give the investor the right to acquire newly issued or to be issued Transferable Securities. The Sub-Fund, however, may not invest in warrants where the underlying asset is gold, oil or other commodities.

The Sub-Funds may invest in warrants based on stock exchange indices for the purpose of efficient portfolio management.

### Rule 144A Securities:

The Sub-Funds may invest in so-called Rule 144A Securities which are securities that are not registered in the US under the 1933 Act, but that can be sold in the US to certain institutional buyers. A Sub-Fund may invest in Rule 144A Securities, provided that such securities are issued with registration rights pursuant to which such securities may be registered under the 1933 Act and traded on the US OTC Fixed Income Securities market. Such securities shall be considered as newly issued Transferable Securities within the meaning of section 1) b) of "*Investment and Borrowing Restrictions*" above.

In the event that any such securities are not registered under the 1933 Act within one year of issue, such securities shall be considered as falling under section 2)a) of "*Investment and Borrowing Restrictions*" above and subject to the 10% limit of the Sub-Fund net assets applicable to the category of securities referred to therein.

### Structured Notes:

Subject to any limitations in their respective investment policies and to the "*Investment and Borrowing Restrictions*" outlined above, the Sub-Funds may invest in structured notes. These comprise listed government bonds or medium term notes issued by prime rated issuers where the respective coupon and/or redemption amount has been modified (or structured), by means of a financial instrument. These notes are valued by brokers with reference to the revised discounted future cash flows of the underlying assets. The investments of a Sub-Fund in a given issuer combined with investments of the same Sub-Fund in structured notes with the same underlying issuer may not exceed 10% of the assets of this Sub-Fund. Furthermore, a Sub-Fund may invest no more than 10% of its assets in a given issuer of a structured note.

## Risk Management Process

The Management Company will employ a risk-management process which enables it, with the Investment Adviser of the relevant Sub-Fund, to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of each Sub-Fund. The Management Company or the Investment Adviser of the relevant Sub-Fund will employ, if applicable, a process for accurate and independent assessment of the value of any OTC derivative instruments. It must communicate to the competent authorities regularly and in accordance with the detailed rules they shall define, the types of derivative instruments, the underlying risks, the quantitative limits and the methods which are chosen in order to estimate the risks associated with transactions in derivative instruments regarding each Sub-Fund.

## Risk Factors

**The investment risks described below are not purported to be exhaustive and potential investors should consult with their professional advisers, before making an application for Units in any Sub-Fund. The net asset value of the Fund may go down as well as up and investors may not get back the amount invested or any return on their investment.**

### **MARKET AND EQUITY RISK**

The investments of the Fund may go up and down due to changing economic, political or market conditions, or due to an issuer's individual situation. A Sub-Fund investing in common stocks and other equity securities is subject to market risk that historically has resulted in greater price volatility than experienced by bonds and other fixed income securities.

### **GROWTH SECURITIES**

A Sub-Fund investing in "growth" securities is subject to the risk that growth securities typically are quite sensitive to market movements because their market prices tend to reflect future expectations. When it appears that those expectations will not be met, the prices of growth securities typically fall. An investment in growth may under-perform certain other stock investments during periods when stocks are out of favour.

### **SMALLER COMPANIES**

A Sub-Fund that invests in securities of smaller capitalisation companies may have more risks than those of larger, more seasoned companies. Small cap companies may be particularly susceptible to market downturns because of limited financial or management resources. Also, there may be less publicly available information about small cap companies. As a result, their prices may be volatile.

### **INTEREST RATE AND CURRENCY RISK**

A Sub-Fund that invests in bonds and other fixed income securities may decline in value if interest rates change. In general, the prices of debt securities rise when interest rates fall, and fall when interest rates rise. Because the assets and liabilities of a Sub-Fund may be denominated in currencies different to the base currency, the Sub-Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between such base currency and other currencies.

### **CREDIT RISK**

A Sub-Fund that invests in bonds and other fixed income securities is subject to the risk that some issuers may not make payments on such securities. Alternatively an issuer may suffer adverse changes in its financial condition that could lower the credit quality of a security, leading to greater volatility in the price of the security and in the value of the Sub-Fund. A change in the quality rating of a bond or other security can also affect the security's liquidity and make it difficult to sell. An investment in a Sub-Fund that invests in lower quality debt securities is more susceptible to these problems and its value may be more volatile.

### **LOWER QUALITY SECURITIES**

Credit risk is more pronounced for a Sub-Fund that invests in bonds or other fixed-income securities that are rated below investment grade or which are of comparable quality. The risk of default may be greater and the market for these securities may be less active, making it more difficult to sell the securities at reasonable prices, and also making valuation of the securities more difficult. A Sub-Fund may incur additional expenses if an issuer defaults and the Sub-Fund tries to recover some of its losses in bankruptcy or other similar proceedings.

### **FOREIGN SECURITIES**

#### **General**

A Sub-Fund's investment activities relating to foreign securities may involve numerous risks resulting from market and currency fluctuations, future adverse political and economic developments, the possible imposition of restrictions on the repatriation of currency or other governmental laws or restrictions, reduced availability of public information concerning issuers and the lack of uniform accounting, auditing and financial reporting standards or of other regulatory practices and requirements comparable to those applicable to companies in the investor's domicile.

## Emerging Markets

Because of the special risks associated with investing in emerging or developing markets, Sub-Funds which invest in such securities should be considered speculative.

Economies in developing markets have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade.

Brokerage commissions, custodial services and other costs relating to investment in emerging markets generally are more expensive than those in more developed markets. Lack of adequate custodial systems in some markets may require a Sub-Fund to accept greater custodial risks in order to invest, although the Custodian Bank will endeavour to minimise such risks through the appointment of correspondents that are international, reputable and creditworthy financial institutions.

The risk also exists that an emergency situation may arise in one or more developing markets as a result of which trading of securities may cease or may be substantially curtailed and prices for a Sub-Fund's portfolio securities in such markets may not be readily available.

## Central and Eastern Europe – Russia

Certain markets in Central and Eastern Europe present specific risks in relation to the settlement and safekeeping of securities. These risks result from the fact that physical securities may not exist in certain countries (such as Russia); as a consequence, the ownership of securities is evidenced only on the issuer's register of shareholders. Each issuer is responsible for the appointment of its own registrar. In the case of Russia, this results in a broad geographic distribution of several thousand registrars across Russia. Russian securities are not on physical deposit with the Custodian Bank or its local agents in Russia. Therefore, neither the Custodian Bank nor its local agents in Russia can be considered as performing a physical safekeeping or custody function in the traditional sense. The registrars are neither agents of, nor responsible to, the Custodian Bank or its local agents in Russia. The Custodian Bank's liability only extends to its own negligence and wilful default and to that caused by negligence or wilful misconduct of its local agents in Russia, and does not extend to losses due to the liquidation, bankruptcy, negligence or wilful default of any registrar. In the event of such losses the Management Company will have to pursue its rights directly against the issuer and/or its appointed registrar. The aforesaid risks in relation to safekeeping of securities in Russia may exist, in a similar manner, in other Central and Eastern European countries in which a Sub-Fund may invest. Investments in Russian securities and non-listed securities may not exceed 10% of each Sub-Fund's net assets.

## CURRENCY RISK

Because the assets and liabilities of a Sub-Fund may be denominated in currencies different to the base currency, the Sub-Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between such base currency and other currencies. Changes in currency exchange rates may influence the value of a Sub-Fund's Units, and also may affect the value of dividends and interest earned by a Sub-Fund and gains and losses realised by a Sub-Fund. The exchange rates between the base currency and other currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. If the currency in which a security is denominated appreciates against the base currency, the value of the security could increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security. The risk of such declines is more pronounced with currencies of developing countries.

