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15% MARKET CORRECTION BRINGS OPPORTUNITIES FOR HIGH QUALITY SMALL CAP EQUITIES, SAYS LEGG MASON AFFILIATE ROYCE

Hong Kong – 30 October 2009 – Legg Mason affiliate, Royce & Associates, believes that the recent upswing in equities is coming to a close and will be followed with a 10-15% correction. As result, this will see a market rotation with large cap stocks being replaced with higher quality small caps.

Chuck Royce, chief investment officer and portfolio manager at Royce & Associates explains, “The rally for stocks has been a wonderful development, but I don’t see this kind of dynamic, robust upswing continuing for much longer. I don’t think a 10-15% correction would be surprising and soon I think we will enter a period of more historically, normalised, positive long-term returns.

“Returns should be more modest than what we’re seeing in the current rally. We’ll see more leadership rotation between small-cap and large-cap stocks. I also expect that those stocks that have lagged behind in the current rally, such as dividend payers and other stocks that we regard as higher quality equities, should take a turn as market leaders. I don’t see the current leadership of non-earning and non-dividend paying companies staying at the top.”

Royce believes that bank stocks, especially those in the smaller company zone, are still quite vulnerable to a downturn. These companies are still in the midst of long-term restructuring and will take a few more years to complete. Right now it’s not clear which will survive, so banks have not been a very active area of investment over the last year. Royce’s recent focus in the financial area has been mostly on asset managers, various service companies and insurance brokers.”

Royce concludes, “In terms of whether the recession is coming to an end, confidence is certainly returning. However the real question is how quickly the economy will recover and at what pace it will grow. For example, many companies have recorded stronger-than expected earnings, but much of that was tied to cost-cutting and not to the pick-up in demand we’ll need to see in a revived economy. It’s still not clear how much inventory will be needed to replace what’s been used and tracking that demand will obviously tell us lots about the economy.”

- Ends -

Notes to editors

About Royce & Associates

Royce & Associates is a wholly owned affiliate of Legg Mason, Inc. entirely focused on the US Small Cap market. Founded in 1972 by Charles M. Royce, one of the pioneers of small-cap investing,

About Legg Mason

Legg Mason, Inc., headquartered in Baltimore, USA, is a global investment management firm with assets under management totaling US\$703 billion as of September 30, 2009. Serving clients in 180

countries, Legg Mason is the 10th largest asset manager in the world¹. Legg Mason's wholly-owned, independently-operated investment subsidiaries manage equity and fixed income assets across the world's major markets. Collectively, they offer a broad spectrum of asset management styles.

¹ *Legg Mason is the 10th largest asset manager in the world based on worldwide assets under management as of 31 December 2008. Source: Pensions & Investments May 2009 ranking*

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