FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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LEGG MASON INVESTMENT TRUST INC
CIK:**1096338**| IRS No.: **522203385** | State of Incorp.:**MD** | Fiscal Year End: **1231**
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State Street Bank & Trust Company
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Independent Auditors
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Philadelphia, PA

This report is not to be distributed unless preceded or accompanied by a prospectus.

LEGG MASON WOOD WALKER, INCORPORATED

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LMF-088
8/01

SEMI-ANNUAL REPORT
JUNE 30, 2001

LEGG MASON OPPORTUNITY TRUST

PRIMARY CLASS

[LEGG MASON LOGO]

Portfolio Manager's Comments
Legg Mason Opportunity Trust

At the halfway point in what is so far another poor year for the stock market, your Fund is doing surprisingly well. For the three months just ended, our net asset value rose 11.48%, which brings our six-month return to 17.72%. As you undoubtedly know, the stock market is down for the year, the S&P 500 having fallen 6.70%. Over the past twelve months the S&P is down almost 15%, while we are up 11.50%.

These results are somewhat surprising because the Fund is not being run to generate strong short-term results. Our focus is long-term and I am quite happy to sacrifice near-term results in order to increase the probability of even greater long-term returns. As I have noted before, the Fund also is experimental in that it possesses wide latitude to invest in a broad array of instruments anywhere in the world in order to try to achieve its objectives. Since your manager has little experience in exercising most of these powers, to the extent we use them we will be experimenting on your (and my) money. So far, so good, anyway.

In trying to capitalize on opportunities, we are looking for significant mispricings - assets that the market has for some reason priced at a large variance from their underlying value relative to other assets with similar risk/return characteristics. If that variance is on the high side, we are able to short and realize our return if we are right and if the price retreats. We have used our ability to short sparingly, in retrospect a mistake. We shorted the QQQ's, a proxy for the NASDAQ 100, twice last year, making money both times. Since the NASDAQ is down 45% in the past year, we should have been short heavily and continuously. Most funds, of course, can't short at all, so our results have not suffered relative to what the competition was able to do.

We are currently short one name, Kohl's, a first-rate retailer with an outstanding record and excellent prospects. This is purely a question of valuation. The stock trades at a multiple higher than that of Home Depot and Wal Mart, both unique franchises. Same-store sales growth is falling and insiders have been aggressive sellers of the stock. We think the company is terrific, just not as terrific as the market's valuation implies.

The Fund is currently classified by the ratings services as a mid-cap blend fund, and so we are, mostly, as of this writing. When the Fund started that was where I thought most of the opportunities resided, and it is still fertile ground, in my opinion. Other parts of the market, though, are now beginning to show promise. Chief among these is the telecommunications area.

Telecom was a market darling for years as new optical technologies, abundant capital, and a regulatory environment that favored new entrants promised seemingly limitless growth. Now investors, haunted by the specter of years of over-capacity and reeling from multiple bankruptcies, can't sell these securities fast enough. We have bought both shares and bonds of Exodus Communications, a company that does web hosting and other managed web services, and of Level 3, which primarily operates a long-haul packet switched network that is continuously upgradable as new technologies arise. Exodus appears to have a good business model but faces stiff competition from a number of better financed companies, including IBM, EDS, and Digex, now controlled by WorldCom. The company is buried in debt and the stock may or may not have much value. The senior bonds are now available for about 30 cents on the dollar and appear to us to be moderately well covered at that price. Level 3 has excellent management, is financed through the next couple of years, but is operating in a segment of the market

currently plagued by over-capacity. We believe there is opportunity in both the stock and the bonds of Level 3.

We added a few other companies to the portfolio. Oxford Health is a major health care provider in New York and is fully recovered from its travails of a few years ago. The stock is well off its highs and trades now for under 10x what we think they'll earn in the next twelve months. Trading in the high 20s, it has a value we estimate to be in the low 40s. Research In Motion is a Canadian provider of mobile communication devices. The stock traded at over $300 per share last year in the telecom frenzy; it is now under $30. RIM has excellent growth prospects and so far its business has largely escaped the slowdown experienced by other telecom companies. British Telecom is rolling out the RIM products in Europe and if that proceeds more slowly than now anticipated, the shares could come under pressure as inventories begin to build. New products due later this and/or early next year will be Java-enabled and should dramatically improve functionality. Owners of the company's flagship Blackberry product often refer to it as the "Crackberry" due to its addictive nature.