To the extent that a Sub-Fund seeks to use any techniques or investments to hedge or to protect against currency exchange risk, there is no guarantee that hedging or protection will be achieved. Unless otherwise stated in any Sub-Fund's investment policy, there is no requirement that any Sub-Fund seeks to hedge or to protect against currency exchange risk in connection with any transaction.

## CERTAIN OTHER INSTRUMENTS

A Sub-Fund's use of futures, options, warrants, forwards, swaps or swaptions involve increased risk. A Sub-Fund's ability to use such instruments successfully depends on the General Portfolio Manager/Investment Adviser's ability to accurately predict movements in stock prices, interest rates, currency exchange rates or other economic factors and the availability of liquid markets. If the General Portfolio Manager/Investment Adviser's predictions are wrong, or if the instruments do not work as anticipated, the Sub-Fund could suffer greater losses than if the Sub-Fund had not used such instruments. If a Sub fund invests in such instruments OTC, there is an increased risk that a counterparty may fail to honour its contract.

In some instances, the use of the above-mentioned instruments may have the effect of leveraging the Sub-Fund. Leveraging adds increased risks because losses may be out of proportion to the amount invested on the instrument. These instruments are highly volatile instruments and their market values may be subject to wide fluctuations. Even a small investment in these instruments can have a big impact on a Sub-Funds' market, currency and interest rate exposure. Therefore, using these instruments can disproportionately increase losses and reduce opportunities for gains when market prices, currency rates or

interest rates are changing. A Sub-Fund may not fully benefit from or may lose money on these instruments if changes in their value do not correspond accurately to changes in the value of the Sub-Fund's holdings. The other parties to certain derivative contracts present the same types of credit risk as described above in *Credit Risk*. The use of some of these instruments involves the risk that an issuer will exercise its right to pay principal on an obligation held a Sub-Fund earlier than expected. Under these circumstances, the Sub-Fund may be unable to recoup all of its initial investment and may suffer from having to invest in lower grade securities. There is also the risk that an issuer will exercise its right to pay principal on an obligation held a Sub-Fund later than expected. Under these circumstances, the Sub-Fund may suffer from inability to invest in higher yielding securities and the value of the obligation will decrease.

### **NON-PUBLICLY TRADED SECURITIES**

Non-publicly traded securities may involve a high degree of business and financial risk and may result in substantial losses. These securities may be less liquid than publicly traded securities, and a Sub-Fund may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realised from these sales could be less than those originally paid by a Sub-Fund. Further, companies whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded. The ability of any Sub-Fund to invest in non-publicly traded securities is limited as provided in point 2) a) under *Investment and Borrowing Restrictions*.

### **MORTGAGE RELATED SECURITIES**

A Sub-Fund that invests in fixed income securities may purchase "To Be Announced" securities ("**TBA**s"). TBAs are to be considered as Transferable Securities within the limits specified under "*Investment and Borrowing Restrictions*" above. This refers 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 individual 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. Purchasing a TBA involves a risk of loss if the value of the security to be purchased declines prior to the settlement date. Risks may also arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts.

In the period between trade and settlement date, a Sub-Fund will maintain an amount of cash or near cash assets, or floating rate securities that equal to the amount of TBA purchase commitments and provided that the interest rate applicable to the floating rate securities is adjusted at least annually on the basis of market conditions.

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.

If the TBA sale commitment is closed through the acquisition of an offsetting purchase commitment, a Sub-Fund realises a gain or loss on the commitment without regard to any unrealised gain or loss on the underlying security. If a Sub-Fund delivers securities under the commitment, a Sub-Fund realises a gain or loss from the sale of the securities upon the unit price established at the date the commitment was entered into.

A Sub-Fund may also enter into forward roll transactions with respect to mortgage related securities issued by Ginnie Mae, Fannie Mae or Freddie Mac. These transactions are to be considered as Techniques and Instruments as described under "*Investment Techniques*" in this Summary Prospectus. In a forward roll transaction, a Sub-Fund sells a mortgage security to a financial institution, such as a bank or broker-dealer, and simultaneously agrees to repurchase a similar security from the institution at a later date at an agreed upon price. The mortgage securities repurchased will bear the same interest rate as those sold, but generally will be collateralised by different pools of mortgages with different prepayment histories than those sold. During the period between the sale and repurchase, the relevant Sub-Fund will not be entitled to receive interest and principal payments on the securities sold. Proceeds of the sale will be invested in cash or near cash assets, or floating rate securities provided that the interest rate applicable to the floating rate securities is adjusted at least annually on the basis of market conditions and in short-term instruments, particularly repurchase agreements. Forward roll transactions involve the risk that the market value of the securities sold by a Sub-Fund may decline below the repurchase price of those securities. A Sub-Fund may not enter into forward roll transactions with respect to securities which it does not own.

A Sub-Fund may enter into a forward roll transaction only in accordance with normal market practice and provided that consideration obtained under the transaction is in the form of cash. A Sub-Fund may only enter into a forward roll transaction with counterparties which are rated A-2 or P-2 or better by S&P or Moody's or given an equivalent rating by any other recognised rating agency. Until settlement of a forward roll transaction, the repurchase price for the underlying security must at all times be in the custody of the Custodian Bank.

## Investing In The Fund

The Management Company has authority to effect the issue of Units in any Sub-Fund or Classes in respect of any Sub-Fund.

### CLASSES OF UNITS

Within certain Sub-Funds, the Management Company has created different Classes to accommodate different subscription and redemption provisions and/or fees and charges to which they are subject. Two Classes are currently available: Class A Units, which may be offered with a sales charge that applies at the time of subscription and Class B Units, which are offered with no initial sales charge, but may be subject to a Contingent Deferred Sales Charge ("CDSC") at the time of redemption. Ongoing expenses of the Classes will also differ. Please see Fees and Expenses. Over time these differences in sales charges and ongoing expenses may result in Units of different Classes of the same Sub-Fund, which were bought at the same time, producing different investment returns.

**The Management Company, Intermediaries, Transfer Agent and Registrar and others authorized from time to time by the Management Company are entitled to retain for their own accounts subscription or redemption commissions for handling the purchase, sale and conversion of Units.**

**The Management Company and Intermediaries may, from time to time, waive their fees and/or sales charges, as they deem appropriate.**

#### Class A Units

Class A Units are available for investment at their Net Asset Value per Unit plus a maximum initial sales charge of up to 5%. The sales charge is payable to Intermediaries or, with regard to direct subscriptions, to the Transfer Agent and Registrar.

#### Class B Units

Class B Units are available for investment at their Net Asset Value per Unit with no initial sales charge. However, Class B Units are subject to CDSC payable if the Units are redeemed within four years of the date of issuance. Class B Units are subject to higher management fees than Class A Units. The CDSC will be paid to an affiliate of Legg Mason and/or to intermediaries to defray expenses incurred in providing distribution-related services to the Fund.

The amount of the CDSC payable with respect to the Class B Units, depends on the length of time since the Class B Units were issued and is calculated as follows:

<u>Years Since Subscription</u>	<u>CDSC</u>
First	4%
Second	3%
Third	2%
Fourth	1%
Fifth and following	0%

The CDSC will be computed on the amount equal to the lesser of the Net Asset Value of the Class B Units at the date of redemption or the original subscription price of the Units. Accordingly, no CDSC will be imposed on increases in the Net Asset Value of such Class B Units above their original subscription price. In determining whether a CDSC is applicable, the calculation will be determined in the manner that results in the lowest possible CDSC rate being applied. This means that it is assumed that a redemption is made first from Units purchased more than four years ago and then from Units held the longest during the four-year period. In those cases where Units were acquired through the transfer of Units from one Unitholder to another, it will be assumed that any transfer of Units is made first from Units held by the relevant Unitholders that are in issue for more than four years and then from Units in issue for the longest during the four-year period.

No CDSC will be imposed on redemption of Class B Units purchased through reinvestment of dividends or capital gains distribution.

