

Hong Kong Summary Prospectus

Legg Mason Global Funds FCP (Luxembourg)

A mutual fund constituted under
Luxembourg Law as a "fonds
commun de placement" with
multiple compartments (sub-funds)

30 December 2011

IMPORTANT: This document is a summary of the prospectus of the Legg Mason Global Funds FCP (Luxembourg) in Luxembourg dated December 2011 (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. The Prospectus is not available for distribution in Hong Kong and contains information relating to funds not authorised by the Securities and Futures Commission in Hong Kong. **Prospective investors should review this Summary Prospectus (the "Summary") carefully in its entirety 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 Global Funds FCP (Luxembourg) (the "**Fund**") is a mutual fund (fonds commun de placement) established in Luxembourg on 24 June 1988 under the laws of the Grand Duchy of Luxembourg. The Fund has been authorised by the Securities and Futures Commission in Hong Kong (the "**SFC**"). The Securities and Futures Commission's authorisation is not a recommendation or endorsement of the Fund, nor does it guarantee the commercial merits of the Fund or its performance. It does not mean that the Fund is suitable for all investors, nor is it an endorsement of its suitability for any particular investor or class of investors.

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.

Units have not been and will not be registered under the Securities Act of 1933 of the United States of America (as amended) (the "**1933 Act**") or the securities laws of any of the States of the United States. Units may not be offered, sold or delivered directly or indirectly in the United States of America, its territories or possessions or in any State or the District of Columbia (the "**United States**") or to or for the account or benefit of any U.S. Person. Any re-offer or resale of any Units in the United States or to U.S. Persons may constitute a violation of U.S. law. Applicants for Units will be required to certify that they are not "U.S. Persons" (Please refer to *Definitions*). The Fund will not be registered under the United States Investment Company Act of 1940, as amended (the "**1940 Act**").

Holders of Units are required to notify the Management Company of any change in their status as non-U.S. Persons.

Units in the Legg Mason Emerging Markets Equity 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") accept responsibility for the accuracy of the information contained in this document at the date hereof.

Capitalised terms unless otherwise defined in this Summary shall have the meaning ascribed thereto in the Fund's Prospectus, which will be made available for inspection at the office of the Hong Kong Representative.

Investment in the Legg Mason Emerging Markets Equity Fund carries with it a degree of risk. 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 *Special Considerations and Risk Factors* below.

The Fund does not represent an obligation of, nor is it guaranteed by, the Legg Mason group or any other affiliate or subsidiary of Legg Mason, Inc.

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DIRECTORY

Management Company

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

Directors of the Management Company

Chairman
Joseph P. LaRocque (Legg Mason director)

Directors

John Alldis (Legg Mason director)
Joseph Keane (external director)
Brian Collins (external director)

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

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

Auditor

PricewaterhouseCoopers SàRL
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 insofar as the Fund is divided into different sub-funds, each representing a portfolio of assets (a "**Sub-Fund**"). As at the date of this Summary, there is only one Sub-Fund in the umbrella, which is called the Legg Mason Global Funds FCP (Luxembourg) – Legg Mason Emerging Markets Equity Fund (the "**Legg Mason Emerging Markets Equity 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 as well as their availability to certain types of investors.

CLASSES OF UNITS

Within the Legg Mason Emerging Markets Equity Fund, the Management Company has created different Classes that differ principally in terms of the charges and rate of expenses to which they are subject as well as their availability to certain types of investors as more fully described below. **Currently only Class A Units are available to retail investors in Hong Kong.**

For certain Classes, the offering is divided into sub-classes of Units ("**Sub-Class**") for which, at the discretion of the Management Company dividends may be declared or the earnings reinvested ("**Ordinary Units**") and Units entitling to regular dividends payments ("**Distribution Units**").

The Sub-Classes of the Legg Mason Emerging Markets Equity Fund may be made available in different currencies and investors should refer to the Appendix for further details.

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% payable in favour of the Management Company, Intermediaries or Transfer Agent and Registrar. Class A Units are not subject to any redemption charges but may incur conversion fees on a conversion as detailed below.

There is no minimum subscription for Class A Units.

Class I Units

Class I Units are not subject to any initial sales charge or redemption charge and are restricted to institutional investors, as this term may be defined by guidelines or recommendations issued by the Luxembourg regulatory authority ("**Institutional Investors**"), and the Fund will not issue or give effect to any transfer of Units of such Class to any investor who may not be considered an Institutional Investor. The Fund may, at its discretion, delay the acceptance of any subscription for Class I Units until such date as it has received sufficient evidence on the qualification of the investor as an Institutional Investor. If it appears at any time that a holder of Class I Units is not an Institutional Investor, the Fund will either redeem the relevant Units in accordance with the provisions *Investing in the Fund - Redemption* below, or convert such Units into Units of a Class which is not restricted to Institutional Investors (provided there exists such a Class with similar characteristics) and notify the relevant Unitholder of such conversion.

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 2009/65/EC as may be amended from time to time, applicable to undertakings for collective investment in transferable securities ("UCITS") as implemented in

Luxembourg law by the law of 17 December 2010 relating to Undertaking for Collective Investment, as may be amended from time to time (the "2010 Law"). The Legg Mason Emerging Markets Equity Fund invests in Transferable Securities and assets in accordance with its investment objectives and policy and the restrictions under *Investment Restrictions* below and the limits specified in this Summary. In addition, the Legg Mason Emerging Markets Equity Fund may employ, for the purposes of efficient portfolio management and for the purpose of providing protection against market and exchange risks and for any purposes set out in the Legg Mason Emerging Markets Equity Fund's investment objectives and policies, the investment techniques and instruments described below under the *Investment Techniques* section.

The investment objective and policies of the Legg Mason Emerging Markets Equity Fund is described in the Appendix to this document.

The investment policies of the Legg Mason Emerging Markets Equity Fund, as described in the Appendix, refer to investments in various geographical areas, countries, economic sectors and/or categories of issuers of securities, but market or other conditions may, from time to time, make it inappropriate for the Legg Mason Emerging Markets Equity 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 Legg Mason Emerging Markets Equity Fund will be successful in producing the desired results of its investment objectives.

FURTHER INFORMATION ON INVESTMENTS BY THE LEGG MASON EMERGING MARKETS EQUITY FUND

For the Legg Mason Emerging Markets Equity Fund, the information below regarding the investments in which the Legg Mason Emerging Markets Equity Fund may invest is subject to the limitations set forth in the description of its investment objective and policies. The Board shall be responsible to ensure that the investments in transferable securities, money market instruments and derivatives are eligible investments and that liquidity is covered.

ASSET-BACKED SECURITIES

Subject to any limitations in its investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund may invest in asset-backed securities, which are securities that directly or indirectly represent a participation in, or are secured by and payable from, assets such as motor vehicle instalment loan contracts, leases on various types of real and personal property and receivables from revolving credit (credit card) agreements. Such assets are securitized through the use of trusts or special purpose corporations. A pool of assets representing the obligations often of a number of different parties collateralises asset-backed securities.

COLLATERALISED DEBT OBLIGATIONS

Subject to any limitations in its investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund may invest in collateralised debt obligations ("CDOs"), which are structured products backed by a diversified pool of public or private fixed income securities, asset-backed securities, mortgage-backed securities and credit derivatives transactions such as credit default swap or loans. The underlying pool of securities or loans is typically separated into tranches representing different degrees of credit quality. The top tranches of CDOs, which represent their highest credit quality, have the greatest collateralization and pay the lowest interest rate. Lower CDO tranches represent lower degrees of credit quality and pay higher interest rates to compensate for the attendant risks. The bottom tranche specifically receives the residual interest payments (i.e. money that is left over after the higher tiers have been paid) rather than a fixed interest rate. The return on the bottom tranche of CDOs is especially sensitive to the rate of defaults in the collateral pool.

A "collateralized loan obligation", or "CLO", is a debt security collateralized by commercial loans. It uses the same mechanisms and carries the same risks as "CDOs" and "CMOs" (collateralized mortgage obligations) but its underlying pool is fundamentally different. The term "CLO" is used to refer to the entire structured finance transaction in which multiple classes of debt or equity securities are issued by a special purpose vehicle (an "SPV") whose assets consist principally of commercial loans.

In its pure form, a CLO can be distinguished from its transactional cousins with similar-sounding names "CBOs", "CDOs" in which the underlying assets consist of corporate bonds, and a "CMO", or "collateralized mortgage obligation", in which the underlying assets consist of mortgage loans.

Bank CLOs enable banks to sell portions of large portfolios of commercial loans (or in some cases, the credit risk associated with such loans) directly into the international capital markets, and offer banks a means of achieving a broad range of financial objectives, including the reduction of regulatory capital requirements, off-balance sheet accounting treatment, access to an efficient funding source for lending or other activities, and increased liquidity.

CLOs use a portfolio of commercial or personal loans as collateral, instead of a portfolio of Mortgage Backed Securities and/or mortgage loans. A sponsor transfers the collateral into a Special Purpose Vehicle (SPV), such as a trust or corporation, which has no other assets and which issues claims. A typical CLO has more than one "tranche" or "tier", and a more junior tranche has more risk of default.

A CLO might have senior, junior (or mezzanine), and subordinated (or equity) tranches. The senior tranche, like senior debt, has first claim on the collateral's cash flows to cover its interest and principal payments. The junior tranche has second claim. The equity tranche claims the residual.

Such investments may include, but are not limited to, one or more of the following classes of CMOs:

Adjustable Rate Bonds (ARMS): Interest rates on these classes of CMOs may increase or decrease at one or more dates in the future according to the documentation governing their issuance.

Floating Rate Bonds (Floaters): Interest rates on these classes of CMOs vary directly or inversely (although not necessarily proportionately, and may contain a degree of leverage) to an interest rate index. The interest rate is usually capped to limit the extent to which the issuer is required to over-collateralise the CMOs in the series with mortgage-related securities in order to ensure that there is sufficient cash flow to service all the classes of CMOs in that series.

Planned Amortisation Bonds or Targeted Amortisation Bonds: These classes of CMOs receive payments of principal according to a planned schedule to the extent that prepayments on the underlying mortgage-related securities occur within a broad time period ("Protection Period"). The principal is reduced only in specified amounts at specified times resulting in greater predictability of payment for the Planned Amortisation Bonds or Targeted Amortisation Bonds. If prepayments on the underlying mortgage-related securities occur at a rate greater or less than that provided for by the Protection Period, then the excess or deficiency of cash flows generated is absorbed by the other classes of CMOs in the particular series until the principal amount of each of the other classes has been paid in full, resulting in less predictability for those other classes. The principal reduction schedule of the Planned Amortisation Bonds or Targeted Amortisation Bonds may be determined according to an interest rate index. If the index rises or falls, then more or less, respectively, of the payments on the underlying mortgage-related securities will be applied to amortise the Planned Amortisation Bonds or Targeted Amortisation Bonds. The Legg Mason Emerging Markets Equity Fund may invest in stripped securities which are created by separating bonds into their principal and interest components and selling each piece separately (commonly referred to as IOs and POs). Stripped securities are more volatile than other fixed income securities in their response to change in market interest rates. The value of some stripped securities moves in the same direction as interest rates, further increasing their volatility. The following are examples of stripped securities.

Principal Only Bonds: This class of stripped CMO has the right to all principal payments from the underlying mortgage-related securities. Principal Only Bonds sell at a deep discount. The return on a Principal Only Bond increases the faster prepayments are received at par. The return on a Principal Only Bond decreases if the rate of prepayment is slower than anticipated.

Interest Only Bonds: This class of CMOs has the right to receive only payments of interest from the pool of underlying mortgage-related securities. Interest Only Bonds have only a notional principal amount and are entitled to no payments of principal. Interest Only Bonds sell at a substantial premium and therefore the return on an Interest Only Bond increases as the rate of prepayment decreases because the notional amount upon which interest accrues remains larger for a longer period of time.

CONVERTIBLE SECURITIES

Subject to any limitations in its investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund may invest in convertible securities, which are bonds, debentures, notes, preferred stock or other securities, which may be converted into or exchanged for a prescribed amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest paid or accrued on debt or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities ordinarily provide a stream of income, which generate higher yields than those of common stocks of the same or similar issuers but lower than the yield on non-convertible debt. Convertible securities are usually subordinate or are comparable to non-convertible securities but rank senior to common stock or shares in a company's capital structure. The value of a convertible security is a function of (1) its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege and (2) its worth, at market value, if converted into the underlying common stock. Convertible securities are typically issued by smaller capitalised companies whose stock prices may be volatile. The price of a convertible security often reflects such variations in the price of the underlying common stock in a way that non-convertible debt does not. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument.

CORPORATE DEBT SECURITIES

The Legg Mason Emerging Markets Equity Fund may invest in corporate debt securities, which are bonds, notes or debentures issued by corporations and other business organisations, including business trusts, in order to finance their credit needs. Corporate debt securities include commercial paper, which consists of freely transferable, short-term (usually from 1 to 270 days) unsecured promissory notes issued by corporations in order to finance their current operations.

Corporate debt securities may pay fixed or variable rates of interest, or interest at a rate contingent upon some other factor, such as the price of some commodity. These securities may be convertible into preferred or common equity, or may be bought as part of a unit containing common stock. In selecting corporate debt securities for the Legg Mason Emerging Markets Equity Fund, the Investment Manager reviews and monitors the creditworthiness of each issuer and issue. The Investment Manager also analyzes interest rate trends and specific developments, which they believe may affect individual issuers.

DEBT SECURITIES

Subject to any limitations in its respective investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund may invest in debt securities. Debt securities include, but are not limited to, fixed or floating rate debt securities, bonds issued or guaranteed by corporations or governments or governmental agencies or instrumentalities thereof, central banks or commercial banks, notes (including structured notes and freely transferable promissory notes), debentures, commercial paper, Eurobonds, and convertible securities. Fixed rate debt securities are securities, which carry a fixed rate of interest, which does not fluctuate with

general market conditions. Floating rate debt securities are securities that carry a variable interest rate, which is initially tied to an external index such as U.S. Treasury Bill rates.