We don't have any strong views on the market. Shares should tend higher because that's what they mostly do: 70% of the time the market goes up. Having two down years in a row, as we are currently experiencing, is highly unusual. The last time was 1973 and 1974. Stocks go up because the economy and corporate profits grow; one should generally expect the market to be at an all-time high because GDP and profits are at all-time highs, adjusting of course for the level of inflation and interest rates.

The Fed has cut rates six times this year and Congress has cut taxes, both in order to accelerate economic growth. Growth will eventually pick up and shares will eventually move higher. Opportunities will continue to present themselves in the capital markets. As of this writing, Argentina is in the midst of a financial crisis and its stock and bond markets are collapsing. The currency peg will probably give way and debt will likely have to be restructured. Both events may provide us with a way to earn excess returns. Still, bond yields in many U.S. telecom companies are higher than yields available in Argentina and if those companies don't pay, we'll get equity.

The Fund may have somewhat fewer names as the year progresses. I believe it is generally better to concentrate one's research in order to improve the probabilities of being right. Human bandwidth is fixed; lots of names means less attention devoted to each name.

The probability we care most about is not how often we are right, but how much money we make if we are right. Many, perhaps most, investors concentrate too much, in my opinion, on whether they will be right about each individual investment decision. Absent emotionally-driven frenzies such as the one that gripped tech last year, most stocks tend to trade about where they should, and tend to perform about in line with the market. Focusing on names that can return many times one's investment if one is right is likely to lead to better results than trying to minimize the chances of being wrong. This does not mean, I should add, engaging in the investment equivalent of buying a lottery ticket or betting the long shots at the track. Those activities have negative expected returns. It means betting the highest expected return, not the most frequent return.

The market tends to underestimate the probability of infrequent events, which occur much more often than expected. Looking at what the market doesn't expect often turns up opportunities others neglect. The best marker of potential opportunity is extreme emotion, emotion usually being inconsistent

with careful calculations of value. We seem to be seeing that kind of emotion in telecom now, which is why that is where our research efforts are being predominantly expended.

I want to thank all of you for your confidence and your capital. I should emphasize again that this Fund is not like other funds and that it would be prudent not to have too much of your capital tied up in a new, unproven investment vehicle.

As always, we welcome your comments and suggestions.

Bill Miller, CFA

July 18, 2001
DJIA 10569.8

Performance Information

Total Returns for One Year and Life of Class as of June 30, 2001

The returns shown are based on historical results and are not intended to indicate future performance. Total return measures investment performance in terms of appreciation or depreciation in the Fund's net asset value per share, plus dividends and any capital gain distributions. It assumes that dividends and distributions were reinvested at the time they were paid. The investment return and principal value of an investment in this Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Average annual returns tend to smooth out variations in a fund's return, so that they differ from actual year-to-year results. No adjustment has been made for any income taxes payable by shareholders.

The Fund has two classes of shares: Primary Class and Institutional Class. Information about the Institutional Class, offered only to certain institutional and other investors, is contained in a separate report to its shareholders.

The Fund's total returns as of June 30, 2001, are as follows:

<Table>

<S>	<C>
Average Annual Total Return	
Primary Class:	
One Year	+11.50%
Life of Class (Inception: December 30, 1999)	+10.25%
Cumulative Total Return	

Primary Class:	
One Year	+11.50%
Life of Class (Inception: December 30, 1999)	+15.74%

</Table>

Performance Information -- Continued
Legg Mason Opportunity Trust

SELECTED PORTFOLIO PERFORMANCE (A)

Strong performers for the 2nd quarter 2001(B)

1.	Hollywood Entertainment Corporation	+286.7%
2.	The FINOVA Group Inc.	+105.6%
3.	Cabletron Systems, Inc.	+77.1%
4.	NOVA Corporation	+70.6%
5.	Amazon.com, Inc.	+38.3%
6.	Mandalay Resort Group	+37.2%
7.	Abercrombie & Fitch Co.	+36.1%
8.	Pentair, Inc.	+32.7%
9.	AOL Time Warner Inc.	+32.0%
10.	Amazon.com, Inc., Cv., 4.75%, due 2/1/09	+27.2%