After 6 years, Class B Units automatically convert into Class A Units of the same Sub-Fund based on the relative Net Asset Value per Unit of each Class of Units and without the imposition of any sales charges or conversion fees.

In addition, a certain percentage of Class B Units in each Sub-Fund that have been acquired through the reinvestment of dividends will also be converted into Class A Units on the conversion date after 6 years of holding. That percentage will be

equal to the ratio of the total number of Class B Distribution Units in the relevant Sub-Fund being converted at that time over the total number of Class B Distribution Units outstanding in that Sub-Fund.

## SUBSCRIPTION APPLICATIONS

Investors may subscribe for Units in each Sub-Fund on each day on which banks and financial institutions in Luxembourg are open all day for business (a "Business Day") provided that subscription applications in proper form are received by the Transfer Agent and Registrar as provided below. The minimum subscription for each Class of Units is US\$1,000 or its equivalent.

Units will be issued in registered form in fractions up to three decimal places. No certificates will be issued.

Units are offered at their unknown Net Asset Value calculated on the Business Day immediately following the receipt of the application (a "Valuation Day") provided that the application, duly completed, is received at the office of the Transfer Agent and Registrar in Luxembourg not later than 3.00 p.m. Luxembourg time on the Business Day preceding the Valuation Day. Applications received after such time shall be deemed to have been received on the following Business Day. Sales charges and any issue taxes incurred shall be added. Payment of the subscription price must be made to the Custodian Bank within 3 Business Days after the Valuation Day unless the settlement period has been extended for any Sub-Fund.

The Management Company may apply a charge (for the benefit of the relevant Sub-Fund), of up to 1% of the net asset value of Units subscribed for when considered appropriate in order to reflect any fiscal charges and dealing costs incurred on the purchase of assets for the relevant Sub-Fund and with the aim of protecting existing Unitholders from bearing such costs.

Each investor may subscribe directly for Units of any Sub-Fund by sending an application to the Transfer Agent and Registrar without using an Intermediary. Alternatively, applications by Hong Kong investors may be sent to the Hong Kong Representative. Although the Hong Kong Representative does not have any authority to bind the Fund or the Management Company it is responsible for forwarding applications to the Management Company and transferring subscription monies to the Transfer Agent and Registrar for the account of the Fund. Upon receipt of a duly completed application form the Hong Kong Representative will endeavour to forward to the Transfer Agent and Registrar the application not later than close of business (Hong Kong time) on the Hong Kong business day (being a day, other than Saturday, on which banks in Hong Kong are open for business provided that if on any such day the period during which banks in Hong Kong are open is reduced as a result of a tropical cyclone signal number 8 or above, Black Rainstorm warning or other similar event, such day shall not be a Hong Kong Business Day unless the Hong Kong Representative otherwise agrees) ) following the Hong Kong Representative becoming aware of such receipt.

Subscription monies must be paid by cheque, draft or by telegraphic transfer in the base currency of the relevant Sub-Fund. In the case of payments otherwise than in the base currency of the relevant sub-fund, the Hong Kong Representative may charge the applicant the cost of conversion into the base currency and deduct the same from the applicant's investment amount. Conversion into the base currency will be at market rate and undertaken on an arm's length basis. There will be no mark-up retained by the Hong Kong Representative, the Management Company or any of their connected persons in respect of such conversion costs. No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance in Hong Kong.

Upon receipt by the Hong Kong Representative of an application and the subscription monies in full, the Hong Kong Representative will issue a contract note showing the terms of the purchase and the Fund will issue a confirmation in respect of the Units allotted in relation to that application.

Measures aimed towards the prevention of money laundering may require a detailed verification of an investor's identity in accordance with the applicable laws and regulations in Luxembourg and/or in the country where an application is received by an Intermediary. The Management Company shall have the right to reject any subscription applications in whole or in part, in which case subscription monies paid, or the balance thereof, as appropriate, will be returned (without interest) to the investor within three Business Days.

Applications for Units received during any period when the issue or valuation of Units has been temporarily suspended in the circumstances described under *Temporary Suspension of Dealings* below, will not be processed until dealings have resumed. Such applications will be processed on the next Business Day after dealings have recommenced, unless such application has been withdrawn during the period of suspension of dealings.

Where two or more persons jointly acquire Units of the Fund and request to be registered as joint owners in the register of Unitholders, the Management Company and the Transfer Agent and Registrar shall have the right, without liability to any of the joint Unitholders, to deal with any of the joint Unitholders as if that person was the single true owner of the Units and to execute redemption, transfer, conversion and other relevant instructions of any one of the joint owners acting singly whether these instructions pertain to some or to all of the Units jointly owned by the subscribers.

The Management Company may determine that a pattern of frequent dealings is detrimental to the Sub-Funds' performance and other Unitholders. If so, the Management Company may limit additional subscriptions and/or conversions by the investor or the Unitholder.

The Fund is not designed to provide investors with means of speculation on short-term market movements. A pattern of frequent dealings by investors can be disruptive to efficient portfolio management and, consequently, can be detrimental to the Sub-Funds and their Unitholders. Accordingly, if the Management Company in its sole discretion determines that an investor or Unitholder is engaged in excessive trading, the Management Company, with or without prior notice, may temporarily or permanently terminate the availability to that investor or Unitholder of Sub-Fund dealings, or reject in whole or part any subscription and conversion request with respect to such investor's or Unitholder's holding. Such investors or Unitholders also may be barred from dealings involving other funds in the Legg Mason funds families. Holdings under common ownership or control will be considered as one holding for purposes of determining a pattern of excessive trading. The Management Company may notify an investor or Unitholder of rejection of a subscription and conversion order after the day the order is placed. If such an order is rejected, the Management Company will take no other action with respect to the Units until it receives further instructions from the investor or Unitholder. The Management Company's policy on excessive trading applies to investors or Unitholders who invest in the Fund directly or through intermediaries or nominees.

## **REDEMPTION**

Except where dealings have been temporarily suspended, Unitholders may request the redemption of some or all of their Units at a price based on their Net Asset Value less any applicable taxes and CDSC.

The redemption price for each Class of Units shall be based on the unknown net asset value calculated on the Valuation Day immediately following the receipt of the redemption application by the Transfer Agent and Registrar in Luxembourg. Redemption applications, duly completed, will be considered, if received by the Transfer Agent and Registrar, not later than 3.00 p.m. Luxembourg time on a Business Day immediately preceding a Valuation Day. Redemption applications received after such time shall be considered on the next following Business Day.

The Management Company may (for the benefit of the relevant Sub-Fund), apply a charge of up to 1% of the net asset value of units redeemed when considered appropriate in order to reflect any fiscal charges and dealing costs incurred on the realisation of assets of the relevant Sub-Fund and with the aim of protecting remaining Unitholders from bearing such costs.

If a redemption order reduces the value of the investor's holding or the number of Units, below any minimum holding requirement fixed by the Management Company such order will be treated as an order to redeem the investor's entire holding in respect of that Sub-Fund, unless the Management Company otherwise determines.

Whenever a Hong Kong resident wishes to redeem or convert the whole or any part of his holding of Units, he should submit his request or instructions to the Hong Kong Representative. The Hong Kong Representative will endeavour to ensure, but without any responsibility to any Unitholder, that requests and instructions for the redemption or conversion of Units received before close of business (Hong Kong time) on any Hong Kong business day will be transmitted to the Transfer Agent and Registrar in Luxembourg by such time on the same day as will enable effect to be given to such instructions at the relevant price per Unit calculated on the immediately following Valuation Day.

Net redemption proceeds will, at the option of each Unitholder, be paid by cheque, in the currency of the relevant Sub-Fund and will be sent to the Unitholder's address of record or by wire transfer to a financial institution for the account of the Unitholder, subject to foreign exchange regulations applicable in the country where the payment has to be made.

