

ALL CAP – 4Q 2009



Jay R. Leopold, CFA
Portfolio Manager

Strategy:

All Cap

Inception of Style:

December 1, 1999

Assets Under Management:

\$504 million

Account Minimum:

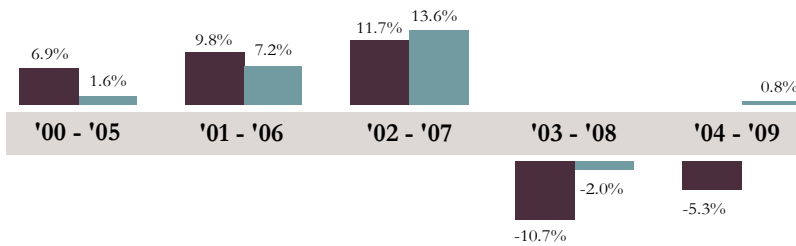
\$10 million

Objective:

All Cap seeks to provide investors with long-term growth of capital through ownership of a diversified portfolio of undervalued securities without specific market capitalization parameters.

PERFORMANCE

Annualized Five-Year Rolling Performance¹



■ LCMC All Cap Composite (Gross of Fees)
■ Russell 3000 Index

	4Q 2009	1 Year	3 Years	5 Years	10 Years	Since Inception ²
All Cap (Gross of Fees)	6.18%	56.29%	-12.09%	-5.31%	-0.49%	-0.18%
All Cap (Net of Fees)	5.97%	55.11%	-12.79%	-6.06%	-1.17%	-0.85%
Russell 3000 Index	5.90%	28.34%	-5.42%	0.76%	-0.20%	0.41%

For more information, please contact:

1.866.410.5500 • www.lmcm.com

PORTFOLIO CHARACTERISTICS

Price to Earnings Ratio (Forward 12 Months)	15.9x
Price to Book Value Ratio	1.7x
Price to Sales Ratio	1.0x
L.T. EPS Growth Forecasted	12.5%
Weighted Average Market Cap. (\$B)	\$28.16
Weighted Median Market Cap. (\$B)	\$12.54

Source: FactSet Portfolio Analytics

SECTOR BREAKDOWN

	LMCM All Cap	Russell 3000
Technology	30.43%	17.69%
Financial Services	18.56%	15.82%
Consumer Discretionary	15.12%	12.00%
Producer Durables	13.34%	10.87%
Health Care	7.87%	12.61%
Utilities	5.85%	6.55%
Energy	5.72%	10.84%
Consumer Staples	2.76%	8.70%
Cash	0.35%	0.00%
Materials & Processing	0.00%	4.52%

TOP TEN HOLDINGS BY ISSUER

The AES Corporation	4.24%
Assured Guaranty Ltd.	3.84%
Micron Technology, Inc	3.83%
International Business Machine Corp.	3.59%
EMC Corporation	3.57%
Red Hat, Inc	3.07%
Chico's FAS, Inc	2.66%
Capital One Financial Corporation	2.57%
Texas Instruments Incorporated	2.50%
TD Ameritrade Holding Corporation	2.12%

**Legg Mason Capital Management
All Cap Composite
Performance Disclosure**

Period Ending December 31	Composite Assets		Total Firm Assets at Period End (millions)	Accounts at Period End	Asset-Weighted Annual Returns		Russell 3000 Index	Composite Dispersion
	U.S. Dollars (millions)	% of Legg Mason Capital Management Assets			Gross of Fees	Net of Fees		
2009	\$504	3%	\$17,169	Five or fewer	56.29%	55.11%	28.34%	N.A.
2008	375	3%	14,903	Five or fewer	-50.60%	-51.01%	-37.31%	N.A.
2007	1,058	2%	59,679	Five or fewer	-12.02%	-12.71%	5.14%	N.A.
2006	912	1%	67,911	Five or fewer	8.62%	7.79%	15.72%	N.A.
2005	1,409	2%	60,232	Five or fewer	3.16%	2.36%	6.12%	N.A.
2004	998	2%	48,856	Five or fewer	16.87%	16.26%	11.95%	N.A.
2003	140	<1%	35,179	Five or fewer	50.88%	50.04%	31.06%	N.A.
2002	73	<1%	20,362	Five or fewer	-19.36%	-19.87%	-21.54%	N.A.
2001	91	<1%	23,971	Five or fewer	-4.81%	-5.37%	-11.46%	N.A.
2000	95	<1%	22,866	Five or fewer	-7.62%	-8.15%	-7.46%	N.A.
1999 ¹	103	<1%	23,975	Five or fewer	3.23%	3.19%	6.38%	N.A.