Weak performers for the 2nd quarter 2001(B)

1.	WestPoint Stevens Inc.	-84.7%
2.	Exodus Communications, Inc.	-80.8%
3.	TALK America Holdings, Inc.	-58.2%
4.	Acxiom Corporation	-37.3%
5.	Ames Department Stores, Inc.	-33.6%
6.	Pinnacle Entertainment, Inc.	-30.0%
7.	Knight Trading Group, Inc.	-26.9%
8.	TALK America Holdings, Inc., Cv., 4.5%, due 9/15/02	-16.7%
9.	E*Trade Group, Inc.	-7.6%
10.	Omnicare, Inc.	-5.8%

(A) Individual stock performance is measured by the change in the stock's price; reinvestment of dividends is not included.
(B) Securities held for the entire quarter.

PORTFOLIO CHANGES

Securities added during the 2nd quarter 2001

Exodus Communications, Inc., 11.625%, due 7/15/10
Level 3 Communications, Inc., 9.125%, due 5/1/08
Oxford Health Plans, Inc.
Research In Motion Limited
The Phoenix Companies, Inc.

Securities sold during the 2nd quarter 2001

Agere Systems Inc.
Brunswick Corporation
Kohl's Corporation (security sold short)
Level 3 Communications, Inc.

Statement of Net Assets

Legg Mason Opportunity Trust
June 30, 2001 (Unaudited)
(Amounts in Thousands)

	Shares/Par	Value
Common Stock and Equity Interests -- 85.9%		
Capital Goods -- 8.7%		
Manufacturing (Diversified) -- 3.1%		
Pentair, Inc.	1,600	$ 54,080
Waste Management -- 5.6%		
Republic Services, Inc.	5,000	99,250(A,C)
Communications Services -- 2.8%		
Telecommunications (Cellular/Wireless) -- 2.5%		
Nextel Communications, Inc.	2,500	43,750(A)
Telecommunications (Long Distance) -- 0.3%		
TALK America Holdings, Inc.	6,600	6,204(A,B)
Consumer Cyclicals -- 16.9%		
Gaming, Lottery and Pari-Mutuel Companies -- 3.8%		
Mandalay Resort Group	2,000	54,800(A)
Pinnacle Entertainment, Inc.	1,700	12,495(A,B)
		67,295
Retail (Discounters) -- 0.3%		
Ames Department Stores, Inc.	3,290	4,573(A,B)
Retail (Home Shopping) -- 1.6%		
Amazon.com, Inc.	2,000	28,300(A)
Retail (Specialty-Apparel) -- 6.5%		
Abercrombie & Fitch Co.	2,593	115,379(A)
Services (Advertising/Marketing) -- 1.5%		
Acxiom Corporation	2,001	26,192(A)
Services (Commercial and Consumer) -- 3.1%		
Viad Corp	2,100	55,440
Textiles (Home Furnishings) -- 0.1%		
WestPoint Stevens Inc.	2,000	2,760

Statement of Net Assets -- Continued
Legg Mason Opportunity Trust

	Shares/Par	Value
Consumer Staples -- 10.7%		
Beverages (Non-Alcoholic) -- 3.6%		
Cott Corporation	5,800	$ 64,032(A,B)
Entertainment -- 4.0%		
AOL Time Warner Inc.	700	37,100(A)
Hollywood Entertainment Corporation	4,100	34,686(A,B)
		71,786
Housewares -- 0.6%		
Tupperware Corporation	419	9,812
Restaurants -- 2.5%		
Tricon Global Restaurants, Inc.	1,000	43,900(A)

Financials -- 10.2%		
Banks (Money Center) -- N.M.		
Lloyds TSB Group plc	57	572

Financial (Diversified) -- 1.2%		
The FINOVA Group Inc.	5,900	21,830(B)

Insurance (Life/Health) -- 4.5%		
The Phoenix Companies, Inc.	300	5,580(A)
UnumProvident Corporation	2,300	73,876