Except in the case of force majeure, payment of net redemption proceeds shall normally be initiated from Luxembourg within three Business Days from the Valuation Day for which the Transfer Agent and Registrar has received the relevant redemption request. However, assuming that (i) there is no delay in a redeeming Unitholder submitting any relevant documentation and (ii) calculation of the net asset value per Unit and issue and redemption of Units has not been temporarily suspended, the maximum period which should elapse between the receipt of a valid redemption request and payment of redemption proceeds will be one calendar month.

Where redemption requests in respect of any Sub-Fund exceed 10% of the total number of Units of such Sub-Fund in issue, the Management Company may delay the calculation of the redemption price until it has sold the corresponding assets and delay correspondingly the payment of the redemption proceeds. If redemption requests in a particular Sub-Fund on any Business Day exceed 10% of all the Units in such Sub-Fund in issue on such Business Day, the Management Company shall be entitled at its discretion not to redeem such excess number of Units and the requests for redemption on such date shall be reduced rateably among the investors. Units which are not redeemed shall be redeemed on each subsequent Business Day in priority to any redemption application received thereafter. Unitholders affected by such decision or reduction of their redemption shall be informed by all appropriate means.

Where the Management Company becomes aware that a Unitholder (i) is a US Person or is holding Units for the account of a US Person; (ii) is holding Units in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax or fiscal consequences for the Fund or the Unitholders; the Management company may (a) direct the relevant Unitholder to dispose of those Units to a person who is qualified or entitled to own or hold the Units within a specified time period; or (b) redeem the Units at the net asset value per Unit of the relevant Units as at the next Business Day after the date of notification to the Unitholder or after the end of the period specified for transfer or disposal pursuant to (a) above.

## CONVERSION OF UNITS

Except where dealings in Units have been temporarily suspended, Unitholders will be entitled on each Business Day to convert any or all of their Units of any Class of a Sub-Fund ("**Original Sub-Fund**") for Units of the same Class of any other Sub-Fund available for issue at that time ("**New Sub-Fund**"). Investors may make such conversions without the payment of any additional sales charges or CDSC. A conversion fee of 1% may apply as described below. At the discretion of the Management Company, Unitholders may also convert Units of one Class of a Sub-Fund (in which case the expression "Original Sub-Fund" shall also apply to this situation) into Units of another Class in the same or another Sub-Fund ("New Sub-Fund").

New Class B Units issued upon conversion will continue to age without regard to the conversion, i.e., the CDSC will continue to be measured from the date of the original subscription of Class B Units. Upon redemption the CDSC, if any, will be applied to the new Class B Units.

The conversion will take place at the unknown Net Asset Value per Unit determined for the respective Classes established on the Valuation Day common to both Sub-Funds, immediately following the Business Day on which the application for conversion has been received. Conversion applications, duly completed, will be considered if received by the Transfer Agent and Registrar not later than 3.00 p.m. Luxembourg time.

Conversion requests may not be withdrawn without the consent of the Management Company except when the conversion of Units has been temporarily suspended.

The Intermediary or the Transfer Agent and Registrar may charge a conversion fee of 1%. The maximum permitted rate of the conversion fee under the Management Regulations is 2%. Any increase in the current conversion fee rate up to the maximum permitted level may only be implemented upon giving not less than 3 months' notice to affected Unitholders.

The Management Company may apply a charge of up to 1% of the net asset value of Units of the Original Sub-Fund when considered appropriate by the Management Company in order to reflect any fiscal charges and dealing cost incurred on the purchase or realisation of assets for the Sub-Fund and with the aim of protecting the remaining Unitholders from carrying such charges and cost. The amount of fee so collected shall be retained in the relevant Sub-Fund. Unitholders may enquire with the Intermediary or the Transfer Agent and Registrar on the exact level of conversion fee which will be applied to their conversion.

The Management Company and the Custodian Bank have discretion to delay applications for conversion, suspend or limit the issue of Units, if deemed in the best interests of the Unitholders of the Sub-Fund(s) or of any Class(es) concerned. Such decision shall be communicated by all appropriate means to the investors who have applied for a conversion.

## Distribution Policy

The Management Company, in its sole discretion, decides in respect of each Class of Units whether and to what extent distributions are to be made to Unitholders. Such decision shall be made in the light of the dividend policy announced for each Sub-Fund. In this respect all Units of the relevant Sub-Fund are entitled to participate equally in the profits and dividends made in respect to the Sub-Fund to which they relate.

It is presently intended that, in respect of all Sub-Funds, net investment income, after provision for expenses, shall be reinvested in the respective Sub-Fund and distribution of dividends is not contemplated.

When distributions are declared, the Management Company fixes the record date determining Unitholders entitled to participate in the distributions. The decisions of the Management Company are final and binding.

Entitlement to dividends and allocations not claimed within 5 years of the due date shall be forfeited and the corresponding assets shall revert to the Sub-Fund concerned.

No distribution may be made as a result of which the net assets of the Fund would become less than equivalent in USD of 1,250,000 Euro.

## Fees And Expenses

### MANAGEMENT FEE

A Management Fee shall be charged and allocated to the Management Company, the General Portfolio Manager and Investment Advisers as well as the Intermediaries. The fee shall accrue daily, and be payable monthly in arrears at the applicable annual rates set out below (which are both the current and maximum rates charged to the relevant classes) on the basis of the average daily net assets attributable to each Class of each Sub-Fund during the relevant month:

	<b>Class A units</b>	<b>Class B units</b>
Legg Mason Global Balanced	Up to 1.67 %	Up to 2.67%
Legg Mason Global Growth	Up to 1.77 %	Up to 2.77%
Legg Mason Global Enhanced Growth	Up to 1.92 %	Up to 2.92%
Legg Mason Asia Tilt Balanced	Up to 1.67 %	Up to 2.67%
Legg Mason Asia Tilt Growth	Up to 1.77 %	Up to 2.77%
Legg Mason Asia Tilt Enhanced Growth	Up to 1.92 %	Up to 2.92%

The maximum rate of the Management Fee provided for in the Management Regulations is 4% per annum. However, a lower current and maximum rate has been set for the existing Classes of units and any increase in such rates up to the maximum permitted level will only be implemented upon giving 3 months' notice to affected Unitholders.

The annual rates applied during any semi-annual period will be disclosed in the annual or half-yearly reports covering such period.

### OTHER FEES AND EXPENSES

Each Sub-Fund may also bear certain other fees and expenses, including:

- the Custodian Bank's fee in accordance with usual practice in Luxembourg, the maximum of which is set out below. Notwithstanding such fees, the Fund may incur any reasonable disbursements and out-of-pocket expenses of the Custodian Bank, any charges of banks and financial institutions to which the keeping of assets of a Sub-Fund is entrusted, all charges and expenses incurred in relation to the registration of any investment into and the transfer of any investment out of the name of the Custodian Bank in accordance with usual practice in Luxembourg. Amounts paid are shown in the Fund's financial reports:
- the fees and expenses of the Administrator for acting as Transfer Agent and Registrar;
- the fees and expenses of the Board (including the fees of directors who are not employed by the Legg Mason group and the costs of premiums for Directors' liability insurance and other insurance charges relating to the management of the Fund):
- operating expenses incurred by / in relation to the Management Company, Custodian Bank, Administrator, the auditors, the legal advisers as well as the expenses of the preparation, printing and distribution of all notices to Unitholders, annual and half-yearly reports and of the Prospectus and this Summary Prospectus and any updated versions thereof and certain expenses connected with the placing of shares), fees and expenses incurred in publishing the net asset value of Units, all brokerage commissions, all taxes, duties or charges payable by the Fund and the registration expenses of the Fund and maintenance expenses relating to registration with any governmental authority or stock exchange. No advertising expenses other than the costs of preparation and printing of the Prospectus and Summary Prospectus, any offering circular in relation to one or more Sub-Funds and the reports and accounts will be borne by the Fund.