DEPOSITORY RECEIPTS

The Legg Mason Emerging Markets Equity Fund may invest in depository receipts. Depository receipts include sponsored and unsponsored depository receipts that are or become available, including American Depository Receipts (“ADRs”), and Global Depository Receipts (“GDRs”) and other depository receipts. Depository receipts are typically issued by a financial institution (“depository”) and evidence ownership interests in a security or a pool of securities (“underlying securities”) that have been deposited with the depository. The depository for ADRs is typically a U.S. financial institution and the underlying securities are issued by a non-U.S. issuer. ADRs are publicly traded on exchanges or over-the-counter in the United States and are issued through “sponsored” or “unsponsored” arrangements. In a sponsored ADR arrangement, the non-U.S. issuer assumes the obligation to pay some or all of the depository’s transaction fees, whereas under an unsponsored arrangement, the non-U.S. issuer assumes no obligation and the depository’s transaction fees are paid by the ADR holders. In addition, less information is available in the United States about an unsponsored ADR than about a sponsored ADR, and the financial information about a company may not be as reliable for an unsponsored ADR as it is for a sponsored ADR. In the case of GDRs, the depository can be a non-U.S. or a U.S. financial institution and the underlying securities are issued by a non-U.S. issuer. GDRs allow companies in Europe, Asia, the United States and Latin America to offer shares in many markets around the world, thus allowing them to raise capital in these markets, as opposed to just in their home market. The advantage of GDRs is that shares do not have to be bought through the issuing company’s home exchange, which may be difficult and expensive, but can be bought on all major stock exchanges. In addition, the share price and all dividends are converted to the shareholder’s home currency. As for other depository receipts, the depository may be a non-U.S. or a U.S. entity, and the underlying securities may have a non-U.S. or a U.S. issuer. For purposes of the Legg Mason Emerging Markets Equity Fund’s investment policies, investments in depository receipts will be deemed to be investments in the underlying securities. Thus, a depository receipt representing ownership of common stock will be treated as common stock. Depository receipts purchased by the Legg Mason Emerging Markets Equity Fund may not necessarily be denominated in the same currency as the underlying securities into which they may be converted, in which case the Legg Mason Emerging Markets Equity Fund may be exposed to relative currency fluctuations.

EQUITY SECURITIES

Equity securities include common stocks and preferred shares.

EQUITY-RELATED SECURITIES

Subject to any limitations in its investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund may invest in equity-related securities. Equity-related securities may include warrants for the acquisition of stock of the same or of a different issuer, corporate fixed income securities that have conversion or exchange rights permitting the holder to convert or exchange the securities at a stated price within a specified period of time to a specified number of shares of common stock, participations that are based on revenues, sales or profits of an issuer (i.e., fixed income securities, the interest on which increases upon the occurrence of a certain event (such as an increase in the price of oil)) and common stock offered as a unit with corporate fixed income securities.

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.

EUROBONDS

Eurobonds are fixed income securities issued by corporations and sovereign entities for sale in the Euromarket.

EURODOLLAR BONDS AND YANKEE DOLLAR INSTRUMENTS

A Eurodollar bond is a Eurobond that is denominated in US Dollars. It is a US Dollar-denominated obligation issued outside the United States by non-U.S. corporations or other entities. A Yankee dollar instrument is US Dollar-denominated obligation issued in the United States by non-U.S. corporations or other entities.

INDEX REPLICATING UCITS

- (1) The reference under section 2) k) 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) k) 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) k) of *Investment Restrictions*.
- (3) The reference in the second indent under section 2) k) 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) k) 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.

INFLATION-PROTECTED SECURITIES

Subject to any limitations in its investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund may invest in inflation-protected securities, which are freely transferable securities that are structured to provide protection against inflation. The principal or interest components of inflation-protected securities are adjusted periodically according to the general movements of inflation in the country of issue. U.S.

Treasury Inflation Protected Securities (“U.S. TIPS”) are freely transferable inflation-indexed debt securities issued by the U.S. Department of Treasury that are structured to provide protection against inflation. The U.S. Treasury Department currently uses the Consumer Price Index for Urban Consumers, non-seasonally adjusted, as its inflation measure. Inflation-indexed bonds issued by a non-U.S. government are generally adjusted to reflect a comparable inflation index calculated by that government. “Real return” equals total return less the estimated cost of inflation, which is typically measured by the change in an official inflation measure.

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).

MORTGAGE-BACKED SECURITIES

Subject to any limitations in its investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund may purchase mortgaged-backed securities. Mortgage-backed securities provide capital for mortgage loans to residential homeowners, including securities that represent interests in pools of mortgage loans made by lenders such as savings and loan institutions, mortgage banks, commercial banks and others. Pools of mortgage loans are assembled for sale to investors (such as the funds) by various governmental, government-related and private organisations, such as dealers. The market value of mortgage-backed securities will fluctuate as a result of changes in interest rates and mortgage loans.

Interests in pools of mortgage loans generally provide a monthly payment that consists of both interest and principal payments. In effect, these payments are a “pass through” of the monthly payments made by the individual borrowers on their residential mortgage loans, net of any fees paid to the issuer or guarantor of such securities. Additional payments are caused by repayments of principal resulting from the sale of the underlying residential property, refinancing or foreclosure, net of fees or costs that may be incurred. Some mortgage-backed securities (such as securities issued by GNMA) are described as “modified pass through” because they entitle the holder to receive all interest and principal payments owed on the mortgage pool, net of certain fees, regardless of whether the mortgagor actually makes the payment.

NON-PUBLICLY TRADED SECURITIES

Subject to any limitations in its investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund may invest in non-publicly traded securities. Non-publicly traded securities are transferable securities that are neither listed nor traded on a Regulated Market, including privately placed securities. The Legg Mason Emerging Markets Equity Fund can invest no more than 10 per cent. of its net assets in such securities. The Legg Mason Emerging Markets Equity Fund’s investments in such illiquid securities are subject to the risk that should the Legg Mason Emerging Markets Equity Fund desire to sell any of these securities when a ready buyer is not available at a price that the Legg Mason Emerging Markets Equity Fund deems representative of its value, the value of its net assets could be adversely affected.

PAYMENT-IN-KIND BONDS

Payment-in-kind bonds are bonds that pay interest in the form of additional bonds of the same type.

PREFERRED SHARES

The Legg Mason Emerging Markets Equity Fund may purchase preferred shares listed or traded on Regulated Markets. Preferred shares may pay dividends at a specific rate and generally have preference over common stock in the payment of dividends in a liquidation of assets but rank after debt securities. Unlike interest payments on debt securities, dividends on preferred shares are generally payable at the discretion of the board of directors of the issuer. The market prices of preferred shares are subject to changes in interest rates and are more sensitive to changes in the issuer’s creditworthiness than are the prices of debt securities.

RULE 144A SECURITIES

Subject to any limitations in its investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund 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. The Legg Mason Emerging Markets Equity 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 Restrictions*. The Legg Mason Emerging Markets Equity Fund will only invest in such securities if sufficient liquidity is ensured and if they are admitted to or dealt in on a Regulated Market.

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 Restrictions* and subject to the 10% limit of the Legg Mason Emerging Markets Equity Fund net assets applicable to the category of securities referred to therein.

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*.

STEP-UP SECURITIES

Subject to any limitations in its investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund may invest in step-up securities. Step-up securities are securities, which pay no interest initially but eventually begin to pay a coupon rate prior to maturity, which may increase at stated intervals during the life of the security. Step-up securities allow an issuer to avoid or delay the need to generate cash to meet current interest payments and, as a result, may involve greater credit risk than bonds that pay interest currently or in cash.

STRUCTURED NOTES

Subject to any limitations in its investment policy and to the *Investment Restrictions* outlined below, the Legg Mason Emerging Markets Equity Fund 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 the Legg Mason Emerging Markets Equity Fund in a given issuer combined with any investments in structured notes with the same underlying issuer may not exceed 10% of its assets. Furthermore, it may invest no more than 10% of its assets in a given issuer of a structured note. The Legg Mason Emerging Markets Equity Fund may invest indirectly into securities issued through the purchase of Equity Linked Notes. The underlying securities that are linked to the Equity Linked Notes may be listed or traded in developing markets including China. As with most developing markets, these securities may have lower liquidity and may be subject to larger price fluctuations than those listed or traded in developed markets. The underlying securities may be denominated in currencies that differ from the Legg Mason Emerging Markets Equity Fund's base currency and exchange rates may fluctuate. These factors may contribute to Unit price volatility.

SUPRA-NATIONAL ORGANISATIONS

The Legg Mason Emerging Markets Equity Fund may invest in debt securities issued by supranational organisations such as freely transferable promissory notes, bonds and debentures. Supranational organisations are entities designated or supported by a government or governmental entity to promote economic development, and include, among others, the Asian Development Bank, the European Communities, the European Investment Bank, the Inter-American Development Bank, the International Monetary Fund, the United Nations, the International Bank for Reconstruction and Development (“World Bank”) and the European Bank for Reconstruction and Development. These organisations have no taxing authority and are dependent upon their members for payments of interest and principal. Moreover, the lending activities of such supranational entities are limited to a percentage of their total capital (including “callable capital” contributed by members at an entity’s call), reserves and net income.

TRANSFERABLE SECURITIES

(1) 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 in 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 in 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 2010 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 2010 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) r) 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.

VARIABLE RATE AND FLOATING RATE SECURITIES

Variable and floating rate securities are obligations that possess a floating or variable interest rate adjustment formula. The terms of the variable or floating rate securities that the Legg Mason Emerging Markets Equity Fund may purchase provide that interest rates are adjustable at intervals ranging from daily up to six months, and the adjustments are based upon current market levels, the prime rate of a bank or other appropriate interest rate adjustment index as provided in the respective securities. Some of these securities are payable on a daily basis or

on not more than seven days' notice. Other securities such as securities with quarterly or semi-annual interest rate adjustments may be redeemed on designated days on not more than thirty days' notice.

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 Legg Mason Emerging Markets Equity Fund, however, may not invest in warrants where the underlying asset is gold, oil or other commodities. The Legg Mason Emerging Markets Equity Fund may invest in warrants based on stock exchange indices for the purpose of efficient portfolio management.

ZERO COUPON BONDS

Zero coupon bonds pay no interest in cash to their holder during their life, although interest is accrued during that period. Its value to an investor consists of the difference between its face value at the time of maturity and the price for which it was acquired, which is generally an amount significantly less than its face value (sometimes referred to as a "deep discount" price). Because zero coupon bonds usually trade at a deep discount, they will be subject to greater fluctuations in market value in response to changing interest rates than debt obligations of comparable maturities which make periodic distributions of interest. On the other hand, because there are no periodic interest payments to be reinvested prior to maturity, zero coupon securities eliminate reinvestment risk and lock in a rate of return to maturity.

INVESTMENT RESTRICTIONS

The assets of the Legg Mason Emerging Markets Equity Fund must be invested in accordance with the restrictions on investments set out in Part I of the 2010 Law and such additional investment restrictions, if any, as may be adopted from time to time by the Board of Directors of the Management Company with respect to the Legg Mason Emerging Markets Equity Fund such as those described under *Investment Objectives* in the Appendix. The principal investment and borrowing restrictions applying to the Legg Mason Emerging Markets Equity 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;
 - such admission is secured within one year of issue;
 - c) shares or units of UCITS and/or other undertakings for collective investment ("UCI") situated in an EU Member State or not, provided that:
 - such other UCIs have been authorised under the laws of any EU Member State or under the laws of Canada, Hong Kong, Japan, Norway, Switzerland or the United States of America or under the laws of such other states as considered by the Luxembourg regulatory authority to be appropriate;
 - the level of protection for shareholders or Unitholders in the other UCIs is equivalent to that provided for shareholders or 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 EU Council Directive 2009/65/EC, as may be amended from time to time;

- the business of the other UCIs is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;
 - no more than 10% of the UCITS' or the other UCIs assets, whose acquisition is contemplated, can, according to their fund rules or instruments of incorporation, be invested in aggregate in shares or 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 OTC financial derivative instruments ("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 Legg Mason Emerging Markets Equity 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 Funds' initiative;
- f) Money Market Instruments other than those dealt in on a Regulated Market, if the issue or issuer of such instrument is itself 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 a 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 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 the Legg Mason Emerging Markets Equity Fund and the limits set forth in paragraphs m), n) and o) shall apply to the Fund as a whole:
- a) the Legg Mason Emerging Markets Equity Fund may invest no more than 10% of its net assets in Transferable Securities and Money Market Instruments other than those referred to in paragraph 1);
 - b) the Legg Mason Emerging Markets Equity Fund may not acquire either precious metals or certificates representing them;
 - c) the Legg Mason Emerging Markets Equity Fund may hold ancillary liquid assets;
 - d) the Legg Mason Emerging Markets Equity Fund may invest no more than 10% of its net assets in Transferable Securities or Money Market Instruments issued by the same body;

The Legg Mason Emerging Markets Equity Fund may not invest more than 20% of its assets in deposits made with the same body.

The risk exposure of the Legg Mason Emerging Markets Equity Fund to a counterparty in an OTC derivative transaction may not exceed:

- 10% of its assets when the counterparty 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 the Legg Mason Emerging Markets Equity Fund in each issuing body in which it invests more than 5% of its net assets must not exceed 40% of the value of its net 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
- exposure arising from OTC derivative transactions undertaken with a single body in excess of 20% of its assets.

- f) the limit of 10% in paragraph 2) 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, by another Eligible State or by public international bodies of which one or more EU Member States are members;

- g) the limit of 10% in paragraph 2) 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 the Legg Mason Emerging Markets Equity Fund invests more than 5% of its net 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 Legg Mason Emerging Markets Equity Fund's net assets.

- h) the Transferable Securities and Money Market Instruments referred to in paragraphs 2) f) and g) are not included in the calculation of the limit of 40% in 2e). The limits set out in 2d), 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 net assets of the Legg Mason Emerging Markets Equity 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 2d) to h). The Legg Mason Emerging Markets Equity Fund may invest in Transferable Securities and Money Market Instruments within the same group up to a limit of 20% of its net assets;

- i) the Legg Mason Emerging Markets Equity Fund is authorised to raise the limits foreseen in paragraphs 2) d) to h) to 100% of its net assets in accordance with the principle of risk spreading provided the conditions in paragraph j) below are satisfied:

- j) that the Transferable Securities and Money Market Instruments are issued or guaranteed by an 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 Legg Mason Emerging Markets Equity Fund holds securities from at least six different issues. The securities falling within one issue may not exceed 30% of the net assets of the Legg Mason Emerging Markets Equity Fund;
- k) without prejudice to the limits laid down in paragraphs 2) o), p) and q), 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 Legg Mason Emerging Markets Equity Fund's 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.

