

MID-CAP – 3Q 2009



Sam Peters, CFA
Portfolio Manager

Strategy:

Mid Cap

Inception of Style:

December 30, 1985

Assets Under Management:

\$1.513 billion (\$10 MM min.)

Objective:

Mid-Cap primarily invests in undervalued securities with market capitalizations generally in the range of \$1 to \$10 billion at the time of purchase.

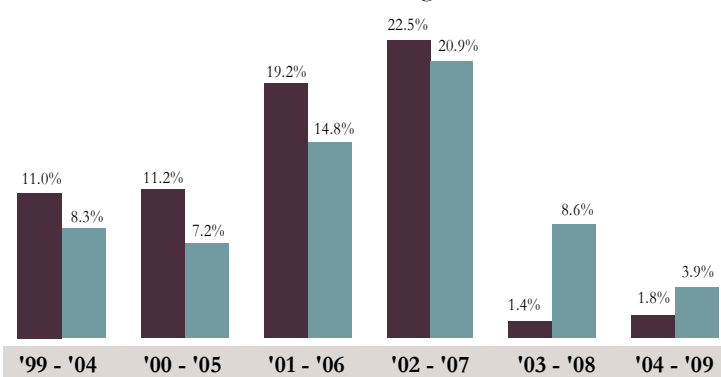
A **concentrated, bottom-up, valuation-based approach** to investing in companies trading at significant discounts to their intrinsic value.

Highlights: Outperformed the Russell Midcap Index by 164 basis points on average per year since inception (Gross of Fees).

Mid-Cap outperformed the Russell Midcap Index 80% of rolling 5-year periods.²

PERFORMANCE

Annualized Five-Year Rolling Performance¹



■ LCMC Mid-Cap Composite (Gross of Fees)

■ Russell Midcap

| | 3Q 2009 | 1 Year | 3 Years | 5 Years | 10 Years |
|-------------------------|---------|--------|---------|---------|----------|
| Mid-Cap (Gross of Fees) | 32.11% | 16.90% | -4.69% | 1.78% | 6.28% |
| Mid-Cap (Net of Fees) | 31.87% | 15.97% | -5.46% | 0.97% | 5.48% |
| Russell Midcap | 20.62% | -3.55% | -4.07% | 3.89% | 6.05% |

For more information, please contact:

1.866.410.5500 • www.lmcm.com

SECTOR BREAKDOWN

| | LMCM Mid-Cap | Russell Midcap |
|------------------------|--------------|----------------|
| Financial Services | 32.18% | 20.55% |
| Producer Durables | 13.99% | 12.67% |
| Consumer Discretionary | 13.53% | 16.28% |
| Technology | 13.27% | 12.51% |
| Health Care | 11.04% | 8.48% |
| Utilities | 6.05% | 8.66% |
| Energy | 5.31% | 7.57% |
| Materials & Processing | 2.78% | 7.32% |
| Cash | 1.85% | 0.00% |
| Consumer Staples | 0.00% | 5.96% |

TOP TEN HOLDINGS BY ISSUER

| | |
|-------------------------------|-------|
| Assured Guaranty Ltd. | 4.62% |
| Continental Airlines, Inc | 3.19% |
| Red Hat, Inc | 3.06% |
| eBay Inc | 2.84% |
| Lennar Corporation | 2.75% |
| International Game Technology | 2.41% |
| Micron Technology, Inc | 2.40% |
| Prudential Financial, Inc | 2.37% |
| Nalco Holding Co. | 2.37% |
| Kennametal Inc | 2.25% |

All data as of September 30, 2009. Please see the disclosure on the back for more information. Returns for periods greater than one year are annualized. The portfolio information is based on a representative Mid-Cap account and is provided as supplemental information. It may not be disclosed or distributed without the prior written consent of Legg Mason Capital Management. ¹All five-year rolling returns are for periods ending September 30. ²Percentage of rolling monthly five-year periods for the ten years ended 09/30/09 in which the Mid-Cap Composite outperformed the Russell Midcap Index, gross of fees