¹Partial period from 12/01/99 to 12/31/99

N.A. – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

- The All Cap composite is comprised of discretionary accounts with no material investment restrictions, which invest primarily in domestic equity securities and are not managed according to specific market capitalization parameters. As of October 1, 2005, the composite includes accounts with a minimum market value of \$10 million. From May 1, 2004 through September 30, 2005, the composite contains only accounts with a minimum market value of \$25 million. Prior to that, the minimum was \$50 million. Neither leverage nor derivatives are used in this composite. No balanced portfolio segments are included in this composite.
- Gross and net of fee performance results for All Cap: (a) include the reinvestment of all dividends, interest, and capital gains; and (b) were computed on a trade date (as opposed to a settlement date) basis. Prior to January 1, 2005, accounts in the All Cap composite were under management for at least three full months before being included. New discretionary accounts starting after January 1, 2005 are eligible to join the composite after one full month of performance. “Weighted” performance measures the average performance of all portfolios in the composite weighted by size. The U.S. dollar is the currency used to express performance. Effective August 1, 2005, portfolio returns are calculated daily using the Modified Dietz method. Previously, portfolio returns were calculated monthly using the Modified Dietz method. Additional information regarding policies for calculating and reporting returns is available upon request.
- The “gross” of fees performance figures reflect the day-weighted performance of assets (including cash reserves) managed for the period and do not reflect the deduction of our advisory fees, but do reflect the deduction of trading commissions, custodial fees, and withholding taxes. The “net” of fees performance figures reflect the deduction of trading commissions, custodial fees, and withholding taxes and, as of January 2005, represent the highest investment advisory fee payable by All Cap separate accounts according to our fee schedule. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The following is our graduated fee schedule for an All Cap separate account: 0.78% on the first \$25 million under management; 0.68% on the next \$25 million under management; 0.48% on the next \$50 million under management; 0.43% on the next \$50 million under management; 0.38% on the next \$50 million under management; 0.33% for remaining amounts over \$200 million under management. Non-fee paying accounts are excluded from the composite.
- All Cap’s benchmark is the **Russell 3000® Index**. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. The **Russell®** indices are trademark services of the Frank Russell Company. **Russell™** is a trademark of the Frank Russell Company.
- The dispersion of annual returns is measured by the standard deviation of asset-weighted portfolio returns represented within the composite for the full calendar year.
- The All Cap composite was created December 1, 1999.
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- Legg Mason Capital Management has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Legg Mason Capital Management has been verified for the periods January 1, 2004 through December 31, 2008 by Ernst & Young LLP. A copy of the verification report is available upon request. Legg Mason Capital Management has been verified for the periods January 1, 1988 through December 31, 2003 by Ashland Partners & Company LLP. A copy of the verification report is available upon request. Past investment results are not indicative of future investment results. To receive a complete list and description of Legg Mason Capital Management's composites, please contact Christine Peregoy Waters at 1-866-410-5500, via email at cwaters@lmcm.com, or write to Legg Mason Capital Management, 100 International Drive, Baltimore, Maryland 21202.

Legg Mason Capital Management

100 International Drive • Baltimore, MD 21202 • P: 1-866-410-5500 • F: 410-454-5372 • www.lmcm.com