- l) no more than 10% of the net assets of the Legg Mason Emerging Markets Equity Fund may be invested in the shares or 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 relating to third parties. Investments in shares or units of non-UCITS may not exceed, in aggregate, 10% of the net assets of the Legg Mason Emerging Markets Equity Fund.

When the Legg Mason Emerging Markets Equity Fund has acquired shares or units of UCITS and/or other UCI, the assets of the respective UCITS or other UCI do not have to be combined for the purposes of the limits laid down in paragraph 2) d) to h).

When a UCITS invests in shares or 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 Legg Mason Emerging Markets Equity Fund's investment in the shares or units of such other UCITS and /or UCI.

If the Legg Mason Emerging Markets Equity Fund acquires units or shares in other UCITS and/or other UCI that are managed directly or indirectly by the Management Company or a company with which it is linked by way of common management or control or by way of a direct or indirect stake of more than 10% of the capital or votes (the "linked target fund"), the proportion of the annual management fee (excluding any performance fee, if any) that is attributable to such investment shall be reduced to 0.25% pa on the amount invested in the linked target fund or if the linked target fund has a lower investment management fee, the Management Company may - instead of charging the aforementioned reduced fee on the assets invested in the linked target fund - charge the difference between the Legg Mason Emerging Markets Equity Fund's investment management fee and the investment management fee of the linked target fund on the amount invested in the linked target fund. By way of clarification the investment management fees shall not be reduced by the aforementioned amounts in respect of the assets of the whole Legg Mason Emerging Markets Equity Fund but only in relation those assets in the linked target funds.

The Fund may acquire no more than 25% of the shares or 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 shares or 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 shares or units issued by the UCITS or other UCI concerned, all compartments combined.

- m) the Legg Mason Emerging Markets Equity Fund need not comply with the limits laid down in paragraphs 1) and 2) 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 l) for a period of six months following the date of its authorisation.
- n) 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 2010 Law may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.
- o) 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 shares or units of any single UCITS and/or other UCI;
 - 10% of the Money Market 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 Market Instruments, or the net value of the amount of the instrument in issue cannot be calculated.

- p) paragraphs 2) n) and o) 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 a non-EU Member State;
 - Transferable Securities and Money Market Instruments issued by public international bodies of which one or more EU Member States are members.
- q) the provisions of paragraphs 2) n) and o) 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).
- r) the Management Company shall ensure for the Legg Mason Emerging Markets Equity Fund that the global exposure relating to derivative instruments does not exceed the net assets of the Legg Mason Emerging Markets Equity 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 2) r).

- s) the Legg Mason Emerging Markets Equity Fund may not borrow in excess of 10% of its net assets, any such borrowings to be from banks and to be effected only on a temporary basis, provided that the Legg Mason Emerging Markets Equity Fund may acquire foreign currencies by means of back to back loans.
- t) the Legg Mason Emerging Markets Equity Fund may not grant loans to or act as guarantor on behalf of third parties.

This restriction shall not prevent the Legg Mason Emerging Markets Equity Fund from (i) acquiring Transferable Securities, Money Market Instruments or other financial instruments referred to in paragraphs 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.

- u) the Legg Mason Emerging Markets Equity Fund may not carry out uncovered sales of Transferable Securities, Money Market Instruments or other financial instruments.
- v) the Fund may not acquire movable or immovable property,
- w) if the limits referred to in paragraph 2) m) 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 the Unitholders.
- x) 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 h) as well as k) and l).

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

The investment and borrowing restrictions listed in paragraphs 1) and 2) above shall apply at the time of purchase of the relevant investments. If the investment limits are exceeded for reasons beyond the control of the Legg Mason Emerging Markets Equity Fund, it shall adopt as a priority objective the remedying of that situation, taking due account of the interests of its Unitholders.

In accordance with the above *Investment Restrictions*, the Legg Mason Emerging Markets Equity 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 and hedging purposes.

When the Legg Mason Emerging Markets Equity 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's Units are offered.

INVESTMENT TECHNIQUES

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

Subject to conditions and within the limits from time to time laid down by the Luxembourg Regulatory authority and any limitations set out in its investment policy, the Legg Mason Emerging Markets Equity Fund may use the following techniques and instruments, but only for the purpose of efficient portfolio management.

For the purpose of efficient portfolio management, the Legg Mason Emerging Markets Equity Fund may undertake transactions relating to financial futures, warrants and options contracts traded on a Regulated Market. Alternatively, the Legg Mason Emerging Markets Equity Fund may undertake transactions relating to options, swaps and swaptions 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.

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

A call option on a security is a contract under which the purchaser, in return for a premium paid, has the right to buy the securities underlying the option at the specified exercise price at any time during the term of the option. The writer (seller) of the call option, who receives the premium, has the obligation, upon exercise of the option, to deliver the underlying securities against payment of the exercise price. A put option is a contract that gives the purchaser, in return for a premium paid, the right to sell the underlying securities at the specified exercise price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy the underlying securities, upon exercise, at the exercise price.

RULES TO ENSURE COVERAGE OF COMMITMENTS RESULTING FROM OPTIONS TRANSACTIONS:

The Legg Mason Emerging Markets Equity 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 Legg Mason Emerging Markets Equity 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 Legg Mason Emerging Markets Equity Fund must hold where it does not have the underlying securities at the time of the writing of such options. The Legg Mason Emerging Markets Equity Fund may not write uncovered call options on Transferable Securities. As a derogation to this rule, the Legg Mason Emerging Markets Equity 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 its Net Asset Value and it is, at any time, in a position to cover the open position resulting from such transactions.

Where a put option is sold, the Legg Mason Emerging Markets Equity 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.

As a global hedge against the risk of unfavourable stock market movements, the Legg Mason Emerging Markets Equity Fund may sell call options, buy put options on stock market indices. There must be a sufficient correlation between the composition of the index used and the Legg Mason Emerging Markets Equity Fund's corresponding portfolio. The total commitment relating to options contracts on stock market indices may not exceed the global valuation of securities held by the Legg Mason Emerging Markets Equity Fund's corresponding portfolio in the market corresponding to each index.

Similarly, as a global hedge against interest rate fluctuations, the Legg Mason Emerging Markets Equity Fund may sell call options or buy put options on interest rates by private agreement with highly rated financial institutions specialising in this type of instruments. The total commitment relating to options contracts on interest rates may not exceed the total market value of the assets to be hedged held by the Legg Mason Emerging Markets Equity Fund in the currency corresponding to these contracts.

FUTURES AND OPTIONS ON FUTURES:

The Legg Mason Emerging Markets Equity Fund may also enter into certain types of futures contracts or options on futures contracts. The sale of a futures contract creates an obligation by the seller to deliver the type of financial instrument called for in the contract in a specified delivery month for a stated price. The purchase of a futures contract creates an obligation by the purchaser to pay for and take delivery of the type of financial instrument called for in the contract in a specified delivery month, at a stated price. The purchase or sale of a futures contract differs from the purchase or sale of a security or option in that no price or premium is paid or received. Instead, an amount of cash, U.S. Government Securities or other liquid assets generally not exceeding 5% of the face amount of the futures contract must be deposited with the broker. This amount is known as initial margin. Subsequent payments to and from the broker, known as variation margin, are made on a daily basis as the price of the underlying futures contract fluctuates making the long and short positions in the futures contract more or less valuable, a process known as "marking to market". In most cases futures contracts are closed out before the settlement date without the making or taking of delivery. Closing out a futures contract sale is effected by purchasing a futures contract for the same aggregate amount of the specific type of financial instrument or commodity and the same delivery date. If the price of the initial sale of the futures contract exceeds the price of the offsetting purchase, the seller is paid the difference and realizes a gain. Conversely, if the price of the offsetting purchase exceeds the price of the initial sale, the seller realizes a loss. Similarly, the closing out of a futures contract purchase is effected by the purchaser entering into a futures contract sale. If the offsetting sale price exceeds the purchase price, the purchaser realizes a gain, and if the purchase price exceeds the offsetting sale price, a loss will be realized.

As a global hedge against the risk of unfavourable stock market movements, the Legg Mason Emerging Markets Equity Fund may sell futures on stock market indices. There must be a sufficient correlation between the composition of the index used and the Legg Mason Emerging Markets Equity Fund's corresponding portfolio. The total commitment relating to futures on stock market indices may not exceed the global valuation of securities held by the Legg Mason Emerging Markets Equity Fund's corresponding portfolio in the market corresponding to each index.

Similarly, as a global hedge against interest rate fluctuations, the Legg Mason Emerging Markets Equity Fund may sell interest rate futures contracts. The total commitment relating to futures contracts on interest rates may not exceed the total market value of the assets to be hedged held by the Legg Mason Emerging Markets Equity Fund in the currency corresponding to these contracts.

SWAPS AND OTC CONTRACTS:

The Legg Mason Emerging Markets Equity Fund may enter into transactions in swaps or options on swaps (including credit default swaps, interest rate swaps, total return swaps, swaptions, currency swaps and spread locks). An interest rate swap involves the exchange by the Legg Mason Emerging Markets Equity Fund with another party of their respective commitments to pay or receive cash flows (e.g., an exchange of floating rate payments for fixed-rate payments). The purchase of a cap entitles the purchaser, to the extent that a specified index exceeds a predetermined value, to receive payments on a notional principal amount from the party selling the cap. The purchase of a floor entitles the purchaser, to the extent that a specified index falls below a predetermined value, to receive payments on a notional principal amount from the party selling the floor. A collar combines elements of buying a cap and selling a floor. Spread locks are contracts that guarantee the ability to enter into an interest rate swap at a predetermined rate above some benchmark rate.

Swap agreements, including caps, floors and collars, can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the overall volatility of a fund's investments and its share price and yield because, and to the extent, these agreements affect a fund's exposure to long- or short-term interest rates, foreign currency values, mortgage-backed securities values, corporate borrowing rates or other factors such as security prices or inflation rates. Swap agreements will tend to shift a fund's investment exposure from one type of investment to another. For example, if a fund agrees to exchange payments in US dollars for payments in the currency of another country, the swap agreement would tend to decrease the fund's exposure to U.S. interest rates and increase its exposure to the other country's currency and interest rates. Caps and floors have an effect similar to buying or writing options.

The Legg Mason Emerging Markets Equity Fund may also enter into options traded over-the-counter (or OTC options). Unlike exchange traded options, which are standardised with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC options generally are established through negotiation with the other party to the option contract. While this type of arrangement allows the Legg Mason Emerging Markets Equity Fund great flexibility to tailor the option to its needs, OTC options generally involve greater risk than exchange-traded options, which are guaranteed by clearing organisations of the exchanges where they are traded.

As a global hedge against interest rate fluctuations, the Legg Mason Emerging Markets Equity Fund may 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 swaps and swaptions on interest rates may not exceed the total market value of the assets to be hedged held by the Legg Mason Emerging Markets Equity Fund in the currency corresponding to these contracts.

CREDIT DEFAULT SWAP ("CDS"):

In order to achieve its management objectives, the Legg Mason Emerging Markets Equity Fund may in particular engage in the credit derivatives market by entering, i.e., into credit default swaps in order to sell or buy protection. A CDS is a bilateral financial contract in which one counterparty (the protection buyer) pays a periodic fee in return for a contingent payment by the protection seller following a credit event of a reference issuer. The protection buyer acquires the right to sell a particular bond or other designated reference obligations issued by the reference issuer for its par value or the right to receive the difference between par value and market price of the said bond or other designated reference obligations (or some other designated reference or strike price) when a credit event occurs. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. The International Swap and Derivatives Association (ISDA) has

produced standardised documentation for these derivatives transactions under the umbrella of its ISDA Master Agreement. The Legg Mason Emerging Markets Equity Fund may use CDS in order to hedge the specific credit risk of some of the issuers in its portfolio by buying protection. In addition, the Legg Mason Emerging Markets Equity Fund may, provided it is in its exclusive interest, buy protection under CDS without holding the underlying assets. Provided it is in its exclusive interest, the Legg Mason Emerging Markets Equity Fund may also sell protection under credit derivatives in order to acquire a specific credit exposure. The Legg Mason Emerging Markets Equity Fund will only enter into OTC credit derivatives transactions with highly rated financial institutions specialised in this type of transaction and only in accordance with the standard terms laid down by the ISDA Master Agreement. The maximum exposure of the Legg Mason Emerging Markets Equity Fund may not exceed 100% of its net assets provided that the maximum limit in terms of inherent commitment to CDS not used for hedging purpose does not exceed 20% of its net assets.

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, the Legg Mason Emerging Markets Equity 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 its stated investment objective and policy 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 its Net Asset Value.

With regard to the "total commitment" referred to in the preceding paragraph the call options written by the Legg Mason Emerging Markets Equity 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 Legg Mason Emerging Markets Equity Fund together with options acquired for purposes other than hedging (see above) may not exceed 15% of its net assets.

FORWARD CURRENCY EXCHANGE CONTRACTS:

The Legg Mason Emerging Markets Equity Fund may buy and sell currencies on a spot and forward basis to reduce the risks of adverse changes in exchange rates, as well as to enhance its return by gaining an exposure to a particular foreign currency. A forward currency exchange contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces the Legg Mason Emerging Markets Equity Fund's exposure to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract. The effect on the value of the Legg Mason Emerging Markets Equity Fund is similar to selling securities denominated in one currency and purchasing securities denominated in another currency. A contract to sell currency would limit any potential gain, which might be realized if the value of the hedged currency increases. The Legg Mason Emerging Markets Equity Fund may enter into these contracts to hedge against exchange risk, to increase exposure to a currency or to shift exposure to currency fluctuations from one currency to another. Suitable hedging transactions may not be available

in all circumstances and there can be no assurance that the Legg Mason Emerging Markets Equity Fund will engage in such transactions at any given time or from time to time. Also, such transactions may not be successful and may eliminate any chance for the Legg Mason Emerging Markets Equity Fund to benefit from favourable fluctuations in relevant foreign currencies. The Legg Mason Emerging Markets Equity Fund may use one currency (or a basket of currencies) to hedge against adverse changes in the value of another currency (or a basket of currencies) when exchange rates between the two currencies are positively correlated.

