

For Immediate Release

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FIXED INCOME OPPORTUNITIES SET TO CHANGE WITH SHIFTING GLOBAL MARKETS

**Strategy innovation and new investible markets will change face of fixed income universe;
Legg Mason teams with global fixed income leader to launch new Absolute Return Credit
Fund**

SYDNEY – 26 May 2010 – Investors looking for higher yields and greater portfolio diversification will have an expanded range of fixed income opportunities to choose from in the future, according to one of the world's largest fixed income managers, Western Asset Management.

Western Asset Management manages more than US\$470 billion in fixed income assets on behalf of global investors.

Speaking at the Legg Mason Investment Symposium in Sydney today, Mr Anthony Kirkham, Melbourne-based Head of Australian Fixed Income at Western Asset Management, said traditional methods of managing fixed income assets were set to change as emerging global markets such as China exerted increasing influence.

"Australian bond investors used to pay close attention to the US to form a macro view of the world but this will change as the influence of markets such as China and India grow... Australia's mainstream interest rate strategy will become strongly influenced by China in particular and we are all going to have to become competent China analysts in the same way we are with developed markets," Mr Kirkham said.

He said changing economic fundamentals and under researched sectors offered value for early adapters.

"We see strongly improved portfolio diversification potential as well as high yielding opportunities as the world enters a new growth cycle," Mr Kirkham said. "Despite the troubles in Europe, we view economic data elsewhere as positively impacting global credit spreads, creating interesting opportunities for investors."

Globally, diversification opportunities within the sector will be enhanced as new investible markets such as Asian bonds evolve. Mr Kirkham said Western Asset expects G3 yields to stay relatively low while yield levels elsewhere will be higher under a stronger growth environment. However the changing environment also brought challenges for investors as existing models of world growth, inflation and interest rates begin to break down.

"Australian investors are particularly heavily impacted by the shifting market environment as the Australian economy becomes more integrated into the faster growing Asian region and less influenced by the G3 economies," he said.

New Absolute Return Credit Fund – uncovering idiosyncratic credit opportunities

In anticipation of the above market changes, Legg Mason today announced the local launch of an innovative new fixed income strategy which aims to exploit opportunities within global credit markets.

Called the Legg Mason Western Asset Management Global Credit Absolute Return Fund, the strategy has been developed by Western Asset Management's 50-strong global credit team and was recently rolled out to European institutional investors.

The strategy offers investors the flexibility to benefit from both rising and falling credit markets, which traditional long-only credit funds are not able to do. Not only is the fund able to short credit sectors and individual securities, but also has the ability to be short duration, with a range of +/- 10 years, to maximise returns regardless of the interest rate outlook.

Mr Kirkham said the strategy's active duration management and skilled security and credit sector selection will play a key role in generating positive returns for the fund. The target return is USD 8-10% per annum over three years with a target volatility of 8-10% over the same time frame (target Sharpe ratio of at least 1)*.

"Despite broad-based gains across credit markets in 2009 we believe that corporate bonds remain attractive in selected areas. As dispersion of returns within credit is likely to be a theme that plays out in 2010/2011, the ability to uncover idiosyncratic credit opportunities will be essential in providing positive returns," Mr Kirkham said.

The new strategy will be lead by UK based Head of Non US Credit Dipankar Shewaram and is currently available to Australian institutional investors via direct mandates. Legg Mason is assessing the market appetite for the creation of a local unit trust version.

*Targets are not guaranteed and are subject to change

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About Western Asset Management

Founded in 1971, Western Asset Management Company ("Western Asset") is one of the world's leading fixed income managers with US\$470 billion in assets under management*. Western Asset's expertise extends across all of the world's major bond markets with offices based in Pasadena, New York, London, Tokyo, Singapore, Hong Kong, Melbourne and Sao Paulo. By devoting all of its resources to fixed income, Western Asset adds unique value to this asset class through active management of fixed income portfolios, with a value-oriented investment approach that is supported by a team of fixed income specialists in every market sector. This includes an extensive credit research team with experience of companies issuing both 'non-investment grade' and 'investment grade' bonds. Western Asset's expertise extends across multiple fixed income sectors around the world. Western Asset is an affiliate manager of Legg Mason, Inc. More information can be found at www.westernasset.com (*As at 31 March 2010)

About Legg Mason, Inc.

Legg Mason, Inc. ("Legg Mason") is one of the world's largest asset managers, dedicated solely to managing money. With over 100 years of history Legg Mason has built up a strong heritage and now manages US\$685 billion* across global equity, fixed income, property and alternative investment markets. Legg Mason's presence extends worldwide with subsidiaries' offices based in the U.S., Canada, U.K., France, Germany, Luxembourg, Spain, Poland, Australia, Japan, Hong Kong, Taiwan, Singapore, Chile and Brazil. (*As at 31 March 2010)

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