The fees and expenses of the Custodian Bank, the Administrator, Transfer Agent and Registrar, which may amount up to 0.15% per annum based on the daily average of the Net Asset Value

The fees and expenses will be payable out of the assets of the Fund and attributed to each Sub-Fund in respect of which they are incurred or (where the Management Company does not consider them as having been incurred in respect of any particular Sub-Fund) attributed to all Sub-Funds pro rata to their net asset values in accordance with the Management Regulations.

### **ESTABLISHMENT EXPENSES**

The Management Company and/or the General Portfolio Manager and Investment Adviser(s) may initially incur any or all of the formation expenses on behalf of the Fund and any Sub-Fund, in which case they will be entitled to be reimbursed out of the assets of the Sub-Funds. The formation expenses were fully amortised.

These expenses will, in principle, be borne by the Sub-Funds created at the launch of the Fund. In cases where further Sub-Funds are created, these Sub-Funds will participate in bearing such formation expenses if not fully amortised. The remaining amount of unamortised formation expenses in relation to the Fund have been fully amortised.

## Net Asset Value

The Net Asset Value is the market value of the assets of each Sub-Fund, including accrued income less liabilities and provision for accrued expenses attributable to each Class. The Net Asset Value per Unit is calculated on each Valuation Day by the Administrator in the denomination of the respective Classes. The Net Asset Value per Unit is obtained by dividing the applicable Net Asset Value by the number of Units in issue for the relevant Class in the currency of denomination of such Class. The Net Asset Value per Unit of Class A Units and Class B Units will differ within each Sub-Fund as a result of the different fee structures for each Class.

The Net Asset Value per Unit of each Sub-Fund shall be published daily in the South China Morning Post and the Hong Kong Economic Journal. The Net Asset Value of each Sub-Fund, as well as the issue and redemption prices, may also be obtained on each Business Day in Luxembourg from the offices of the Management Company and the Custodian Bank.

## Temporary Suspension Of Dealings

The Management Company may at any time temporarily suspend the valuation, issue, sale, conversion or redemption of Units in a Sub-Fund or Class of Units during:

- (i) any period when any stock exchange or Regulated Market on which a substantial portion of the investments of a Sub-Fund are quoted, listed or dealt in is closed otherwise than for ordinary holidays, or during which dealings in any such stock exchange or Regulated Market are restricted or suspended;
- (ii) any period where, as a result of political, military, economic or monetary events or other circumstances beyond the control of the Management Company, the disposal or valuation of investments of a Sub-Fund cannot, in the opinion of the Management Company, be effected or completed normally or without prejudicing the interest of Unitholders;
- (iii) any breakdown in the means of communication normally employed in determining the value of any investments of a Sub-Fund or during any period when for any other reason the value of investments of a Sub-Fund cannot, in the opinion of the Management Company, be promptly or accurately ascertained; or
- (iv) any period when the Management Company is unable to repatriate funds for the purposes of making redemption payments or during which the realisation of investments of a Sub-Fund, or the transfer or payment of funds involved in connection therewith cannot, in the opinion of the Management Company, be effected at normal prices or normal rates of exchange.

Notice of any such suspension of dealings shall be published in the South China Morning Post and Hong Kong Economic Journal and despatched to affected Unitholders. Unitholders who have requested subscription, conversion or redemption of Units in any Sub-Fund(s) affected by the suspension will have their subscription, conversion or redemption request dealt with at an unknown NAV on the first Valuation Day after the suspension has been lifted unless subscriptions, conversion or redemption requests have been withdrawn prior to the lifting of the suspension.

# Taxation

**Unitholders and potential investors are advised to consult their professional Advisers concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.**

## LUXEMBOURG

A tax ("**Taxe d'abonnement**") of 0.05% per annum, payable quarterly, is imposed on the net assets of the Fund by the 2002 Law, calculated quarterly on the basis of the net asset value of each Sub-Fund on the last day of the quarter.

A Sub-Fund may be exempted of this 0.05% tax if it complies with the requirements of the Luxembourg law of 19 December 2003 which are the following: (i) the units of the Sub-Fund must be reserved to institutional investors within the meaning of article 129 of the 2002 Law; (ii) the exclusive object of the Sub-Fund's portfolio must be the investment in Money Market Instruments and/or deposits with credit institutions; (iii) the remaining average maturity of the Sub-Fund's portfolio must be less than 90 days and (iv) the Sub-Fund must benefit the highest possible rating of a recognised rating agency.

The portion of the assets of any Sub-Fund invested in other Luxembourg UCIs is not subject to the aforesaid tax. Pursuant to law and practice in force at present, no other taxes are payable to the Luxembourg State or municipality and no withholding tax will be deducted at source from dividends paid on any Units issued by the Fund.

In addition, the Fund or Sub-Funds' assets may be subject to an additional taxation levied by foreign tax, governmental authorities of the jurisdictions where the Fund or Sub-funds are registered or distributed.

Unitholders who are not residents of Luxembourg for tax purposes under current Luxembourg regulations or applicable tax treaties, are not required to pay any income, gift, inheritance or other tax in Luxembourg in relation to their holding in the Fund.

The Council of the European Union adopted, on 3 June 2003 a Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "**Savings Tax Directive**") under which Member States of the European Union ("**Member States**") will be required to provide tax authorities of another Member State with details of payment of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State. Austria, Belgium and the Grand Duchy of Luxembourg have opted instead for a withholding tax system for a transitional period in relation to such payments. Certain other countries, including the Swiss Confederation, dependant or associated territories in the Caribbean, the Channel Islands, Isle of Man, the Principality of Monaco and the Principality of Liechtenstein, Principality of Andorra and Republic of San Marino will also be introducing measures equivalent to information reporting or withholding tax. The law implementing the Savings Tax Directive into Luxembourg law has been adopted on 21 June 2005 (the "**Law of 21 June 2005**"). Pursuant to the Law of 21 June 2005, the withholding tax rate will be 20% until 30 June 2011, rising to 35% from 1 July 2011 onwards.

Article 9 of the Law of 21 June 2005 provides that no withholding tax will be withheld if the beneficial owner expressly authorizes the paying agent to report information in accordance with the provisions of the Law of 21 June 2005.

Dividends distributed by a Sub-Fund will be subject to the Savings Tax Directive if more than 15% of the relevant Sub-Fund's assets are invested in debt claims as defined in the Law of 21 June 2005. Proceeds realised by Unitholders on the disposal of Units will be subject to such reporting or withholding if more than 40% of the relevant Sub-Fund's assets are invested in debt claims as defined in the Law of 21 June 2005.

The Management Company reserves the right to reject any application for Units if the information provided by any prospective investor does not meet the standards required by legislation enacted as a result of this Savings Tax Directive.

## HONG KONG

As the Fund has been authorised by the SFC in Hong Kong, profits of the Fund arising from the sale or disposal of securities, interest received by or accruing to the Fund and certain other profits of the Fund (including those under foreign exchange contracts and certain futures contracts) are exempt from Hong Kong profits tax. It is not expected that any other significant profits arising from the activities of the Fund will be subject to Hong Kong profits tax. Except as mentioned below, Unitholders will not be subject to any Hong Kong tax on distributions from the Fund or on capital gains realised on the sale of any Units in the Fund. If the acquisition and realisation of Units in the Fund is or forms part of a trade, profession or business carried on in Hong Kong, gains realised by the relevant Unitholder may attract Hong Kong profits tax. Units will not attract Hong Kong estate duty and no Hong Kong stamp duty will be payable on the issue or transfer of Units in the Fund.

## Fund And Management Information

Unitholders have no voting rights and there is no provision in the Law or in the Management Regulations for meetings of Unitholders.

The assets of each Sub-Fund are separated from those of the Management Company. Unitholders of each Sub-Fund (Class or Classes, where applicable) have equal rights in the relevant Sub-Fund (Class or Classes) in proportion to the number of Units that they own.