FORWARD ROLL TRANSACTIONS:

The Legg Mason Emerging Markets Equity Fund may enter into forward roll transactions with respect to mortgage-backed securities issued by GNMA, FNMA and FHLMC. In a forward roll transaction, the Legg Mason Emerging Markets Equity 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 Legg Mason Emerging Markets Equity Fund will not be entitled to receive interest and principal payments on the securities sold. Proceeds of the sale will be invested in short-term instruments, particularly repurchase agreements, and the income from these instruments, together with any additional fee income received on the sale, will generate income for the Legg Mason Emerging Markets Equity Fund exceeding the yield on the securities sold. Forward roll transactions involve the risk that the market value of the securities sold by the Legg Mason Emerging Markets Equity Fund may decline below the repurchase price of those securities. The Legg Mason Emerging Markets Equity Fund may not enter into forward roll transactions with respect to securities, which it does not own.

The Legg Mason Emerging Markets Equity 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. The Legg Mason Emerging Markets Equity 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 NRSRO. Until settlement of a forward roll transaction, the repurchase price for the underlying security must at all times be in the custody of the Depository Bank.

TO BE ANNOUNCED TRANSACTIONS:

The Legg Mason Emerging Markets Equity Fund that invests in fixed income securities may purchase "To Be Announced" securities ("TBAs") issued by GNMA, FNMA and FHLMC. TBAs are to be considered as Transferable Securities within the limits specified under "*Investment 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 exact security is not known, but the main characteristics of it are specified. Although the price has been established at the time of purchase, the principal value has not been finalised. 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, the Legg Mason Emerging Markets Equity 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 the Legg Mason Emerging Markets Equity Fund will generally enter into TBA purchase commitments with the intention of acquiring securities, the Legg Mason Emerging Markets Equity 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, the Legg Mason Emerging Markets Equity Fund realises a gain or loss on the commitment without regard to any unrealised gain or loss on the underlying security. If the Legg Mason Emerging Markets Equity Fund delivers securities under the commitment, the Legg Mason Emerging Markets Equity 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.

SECURITIES LENDING:

In accordance with the provisions set forth in CSSF Circular 08/356, the Legg Mason Emerging Markets Equity Fund may, in order to reduce risk, reduce cost and generate additional income, enter into securities lending transactions through a standardised lending system organised by a recognised securities clearing institution or through a lending system organised by a financial institution (with a minimum credit rating of A1 or equivalent, or deemed to have an implied rating of A1) subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by Community law and that is specialised in this type of transaction. When entering into lending transactions, the Legg Mason Emerging Markets Equity Fund must receive a collateral of a value which is, during the lifetime of the lending agreement, at least equal to the global valuation of the securities lent given in the form of liquid assets or in the form of securities issued or guaranteed by an OECD Country or by their local authorities or by supranational institutions and undertakings with EU, regional or world-wide scope and blocked in favour of the Legg Mason Emerging Markets Equity Fund until expiry of the securities lending transaction. The Legg Mason Emerging Markets Equity Fund may also receive as collateral shares issued by a first class issuer, included in a major local index and listed or dealt in a regulated market in a Member State of the EU or a stock exchange of a Member State of the OECD or any other eligible securities pursuant to the CSSF Circular 08/356. Securities lending transactions may not exceed 50% of the aggregate market value of the securities in the Legg Mason Emerging Markets Equity Fund. This limit shall not apply where the Legg Mason Emerging Markets Equity Fund has the right at any time to terminate the contract and obtain restitution of the securities lent. Securities lending transactions may not exceed a period of 30 days. The Legg Mason Emerging Markets Equity Fund may not lend securities which serve as underlying instruments linked to derivative financial instruments or which have been accepted within the framework of reverse repos. Securities used to provide cover in respect of derivatives on an exchange rate or currency are not regarded as being linked to the said derivative. Cash collateral received by the Legg Mason Emerging Markets Equity Fund in relation to these transactions will be reinvested.

Any incremental incomes arising from securities lending transactions entered into will be accrued solely to the Legg Mason Emerging Markets Equity Fund which lent the securities.

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 ("*Opérations 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.

Further, all collateral received in respect of the repurchase agreements will be cash or liquid securities with at least equal to the global valuation of the value of the securities lent.

The risk exposure to a single counterparty of the Fund arising from one or more securities lending transactions, sales with right of repurchase transactions and/or repurchase agreement transactions may not exceed 10% of its assets when the counterparty is a credit institution (as referred to in article 41, paragraph (1)(f) of the law of 17 December 2010) or 5% of its assets in other cases.

The maximum level of the Fund's assets available for repurchase agreement transactions is 20% of the Fund's net asset value.

The counterparty must be highly rated financial institutions (with a minimum credit rating of A1 or equivalent, or deemed to have an implied rating of A1).

Any incremental incomes arising from repurchase agreement transactions entered into will be accrued solely to the Legg Mason Emerging Markets Equity Fund.

WHEN-ISSUED, DELAYED DELIVERY AND FORWARD COMMITMENT SECURITIES:

The Legg Mason Emerging Markets Equity Fund may purchase securities on a “when-issued” basis and may purchase or sell securities on a “forward commitment” basis. The price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. When-issued securities and forward commitments may be sold prior to the settlement date, but the Legg Mason Emerging Markets Equity Fund will usually enter into when-issued and forward commitments, only with the intention of actually receiving or delivering the securities or to avoid currency risk, as the case may be. No income accrues on securities, which have been purchased pursuant to a forward commitment or on a when-issued basis prior to delivery of the securities. Due to fluctuations in the value of securities purchased or sold on a when-issued or delayed-delivery basis, the yields obtained on such securities may be higher or lower than the yields available in the market on the dates when the securities are actually delivered to the buyers. If the Legg Mason Emerging Markets Equity Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, the Legg Mason Emerging Markets Equity Fund may incur a gain or loss. There is a risk that the securities may not be delivered and that the Legg Mason Emerging Markets Equity Fund may incur a loss.

2) TECHNIQUES AND INSTRUMENTS TO PROTECT AGAINST EXCHANGE RISKS

The Legg Mason Emerging Markets Equity Fund may employ techniques and instruments that are intended to provide protection against exchange risks in the context of the management of its assets and liabilities (i.e., currency hedging) or to enhance the Legg Mason Emerging Markets Equity Fund’s return by gaining an exposure to one or more foreign currencies or otherwise alter the currency exposure characteristics of securities held by the Legg Mason Emerging Markets Equity Fund (i.e., active currency positions). The Legg Mason Emerging Markets Equity Fund will implement its currency hedging activities and active currency positions by using spot and forward foreign exchange contracts and currency futures, options and swaps contracts. More information concerning of these types permitted financial derivative instruments and the limits thereon is set forth above.

Because the Legg Mason Emerging Markets Equity Fund may invest in debt securities and hold active currency positions that are denominated in currencies other than its base currency, the Legg Mason Emerging Markets Equity Fund may be exposed to currency exchange risk. For example, changes in exchange rates between currencies or the conversion from one currency to another may cause the value of the Legg Mason Emerging Markets Equity Fund’s investments to diminish or increase. Currency exchange rates may fluctuate over short periods of time. They generally are determined by supply and demand in the currency exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates can be affected unpredictably by intervention (or the failure to intervene) by governments or central banks, or by currency controls or political developments.

The Legg Mason Emerging Markets Equity Fund may offer Sub-Classes of Units in with an Offering Currency other than the base currency of the Legg Mason Emerging Markets Equity Fund that are hedged back to its base currency (i.e., Hedged Sub-Classes) as set out in the Appendix. With respect to the different Hedged Sub-Classes, the Fund intends to hedge against movements in exchange rates between the base currency of the Legg Mason Emerging Markets Equity Fund and the Offering Currency of the relevant Hedged Sub-Class. Under no circumstances will such hedging exceed 100 per cent of the Net Asset Value of a particular Hedged Sub-Class. Furthermore, Hedged Sub-Classes shall not be leveraged as a result of these transactions. While the Fund will attempt to hedge this risk, there can be no guarantee that it will be successful in doing so. Hedging transactions will be clearly attributable to a specific Hedged Sub-Class. All costs and gains/losses of such hedging transactions shall exclusively be borne by the relevant Hedged Sub- Class in a manner whereby such costs, gains and losses shall not have an effect on the calculation of the Net Asset Value of the Classes of Units other than the relevant Hedged Sub-Class. The use of Class hedging strategies may substantially limit unitholders in the relevant Hedged Sub-Class from benefiting if the Sub-Class’s Offering Currency falls against the base currency of the Legg Mason Emerging Markets Equity Fund and/or the currency in which some or all of its assets are denominated.

RISK MANAGEMENT PROCESS

The Management Company will employ a risk-management process which enables it, with the Investment Manager of the Legg Mason Emerging Markets Equity Fund, to monitor and measure at appropriate time intervals the risk of the positions and their contribution to the overall risk profile of the Legg Mason Emerging Markets Equity Fund.

CSSF Circular 11/512 requires that the Legg Mason Emerging Markets Equity Fund disclose its global exposure calculation methodology and leverage calculation methodology among other disclosures relating to its use of derivatives. However, as at the date of this Prospectus, the Legg Mason Emerging Markets Equity Fund is not invested in derivative products. Should the Legg Mason Emerging Markets Equity Fund begin investing in derivative products the Management Company, with the Investment Manager, shall use commitment approach as method of determination of the global exposure of the portfolio.

SPECIAL CONSIDERATIONS AND 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 the Legg Mason Emerging Markets Equity 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 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.

EQUITY RISK

Fund investments in common stocks and other equity securities are subject to market risk that historically has resulted in greater price volatility than experienced by bonds and other fixed income securities.

GROWTH SECURITIES

Fund investments in a growth style are 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.

VALUE INVESTING

Where the Fund employs a value style, the risk depends largely on the Investment Manager's skill in identifying securities of companies that are in fact undervalued, but have good longer term business prospects. A security may not achieve its expected value because the circumstances causing it to be under-priced worsen (causing the security's price to decline further) or do not change or because the Investment Manager is incorrect in its determinations. In addition, value stocks may under-perform certain investments (growth stocks, for example) during period when value stocks are out of favour.

SMALLER COMPANIES

Where the Fund invests in securities of smaller capitalisation companies may have more risks than those of larger, more seasoned companies. Among other things, the prices of securities of smaller capitalisation companies

generally are more volatile than those of larger companies; the securities of smaller companies generally are less liquid; and smaller companies generally are more likely to be adversely affected by poor economic or market conditions. The prices of micro-sized companies generally are even more volatile and their markets are even less liquid relative to both small and larger companies. Investments in securities of companies with smaller market capitalizations are generally considered to offer greater opportunity for appreciation but also may involve greater risks than customarily are associated with more established companies. The securities of smaller companies may be subject to more abrupt fluctuations in market price than larger, more established companies. Smaller companies may have limited product lines, markets or financial resources, or they may be dependent upon a limited management group. In addition to exhibiting greater volatility, smaller company stocks may, to a degree, fluctuate independently of larger company stocks (i.e., small and/or micro company stocks may decline in price as the prices of large company stock rise or vice versa).

INTEREST RATE RISK

Where the Fund 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. Longer term obligations are usually more sensitive to interest rate changes.

CREDIT RISK

Where the Fund 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 Fund. Credit risk is more pronounced for a 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.

INDEX-LINKED SECURITIES (HEREAFTER "INDEXED SECURITIES")

Indexed securities are securities whose prices are indexed to the prices of securities indices, currencies, or other financial statistics. Indexed securities typically are debt securities or deposits whose value at maturity and/or coupon rate is determined by reference to a specific instrument or statistic. The performance of indexed securities fluctuates (either directly or inversely, depending upon the instrument) with the performance of the index, security or currency. At the same time, indexed securities are subject to the credit risks associated with the issuer of the security, and their value may substantially decline if the issuer's creditworthiness deteriorates. Recent issuers of indexed securities have included banks, corporations and certain U.S. government agencies. The U.S. Treasury recently began issuing securities whose principal value is indexed to the Consumer Price Index (also known as "Treasury Inflation-Indexed Securities"). The Legg Mason Emerging Markets Equity Fund will only purchase indexed securities of issuers, which are freely transferable securities and are rated at least investment grade at the time of purchase by a NRSRO. The Legg Mason Emerging Markets Equity Fund will not purchase leveraged Indexed Securities.

INFLATION-PROTECTED SECURITIES RISKS

Inflation-protected securities are special types of indexed securities that are tied to indices that are calculated based on the rates of inflation for prior periods. The value of inflation-protected securities, including U.S. TIPS, generally fluctuates in response to changes in real interest rates. Real interest rates are tied to the relationship between nominal interest rates and the rate of inflation. If nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-protected securities. Conversely, if inflation rises at a faster rate than nominal interest rates, real interest rates might decline, leading to an increase in value of inflation-protected securities.

If the Legg Mason Emerging Markets Equity Fund purchases inflation-protected securities in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the Legg Mason Emerging Markets Equity Fund may experience a loss if there is a subsequent period of deflation. Additionally, if the Legg Mason Emerging Markets Equity Fund purchases inflation-protected securities in the secondary market whose price has been adjusted upward due to real interest rates increasing, the Legg Mason Emerging Markets Equity Fund may experience a loss if real interest rates subsequently increase. If inflation is lower than expected during the period the Fund holds an inflation-protected securities, the Legg Mason Emerging Markets Equity Fund may earn less on the security than on a conventional bond. If the Legg Mason Emerging Markets Equity Fund sells U.S. TIPS in the secondary market prior to maturity however, it may experience a loss.

If real interest rates rise (i.e., if interest rates rise for reasons other than inflation (for example, due to changes in currency exchange rates)), the value of the inflation-protected securities in the Legg Mason Emerging Markets Equity Fund's portfolio will decline. Moreover, because the principal amount of inflation-protected securities would be adjusted downward during a period of deflation, the Legg Mason Emerging Markets Equity Fund will be subject to deflation risk with respect to its investments in these securities. There can be no assurance that such indices will accurately measure the real rate of inflation.