		79,456

Investment Banking/Brokerage -- 1.3%		
E*Trade Group, Inc.	1,500	9,675(A)
Knight Trading Group, Inc.	1,175	12,561(A)

		22,236

Savings and Loan Companies -- 3.2%		
Washington Mutual, Inc.	1,500	56,325

Health Care -- 4.5%		
Health Care (Managed Care) -- 2.9%		
Oxford Health Plans, Inc.	1,800	51,480(A)

</Table>

<Table>
<Caption>

<S>	Shares/Par <C>	Value <C>
Health Care -- Continued		
Health Care (Specialized Services) -- 1.6%		
Omnicare, Inc.	1,400	$ 28,280

Technology -- 32.1%		
Communications Equipment -- 2.5%		
Research In Motion Limited	1,400	45,150(A)

Computers (Hardware) -- 4.2%		
Dell Computer Corporation	1,000	26,150(A)
Gateway, Inc.	2,900	47,705(A)

		73,855

Computers (Networking) -- 8.4%		
Cabletron Systems, Inc.	6,500	148,525(A)

Computers (Software/Services) -- 12.8%		
eSpeed, Inc.	1,500	33,000(A)
Exodus Communications, Inc.	25,060	51,624(A)
KPMG Consulting Inc.	2,450	37,607(A)
Symantec Corporation	1,110	48,496(A)
Unisys Corporation	3,800	55,898(A)

		226,625

Services (Data Processing) -- 4.2%		
NOVA Corporation	2,400	75,480(A)

Total Common Stock and Equity Interests (Identified Cost -- $1,358,758)		1,522,567
Common Stock and Equity Interests Sold Short -- (1.8)%		
Consumer Cyclicals -- (1.8)%		
Retail (Department Stores) -- (1.8)%		
Kohl's Corporation	(500)	(31,365)(A)

Total Common Stock and Equity Interests Sold Short (Proceeds -- $30,928)		(31,365)
Corporate and Other Bonds -- 8.4%		
Amazon.com, Inc., Cv., 4.75%, due 2/1/09	$ 136,500	65,520
Exodus Communications, Inc., 11.625%, due 7/15/10	104,250	35,966
Level 3 Communications, Inc., 9.125%, due 5/1/08	105,350	43,721

TALK America Holdings, Inc., Cv., 4.5%, due 9/15/02	27,008	4,051
Total Corporate and Other Bonds (Identified Cost -- $192,386)		149,258

</Table>

Statement of Net Assets -- Continued
Legg Mason Opportunity Trust

<Table>
<Caption>

<S>	Shares/Par <C>	Value <C>
Repurchase Agreements -- 3.9%		
Goldman, Sachs & Company		
4.05%, dated 6/29/01, to be repurchased at $34,957 on 7/2/01 (Collateral: $35,002 Fannie Mae mortgage-backed securities, 6.764%, due 3/1/33, value $35,665)	$ 34,945	$ 34,945
J.P. Morgan Chase & Co.		
4.05%, dated 6/29/01, to be repurchased at $34,957 on 7/2/01 (Collateral: $35,425 Fannie Mae Note, 4.75%, due 3/15/04, value $35,710)	34,945	34,945
Total Repurchase Agreements (Identified Cost -- $69,890)		69,890
Total Investments -- 96.4% (Identified Cost -- $1,590,106)		1,710,350
Deposits With/Receivables From Brokers for Securities Sold Short -- 1.5%		25,689
Other Assets Less Liabilities -- 2.1%		37,337
NET ASSETS CONSISTING OF:		
Accumulated paid-in capital applicable to:		
153,351 Primary Class shares outstanding	$1,607,073	
2,754 Institutional Class shares outstanding	29,588	
Accumulated net investment income/(loss)	3,509	
Accumulated net realized gain/(loss) on investments	12,962	
Unrealized appreciation/(depreciation) of investments	120,244	
NET ASSETS -- 100.0%		$1,773,376
NET ASSET VALUE PER SHARE:		
PRIMARY CLASS		$11.36
INSTITUTIONAL CLASS		$11.39

</Table>

(A) Non-income producing.

