

Legg Mason Global Blue Chip Bond Fund

This Final Short Report covers the year to 28 February 2014

Fund Facts

Fund Inception Date:	12 February 1998
Total Net Assets:	£29.0m
Income Payment Dates:	31 January, 30 April, 31 July & 31 October
OCF Class 'A' Inc:	1.37%
OCF Class 'B' Inc:	0.97%
OCF Class 'X' Inc:	0.86%
XD Dates:	28 February (final) 31 May, 31 August 30 November

Investment Manager

Western Asset Management focuses exclusively on the management of fixed income portfolios, taking a fundamental approach to money management that is continually fine-tuned and adapted to changing conditions.

When making investment decisions, Western Asset focuses on areas such as sector allocation, issue selection, duration weighting and maturity.

Summary Investment Objective and Policy

The objective of the Fund is to achieve a total return via income yield and capital appreciation while seeking to mitigate capital erosion. The Fund seeks to achieve its objective by investing in a range of fixed interest securities including, but not limited to, corporate bonds, government bonds, asset backed securities and mortgage backed securities. A minimum of 80% of the Fund's net asset value will be invested in debt and fixed income securities that are either denominated

in pounds sterling or, if denominated in other currencies, hedged to pounds sterling and which are rated A minus or above (as measured by Standard and Poors or an equivalent external rating agency). Consequently, no more than 20% of the Fund's net asset value may be exposed to currencies other than pounds sterling. The Fund may also invest in other investments to the extent permitted by the Financial Conduct Authority Rules as applicable from time to time and as explained in the Prospectus, including derivatives, for investment purposes as well as efficient portfolio management purposes, and collective investment schemes.

Legg Mason Global Blue Chip Bond Fund Review

The Legg Mason Global Blue Chip Bond Fund decreased by 0.96% in sterling terms over the period under review, while the IMA UK Corporate Bond sector recorded a return in sterling terms of 3.66%. The Fund's performance over the period was driven by credit spread compression. Yields on 1-10 year gilts were markedly higher over the period and government bonds of this tenor produced negative total returns.

In terms of positioning, the Fund ended the period with roughly 40% exposure to the US and 20% to the UK, with smaller positions including Australia, Switzerland and Japan. In terms of sectors, the bulk of the Fund was invested in corporate investment grade issues in the banking, consumer non-cyclical and energy segments. From a credit quality perspective, over 60% of the Fund was in A rated bonds, although it also had approximately 27% in AA rated issues.

The manager's view remains little changed from previous quarters. There is limited scope for material further spread compression and it anticipates periods of volatility looking forwards, therefore the Fund's positioning remains cautious. However, any cheapening in valuations would represent an opportunity to increase exposures from the Fund's current defensive stance. The manager expects modest, positive excess returns from credit in 2014 although it anticipates periods of volatility. Nonetheless, the manager believes that, even with a tapering of the Fed's quantitative easing programme, an environment of accommodative monetary policy globally should continue to be supportive of spread sectors. Low rates, benign inflation and positive real growth should buoy corporate earnings and cashflows, and keep corporate spreads broadly stable.

Major Holdings

Top 5 largest investments as at 28.02.14

Citigroup 7.375% Euro MTN 04/09/2019	3.15%
Network Rail Infrastructure Finance 1.125% Euro MTN 15/12/2016	3.11%
Goldman Sachs 6% Domestic MTN 15/06/2020	2.99%
General Electric Capital 4.625% Global 07/01/2021	2.32%
Bank of America 4.625% Euro MTN 07/08/2017	2.07%

Top 5 largest investments as at 28.02.13

Network Rail Infrastructure 3.5% Euro MTN 17/06/2013	6.15%
ING Bank 0.5% 01/03/2013	2.92%
Goldman Sachs 6% Euro MTN 15/06/2020	2.84%
UBS 6% Euro MTN 18/04/2018	2.81%
Citigroup 7.375% Euro MTN 04/09/2019	2.78%

Fund Performance

Share Class	Pence per share 28.02.14	Pence per share 28.02.13	Net Asset value % Change
Class 'A' (inc)	87.81	90.39	-2.85
Class 'B' (inc)	92.05	93.77	-1.83
Class 'X' (inc)	97.81	99.81	-2.00