Additionally, the market for inflation-protected securities may be less developed or liquid, and more volatile, than certain other securities markets. Although the U.S. Treasury is contemplating issuing additional inflation-protected securities, there is no guarantee that it will do so. There are a limited number of inflation-protected securities that are currently available for the Fund to purchase, thus making the market less liquid and more volatile than the U.S. Treasury and agency markets.

The U.S. Treasury currently issues U.S. TIPS in only ten-year maturities, although it is possible that U.S. TIPS with other maturities will be issued in the future. Previously, U.S. TIPS have been issued with maturities of five, ten or thirty years. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed even during a period of deflation. However as with inflation-protected securities generally, because the principal amount of U.S. TIPS would be adjusted downward during a period of deflation, the Fund will be subject to deflation risk with respect to its investments in these securities. In addition, the current market value of the bonds is not guaranteed, and will fluctuate. If the Legg Mason Emerging Markets Equity Fund purchases U.S. TIPS in the secondary market whose principal values have been adjusted upward due to inflation since issuance, it may experience a loss if there is a subsequent period of deflation. If inflation is lower than expected during the period the Legg Mason Emerging Markets Equity Fund holds a U.S. TIPS, it may earn less on the security than on a conventional bond.

SUPRA-NATIONAL ORGANISATIONS

Supra-national organisations are entities designated or supported by governments or governmental entities to promote economic development, and include, among others, the Asian Development Bank, the European Community, the European Investment Bank, the Inter-American Development Bank, the International Monetary Fund, the United Nations, the International Bank for Reconstruction and Development ("World Bank") and the European Bank for Reconstruction and Development. These organisations have no taxing authority and are dependent upon their members for payments of interest and principal. Moreover, the lending activities of such supra-national entities are limited to a percentage of their total capital (including "callable capital") contributed by members at an entity's call, reserves and net income.

SECURITISED LOAN PARTICIPATIONS

Securitised loan participations typically will result in the Legg Mason Emerging Markets Equity Fund having a contractual relationship only with the lender, not with the borrower. The Legg Mason Emerging Markets Equity Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing participations, the Legg Mason Emerging Markets Equity Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower, and the Legg Mason Emerging Markets Equity Fund may not directly benefit from any

collateral supporting the loan in which it has purchased the participation. As a result, the Legg Mason Emerging Markets Equity Fund will assume the credit risk of both the borrower and the lender that is selling the participation. In the event of the insolvency of the lender selling a participation, the Legg Mason Emerging Markets Equity Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

The Legg Mason Emerging Markets Equity Fund may have difficulty disposing of participations. The liquidity of such instruments is limited, and they may be sold only to a limited number of institutional investors. The lack of a liquid secondary market could have an adverse impact on the value of such securities and on the Legg Mason Emerging Markets Equity Fund's ability to dispose of particular participations when necessary to meet its liquidity needs or in response to a specific economic event, such as deterioration in the creditworthiness of the borrower. The lack of a liquid secondary market for participations also may make it more difficult for the Investment Manager to assign a value to those securities for the purposes of valuing the Legg Mason Emerging Markets Equity Fund's portfolio and calculating its Net Asset Value.

FOREIGN SECURITIES

General

The Legg Mason Emerging Markets Equity 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, the Legg Mason Emerging Markets Equity Fund 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 the Legg Mason Emerging Markets Equity 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 the Legg Mason Emerging Markets Equity 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 the Legg Mason Emerging Markets Equity Fund may invest. Investment in Russian securities shall not exceed 10% of the Legg Mason Emerging Markets Equity Fund's Total Assets.

People's Republic of China

Investing in the securities markets of the PRC is subject to the risks of significant change in political, social or economic policy in the PRC, which may adversely affect the capital growth and performance of such investments. In particular, the Shanghai and Shenzhen securities markets are in the process of development and change which may lead to trading volatility and difficulty in interpreting and applying relevant rules and regulations.

In addition, special risks associated with investing in PRC securities include (a) a lower level of liquidity in the PRC "A" and "B" share markets, (b) a limited number of choices in "A" and "B" share issues currently available to the Investment Manager, (c) differences between the PRC accounting standards and international accounting standards, (d) PRC taxes, including withholding and other taxes imposed by the PRC authorities which are constantly changing, and the availability of tax incentives, and (e) controls imposed by the PRC authorities on foreign exchange and movements in exchange rates which may impact on the operations and financial results of PRC companies invested in by the Legg Mason Emerging Markets Equity Fund.

Under PRC regulations, foreign investors can access the A-share market by obtaining a Qualified Foreign Institutional Investor ("QFII") licence or through institutions that have obtained a QFII licence in the PRC. The Legg Mason Emerging Markets Equity Fund does not have QFII status, but relies on the QFII licence and quota of the Investment Manager. There can be no assurance that the Investment Manager will be able to allocate a sufficient portion of its QFII investment quota to the Legg Mason Emerging Markets Equity Fund. In addition, it may not be possible to process redemption requests in a timely manner due to changes in applicable rules and regulations, including QFII repatriation restrictions, which may lead to a suspension in dealings in the Legg Mason Emerging Markets Equity Fund.

Given the Legg Mason Emerging Markets Equity Fund's reliance on the QFII status of its Investment Manager, actions of the Investment Manager (whether or not related to the Legg Mason Emerging Markets Equity Fund) which violate QFII regulations could result in the revocation of, or other regulatory action against, the Investment Manager's QFII licence as a whole, and may impact on the Legg Mason Emerging Markets Equity Fund's ability to invest in PRC securities.

The Legg Mason Emerging Markets Equity Fund may suffer loss due to its inability to implement fully its investment objectives and strategy as a result of the rules and restrictions under the QFII regime (including rules on *Investment Restrictions*, minimum investment holding periods, and repatriation of principal and profits), illiquidity of the A-share market, and/or delay or disruption in execution of trades or in settlement of trades.

CURRENCY RISK

The Funds that invest in securities or hold active currency positions that are denominated in currencies other than its Base Currency may be exposed to currency exchange risk because the assets and liabilities of the Legg Mason Emerging Markets Equity Fund may be denominated in currencies different to the base currency or its Offering Currency. For example, changes in exchange rates between currencies or the conversion from one currency to another may cause the value of the Legg Mason Emerging Markets Equity Fund's investments to diminish or

increase. Changes in currency exchange rates may influence the value of the Legg Mason Emerging Markets Equity Fund's Units, and also may affect the value of dividends and interest earned by the Legg Mason Emerging Markets Equity Fund and gains and losses realised by the Legg Mason Emerging Markets Equity Fund. The exchange rates between the base currency or Offering 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 or Offering 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.

The Investment Manager may utilize financial instruments such as forward contracts, currency options and interest rate swaps, caps and floors to seek to hedge against fluctuations in the relative values of their portfolio positions as a result of changes in currencies, interest rates, equities and other financial instruments. Where appropriate, the Investment Manager may hedge up to 100% of the Net Asset Value of the Class against currency exposure, provided that it is in the best interests of the Shareholders to do so and that the Class will not be leveraged as a result of the transactions. While the Investment Manager will attempt to hedge against currency exposure, there can be no guarantee that this will be successful. The hedged Class will separately bear any expenses in connection with such hedging techniques. Furthermore, all costs, gains or losses, which may be made by any Class as a result of such hedging transactions, shall accrue to the relevant Class. The use of Class hedging strategies may substantially limit holders of units in the relevant Class from benefiting if the Class currency falls against the base currency and/or the currency in which the assets of the Legg Mason Emerging Markets Equity Fund are denominated and the value of such shares may fall.

CERTAIN OTHER INSTRUMENTS

The Legg Mason Emerging Markets Equity Fund's use of futures, options, warrants, forwards, swaps or swaptions involves increased risk. The Legg Mason Emerging Markets Equity Fund's ability to use such instruments successfully depends on its Investment Manager'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 Investment Manager's predictions are wrong, or if the derivative instruments do not work as anticipated, the Legg Mason Emerging Markets Equity Fund could suffer greater losses than if it had not used such instruments. If the Legg Mason Emerging Markets Equity Fund invests in such instruments OTC, there is 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 Legg Mason Emerging Markets Equity 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 the Legg Mason Emerging Markets Equity Fund's 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. The Legg Mason Emerging Markets Equity 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 Legg Mason Emerging Markets Equity 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 by the Legg Mason Emerging Markets Equity Fund earlier than expected. Under these circumstances, the Legg Mason Emerging Markets Equity 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 by the Legg Mason Emerging Markets Equity Fund later than expected. Under these circumstances, the Legg Mason Emerging Markets Equity Fund may suffer from inability to invest in higher yielding securities and the value of the obligation will decrease.

RISK OF UTILIZING OPTIONS

Because option premiums paid or received by the Legg Mason Emerging Markets Equity Fund will be small in relation to the market value of the investment underlying the options, trading in options could cause the Legg Mason Emerging Markets Equity Fund's Net Asset Value to be subject to more frequent and wider fluctuations than would be the case if it did not utilise options.

Upon the exercise of a put option written by the Legg Mason Emerging Markets Equity Fund, it may suffer a loss equal to the difference between the price at which it is required to purchase the underlying asset and its market value at the time of the option exercise, less the premium received for writing the option. Upon the exercise of a call option written by the Legg Mason Emerging Markets Equity Fund, it may suffer a loss equal to the excess of the market value of the asset at the time of the option's exercise over the price at which it is obliged to sell the asset, less the premium received for writing the option.

No assurance can be given that the Legg Mason Emerging Markets Equity Fund will be able to effect closing transactions at a time when it wishes to do so. If the Legg Mason Emerging Markets Equity Fund cannot enter into a closing transaction, it may be required to hold assets that it might otherwise have sold, in which case it would continue to be at market risk on such assets and could have higher transaction costs, including brokerage commissions. In addition, options that are not exchange traded will subject the Legg Mason Emerging Markets Equity Fund to risks relating to its counterparty, such as the counterparty's bankruptcy, insolvency, or refusal to honor its contractual obligations.

RISK OF UTILIZING SWAPS:

Payments under a swap contract may be made at the conclusion of the contract or periodically during its term. If there is a default by the counterparty to a swap contract, the Legg Mason Emerging Markets Equity Fund will be limited to contractual remedies pursuant to the agreements related to the transaction. There is no assurance that swap contract counterparties will be able to meet their obligations pursuant to swap contracts or that, in the event of default, the Legg Mason Emerging Markets Equity Fund will succeed in pursuing contractual remedies. The Legg Mason Emerging Markets Equity Fund thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to swap contracts.

In addition, because swap contracts are individually negotiated and ordinarily non-transferable, there also may be circumstances in which it would be impossible for the Legg Mason Emerging Markets Equity Fund to close out its obligations under the swap contract. Under such circumstances, the Legg Mason Emerging Markets Equity Fund might be able to negotiate another swap contract with a different counterparty to offset the risk associated with the first swap contract. Unless the Legg Mason Emerging Markets Equity Fund is able to negotiate such an offsetting swap contract, however, it could be subject to continued adverse developments, even after the Investment Manager has determined that it would be prudent to close out or offset the first swap contract.

The use of swaps involves investment techniques and risks different from and potentially greater than those associated with ordinary portfolio securities transactions. If the Investment Manager is incorrect in its expectations of market values or interest rates the investment performance of the Legg Mason Emerging Markets Equity Fund would be less favourable than it would have been if this efficient portfolio management technique were not used.

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 the Legg Mason Emerging Markets Equity 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 the Legg Mason Emerging Markets Equity 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 the Legg Mason Emerging Markets Equity Fund to invest in non publicly traded securities is limited as provided in point 2)a) under "*Investment Restrictions*".

STRIPPED SECURITIES

The yield to maturity on an Interest Only or Principal Only class of stripped mortgage-backed securities is extremely sensitive not only to changes in prevailing interest rates but also to the rate of principal payments (including prepayments) on the underlying assets. A rapid rate of principal prepayments may have a measurably adverse effect on the Legg Mason Emerging Markets Equity Fund's yields to maturity to the extent it invests in Interest Only Bonds. If the assets underlying the Interest Only Bond experience greater than anticipated prepayments of principal, the Legg Mason Emerging Markets Equity Fund may fail to recoup fully its initial investments in these securities. Conversely, Principal Only Bonds tend to increase in value if prepayments are greater than anticipated and decline if prepayments are slower than anticipated. The secondary market for stripped mortgage-backed securities may be more volatile and less liquid than that for other mortgage-backed securities, potentially limiting the Legg Mason Emerging Markets Equity Fund's ability to buy or sell those securities at any particular time.

MORTGAGE RELATED SECURITIES

The Legg Mason Emerging Markets Equity Fund may invest in "To Be Announced" securities ("TBAs"). TBAs are to be considered as Transferable Securities within the limits specified under "*Investment 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, the Legg Mason Emerging Markets Equity 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 the Legg Mason Emerging Markets Equity Fund will generally enter into TBA purchase commitments with the intention of acquiring securities, it 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, the Legg Mason Emerging Markets Equity Fund realises a gain or loss on the commitment without regard to any unrealised gain or loss on the underlying security. If the Legg Mason Emerging Markets Equity Fund delivers securities under the commitment, it realises a gain or loss from the sale of the securities upon the unit price established at the date the commitment was entered into.

The Legg Mason Emerging Markets Equity 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 the Summary. In a forward roll transaction, the Legg Mason Emerging Markets Equity 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 Legg Mason Emerging Markets

Equity 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 the Legg Mason Emerging Markets Equity Fund may decline below the repurchase price of those securities. The Legg Mason Emerging Markets Equity Fund may not enter into forward roll transactions with respect to securities which it does not own.

The Legg Mason Emerging Markets Equity 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. The Legg Mason Emerging Markets Equity 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.

COLLATERAL DEBT SECURITIES

Securities issued by CDOs («CDO Securities») are generally limited recourse obligations of the issuers thereof payable solely from the underlying assets («CDO Assets») of the relevant issuer or proceeds thereof. Consequently, holders of CDO Securities including the Fund must rely solely on distributions on the CDO Assets or proceeds thereof for payment in respect thereof. In addition, interest payments on CDO Securities (other than the most senior tranche or tranches of a given issue) are generally subject to deferral. If distributions on the CDO Assets (or, in the case of a market value CDO Security - as explained hereinafter) - proceeds from the sale of the CDO Assets) are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer of the related CDO Security to pay such deficiency including to the Fund will be extinguished.

