

BUILT TO WIN™

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At Legg Mason, we've assembled a collection of experienced investment management firms and empowered each of them with the tools, the resources and, most importantly, the independence to pursue the strategies they know best.

- Each was purposefully chosen for their **commitment to investment excellence**.
- Each is **focused** on specific investment styles and asset classes.
- Each exhibits **thought leadership** in their chosen area of focus.

Together, we've built a powerful portfolio of solutions for financial advisors and their clients. And it has made us a world leader in money management.*

The **up capture ratio** measures the manager's overall performance to the benchmark's overall performance, considering only quarters that are positive in the benchmark. An up capture ratio of more than 1.0 indicates a manager who outperforms the relative benchmark in the benchmark's positive quarters. The **down capture ratio** is the ratio of the manager's overall performance to the benchmark's overall performance, considering only quarters that are negative in the benchmark. A down capture ratio of less than 1.0 indicates a manager who outperforms the relative benchmark in the benchmark's negative quarters and protects more of a portfolio's value during down markets.

Standard deviation is a measure of the variability of returns — the higher the standard deviation, the greater the range of performance (i.e., volatility). The data shown above do not reflect the deduction of investment management fees or transaction costs and is based on quarterly data.

P/E (Year 1) is the previous day's closing price of the stock divided by the consensus earnings per share (EPS) of fiscal year 1 (FY1) provided by I/B/E/S. Forecasts are inherently limited and should not be relied upon as indicators of future performance.

The **trailing price-to-earnings (P/E)** ratio is a stock's price divided by its earnings per share (EPS) for the past 12 months.

PERFORMANCE NOTES

PERFORMANCE CALCULATION

Performance results shown were calculated assuming reinvestment of dividends and income and reflects realized and unrealized capital gains and losses. LCV performance is for a composite consisting of a representative subset of all LCV portfolios managed by ClearBridge or an affiliate of ClearBridge. The LCV portfolios in the composite were managed by ClearBridge LCV portfolio managers in their capacity as dual officers of such affiliate. Individual portfolios may have performed differently than the composite. LCV composite performance, which requires a minimum of 10 LCV portfolios, became available in Q3 2002. For Prior periods, Related Fund performance is shown. LCV composite returns prior to 2004 include portfolios with client-imposed restrictions. For subsequent periods, portfolios with such restrictions are not included. Terminated portfolios are included in the composite through the last quarter of management prior to 2003 and through the last month of management for subsequent periods. After June 2006, the performance of each included portfolio is weighted according to asset size. For prior periods, the performance of each included portfolio is weighted equally. YTD numbers are not annualized. Performance shown is for consideration only in connection with the programs in which portfolios are available.

FEES

Gross performance shown does not reflect the deduction of investment management fees and transaction costs, which will reduce portfolio performance. Net performance includes the deduction of a 3.0% annual wrap fee, which is the anticipated maximum wrap fee for equity and balanced portfolios. Actual fees may vary. For fee schedules, refer to (i) the Form ADV disclosure document of your financial professional's firm, or (ii) if you may enter into an agreement directly with Legg Mason Private Portfolio Group, LLC ("LMPPG"), LMPPG's Form ADV disclosure document. Your financial professional will discuss fees and their effect on portfolio performance with you in greater detail.

INDEX INFORMATION

The **S&P 500/Citigroup Value Index** is an index of stocks representing approximately half of the market capitalization of the stocks in the S&P 500 Index that, on a growth-value spectrum, have been identified as falling either wholly or partially within the value half of the spectrum based on a number of factors. Until December 16, 2005, when Standard & Poor's changed name and calculation methodology of the index, the index was called the S&P 500/BARRA Value Index. The portfolio composition typically varies from that of the index, which is unmanaged.