(B) Affiliated Company -- As defined in the Investment Company Act of 1940, an "Affiliated Company" represents Fund ownership of at least 5% of the outstanding voting securities of an issuer. At June 30, 2001, the total market value of Affiliated Companies was $143,820 and the identified cost was $162,890.

(C) Pledged as collateral for securities sold short are 1,350 shares with a market value of $26,798 as of June 30, 2001.

N.M. - Not meaningful.

See notes to financial statements.

Statement of Operations
Legg Mason Opportunity Trust
For the Six Months Ended June 30, 2001 (Unaudited)
(Amounts in Thousands)

<Table>

<Caption>

Investment Income:		
Dividends(A)	$ 3,383	
Interest	12,461	
Total income		$ 15,844
Expenses:		
Management fee	5,435	
Distribution and service fees	6,972	
Transfer agent and shareholder servicing expense	411	
Audit and legal fees	38	
Custodian fee	118	
Directors' fees	11	
Registration expense	124	
Reports to shareholders	138	
Other expenses	75	
Total expenses		13,322
NET INVESTMENT INCOME		2,522
Net Realized and Unrealized Gain/(Loss) on Investments:		
Realized gain/(loss) on investments and foreign currency transactions	33,252	
Change in unrealized appreciation/(depreciation) of:		
Investments	175,157	
Securities sold short	(437)	
NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS		207,972
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS		$210,494

</Table>

(A) Net of foreign taxes withheld of $68.

See notes to financial statements.

Statement of Changes in Net Assets
Legg Mason Opportunity Trust
(Amounts in Thousands)

<Table>
<Caption>

	Six Months Ended 6/30/01 (Unaudited)	Year Ended 12/31/00
Change in Net Assets:		
Net investment income/(loss)	$ 2,522	$ 4,540
Net realized gain/(loss) on investments and foreign currency transactions	33,252	(5,789)
Change in unrealized appreciation/(depreciation) of investments and foreign currency translations	174,720	(54,476)
Change in net assets resulting from operations	210,494	(55,725)
Distributions to shareholders from:		
Net investment income:		
Primary Class	--	(4,101)
Institutional Class	--	(145)
Net realized gain on investments:		
Primary Class	--	(14,345)
Institutional Class	--	(175)
Change in net assets from Fund share transactions:		
Primary Class	418,779	1,042,905
Institutional Class	15,661	13,935
Change in net assets	644,934	982,349

Net Assets:

Beginning of period	1,128,442	146,093
End of period	$1,773,376	$1,128,442
Undistributed net investment income/(loss)	$ 3,509	$ 987

</Table>

See notes to financial statements.

Financial Highlights
Legg Mason Opportunity Trust

Contained below is per share operating performance data for a Primary Class share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data. This information has been derived from information provided in the financial statements.

<Table>
<Caption>

		Investment Operations			Distributions		
	Net Asset Value, Beginning of Period	Net Investment Income/ (Loss)	Net Realized and Unrealized Gain/(Loss) on Investments	Total From Investment Operations	From Net Investment Income	From Net Realized Gain on Investments	Total Distributions
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Six Months Ended June 30, 2001*	$ 9.65	$.01	$1.70	$1.71	--	--	--
Year Ended Dec. 31, 2000	10.00	.04	(.21)	(.17)	(.04)	(.14)	(.18)
Period Ended Dec. 31, 1999(C)	10.00	--	--	--	--	--	--

<Caption>

		Ratios/Supplemental Data				
	Net Asset Value, End of Period	Total Return	Expenses to Average Net Assets	Net Investment Income/(Loss) to Average Net Assets	Portfolio Turnover Rate	Net Assets, End of Period (in thousands)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Six Months Ended June 30, 2001*	$11.36	17.72%(A)	1.90%(B)	.34%(B)	41.5%(B)	$1,742,014
Year Ended Dec. 31, 2000	9.65	(1.68)%	1.98%	.63%	25.9%	1,115,626
Period Ended Dec. 31, 1999(C)	10.00	N.M.	1.99%(B,D)	N.M.	--	146,093

</Table>

(A) Not annualized.

(B) Annualized.

(C) For the period December 30, 1999 (commencement of operations) to December 31, 1999.