With a market value CDO deal, principal and interest payments to investors come from both collateral cash flows as well as sales of collateral. Payments to tranches are not contingent on the adequacy of the collateral's cash flows, but rather the adequacy of its market value. Should the market value of collateral drop below a certain level, payments are suspended to the equity tranche. If it falls even further, more senior tranches are impacted. An advantage of a market value CDO is the added flexibility they afford the portfolio manager. It is not constrained by a need to match the cash flows of collateral to those of the various tranches.

CDO Assets consist primarily of non-investment grade loans, interests in non-investment grade loans, high yield debt securities and other debt instruments, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. The CDO Assets will generally be subject to greater risks than investment-grade corporate obligations. Such investments are normally considered speculative in nature. CDO Assets are typically actively managed by an investment manager, and as a result CDO Assets will be traded, subject to rating agency and other constraints, by such investment managers. The aggregate return on the CDO Assets will depend in part upon the ability of the relevant investment manager to actively manage the related portfolio of the CDO Assets.

The CDO Assets will be subject to certain portfolio restrictions as set forth herein. However, the concentration of the CDO Assets in any one security type subjects the holders of CDOs to a greater degree of risk with respect to defaults on the CDO Assets.

The CDO Assets are subject to credit, liquidity, market value, interest rate and certain other risks. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular CDO Assets.

CDO Securities are in general privately placed and offer less liquidity than other investment-grade or high-yield corporate debt. They are also generally issued in structured transactions with risks different from regular corporate debt. In addition, the assets collateralizing Market Value CDO Securities are subject to liquidation upon the failure

of certain tests, and it is likely that any such liquidation would result in a substantial loss of value of the related Market Value CDO Securities.

Prices of the CDO Assets may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the CDO Assets. In addition, the ability of the issuer to sell Assets prior to maturity is subject to certain restrictions set forth in the offering and constitutive documents of the relevant CDO.

ASSET-BACKED SECURITIES:

The principal of asset-backed securities may be prepaid at any time. As a result, if such securities were purchased at a premium, a prepayment rate that is faster than expected will reduce yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect. Conversely, if the securities are purchased at a discount, prepayments faster than expected will increase yield to maturity and prepayments slower than expected will decrease it. Accelerated prepayments also reduce the certainty of the yield because a fund must reinvest the assets at the then-current rates. Accelerated prepayments on securities purchased at a premium also impose a risk of loss of principal because the premium may not have been fully amortised at the time the principal is repaid in full.

REITs

The Legg Mason Emerging Markets Equity Fund has the ability to invest in Real Estate Investment Trust Securities ("REITs") which are pooled investment vehicles that invest primarily in either real estate or real estate related loans. There are particular risks associated with the direct ownership of real estate by REITs in which the Legg Mason Emerging Markets Equity Fund may invest. For example, real estate values may fluctuate as a result of general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighborhood values, changes in how appealing properties are to tenants and increases in interest rates. As well as changes in the value of their underlying properties, the value of REITs may also be affected by defaults by borrowers or tenants.

Furthermore, REITs are dependent on specialised management skills. Some REITs may have limited diversification and may be subject to risks inherent in financing a limited number of properties. REITs depend generally on their ability to generate cash flows to make distributions to shareholders or unitholders, and may be subject to defaults by borrowers and to self-liquidations. In addition, the performance of a REIT may be adversely affected if it fails to qualify for tax-free pass-through of income under U.S. tax law or if it fails to maintain exemption from registration under the 1940 Act.

DOWNGRADING RISK

Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. If an investment grade security is downgraded to below investment grade, then investors should note that such below investment grade securities would generally be considered to have a higher credit risk and a greater possibility of default than more highly rated securities. If the issuer defaults, or such securities cannot be realised, or perform badly, investor may suffer substantial losses. In addition, the market for securities which are rated below investment grade and/or have a lower credit rating generally is of lower liquidity and less active than that for higher rated securities and a Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

BORROWING POLICY

The Management Company is empowered to exercise all of the borrowing powers of the Legg Mason Emerging Markets Equity Fund, subject to any limitations under *Investment Restrictions* in this Summary, and to charge the assets of the Legg Mason Emerging Markets Equity Fund as security for any such borrowings. Please see also *Conflicts of Interest*.

The Legg Mason Emerging Markets Equity Fund may not borrow money, grant loans or act as guarantor on behalf of third parties, except that (i) foreign currency may be acquired by means of a back-to-back loan (i.e. borrowing one currency against the deposit of an equivalent amount of another currency), provided that where foreign currency borrowings exceed the value of the back-to-back deposit, any excess shall be regarded as borrowing and is therefore aggregated with other borrowings for the purposes of the 10% limit referred to above; and (ii) the Legg Mason Emerging Markets Equity Fund may incur temporary borrowings in an amount not exceeding 10% of its net assets. Repurchase agreements where the Legg Mason Emerging Markets Equity Fund acts as seller of securities (see *Investment Techniques*) are treated as borrowings for these purposes and accordingly the aggregate amount of outstanding borrowings and reverse repurchase agreements may not exceed 10% of its net assets.

INVESTING IN THE FUND

SUBSCRIPTION APPLICATIONS

Investors may subscribe for Units in the Legg Mason Emerging Markets Equity Fund on each day on which banks in Luxembourg are open for business (a "**Business Day**") provided that subscription applications in proper form are received by the Transfer Agent and Registrar as provided below. Confirmation advices will be sent to Unitholders at the latest the first bank business day in Luxembourg after the execution of the subscription order.

Units will be issued in fractions of up to three decimal places. No nominative certificates representing Units will be issued.

The Management Company no longer issues bearer certificates. As from 30 November 2009, all bearer units in issue as of the date of the Prospectus will be converted into registered units.

Pursuant to article 13 (1) of the 2010 Law, the acquisition of Units implies acceptance of terms of the Management Regulations and of the Prospectus by the investor.

Units are offered at the unknown Net Asset Value calculated on the Business Day for which the application is received (a "**Valuation Day**"), if accepted, provided that the application, duly completed, is received at the office of the Transfer Agent and Registrar in Luxembourg by the deadline as specified in the table below. In case an application for subscription is not received by the deadline specified in the table below before the Valuation Day, the application shall be considered as received on the following Business Day. Intermediaries may impose an earlier time limit on the same day for accepting applications in their jurisdiction. Payment of the subscription price must be made to the Custodian Bank within four Business Days after the Valuation Day.

If timely settlement is not made, the application for Units may be deemed null and void and Units (in respect of which the appropriate consideration has not been received) may be cancelled.

The Management Company may apply a charge (for the benefit of the Legg Mason Emerging Markets Equity 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 Legg Mason Emerging Markets Equity Fund and with the aim of protecting existing Unitholders from bearing such costs.

Each investor may subscribe directly for Units of the Legg Mason Emerging Markets Equity 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 Custodian Bank for the account of the Legg Mason Emerging Markets Equity Fund. Upon receipt of a duly completed application form, the Hong Kong Representative will endeavour to forward to the Custodian Bank the application on the Hong Kong business day (being a day, other than Saturday, on which banks in Hong Kong are open for business) 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 Legg Mason Emerging Markets Equity Fund. In the case of payments otherwise than in the base currency of the Legg Mason Emerging Markets Equity 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.

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 Legg Mason Emerging Markets Equity Fund's performance and other Unitholders. If so, the Management Company may limit additional subscriptions, redemptions and/or switches 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 Legg Mason Emerging Markets Equity Fund and its 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 dealings in the Legg Mason Emerging Markets Equity Fund, 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.

Deadlines for receiving subscription orders

| Sub-Fund Name | Deadline for receiving orders |
|---|--|
| Legg Mason Emerging Markets Equity Fund | Before 11 p.m. Luxembourg time two Business Days preceding the Valuation Day |

The Management Company draws the investors' attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Fund, if the investor is registered himself and in his own name in the Unitholders' register of the Fund. In cases where an investor invests in the Fund through an intermediary investing into the Fund in his own name but on behalf of the investor, it may not always be possible for the investor to exercise certain unitholder rights directly against the Fund. Investors are advised to take advice on their rights.

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.

The redemption price for each Class of Units shall be based on the unknown Net Asset Value calculated on the Valuation Day for which the redemption application was received, if accepted, provided that the application, duly completed, is received by the office of the Transfer Agent and Registrar in Luxembourg by the deadline specified in the table below. Redemption applications received after the deadline specified in the table below shall be considered on the next following Business Day. Intermediaries may impose an earlier time limit on the same day for accepting redemption orders in their jurisdiction.

The Management Company may (for the benefit of the Legg Mason Emerging Markets Equity 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 Legg Mason Emerging Markets Equity 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 the Legg Mason Emerging Markets Equity 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 Custodian Bank 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 Legg Mason Emerging Markets Equity 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.

Confirmation advices will be sent to Unitholders at the latest the first bank business day in Luxembourg after the execution of the redemption order.

Net redemption proceeds shall generally be paid not later than four Business Days and in any event, not later than one month, from the Valuation Day for which the Transfer Agent and Registrar has received the relevant redemption request unless specific statutory provisions such as foreign exchange restrictions or other circumstances beyond the Custodian Bank's control make it impossible to transfer the redemption proceeds to the country where the redemption was requested.

Where redemption requests in respect of the Legg Mason Emerging Markets Equity Fund exceed 10% of the total number of Units of the Legg Mason Emerging Markets Equity Fund in issue, the Management Company may delay the calculation of the redemption price until it has sold the corresponding assets and delay the payment of the redemption proceeds until the calculation of the next Net Asset Value. If redemption requests in the Legg Mason Emerging Markets Equity Fund on any Business Day exceed 10% of all the Units in the Legg Mason Emerging Markets Equity 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 U.S. Person or is holding Units for the account of a U.S. 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.

Deadlines for receiving redemption orders

| Sub-Fund Name | Deadline for receiving orders |
|---|--|
| Legg Mason Emerging Markets Equity Fund | Before 11 p.m. Luxembourg time two Business Days preceding the Valuation Day |

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 or Sub-Class in the Legg Mason Emerging Markets Equity Fund ("**Original Sub-Fund**") for Units of the same Class or Sub-Class of any other Sub-Fund, if additional Sub-Funds are launched within the Fund, available for issue at that time ("**New Sub-Fund**"). At the discretion of the Management Company, Unitholders may also convert Units of one Class or Sub-Class of the Legg Mason

Emerging Markets Equity Fund into Units of another Class or Sub-Class in the same or another Sub-Fund, if additional Sub-Funds are launched within the Fund ("**New Sub-Fund**").

The conversion will take place at the unknown Net Asset Value per Unit determined for the respective Sub-Classes established on the Valuation Day common to both Sub-Funds, for which the application for conversion has been received. Conversion applications, duly completed, will be considered if received by the Transfer Agent and Registrar until the deadline specified in the table below. If the Units of the Original Sub-Fund and New Fund are denominated in different currencies, conversion will be carried out at the applicable exchange rate of the Valuation Day at the cost of the investor.

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

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.

Investors should also be aware that conversions between different Offering Currencies will be subject to a foreign exchange transaction at a rate to be provided by a counterparty of such foreign exchange transaction selected by the Management Company from time to time, which will depend on the conversion amount involved. The applicable foreign exchange rate may differ from the rate applied to inter-bank transactions.

Deadlines for conversion orders into or out of the Sub-Funds:

| Sub-Fund Name | Deadline for receiving orders |
|---|--|
| Legg Mason Emerging Markets Equity Fund | Before 11 p.m. Luxembourg time two Business Days preceding the Valuation Day |

CONVERSION FEES

The Intermediary or the Transfer Agent and Registrar may charge a maximum conversion fee of 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.

DISTRIBUTION POLICY

At the discretion of the Management Company, dividends may be declared or the earnings reinvested in relation to Ordinary Units and Distribution Units. Investors should refer to the Appendix to see which Sub-Classes are offered.

The Management Company may at its sole discretion declare dividends and interim dividends and determine the amount payable to Unitholders out of available assets. Entitlement to dividends and allocations not claimed within 5 years of the payment date shall be forfeited and the corresponding assets shall revert to the Legg Mason Emerging Markets Equity Fund or the Sub-Class of Units concerned.

FEES AND EXPENSES

MANAGEMENT FEE

A Management Fee shall be charged and allocated to the Management Company, the Investment Manager as well as the Intermediaries. The fee shall accrue daily, and be payable monthly in arrears at the applicable annual rates set out in the Appendix (which are the maximum rates charged to the relevant classes) on the basis of the average daily net assets attributable to each Class of Units of the Legg Mason Emerging Markets Equity Fund during the relevant month.

The maximum rate of the Management Fee provided for in the Management Regulations is 2.75% per annum. However, a lower 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 semi-annual reports covering such period.

OTHER FEES AND EXPENSES

The Legg Mason Emerging Markets Equity Fund may further bear the following expenses:

- the fees and expenses of the Custodian Bank, the Administrator, Transfer Agent and Registrar up to 0.15% per annum based on the daily average of the Net Asset Value. Notwithstanding such fees, the Fund may incur additional expenses and transaction charges of the Custodian Bank and its correspondents, in accordance with usual practice in Luxembourg; amounts paid are shown in the Fund's financial reports;
- the Luxembourg *Taxe d'abonnement* and all other taxes which may be payable on the assets, income and expenses chargeable to the Fund;
- standard brokerage and transaction charges incurred by the Fund with regard to its business transactions;
- fees and expenses of the Board;
- the fees of directors of the Management Company who are not employed by the Legg Mason Group;
- the costs of premiums for Directors' liability insurance and other insurance charges relating to the management of the Fund;
- fees of representatives or agents and of any paying agents in jurisdictions outside Luxembourg where the Fund is registered;
- the costs, including that of legal advice, which may be payable by the Management Company or the Custodian Bank for actions taken in the interests of the Unitholders;
- the fees and expenses incurred in connection with the registration of the Fund with, or the approval or recognition of the Fund by, the competent authorities in any country or territory and all fees and expenses incurred in connection with maintaining any such registration, approval or recognition;
- the fees and expenses incurred in connection with the listing of the Units on any stock exchange and all fees and expenses incurred in connection with maintaining any such listing;
- the fees and expenses incurred in connection with the publication of the daily Net Asset Value per Unit in newspapers, as requested by the Board;
- the cost of preparing, filing and publishing Fund's documents, such as the Management Regulations, the notices to Unitholders, notifications for registration, prospectuses or memoranda for all governmental authorities and stock exchanges (including local securities dealers' associations) which are required in connection with the Fund or with offering the Units of the Fund;
- the cost of printing and distributing yearly and semi-annual reports for the Unitholders in all required languages, together with the cost of printing and distributing all other reports and documents which are required by the relevant domestic or foreign laws or regulations;
- the fees payable to the Fund's auditors and legal advisers, and all other required administrative expenses;

- all taxes of any description, payable in respect of the holding of or dealing with income from assets of the Fund or the Legg Mason Emerging Markets Equity Fund and in respect of allocation and distribution of income to Unitholders;
- membership fees to professional or industry associations and organisations.