### THE GENERAL PORTFOLIO MANAGER AND THE INVESTMENT ADVISERS

Legg Mason Global Asset Allocation, LLC is the General Portfolio Manager of the Fund. It may act through any of its branches.

The Management Company has appointed the General Portfolio Manager to (a) act as investment manager to the Fund and (b), if the General Portfolio Manager deems appropriate, select investment advisers ("**Investment Advisers**") and to monitor investment performance and compliance with investment restrictions and guidelines.

The General Portfolio Manager will allocate to each Investment Adviser a portion of assets of the Fund in respect of which the Investment Adviser concerned shall have the authority and responsibility for investing such assets in accordance with such Investment Adviser's best judgement pursuant to the investment style and process agreed from time to time between such Investment Adviser and the General Portfolio Manager. The General Portfolio Manager may also act as Investment Adviser in respect of a certain portion of the assets of the Fund.

The investment advisers appointed from time to time by the General Portfolio Manager are listed in Appendix 1 to this document which will be updated if new or replacement investment advisers are appointed. Details of the investment advisers will also be included in the Fund's annual financial report and accounts however investors will not be notified of any change in the appointment of the investment advisers during the course of any financial year.

The Management Company is responsible for the fees of the General Portfolio Manager and the Investment Advisers.

### THE MANAGEMENT COMPANY

The Management Company, Legg Mason Investments (Luxembourg) S.A. (formerly Citi FCP S.A.), was established in Luxembourg on 26 May 1988 as a Societe Anonyme. Its object is the creation, administration and management of mutual investment funds.

The Board undertakes all actions necessary to meet the Management Company's objectives. In particular it is responsible for the management of the assets of the Fund in accordance with the investment objectives and investment restrictions as stipulated in this Summary. It has full power to act on behalf of the Management Company. The Management Company is bound by the Management Regulations, which were established on 26 March 1996, deposited with the "*Registre de Commerce et des Sociétés*" of Luxembourg and initially published in the "*Luxembourg Memorial Recueil des Sociétés et Associations*" (the "**Mémorial**"). They have been amended a number of times since then.

The Management Company may amend the Management Regulations in the interest of the Unitholders and with the approval of the Custodian Bank.

The Management Company has its registered office at 145, rue du Kiem, L-8030 Strassen. Its fully paid in capital resources amount to US\$1,970,000 represented by 197,000 registered shares. Its Articles of Incorporation were deposited with the "*Registre de Commerce et des Sociétés*" of Luxembourg and published in the *Mémorial* (Official Gazette) on 25 July 1988. They were amended for the last time on 31 March 2008. It is registered on the "*Registre du Commerce et des Sociétés*" under number R.C.S. Luxembourg B28121.

At the date of this Summary, the Management Company is further managing seven other funds established in Luxembourg that are promoted and managed by Legg Mason affiliates.

**THE CUSTODIAN BANK – ADMINISTRATOR, TRANSFER AGENT AND REGISTRAR**

Citibank International plc (Luxembourg Branch) serves as the Fund's Custodian Bank and has undertaken to provide services to the Management Company for the custody and safekeeping the securities and cash in the Fund's assets.

Citibank International plc (Luxembourg Branch) has further been appointed by the Management Company as administrative agent, transfer agent and registrar of the Fund with responsibility for the administrative functions required by Luxembourg law.

The Fund may trade investments and settle transactions through electronic trading platforms and clearance systems such as the Euroclear system. In certain cases such investments may be pooled with the assets of other funds and will be held subject to the local rules applying to the relevant trading platform or clearance system.

Citibank International plc (Luxembourg Branch) is a branch of Citibank International plc, London. It has an office in Luxembourg. Citibank International plc, London was incorporated in 1972 and is ultimately wholly owned by Citigroup.

## Segregation Of Assets And Liabilities And Pooling

### **SEGREGATION OF ASSETS AND LIABILITIES**

The assets and liabilities attributable to each Fund established by the Management Company will be segregated and there will be no pooling between Sub-Funds (subject, with regard to the assets, to the permitted joint investment techniques described below under *Pooling*). Each Sub-Fund and Class will bear its own liabilities.

### **POOLING**

#### **Joint Investment Accounts ("JIA"):**

In accordance with the Management Regulations, the Management Company may decide to create one or more JIAs and to contribute all or part of the assets of two or more Sub-Funds to one or more JIAs. The JIAs are a matter of internal organisation of the Fund and are not directly accessible to the investors.

The Management Company shall determine at the creation of a JIA the category and type of assets that may be contributed to such JIA as well as all other criteria such assets must comply with. Sub-Funds may contribute to a JIA only those assets commonly fulfilling these conditions.

A Sub-Fund may contribute up to 100 percent of its assets to one or more JIAs. Contributions to or withdrawals from a JIA may be effected at any time deemed appropriate for such Sub-Fund.

Any such JIA shall first be formed by transferring to it cash or other assets from each of the contributing Sub-Funds. Thereafter the Management Company may from time to time make further transfers to the JIA. It may also transfer assets from a JIA to a contributing Sub-Fund, up to the amount of the participation of the relevant contributing Sub-Fund.

The assets contributed to a JIA shall be managed in accordance with the investment objectives, policies and restrictions of each of the contributing Sub-Funds.

The participation of a Sub-Fund in each JIA shall be determined by reference to a notional Unit ("**the accounting Unit**") of equal value issued separately by each JIA. At the creation of a JIA, the Management Company shall determine the initial value of the accounting Unit and shall allocate to each Sub-Fund participating in such JIA a number of accounting Units having an aggregate value equal to the value of the assets contributed. The value of an accounting Unit shall be obtained by dividing the Net Asset Value of the JIA by the number of outstanding Units of such JIA.

When additional assets are contributed to or withdrawn from a JIA, the allocation of Units to the concerned Sub-Fund will be increased or reduced as the case may be by a number of Units determined by dividing the value of the assets contributed or withdrawn by the current value of a Unit. Where a contribution is made in cash, it will be treated for the purpose of this calculation as reduced by an amount which the Management Company considers appropriate to reflect fiscal charges and dealing and purchase costs which may be incurred by investing the cash concerned; in case of cash withdrawal, a corresponding addition will be made to reflect costs which may be incurred in realising assets of the relevant JIA.

Where any asset is derived from another asset, such asset shall be applied to the same JIA from which it was derived and on each revaluation of an asset the increase or diminution in value shall be applied to the relevant JIA.

Where the Fund incurs a liability which relates to any asset of a particular JIA or to any action taken in connection with an asset of a particular JIA such liability shall be allocated to the relevant JIA.

Where any asset or liability of the Fund cannot be considered as being attributable to a particular JIA such asset or liability shall be allocated to all the JIAs on a pro rata basis to the Net Asset Values of the relevant JIAs.

The Management Company may reallocate any asset or liability previously allocated by them if in their opinion circumstances so require.

The value of assets contributed to, withdrawn from, or forming part of a JIA at any time and the Net Asset Value of the JIA shall be determined in accordance with the provisions (*mutatis mutandis*) of the Management Regulations, provided that the value of the assets referred to above shall be determined on the day of such contribution or withdrawal.

Dividends, interests and other distributions of an income nature received in respect of the assets in a JIA shall be applied to the JIA and cause the respective net assets to increase. On the liquidation of the Fund or the closure of a JIA, the assets in such JIA will (subject to the claims of creditors) be allocated to the participating Sub-Funds in proportion of their respective participation in such JIA.

The assets contributed to a JIA shall be managed in accordance with the investment objectives, policies and restrictions of each of the contributing Sub-Funds.

All assets in a given JIA shall remain at all the times the undivided co-ownership of the participating Sub-Funds having contributed to such JIA.