Dividend yield is the annual percentage of return earned by an investor on a common or preferred stock. Alpha and beta are shown versus the S&P 500/Citigroup Value Index. The **Sharpe ratio** is a risk-adjusted measure, calculated using standard deviation and excess return to determine reward per performance. **Alpha** is a measure of the difference between actual returns and expected performance, given the level of risk as measured by beta, where **beta** measures sensitivity to index movements. **R-squared** measures the strength of the linear relationship between the portfolio and the benchmark. R-squared at 100 implies perfect linear relationship and zero implies no relationship exists. **Price-to-earnings ratio (P/E)** is a stock's price divided by its earnings per share. It gives investors an idea of how much they are paying for a company's earnings power. The higher the P/E, the more investors are paying, and therefore the more earnings growth they are expecting. **Price-to-book ratio (P/B)** is a stock's price divided by the stock's per-share book value. **Earnings per share (EPS)** is the portion of a company's profit allocated to each outstanding share of a common stock. For example, a corporation that earned \$10 million last year and has 10 million shares outstanding would report earnings of \$1 per share. Forecasts are inherently limited and should not be used as an indication of future performance.

Weighted average market capitalization is a stock market index weighted by the value of all shares outstanding for each stock.

An investor cannot invest directly in an index. Past performance is no guarantee of future results. All investments involve risk, including possible loss of principal.

SEPARATELY MANAGED ACCOUNTS / Q407

ClearBridge Large Cap Value Portfolios

CLEARBRIDGE ADVISORS

CLEARBRIDGE LARGE CAP VALUE TEAM

ROBERT FEITLER, JR., Managing Director

- Co-Portfolio Manager
- 13 years of investment industry experience

DMITRY KHAYKIN, Director

- 11 years of investment industry experience
- 3 years with the firm

NICHOLSON G. LAMDIN, III, Managing Director

- Client Portfolio Manager
- 31 years of investment industry experience

GEORGE NEOFYTIDIS, Vice President

- Product Specialist
- 10 years with the firm

Overview

The Large Cap Value investment portfolios are designed for investors seeking long-term growth using a large-capitalization value investment style. Lead Portfolio Managers Robert Feitler and Dmitry Khaykin and their team use a disciplined value approach that seeks to provide competitive returns relative to the S&P 500/Citigroup Value Index.

Investment objective

The Large Cap Value strategy seeks long-term capital appreciation.

Investment philosophy

We believe that:

- a bottom-up investment approach is essential to the identification of companies that have attractive valuations and strong business franchises capable of producing superior returns across a range of potential scenarios; and
- it is important to take advantage of mis-priced opportunities when they arise.

Management team

- Established in 2006, ClearBridge Advisors has a 43-year heritage of asset management experience. The firm is known for its research-driven, fundamental approach to investing, offering actively managed U.S. equity products in a wide range of capitalizations and styles.

Key differentiators

- Invest in companies that we believe have a sustainable competitive advantage, trading below their intrinsic value and offering attractive risk/reward opportunities
- Strong focus on fundamental analysis with an emphasis on stress testing companies under various scenarios

Portfolio positioning

- Designed for investors seeking to invest in large cap companies with a sustainable competitive advantage and an attractive valuation capable of producing capital appreciation over the long term
- Utilize a diversified portfolio to seek to reduce risk and volatility

Significant investments may be made in ADRs and stocks of non-U.S. companies, which involve risks in addition to those ordinarily associated with investing in domestic securities, including the potentially negative effects of currency fluctuations, political and economic developments, foreign taxation and differences in auditing and other financial standards. International investing may not be suitable for everyone. Diversification does not assure a profit or protect against market loss.

Limited investments may be made in mid-cap companies, which involve a higher degree of risk and volatility than investments in larger, more established companies.

The program manager(s) may, to a limited extent, invest in other securities entailing additional risks beyond those highlighted in this profile. All investments involve risk, including possible loss of principal. There is no guarantee that investment objectives will be met. Professional money management may not be suitable for all investors.

*Ranked ninth-largest money manager in 2007, according to *Pensions & Investments*, based on 12/31/06 assets under management.