Insofar as the Fund is authorised in Hong Kong, no advertising expenses other than the costs of preparation and printing of the Prospectus and Summary, any offering circular in relation to the Legg Mason Emerging Markets Equity Fund and the reports and accounts will be borne by the Fund.

The fees and expenses will be payable out of the assets of the Fund and attributed to the Legg Mason Emerging Markets Equity Fund. If other Sub-Funds are launched within the Fund, 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.

Brokers or dealers connected to the Investment Manager and its affiliates may not in aggregate account for more than 50 per cent. of the Legg Mason Emerging Markets Equity Fund's transactions in value in any one financial year.

ESTABLISHMENT EXPENSES

The Management Company and/or the Investment Manager(s) may initially incur any or all of the formation expenses 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.

Formation expenses may be amortised over a period of five years.

CONFLICTS OF INTEREST

The Management Company and Investment Managers may from time to time act as a management company, investment manager or investment adviser, dealer, distributor or shareholder servicing agent in relation to, or be otherwise involved in, other funds established by parties other than the Fund which have similar investment objectives to those of the Fund or the Legg Mason Emerging Markets Equity Fund. The Investment Managers may hold units in the Legg Mason Emerging Markets Equity Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interests with the Fund and the Legg Mason Emerging Markets Equity Fund. Each will, at all times, have regard in such event to its obligations to the Fund and the Legg Mason Emerging Markets Equity Fund and will ensure that such conflicts are resolved fairly. In addition, any of the foregoing may deal, as principal or agent, with the Fund in respect of the assets of the Legg Mason Emerging Markets Equity Fund, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis and that such dealings are consistent with the best interests of unitholders. Where a commission (including a rebated commission) is received by the Investment Manager by virtue of an investment by the Legg Mason Emerging Markets Equity Fund in the units of another collective investment scheme, this commission must be paid into the Legg Mason Emerging Markets Equity Fund.

Dealings with an affiliated entity of the Investment Managers will be deemed to have been effected on normal commercial terms negotiated at arm's length if: (1) a certified valuation of a transaction by a person approved by the Custodian Bank as independent and competent is obtained; or (2) the transaction is executed on best terms on an organised investment exchange in accordance with the rules of such exchange; or (3) where (1) and (2) are not practical, the transaction is executed on terms which the Custodian Bank is, or the Directors in the case of a transaction involving the Custodian Bank are, satisfied are normal commercial terms negotiated at arm's length and are in the best interests of Unitholders.

A conflict of interest may arise where the competent person valuing unlisted securities owned or purchased by the Legg Mason Emerging Markets Equity Fund is an Investment Manager, a sub-investment manager or any other related party to the Fund. For example, because the Investment Managers' fees are calculated on the basis of a percentage of the Legg Mason Emerging Markets Equity Fund's average Net Asset Value, such fees increase as the Net Asset Value of the Legg Mason Emerging Markets Equity Fund increases. When valuing securities owned or purchased by the Legg Mason Emerging Markets Equity Fund, its Investment Manager (or any other related party to the Fund) will, at all times, have regard to the Investment Manager's obligations to the Fund and the Legg Mason Emerging Markets Equity Fund and will ensure that such conflicts are resolved fairly.

The Investment Manager and/or its affiliates may invest, directly or indirectly, or manage or advise other investment funds or accounts, which invest in assets which may also be purchased or sold by the Fund. Neither the Investment Manager nor any of its affiliates are under any obligation to offer investment opportunities of which any of them becomes aware to the Fund or to account to the Fund in respect of (or share with the Fund or inform the Fund of) any such transaction or any benefit received by any of them from any such transaction, but will allocate any such opportunities on an equitable basis between the Fund and other clients.

The Investment Manager may direct transactions to brokers in return for research services (such as written research reports on companies, sectors, or economies or the subscription of on-line data bases that provide real time and historical pricing information) furnished by them to the Investment Manager. In such circumstances, the Investment Manager will enter into soft commission agreements or similar arrangements with such brokers. Under such arrangements, the Investment Manager, as applicable, must ensure that the soft commissions or the services remunerated are of direct or indirect benefit of the Legg Mason Emerging Markets Equity Fund (e.g. financial analysis, market and price information systems and the broker or counterparty to the arrangement has agreed or is required by applicable law to provide best execution to the Legg Mason Emerging Markets Equity Fund). Best execution does not necessarily mean the lowest commission. For example, the Investment Manager may cause the Legg Mason Emerging Markets Equity Fund to pay a broker a commission greater than that charged by another qualified broker to execute the same transaction where the Investment Manager, in good faith, determines that (1) the commission is reasonable in relation to the value of the brokerage and research services received and (2) the research services will assist the Investment Manager in its provision of investment services to the Legg Mason Emerging Markets Equity Fund. The Investment Manager has provided the Legg Mason Emerging Markets Equity Fund with a copy of its soft commission policy, which includes a list of its soft commission arrangements with third parties. This information is available to unitholders of the Legg Mason Emerging Markets Equity Fund upon written request. Furthermore, the Investment Manager has provided the Legg Mason Emerging Markets Equity Fund with information concerning soft commissions for disclosure in periodic financial reports issued by the Legg Mason Emerging Markets Equity Fund, which are also available to unitholders.

NET ASSET VALUE

The Net Asset Value is the market value of the assets of the Legg Mason Emerging Markets Equity Fund, including accrued income less liabilities and provision for accrued expenses attributable to each Class and Sub-Class. The Net Asset Value per Unit is calculated on each Valuation Day by the Administrator in the denomination of the respective Sub-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 Sub-Class in the currency of denomination of such Sub-Class.

Securities and/or financial derivative instruments listed on an official exchange or dealt on another Regulated Market are valued on the basis of the last available price. If a security or instrument is quoted on different markets, the quotation of the main market for this security will be used. Fixed income securities are valued on the basis of the latest available middle price on the relevant stock exchange or the middle prices of last available quotes from market makers that constitute the main market for such securities.

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

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

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

Liquid assets, money market instruments and short term instruments (especially discount instruments) that have a maturity of less than 90 days will be valued at their face value with interest accrued or on an amortised cost basis. In the case of short term instruments (especially discount instruments) that have a maturity of less than 90 days, the value of the instrument based on the net acquisition cost, is gradually adjusted to the repurchase price thereof while the investment return calculated on the net acquisition cost is kept constant. In the event of material changes in market conditions, the valuation basis of the investment is adjusted to the new market yields.

All other liquid assets are valued on the basis of their applicable market rates. Assets denominated in a currency other than the currency of denomination of a particular Sub-Class are re-valued using the applicable foreign exchange rate.

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

The Net Asset Value per Unit of the Legg Mason Emerging Markets Equity Fund shall be published daily in the South China Morning Post and the Hong Kong Economic Journal. The Net Asset Value of the Legg Mason Emerging Markets Equity 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.

The Management Company cannot accept any responsibility for any error or delay in publication or non-publication of prices by reason of any cause beyond the reasonable control of the Management Company.

TEMPORARY SUSPENSION OF DEALINGS

The Management Company may at any time temporarily suspend the valuation, issue, sale, conversion or redemption of Units in the Legg Mason Emerging Markets Equity Fund or a Class of Units during:

- (i) any period when any stock exchange or Regulated Market on which a substantial portion of the investments of the Legg Mason Emerging Markets Equity 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, responsibility or power of the Management Company, the disposal or valuation of investments for the time being comprised in the Legg Mason Emerging Markets Equity 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 for the time being comprised in the Legg Mason Emerging Markets Equity Fund or during any period when for any other reason the value of investments for the time being comprised in the Legg Mason

Emerging Markets Equity Fund cannot, in the opinion of the Management Company, be promptly or accurately ascertained;

- (iv) when for any other reason the prices of any investments owned by the Fund attributable to the Legg Mason Emerging Markets Equity Fund cannot promptly or accurately be ascertained (including the suspension of the calculation of the net asset value of an underlying undertaking for collective investment);
- (v) 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 for the time being comprised in the Legg Mason Emerging Markets Equity 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; or
- (vi) when the Legg Mason Emerging Markets Equity Fund merges with another Sub-Fund (if new Sub-Funds are added) or with another UCITS (or a sub-fund of such other UCITS) provided any such suspension is justified for the protection of the Unitholders.

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 the Sub-Fund which is affected by the suspension will have their subscription, conversion or redemption request dealt with at an unknown Net Asset Value on the first Valuation Day after the suspension has been lifted unless subscription, 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 d'abonnement of 0.05% per annum, payable quarterly, is imposed on the net assets of the Fund by the State of Luxembourg, calculated quarterly on the basis of the Net Asset Value of the Legg Mason Emerging Markets Equity Fund on the last day of the quarter. For the Class I, a reduced tax of 0.01% per annum will apply.

The Legg Mason Emerging Markets Equity Fund may be exempted of this 0.01% tax if it complies with the requirements of article 175 of the 2010 Law.

The portion of the assets of the Legg Mason Emerging Markets Equity Fund invested in other Luxembourg Schemes is not subject to the aforesaid tax.

Subject to the provisions of the Law of 21 June 2005 (as defined below), 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.

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 EU Member States are required to provide tax authorities of another EU 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 EU Member State. Austria, 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 have also introduced measures equivalent to information reporting or withholding tax. The laws implementing the Savings Tax Directive into Luxembourg law have been adopted on 21 June 2005 (the "**Laws of 21 June 2005**"). Pursuant to the Laws of 21 June 2005, the withholding tax rate is 35%.

No withholding tax will be withheld if the beneficial owner either (i) expressly authorizes the paying agent to report information to the tax authorities in accordance with the provisions of the Laws of 21 June 2005 or (ii) has provided the paying agent with a certificate drawn up in the format required by the Laws of 21 June 2005 by the competent authorities of his country of residence for tax purposes.

Dividends distributed by the Legg Mason Emerging Markets Equity Fund will be subject to the Savings Tax Directive if more than 15% of the Legg Mason Emerging Markets Equity 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 25% of the Legg Mason Emerging Markets Equity 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 legalisation enacted as a result of this Savings Tax Directive.

In addition, the Fund or the Legg Mason Emerging Markets Equity Fund's assets may be subject to an additional taxation levied by foreign tax, governmental authorities of the jurisdictions where the Fund or the Legg Mason Emerging Markets Equity Fund is registered or distributed.

The foregoing is only a summary of the implications of the Savings Tax Directive and the Laws of 21 June 2005, is based on the current interpretation thereof and does not purport to be complete in all respects. It does not constitute investment or tax advice and investors should therefore seek advice from their financial or tax adviser on the full implications for themselves of the Savings Tax Directive and the Laws of 21 June 2005.

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

The Legg Mason Emerging Markets Equity Fund constitutes an unincorporated co-proprietorship of the assets owned by the Unitholders in the Legg Mason Emerging Markets Equity Fund managed by the Management Company, Legg Mason Investments (Luxembourg) S.A. in the exclusive interests of the Unitholders. The Management Company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason"). Legg Mason is a global asset management firm providing asset management services through its subsidiaries (collectively the "Legg Mason Group").

The Fund is organised in accordance with, and regulated by, Part I of the 2010 Law and by the Management Regulations of the Fund. The Management Company complies with the provisions of chapter 15 of the 2010 Law.

In the relations among the Unitholders, each Sub-Fund (if additional Sub-Funds are launched within the Fund) and, where appropriate, Class is deemed a separate entity.

The rights of the Unitholders are represented by registration in the register of Unitholders.

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 the Legg Mason Emerging Markets Equity Fund are separated from those of the Management Company. Unitholders of the Legg Mason Emerging Markets Equity Fund (Class or Classes, where applicable) have equal rights in the Legg Mason Emerging Markets Equity Fund (Class or Classes) in proportion to the number of Units that they own.

THE INVESTMENT MANAGERS

The Management Company has hired, for the Legg Mason Emerging Markets Equity Fund, an Investment Manager, who is a wholly owned subsidiary of Legg Mason.

Legg Mason International Equities

Legg Mason International Equities Limited (trading under the name "Esemplia Emerging Markets"), a company organised under the laws of England and Wales ("LMIE- London") serves as the Investment Manager of the Legg Mason Emerging Markets Equity Fund. LMIE-London is an indirect wholly owned subsidiary of Legg Mason and is regulated and supervised by the United Kingdom's FSA.

The Investment Manager is remunerated by the Management Company out of the fees which it receives from the Fund.

THE MANAGEMENT COMPANY

The Management Company, Legg Mason Investments (Luxembourg) S.A. (formerly Citi FCP S.A) was established in Luxembourg on May 26, 1988 as a Société Anonyme under Luxembourg law. Its object is the creation, administration, marketing and management of one or several Luxembourg and/or foreign collective investment funds in transferable securities authorised according to the directive 2009/65/EC and to provide services to undertakings for collective investment.

At the date of this Summary, the Management Company also manages five 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 investment and settle transactions through electronic trading platforms and clearances 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. Citibank International plc, London was incorporated in 1972 and is ultimately wholly owned by Citigroup Inc.

SEGREGATION OF ASSETS AND LIABILITIES AND POOLING

SEGREGATION OF ASSETS AND LIABILITIES

In the event additional Sub-Funds are launched within the Fund, the assets and liabilities attributable to each Sub-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, Class and Sub-Class will bear its own liabilities.

POOLING

Joint Investment Accounts ("JIA"):

In the event additional Sub-Funds are launched within the Fund, 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 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 of Directors may decide that part or all of the assets of one or, if

additional Sub-Funds are launched within the Fund, several Sub-Funds will be co-managed with assets attributable to other Sub-Funds or assets belonging to other Luxembourg Schemes.