### **Co-Management of Assets:**

Notwithstanding the foregoing, in order to reduce operational and administrative charges while allowing a wider diversification of the investments, the Board may decide that part or all of the assets of one or several Sub-Funds will be co-managed with assets attributable to other Sub-Funds or assets belonging to other Luxembourg collective investment schemes.

In the following paragraphs, the words "co-managed entities" shall refer globally to the Fund and each of its Sub-Funds and all entities with and between which there would exist any given co-management arrangement and the words "co-managed assets" shall refer to the entire assets of these co-managed entities and co-managed pursuant to the same co-management arrangement.

Under the co-management arrangement, the General Portfolio Manager/Investment Advisers will be entitled to take, on a consolidated basis for the relevant co-managed entities, investment, disinvestment and portfolio readjustment decisions which will influence the composition of the assets of the Sub-Fund. Each co-managed entity shall hold a portion of the co-managed assets corresponding to the proportion of its net assets to the total value of the co-managed assets. This proportional holding shall be applicable to each and every line of investment held or acquired under co-management. In case of investment and/or disinvestment decisions these proportions shall not be affected and additional investments shall be allotted to the co-managed entities pursuant to the same proportion and assets sold shall be levied proportionately on the co-managed assets held by each co-managed entity.

In case of new subscriptions in one of the co-managed entities, the subscription proceeds shall be allotted to the co-managed entities pursuant to the modified proportions resulting from the net asset increase of the co-managed entity which has benefited from the subscriptions and all lines of investment shall be modified by a transfer of assets from one co-managed entity to the other in order to be adjusted to the modified proportions. In a similar manner, in case of redemption in one of the co-managed entities, the cash required may be levied on the cash held by the co-managed entities pursuant to the modified proportions resulting from the net asset reduction of the co-managed entity which has suffered from the redemption and, in such case, all lines of investment shall be adjusted to the modified proportions. Unitholders should be aware that, in the absence of any specific action by the Fund or its appointed agents, the co-management arrangement may cause the composition of assets of the Sub-Fund to be influenced by events attributable to other co-managed entities such as subscriptions and redemption. Thus, all other things being equal, subscriptions received in one entity with which a Sub-Fund is co-managed will lead to an increase of such Sub-Fund's reserve of cash. Conversely, redemption made in one entity with which a Sub-Fund is co-managed will lead to a reduction of such Sub-Fund's reserve of cash. Subscriptions and redemption may however be kept in the specific account opened for each co-managed entity outside the co-management arrangement and through which subscriptions and redemption must pass. The possibility to allocate substantial subscriptions and redemption to these specific accounts together with the possibility for the Fund or its appointed agents to decide at any time to terminate the co-management arrangement permit the Fund to avoid the readjustments of the assets of its Sub-Fund if these readjustments are likely to affect the interest of the Fund or the Sub-Fund and of their Unitholders.

If a modification of the composition of the Fund or one or several Sub-Fund's assets resulting from redemption or payments of charges and expenses peculiar to another co-managed entity (i.e. not attributable to the Fund or the Sub-Fund concerned) is likely to result in a breach of the applicable investment restrictions, the relevant assets shall be excluded from the co-management arrangement before the implementation of the modification in order for it not to be affected by the ensuing adjustments.

Co-managed assets shall only be 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 investment decisions are fully compatible with the investment policy of the Sub-Fund. Co-managed assets shall only be co-managed with assets for which the Custodian Bank is also acting as Custodian Bank in order to ensure that the Custodian Bank is able, with respect to the Fund or its Sub-Fund, to fully carry out its functions and responsibilities pursuant to the 2002 Law. The Custodian Bank shall at all times keep the Fund's assets segregated from the assets of other of co-managed entities and shall therefore be able at all time 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.

The Fund may decide at any time and without notice to terminate the co-management arrangement.

Unitholders may at all times contact the registered office of the Fund to be informed of the percentage of assets which are co-managed and of the entities with which there is such a co-management arrangement at the time of their request. Annual and half-yearly reports shall state the co-managed assets' composition and percentages.

# General

## **DURATION OF THE FUND; LIQUIDATION OF THE FUND; TERMINATION OF A SUB-FUND OR CLASS AND MERGER OF THE SUB-FUNDS AND CLASSES**

There is no limit to the duration of the Fund. The Fund may, however, be liquidated and any Sub-Fund and/or Class of Units may be terminated or merged in the following circumstances:

### **Liquidation of the Fund and Termination of a Sub-Fund or Class of Units**

- a) The decision to liquidate the Fund or terminate any Sub-Fund or Class of Units will be taken by mutual agreement of the Management Company and the Custodian Bank. The Management Company may, in particular, decide such liquidation or termination where the Net Asset Value of the Fund, Sub-Fund or Class (as the case may be) has decreased to an amount equal to or less than that determined by the Management Company, from time to time, to be the minimum Net Asset Value for the Fund, Sub-Fund or Class (as the case may be) to be operated in an efficient manner, or in case of a significant change in the economic, social or political situation or for any other reasons deemed by the Management Company to be in the best interest of the Unitholders. No Units of the Fund, Sub-Fund or Class (as the case may be) will be issued after the date of such decision. Redemption and conversion of the Units remain possible if the equal treatment of the Unitholders is safeguarded. Three months' prior notice (or such shorter period as the SFC may agree) of the liquidation or termination shall be given to Unitholders concerned as deemed appropriate by the Management Company or required in any relevant jurisdiction where the Fund is distributed. During the period leading up to the liquidation or termination of the Fund, Sub-Fund or Class (as the case may be) the redemption price will reflect all estimated expenses and costs relating to the liquidation or termination.

In the event that the Management Company exercises its discretion to terminate the Fund, any Sub-Fund and/or class of units as a result of the net asset value of the Fund, Sub-Fund or class of units (as the case may be) decreasing to an amount equal to or less than such amount determined by the Management Company from time to time, affected Unit Holders shall be entitled to convert their units the subject of such termination free of charge into any other SFC authorised Legg Mason fund (in the event the Fund is terminated) or remaining Sub-Fund (in the event that a Sub-Fund is terminated) and the Fund continues in existence.

- b) The Fund shall be liquidated in any of the other cases provided for by Article 22 of the 2002 Law. The aforementioned provisions of the law provides, among other things, for the liquidation of the Fund in the event of the bankruptcy of the Management Company or of the Custodian Bank, in the event that Custodian Bank's or the Management Company's respective appointment is terminated or their license withdrawn, if they are not replaced within two months. As soon as the event that gives rise to liquidation occurs, no Units will be issued. Notice of the liquidation shall be given without delay by the Management Company or the Custodian Bank.
- c) The net liquidation or termination proceeds of the Fund, Sub-Fund or Class, as the case may be, will be distributed to Unitholders in proportion to their respective holdings in the Fund or Sub-Fund or Class as at the date of liquidation or termination in accordance with the 2002 Law. Liquidation proceeds of the Fund which are not claimed by, or cannot be distributed to, Unitholders shall be deposited at the close of liquidation or termination with the Luxembourg Consignments Office (Caisse de Consignation) for a period of 30 years. Termination proceeds of a Sub-Fund which are not claimed by, or cannot be distributed to Unitholders will, during 6 months, be held at the Custodian and will thereafter be deposited at the Luxembourg Consignments Office (Caisse de Consignation) for a period of 30 years.

### **Merger of Sub-Funds or Classes**

The Management Company, with the approval of the Custodian Bank, may decide to merge two or more Sub-Funds or Classes of the Fund as well as merge one or more Sub-Funds of the Fund into another Luxembourg UCI regulated by Part I of the 2002 Law. A merger may be initiated where the Net Asset Value of any Sub-Fund has decreased to an amount equal to or less than that determined by the Management Company, from time to time, to be the minimum Net Asset Value for such Sub-Fund or Class to be operated in an efficient manner, or in case of a significant change in the economic, social or political situation, or to promote operational or management efficiencies, or for any other reasons deemed by the Management Company to be in the best interest of the Unitholders.

