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WESTERN ASSET SAYS ASIAN CURRENCIES TO APPRECIATE IN MEDIUM TERM

Hong Kong – 21 September 2009 – Western Asset expects Asian currencies to continue to appreciate over the medium term with the biggest trigger being a change in the Chinese yuan currency policy. Since July 2008, the Chinese currency has been largely pegged against the U.S. dollar. As further signs of recovery in exports materialize, Chinese policy-makers will likely see that the advantages of a currency appreciation outweigh the risks it pose to exporters.

The global fixed income manager is remaining constructive on the Asian corporate bond market given the region's sound economic fundamentals and potential for further tightening of spreads. "Asian corporate bonds are attracting a bigger proportion of U.S. investors compared to early this year because of their relatively wider spreads," said Rajeev De Mello, Head of Asian Investment at Western Asset. He added that although the Asian high-yield market is looking fully valued, it has shrunk due to tenders and a lack of new issuance.

On inflation concerns, De Mello said that on one hand, Asian central banks are getting uncomfortable with the rapid recovery in the region but on the other hand, they are wary about tightening policy prematurely.

"Asian bankers will certainly remember in hindsight that they over-reacted to higher inflation in the first half of 2008 and were forced to reverse course sharply in the later part of the year. It is for this reason that we believe Asian policy rates will be kept unchanged for longer than what the market is currently pricing," De Mello continued.

Western Asset is remaining positive on the Indonesian bond market as the country continues to benefit from foreign inflows and moderate inflation. Political stability and improved terms of trade due to higher commodity prices should continue to attract foreign investments. "Over the medium run, progressive reforms should help increase the trend rate of growth in the country," De Mello concluded.

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Note to Editors

About Western Asset

Western Asset is one of the world's leading fixed income managers with over US\$485 billion (June 30, 2009) under management. With offices in the United States, London, Tokyo, Singapore, Hong Kong, Melbourne and Sao Paulo, the company offers clients a full range of local and cross-border fixed income products. By devoting all of its resources to fixed income, Western Asset can provide a full commitment to clients in every area. This focused approach has generated positive long-term returns in a variety of products with varying risk disciplines. Western Asset's long performance track record and global presence has positioned the company to continue its commitment to excellence in fixed income investment management and client service.

About Legg Mason

Legg Mason, Inc., headquartered in Baltimore, USA, is a global investment management firm with assets under management totaling US\$656.9 billion as of June 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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