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 semi-annual reports shall state the co-managed assets' composition and percentages.

GENERAL

DURATION OF THE FUND

There is no limit to the duration of the Fund. The Fund may, however, be liquidated and the Legg Mason Emerging Markets Equity Fund, and/or any 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

- (i) The decision to liquidate the Fund or to terminate the Legg Mason Emerging Markets Equity Fund or any Class of Units will be agreed between the Management Company and the Custodian Bank. The Management Company may, in particular, decide to liquidate the Fund or to terminate the Legg Mason Emerging Markets Equity Fund, or any Class of Units where the Net Asset Value of the Fund, the Legg Mason Emerging Markets Equity Fund, or Class of Units (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, the Legg Mason Emerging Markets Equity Fund or Class of Units (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 reason deemed by the Management Company to be in the best interest of the Unitholders. No Units of the Fund, the Legg Mason Emerging Markets Equity 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. During the period leading up to the liquidation of the Fund or termination of the Legg Mason Emerging Markets Equity Fund or Class of Units, 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, the Legg Mason Emerging Markets Equity Fund and/or Class of Units as a result of the Net Asset Value of the Fund, the Legg Mason Emerging Markets Equity 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 Unitholders shall be entitled to convert their Units (which are the subject of such termination) free of charge into any other SFC-authorized Legg Mason fund (in the event that the Fund is terminated).

- (ii) The Fund may also be liquidated in any of the other circumstances provided for by Article 22 of the 2010 Law. This includes among other things, for the liquidation of the Fund in the event of the bankruptcy of the Management Company or of the Custodian Bank, and in the event that Custodian Bank's or the Management Company's respective appointment is terminated or their license withdrawn and 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.
- (iii) The net liquidation or termination proceeds of the Fund, the Legg Mason Emerging Markets Equity Fund or Class of Units, as the case may be, will be distributed to Unitholders in proportion to their respective holdings in the Fund or the Legg Mason Emerging Markets Equity Fund or Class as at the date of liquidation or termination in accordance with the 2010 Law. Liquidation or termination proceeds 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.

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 (in the event additional Sub-Funds are launched within the Fund) or Classes of the Fund as well as merge the Legg Mason Emerging Markets Equity Fund or, if additional Sub-Funds are launched within the Fund, other Sub-Funds or Classes of the Fund into another Luxembourg or foreign UCITS or one of its Sub-Funds. A merger may be initiated where the Net Asset Value of any Sub-Fund or Class, as appropriate, 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.

At least one month's prior notice will be given to Unitholders of the Sub-Fund or Class, as appropriate, being merged. Unitholders not wishing to participate in the merger may request the redemption of their respective Units during the notice period. The redemption shall be effected without any charges other than those retained by the Management Company to meet disinvestment costs, at the applicable Net Asset Value per Unit determined on the day such instructions are deemed to have been received.

Any unamortised costs will be borne by the relevant terminating Sub-Fund(s).

REPORTS AND ACCOUNTS

The Management Company shall cause to be prepared an audited annual report for the Fund for the period ending 31 March in each year, which will be posted on the following website within four months of the end of the relevant accounting period: www.leggmason.com. In addition, the Management Company shall cause to be prepared a half-yearly report which shall include unaudited half-yearly accounts for the Legg Mason Emerging Markets Equity Fund up to 30 September in each year. The unaudited half-yearly reports will be posted on the above-mentioned website within two months of the end of the relevant accounting period. Unitholders in Hong Kong will be notified as to where the relevant accounts and reports are available (in printed and electronic forms) within the time period specified above.

The audited annual reports and unaudited half-yearly reports of the Fund are available in English only.

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.

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 Investment Management Agreement between the Management Company and the Investment Manager pursuant to which the Investment Manager is appointed to provide certain investment management services to the Legg Mason Emerging Markets Equity Fund;
- (iv) Agreements between the Management Company, the Custodian Bank and the Intermediaries pursuant to which the Intermediaries were appointed as distributors, placing agent and/or nominees for the Fund; and
- (v) The Hong Kong Representative Agreement between the Management Company and the Hong Kong Representative.

DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the office of the Hong Kong Representative during normal business hours on any business day in Hong Kong:

- (i) the last version of the Hong Kong Summary Prospectus;
- (ii) the material contracts referred to above;
- (iii) the Management Regulations of the Fund;
- (iv) the articles of incorporation of the Management Company;
- (v) the last audited financial statements of the Fund and Management Company;
- (vi) the latest unaudited half-yearly financial statements of the Fund and Management Company, if published since the last annual financial statements;
- (vii) the Fund's risk management process; and
- (viii) the prospectus of the Legg Mason Global Funds FCP (Luxembourg) in Luxembourg and its simplified version (the "Simplified Prospectus"), which are not available for distribution in Hong Kong and contain information relating to funds not authorised by the Securities and Futures Commission in Hong Kong.

PUBLICATIONS ON WEBSITE

The following publications can be found at the website www.leggmason.com.hk:

- The Fund's most current Hong Kong Summary Prospectus;
- The latest audited accounts and half-yearly reports of the Fund; and
- The latest available net asset value of the Legg Mason Emerging Markets Equity Fund.

The website mentioned above is not approved by the SFC.

ENQUIRIES

Investors who wish to make any enquiry or complaint about the Fund may contact the Hong Kong Representative by the following means:

- (1) In writing to 12/F., York House, The Landmark, 15 Queen's Road Central, Hong Kong; or
- (2) By calling the Hong Kong Representative's Investor Hotline: +852 3652 3088.

The Hong Kong Representative will endeavour to revert to the relevant investor within 10 working days in writing or by phone.

APPENDIX

Legg Mason Global Funds FCP (Luxembourg) - Legg Mason Emerging Markets Equity Fund

Investment Objective and Policies

The Legg Mason Emerging Markets Equity Fund seeks to achieve long-term capital growth by investing at least 70% of its Total Assets in Emerging Markets Equity Securities that are listed or traded on a Regulated Market. The Investment Manager will invest across a range of industries of a diversified group of emerging and less developed countries without any limits on the market capitalisation of companies. (Please refer to the chapter *Special Considerations and Risk Factors* in this Summary, especially to the sections “*Foreign Securities-Emerging Markets*” and “*Central and Eastern Europe - Russia*”).

While the Legg Mason Emerging Markets Equity Fund will invest at least 70% of its Total Assets in Emerging Markets Equity Securities, the Investment Manager may invest the remaining 30% of the Legg Mason Emerging Markets Equity Fund’s Total Assets in non-Emerging Markets Equity Securities; debt securities issued or guaranteed by national governments, their agencies, instrumentalities and political sub-divisions that are rated at the time of purchase at least Investment Grade by an NRSRO; corporate debt securities (including convertible and non-convertible securities) that are rated Investment Grade by an NRSRO at the time of purchase such as freely transferable promissory notes, debentures, commercial paper, certificates of deposit, bankers acceptances issued by industrial, utility, financial commercial banking or bank holding company organizations; mortgage-backed or asset-backed securities; and warrants. A maximum of 10% of the Legg Mason Emerging Markets Equity Fund’s Net Asset Value may be invested in shares, notes or instruments not listed or traded on a Regulated Market. A maximum of 10% of the Legg Mason Emerging Markets Equity Fund’s Net Asset Value may be invested in shares or units of other UCITS or UCIs

For efficient portfolio management purposes and for hedging purposes, the Legg Mason Emerging Markets Equity Fund may invest in the following exchange traded and OTC dealt financial derivatives instruments: futures, options, swaps, forward currency exchange contracts and other derivatives described in this Summary.

The underlying assets relating to the above derivatives shall be taken into account for the purposes of determining the Total Assets for all of the limits referred to above and must comply with the above investment policy.

The base currency of the Legg Mason Emerging Markets Equity Fund is the US dollar. Assets of the Legg Mason Emerging Markets Equity Fund will be invested in investments denominated in currencies other than the base currency of the Legg Mason Emerging Markets Equity Fund. Therefore, the Legg Mason Emerging Markets Equity Fund may be exposed to currency risk due to fluctuations in the exchange rate between such other currencies and the US dollar. The Investment Manager may or may not try to mitigate this risk by using various hedging strategies through the use of financial derivative instruments. More information concerning such currency hedging strategies and the risks associated therewith are set forth in the “Investment Techniques” section of this Summary and in the “Special Considerations and Risk Factors” section of this Summary.

Base Currency

US Dollars

Classes of Units Available

| | <u>Class A (Retail)</u> | <u>Class I</u> |
|--|--------------------------------|-----------------------|
| Offering Currency for Ordinary Units | US\$, Euro | US\$ |
| Offering Currency for Distribution Units | US\$, Euro | |

Management Fee

| | | |
|---------|---|-------------|
| Class A | : | up to 1.92% |
| Class I | : | up to 0.92% |

Investment Manager

Legg Mason International Equities Limited (trading under the name "Esemplia Emerging Markets")
9th Floor, 10 Exchange Square
Primrose Street
London
EC2A 2EN

PRODUCT KEY FACTS

Legg Mason Global Funds FCP (Luxembourg)

LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason Emerging Markets Equity Fund

Issuer: Legg Mason Asset Management Hong Kong Limited

June 2011

- ***This statement provides you with key information about Legg Mason Emerging Markets Equity Fund.***
- ***This statement is a part of the offering document.***
- ***You should not invest in this product based on this statement alone.***

QUICK FACTS

| | |
|--|---|
| Management Company: | Legg Mason Investments (Luxembourg) S.A. |
| Investment Manager (internal delegation): | Legg Mason International Equities Limited (located in the UK) |
| Custodian: | Citibank International plc (Luxembourg Branch) |
| Dealing Frequency: | Daily |
| Base Currency: | USD |
| Dividend Policy: | For Class A (Distribution) Units – Management Company may at its sole discretion declare dividends and interim dividends. For Class A (Ordinary) Units – earnings will be re-invested at the discretion of the Management Company. |
| Financial Year End of this Fund: | 31 March in each year |
| Minimum Investment: | Class A USD – Not applicable |

WHAT IS THIS PRODUCT?

Legg Mason Emerging Markets Equity Fund (the “Fund”) is a sub-fund of Legg Mason Global Funds FCP (Luxembourg), which is constituted in the form of a mutual fund. It is domiciled in Luxembourg and its home regulator is Commission de Surveillance du Secteur Financier (CSSF).

OBJECTIVE AND INVESTMENT STRATEGY

Objective: The Fund seeks to achieve long-term capital growth by investing at least 70% of its total assets in emerging markets equity securities that are listed or traded on [stock exchanges or other regulated securities markets. The Investment Manager will invest across a range of industries of a diversified group of emerging and less developed countries without any limits on the market capitalisation of companies.

Strategy: The Investment Manager may invest the remaining 30% of the Fund’s total assets in non-emerging markets equity securities, debt securities, mortgage-backed or asset-backed securities and warrants. A maximum of 10% of the Fund’s net asset value may be invested in shares, notes or instruments not listed or traded on a regulated market. A maximum of 10% of the Fund’s net asset value may be invested in shares or units of other collective investment schemes.

WHAT ARE THE KEY RISKS?

Investment involves risks. Please refer to the offering document for details including the risk factors.

Emerging Markets Risk: Investments in securities of companies located in emerging or developing markets involve special considerations and risk, including the risks associated with high rates of inflation and interest with respect to the various economies, limited liquidity and relatively small market capitalization, relatively higher price volatility, large amounts of external debt and political, economic and social uncertainties, including the possible imposition of exchange controls or other foreign governmental laws or restrictions which may affect investment opportunities. Securities in emerging markets may be less developed with respect to disclosure, reporting and regulatory standards. In addition, by investing into markets in Central and Eastern Europe such as Russia, the Fund may be exposed to specific risks in relation to the settlement and safekeeping of securities.

Currency Risk: As the Fund's assets may be denominated in currencies other than the Base Currency of the Fund, the Fund may be exposed to currency risk due to fluctuations in the exchange rate between such other currencies and the US Dollar. Fluctuations in exchange rates between the currency of the underlying securities and the Fund's Base Currency may affect the value of an investment and any income derived from it. The Investment Manager may (but is not obliged to) seek to mitigate this risk by using various hedging strategies through the use of financial derivative instruments. The Fund's hedging transactions, if any, while potentially reducing the currency risks to which the Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty, and the risk that the Investment Manager's forecast with respect to currency movements is incorrect.

Equity Market Risk: Investing in equity market involves risks, including issuer, industry, market and general economic related risks.

Investment Risk: The value of investments and the income from them can go down as well as up, and investors may not get back the amount originally invested. Past performance is no guide to future returns and may not be repeated.

IS THERE ANY GUARANTEE?

The Fund does not have any guarantees. You may not get back the full amount of money you invest.

WHAT ARE THE FEES AND CHARGES?

Charges which may be payable by you

You may have to pay the following fees when dealing in the shares of the Fund:

| Fees in respect of each Class A Share Class | What you pay |
|---|--|
| Subscription Fee: | Up to 5.00% of the amount you subscribed |
| Switching Fee (or Conversion Fee): | Up to 1% of the net asset value of units of the Fund |
| Redemption Fee: | Not applicable |

Ongoing fees payable by the Fund

The following expenses will be paid out of the Fund. They affect you because they reduce the return you get on your investments:

| Expenses in respect of each Class A Share Class | Annual rate (as a % of the Fund's value) |
|--|--|
| Management Fee: | Up to 1.92% |
| Combined Administration, Custodian, Transfer Agent and Registrar Fee: | Up to 0.15% |
| Performance Fee: | Not applicable |

Other fees

You may have to pay other fees when dealing in the shares of the Fund.

ADDITIONAL INFORMATION

- You generally buy and redeem shares at the Fund's next-determined net asset value (NAV) after the authorised dealer or sub-distributor receives your request in good order on or before 11:00 p.m. Luxembourg time two business days preceding the dealing day. Certain dealer or sub-distributors may impose a deadline for receipt of orders that is earlier than this.
- The NAV of this Fund is calculated on each dealing day and published no later than the second business day immediately after each dealing day on www.leggmason.com.hk, or in South China Morning Post and Hong Kong Economic Journal.

IMPORTANT

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.