Prior notice will be given to Unitholders of the Sub-Fund or Class being merged. Unitholders not wishing to participate in the merger may request the redemption of their respective Units during a period of at least one month following publication or issue of a merger notice. The redemption shall be effected free of redemption charges save as provided in Notices to Unitholders, at the applicable Net Asset Value.

## REPORTS AND ACCOUNTS

The Management Company shall cause to be prepared an audited annual report for the Fund for the period ending 31 December in each year, which will be available to Unitholders within four months of the end of the relevant accounting period. In addition, the Management Company shall cause to be prepared a half-yearly report that shall include unaudited half-yearly accounts for all Sub-Funds up to 30 June in each year. The unaudited half-yearly reports will be available within two months of the end of the relevant accounting period.

## SOFT COMMISSION ARRANGEMENTS AND REBATES

The Management Company may enter into soft commission arrangements with a number of brokers under which real-time pricing information and analysis from independent research groups is made available to the Management Company free of charge in consideration of the Management Company dealing with such brokers for the account of the Fund. Soft commission arrangements may also give the Management Company access to risk management software. Goods and services supplied under soft commission arrangements must be of demonstrable benefit to Unitholders and transactions with brokers must not be in excess of customary institutional full service brokerage rates and best execution terms. Details of soft commission arrangements will be disclosed in the accounts. Neither the Management Company nor any of its connected persons shall retain the benefit of any cash commission or rebate (being cash commission or repayment made by a broker or dealer to the Management Company and/or any of its connected persons) paid or payable by any such broker or dealer in respect of any business placed with such broker or dealer by the Management Company or any of its connected persons for or on behalf of the Fund. Any such cash commission or rebate received from any such broker or dealer shall be held by the Management Company and any of its connected persons for the account of the Fund.

## CONFLICTS OF INTEREST

There are significant potential sources of conflicts of interest between the Sub-Funds and their Unitholders and Legg Mason affiliates. These include the following:

- (a) Legg Mason affiliates may purchase and sell for their own account securities in which the Fund may also invest. In addition, in the normal course of business the Fund may, enter into temporary borrowings with, and purchase and sell assets from and to Legg Mason affiliates provided that the transactions are done on an arm's length basis. In addition, Legg Mason affiliates may give investment advice in respect of, or manage, third-party funds that are invested in the same securities in which the Fund will invest.
- (b) Legg Mason affiliates also engage in other activities involving or affecting the securities in which the Fund will invest. In particular, Legg Mason affiliates may be involved in origination of transactions concerning such securities, underwriting such securities and acting as broker-dealer in respect of such securities. In addition, Legg Mason affiliates may perform other services for portfolio companies and receive fees, commissions and other remuneration therefore.
- (c) In conjunction with its various activities, Legg Mason affiliates may come into possession of confidential information that could, if known to the public, affect the market value of the securities in which the Fund will invest. In accordance with internal policies, Legg Mason affiliates will not disclose such information to the Fund or use such information for the benefit of the Fund.
- (d) Subject to the Investment and Borrowing Restrictions of this Summary and to the provisions of applicable Luxembourg and foreign laws (if any), the Fund may invest in Transferable Securities dealt with on a Regulated Market issued by Legg Mason or its affiliates, or issued by legal persons that subsequently become affiliates of Legg Mason (collectively "Legg Mason Securities"), if such investments comply with the investment policy of the Sub-Fund. Such dealings shall be made on an arm's length basis and only if deemed by the General Portfolio Manager/Investment Adviser to be in the interests of the Unitholders. Investments in Legg Mason Securities that are equity or equity related shall also be subject to internal restrictions imposed by management limiting such investments to no more than the representation of the relevant Legg Mason Securities in the benchmark for the Sub-Fund as internally determined by management, which may change from time to time. Subject to the above, the General Portfolio Manager/Investment Advisers has substantial discretion as to whether or not to invest the Sub-Fund's assets in Legg Mason Securities and the amount of any such investment. In addition (and as with other securities held by the Fund), the General Portfolio Manager/Investment Advisers may also invest in Legg Mason Securities for the purposes of limiting the risk of variance against the relevant benchmark. Where the General Portfolio Manager/Investment Advisers determines to invest in Legg Mason Securities, such investment may represent a significant portion of the Sub-Fund's assets within the limitations set forth in the *Investment and Borrowing Restrictions*.

- (e) Legg Mason affiliates may subscribe and redeem Units in any Sub Fund for the account of third parties (including other collective investment schemes) by which they are appointed investment manager or investment adviser to implement an asset allocation, multi-manager, fund-of-funds or similar such programme on such parties' behalf. This may involve such affiliates effecting significant redemptions from the Sub Fund from time to time, with the associated risks of transaction and realisation costs and reduction of the Sub Fund's Net Asset Value.

In effecting foreign exchange or in making any purchase or sale of any security or other asset for the Fund, the General Portfolio Manager or Investment Advisers as well as any Legg Mason subsidiaries or affiliates may act as counterparty, principal, agent or broker in the transaction and may be separately compensated in that capacity.

All investment services or advice provided by the General Portfolio Managers or Investment Advisers respectively on the Fund's behalf will be based on publicly available information.

#### **MATERIAL CONTRACTS**

The following contracts have been entered into and are, or may be, material:

- (i) The Custodian and Paying Agent Services Agreement between the Management Company and the Custodian Bank;
- (ii) The Fund Administration Services Agreement between the Management Company and the Administrator, Transfer Agent, Registrar;
- (iii) The General Portfolio Manager Agreement between the Management Company and the General Portfolio Manager pursuant to which the General Portfolio Manager was appointed to provide investment management services to the Sub-Funds;
- (iv) The Investment Advisory Agreements among the Management Company, the General Portfolio Manager and the Investment Advisers pursuant to which the Investment Advisers were appointed to provide certain investment advisory services to certain Sub-Funds;
- (v) Agreements between the Management Company, the Custodian Bank and the Intermediaries pursuant to which the Intermediaries were appointed as Intermediaries, placing agent and/or Nominees for the Fund;
- (vi) The Hong Kong Representative Agreement between the Management Company and the Hong Kong Representative.

#### **DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for purchase at a reasonable price from the Hong Kong Representative and may also be inspected at the offices of the Hong Kong Representative during normal business hours on any business day in Hong Kong:

- (i) the material contracts referred to above;
- (ii) the Management Regulations of the Fund;
- (iii) the Articles of incorporation of the Management Company;
- (iv) the last audited financial statements of the Fund and Management Company;
- (v) the latest unaudited half-yearly financial statements of the Fund and Management Company, if published since the last annual financial statements;
- (vi) the Prospectus of the Fund, which is not available for distribution in Hong Kong and may contain information relating to funds not authorised by the Securities and Futures Commission in Hong Kong; and
- (vii) the simplified prospectus of the Fund, which is not available for distribution in Hong Kong and may contain information relating to funds not authorized by the Securities and Futures Commission in Hong Kong.

## Appendix 1

This Appendix is dated as of September 2008 and will be updated when appropriate.

Following is a list of the Investment Advisers appointed from time to time by the General Portfolio Manager and the Management Company:

- Clearbridge Advisors, LLC, 620 8th Avenue, New York, NY 10018, USA
- Schroder Investment Management (Singapore) Ltd., 65 Chulia Street #47-01, OCBC Centre, Singapore 049513
- Gartmore Investment Limited, Gartmore House, 8 Fenchurch Place, London EC3M 4PH, United Kingdom
- Axa Rosenberg Investment Management LLC, 4 Orinda Way, Bldg E. Orinda, CA 94563, USA
- Martin Currie Investment Management Limited, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES, United Kingdom
- BlackRock Financial Management, Inc., 40 East 52nd Street, New York, NY 10022, USA