**Legg Mason Capital Management
Mid-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 Midcap Index | Composite Dispersion |
|------------------------------|----------------------------|---|--|---------------------------|-------------------------------|-------------|-------------------------|-------------------------|
| | U.S. Dollars (millions) | % of Legg Mason Capital Management Assets | | | Gross of Fees | Net of Fees | | |
| 2009 ¹ | \$1,507 | 9% | \$16,785 | Five or fewer | 72.22% | 71.25% | 32.63% | N.A. |
| 2008 | 993 | 7% | 14,903 | Five or fewer | -53.34% | -53.73% | -41.46% | N.A. |
| 2007 | 3,331 | 6% | 59,679 | 6 | -1.90% | -2.69% | 5.60% | 0.20% |
| 2006 | 4,203 | 6% | 67,911 | 9 | 9.65% | 8.78% | 15.26% | 0.10% |
| 2005 | 4,184 | 7% | 60,232 | 8 | 10.22% | 9.35% | 12.65% | 0.14% |
| 2004 | 4,120 | 8% | 48,856 | 7 | 15.08% | 14.23% | 20.22% | N.A. |
| 2003 | 3,458 | 10% | 35,179 | Five or fewer | 57.07% | 56.01% | 40.06% | N.A. |
| 2002 | 2,121 | 10% | 20,362 | Five or fewer | -7.08% | -7.73% | -16.19% | N.A. |
| 2001 | 2,337 | 10% | 23,971 | Five or fewer | 4.11% | 3.38% | -5.62% | N.A. |
| 2000 | 2,390 | 10% | 22,866 | Five or fewer | -10.39% | -11.02% | 8.25% | N.A. |
| 1999 | 2,693 | 11% | 23,975 | Five or fewer | 37.95% | 37.00% | 18.23% | N.A. |

¹YTD 09/30/09

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

- The Mid-Cap composite is comprised of discretionary accounts with no material investment restrictions, which invest primarily in equity securities, and securities convertible into equity securities, of companies in the mid-cap market capitalization range, defined as companies with market capitalizations similar to companies in the **Russell Midcap® Index** or the Standard & Poors MidCap 400. The fund may also invest in “special situations” without regard to market capitalization. Special situations are companies undergoing unusual or possibly one-time developments that, in the opinion of the adviser, make them attractive for investments. The composite contains only accounts with a minimum market value of \$10 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 Mid-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 Mid-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 Mid-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 a Legg Mason Mid-Cap separate account: 0.80% on the first \$25 million under management; 0.70% on the next \$25 million under management; 0.50% on the next \$50 million under management; 0.45% on the next \$50 million under management; 0.40% on the next \$50 million under management; 0.35% for remaining amounts over \$200 million under management. Non-fee paying accounts are excluded from the composite.
- Mid-Cap’s benchmark is the **Russell Midcap® Index**. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies. The Russell Midcap Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap opportunity set. The **Russell 2500™ Index** is also used for comparison purposes. The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as “smid” cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set. 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 Mid-Cap composite was created January 1, 2002.
- Bill Miller, CFA was the sole portfolio manager of the Mid-Cap style from 1985 until 1999, when Lisa Rapuano, CFA joined him as co-manager. In 2001, Ms. Rapuano assumed sole portfolio management responsibilities for the Mid-Cap style, a position she held until January 2004, when Mr. Miller re-assumed sole portfolio management responsibilities for the Mid-Cap style. In April 2005, Sam Peters, CFA, joined the firm and served for the balance of the year with Mr. Miller as the co-portfolio manager of the Mid-Cap style. On January 1, 2006, Mr. Peters assumed sole portfolio management responsibilities for the Mid-Cap investment style. Kyle Precht Legg, CFA has assisted in the management of the Mid-Cap separate accounts since their introduction in January 2002.
- Legg Mason Capital Management (“LMCM” or “the Firm”) consists of two legal entities doing business under the LMCM name: Legg Mason Capital Management, Inc. (“LMCI”) and LMM LLC (“LMM”). LMCI and LMM are subsidiaries of Legg Mason, Inc. This piece is intended solely for current or prospective investment management clients of LMCM, is for informational purposes only, and should not be construed as a research report, a recommendation, or an offer to buy or sell any security referred to herein, including any mutual fund managed by LMCM.
- 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, 2007 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

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