(D) Net of fees waived pursuant to an expense limitation of 1.99% of average daily net assets through April 30, 2002. If no fees had been waived by LMM, the annualized ratio of expenses to average daily net assets for the period ended December 31, 1999, would have been 2.39%.

N.M. -- Not meaningful.

* Unaudited.

See notes to financial statements.

(Amounts in Thousands) (Unaudited)

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1. Significant Accounting Policies:

The Legg Mason Investment Trust, Inc. ("Corporation"), consisting of the Legg Mason Opportunity Trust ("Fund"), was organized on October 8, 1999, and is registered under the Investment Company Act of 1940, as amended, as an open-end, non-diversified investment company. The Fund had no substantive operations prior to December 30, 1999, other than those matters related to its organization and initial registration.

The Fund consists of two classes of shares: Primary Class, offered since December 30, 1999, and Institutional Class, offered only to certain institutional and other investors since June 26, 2000. Information about the Institutional Class is contained in a separate report to its shareholders. The income and expenses of the Fund are allocated proportionately to the two classes of shares based on daily net assets, except for Rule 12b-1 distribution fees, which are charged only on Primary Class shares, and transfer agent and shareholder servicing expenses, which are determined separately for each class.

Security Valuation

Securities owned by the Fund for which market quotations are readily available are valued at current market value. In the absence of readily available market quotations, securities are valued at fair value under procedures established by and under the general supervision of the Board of Directors. Where a security is traded on more than one market, which may include foreign markets, the securities are generally valued on the market considered by the Fund's adviser to be the primary market. Bonds with remaining maturities of 60 days or less are valued at amortized cost. The Fund will value its foreign securities in U.S. dollars on the basis of the then-prevailing exchange rates.

Investment Income and Distributions to Shareholders

Interest income and expenses are recorded on the accrual basis. Bond premiums and discounts are amortized for financial reporting and federal income tax purposes. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Dividends from net investment income, if available, will be paid annually. Net capital gain distributions, if any, are declared and paid in June and/or December. Distributions are determined in accordance with federal income tax regulations, which may differ from those determined in accordance with accounting principles generally accepted in the United States; accordingly, periodic reclassifications are made within the Fund's capital accounts to reflect income and gains available for distribution under federal income tax regulations.

In November 2000, a revised AICPA Audit and Accounting Guide, Audits of Investment Companies, was issued, and is effective for fiscal years beginning after December 15, 2000. The Fund adopted the Guide January 1, 2001. The revised Guide requires the Fund to amortize premium and discount on all fixed income securities. There was no impact on the Fund as a result of adopting this accounting principle.

Foreign Currency Translation

Assets and liabilities initially expressed in terms of non-U.S. currencies are translated into U.S. dollars at the closing daily rate of exchange. Purchases and sales of securities and income and expenses are translated into U.S. dollars at the prevailing market rates on the dates of such transactions. The effects of changes in non-U.S. currency exchange rates on investment securities and other assets and liabilities are included with the net realized and unrealized gain or loss on investment securities.

Security Transactions

Security transactions are recorded on the trade date. Realized gains and losses from security transactions are reported on an identified cost basis for both financial reporting and federal income tax purposes.

At June 30, 2001, receivables for securities sold and payables for securities purchased were as follows:

Receivable for Securities Sold	Payable for Securities Purchased
$25,352	$4,710

Short Sales

The Fund is authorized to engage in short-selling, which obligates the Fund to replace the security borrowed by purchasing the security at current market value sometime in the future. The Fund will incur a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund will realize a gain if the price of the security declines between

those dates. Until the Fund replaces the borrowed security, the Fund will maintain a segregated account with cash and/or liquid securities sufficient to cover its short position on a daily basis. At June 30, 2001, the value of securities sold short amounted to $31,365, against which collateral of $52,487 was held. The collateral includes a Bear Stearns deposit account and certain securities held long, as shown in the statement of net assets. Dividends declared on securities sold short are recorded as an expense on the ex-dividend date.

Federal Income Taxes

No provision for federal income or excise taxes is required since the Fund intends to continue to qualify as a regulated investment company and distribute substantially all of its taxable income to its shareholders.