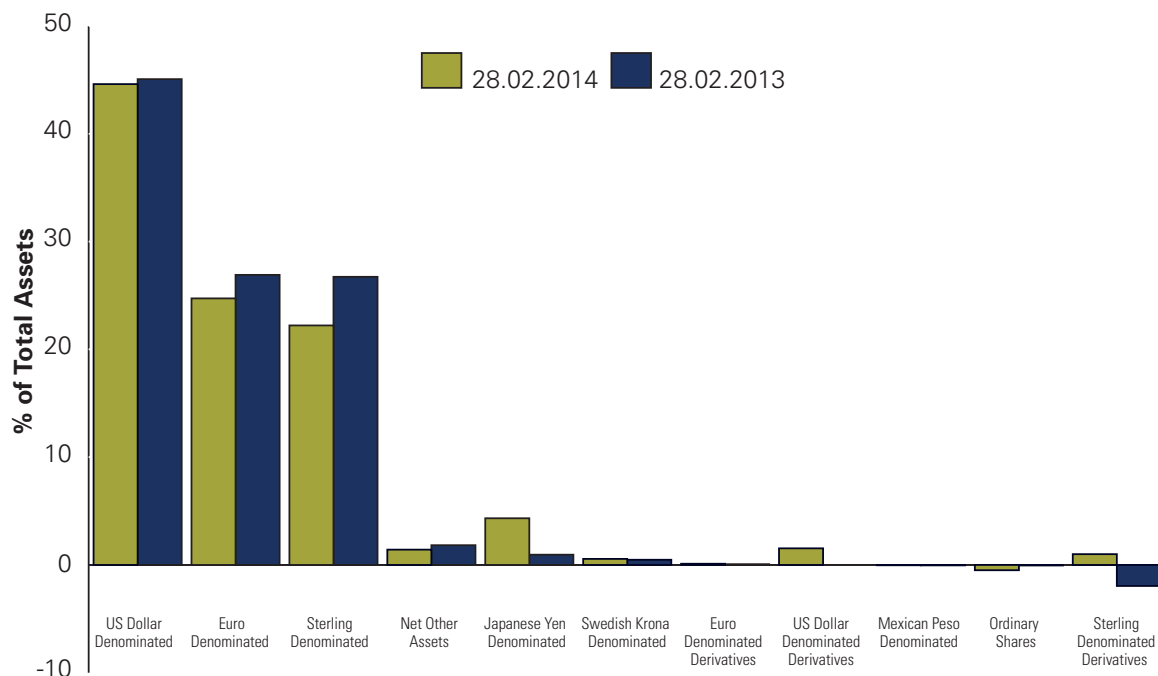
Performance History

	2014-2013	2013-2012	2012-2011	2011-2010	2010-2009	5 years	Since Launch
Class 'A' (inc)	-0.96	4.07	3.44	6.38	39.38	58.08	86.72

Source for performance figures: Legg Mason. Performance is calculated on a NAV to NAV basis. The performance reflects all fees and charges payable by the fund but does not reflect any entry or exit charge that might be payable. For performance purposes only, any distributed income (with the deduction of UK income tax) has been reinvested.

Past performance is no guide to future returns and may not be repeated.

Legg Mason Global Blue Chip Bond Fund (continued)



Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2009			
Class 'A' (inc)	4.6851	86.06	62.64
Class 'B' (inc)	4.8022	88.43	64.16
2010			
Class 'A' (inc)	3.9671	91.51	84.57
Class 'B' (inc)	4.0924	94.41	86.93
2011			
Class 'A' (inc)	2.5156	89.31	86.15
Class 'B' (inc)	2.6717	92.45	89.29
2012			
Class 'A' (inc)	2.0660	91.45	87.43
Class 'B' (inc)	2.1059	95.31	90.65
2013			
Class 'A' (inc)	1.5010	91.09	87.02
Class 'B' (inc)	2.0021	95.03	90.98
Class 'X' (inc) ³	1.1974	101.00	96.70
2014			
Class 'A' (inc)	0.8744 ¹	88.45 ²	87.51 ²
Class 'B' (inc)	3.7195 ¹	92.75 ²	91.73 ²
Class 'X' (inc)	0.9866 ¹	98.54 ²	97.43 ²

¹ To 30 April 2014.

² To 28 February 2014.

³ Launched on 7 January 2013.

Legg Mason Global Blue Chip Bond Fund (continued)

Risk and Reward Profile



There is no guarantee that the Fund will remain in the indicator category shown above and the categorisation of the Fund may shift over time. Historical data, which is used in calculating the indicator, may not be a reliable indicator of the future risk profile of this Fund.

The lowest category does not mean a risk-free investment.

The Fund does not offer any capital guarantee or protection.

The Fund is in its risk/reward category because it invests in higher rated bonds from various countries which have historically been subject to moderate fluctuations in value.

The Fund is subject to the following risks which are materially relevant but may not be adequately captured by the indicator:

Bonds: There is a risk that issuers of bonds held by the Fund may not be able to repay the bond or pay the interest due on it, leading to losses for the Fund.

Liquidity: In certain circumstances it may be difficult to sell the Fund's investments because there may not be enough demand for them in the markets, in which case the Fund may not be able to minimise a loss on such investments.

Derivatives: Investment in derivatives may cause the Fund to lose as much as or more than the amount invested.

Hedging: The Fund may use derivatives to reduce the risk of movements in exchange rates between the currency of the investments held by the Fund and base currency of the Fund itself (hedging). However, hedging transactions can also expose the Fund to additional risks, such as the risk that the counterparty to the transaction may not be able to make its payments, which may result in loss to the Fund.

Interest rates: Changes in interest rates may negatively affect the value of the Fund.

Fund counterparties: The Fund may suffer losses if the parties that it trades with cannot meet their financial obligations.

Fund operations: The Fund is subject to the risk of loss resulting from inadequate or failed internal processes, people or systems or those of third parties such as those responsible for the custody of its assets.

Annual management charge from capital: The Fund's annual management charge is taken from its capital (rather than income). This may adversely affect the Fund's overall growth.

For further explanation on the risks associated with an investment in the Fund, please refer to the section entitled "Risk Factors" in the Prospectus.

Annual Report and Financial Statements

This report is to inform unitholders of the Fund during the reporting period, and the results of those activities at the end of the reporting period. For more information please contact the Authorised Corporate Director. Copies of the full Long Form Report and the Key Investor Information Document are available free of charge upon request from the Client Services Team on 0207 070 7444.

Authorised Corporate Director:

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