Use of Estimates

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

2. Investment Transactions:

For the six months ended June 30, 2001, investment transactions (excluding short-term investments) were as follows:

Purchases	Proceeds From Sales
$704,814	$279,348

At June 30, 2001, cost, gross unrealized appreciation and gross unrealized depreciation for federal income tax purposes were as follows:

	Cost/Proceeds	Appreciation	Depreciation	Net Appreciation/ (Depreciation)
Investments	$1,621,034	$422,991	$(302,310)	$120,681
Short Sales	30,928	--	(437)	(437)

3. Repurchase Agreements:

All repurchase agreements are fully collateralized by obligations issued by the U.S. government or its agencies, and such collateral is in the possession of the Fund's custodian. The value of such collateral includes accrued interest. Risks arise from the possible delay in recovery or potential loss of rights in the collateral should the issuer of the repurchase agreement fail financially. The Fund's investment adviser reviews the value of the collateral and the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate potential risks.

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4. Transactions With Affiliates:

The Fund has an investment management agreement with LMM. For its services to the Fund, LMM receives a management fee, calculated daily and payable monthly, at an annual rate of 1.00% of the average daily net assets of the Fund up to $100 million and 0.75% of its average daily net assets in excess of $100 million. As of June 30, 2001, $1,085 was payable to LMM.

Under the terms of the investment management agreement, LMM has agreed to waive its fees to the extent the Fund's expenses (exclusive of taxes, interest, brokerage and extraordinary expenses) exceed 1.99% of Primary Class average daily net assets until April 30, 2002.

Legg Mason Funds Management, Inc. ("LMFM") serves as investment adviser to the Fund under an investment advisory agreement with LMM. For LMFM's services to the Fund, LMM (not the Fund) pays LMFM a fee, calculated daily and payable monthly, of 0.10% of the average daily net assets of the Fund up to $100 million and 0.05% of the average daily net assets of the Fund in excess of $100 million. For the six months ended June 30, 2001, LMFM received $382. Prior to August 1, 2000, Legg Mason Fund Adviser, Inc. ("LMFA") served as investment adviser to the Fund, under a compensation agreement substantially similar to that with the current adviser.

LMFA serves as administrator to the Fund under an administrative services agreement with LMM. For LMFA's services to the Fund, LMM (not the Fund) pays LMFA a fee, calculated daily and payable monthly, of 0.05% of the average daily net assets of the Fund. LMFA has agreed to waive indefinitely all fees payable to it under the agreement.

Legg Mason Wood Walker, Incorporated ("Legg Mason"), a member of the New York Stock Exchange, serves as distributor of the Fund. Legg Mason receives an annual distribution fee and an annual service fee, based on the Fund's Primary Class's average daily net assets, computed daily and payable monthly as follows:

<Table>
<Caption>

Distribution Fee	Service Fee	At June 30, 2001 Distribution and Service Fees Payable
<S>	<C>	<C>
0.75%	0.25%	$1,393

</Table>

The Fund paid $11 in brokerage commissions to Legg Mason for the six months ended June 30, 2001.

Legg Mason also has an agreement with the Fund's transfer agent to assist it with some of its duties. For this assistance, the transfer agent paid Legg Mason $128 for the six months ended June 30, 2001.

LMM, LMFM, LMFA and Legg Mason are corporate affiliates of Legg Mason, Inc.

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5. Fund Share Transactions:

At June 30, 2001, there were 200,000 and 100,000 shares authorized at $0.001 par value for the Primary Class and Institutional Class, respectively, of the Fund. Share transactions were as follows:

<Table>
<Caption>

	Sold		Reinvestment of Distributions		Repurchased		Net Change	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
-- Primary Class								
Six Months Ended June 30, 2001	48,913	$ 535,579	7	$ 66	(11,166)	$(116,866)	37,754	$ 418,779
Year Ended Dec. 31, 2000	112,195	1,157,980	1,890	18,070	(13,098)	(133,145)	100,987	1,042,905
-- Institutional Class								
Six Months Ended June 30, 2001	3,370	$ 35,724	--	$ --	(1,947)	$ (20,063)	1,423	$ 15,661
Period Ended Dec. 31, 2000(A)	1,323	13,894	34	320	(26)	(279)	1,331	13,935

</Table>

(A) June 26, 2000 (commencement of operations of this class) to December 31, 2000.