

Part A
Fund Reference

**Derivative Risk Statement
for Pooled Superannuation
Trusts**

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This Statement has been prepared by **Legg Mason Asset Management Australia Limited** (ABN 76 004 835 849, AFSL No. 240827, Registrable Superannuation Entity Licence number L0001250) ("Legg Mason Asset Management").

Legg Mason Asset Management provides investment management services to Australian clients and acts in various capacities, including as a trustee and investment manager of funds invested by unitholders in various Legg Mason Asset Management pooled superannuation trusts.

1 Name of Pooled Superannuation Trusts

This Statement has been prepared for the following Pooled Superannuation Trusts ("The Trusts"):

- Legg Mason Growth Trust; and
- Legg Mason Balanced Trust

2. Objective of this Statement

This Statement identifies the cases in which derivatives are used by the Trusts and confirms that derivative investments are made under appropriate controls.

Legg Mason Asset Management is responsible for the investment strategies of each of the trusts and has not appointed external investment managers. Exposures to domestic assets are achieved directly and indirectly and exposure to international assets is achieved indirectly via collective investments managed by Legg Mason Asset Management. In the case of domestic cash, domestic fixed income and international assets, the collective investments of the underlying collective investments are generally managed on behalf of Legg Mason Asset Management by its affiliates pursuant to arms-length agreements whereby investment strategies are communicated to its affiliates. The Trusts may invest in derivatives directly and indirectly via these collective investments.

Derivatives are generally used by Legg Mason Asset Management and its affiliates for hedging and risk management purposes and to implement strategies more efficiently. The derivatives principally include exchange traded futures and options swaps, structured notes, mortgage derivative securities and currency forwards.

The main objective of the use of derivatives is to more efficiently create effective exposures which could otherwise be established through the physical market. For example, derivatives may be used to invest cash flows, effect asset allocation shifts, hedge the assets of the portfolio, or adjust the

duration of the fixed income portfolio in a timely and cost effective manner. The main objective of the use of currency forwards is to control exposures to exchange rates. In addition, derivatives may be used capture valuation opportunities and to take advantage of market inefficiencies, or, in the case of equity preference shares or convertible notes, because they offer an attractive alternative to the underlying security.

These derivative investments are made under appropriate controls and, in particular, in accordance with the principles set out in the Part B Derivative Risk Statement prepared by Legg Mason Asset Management in respect of this derivatives usage.

3. Overall Investment Strategy

The overall investment strategies of the Trusts are summarised in the Product Disclosure Statement issued for each Trust.

4. Strategy Delegated to Investment Manager

As Legg Mason Asset Management has not appointed an external investment manager in respect of any of the Trusts, Legg Mason Asset Management and its affiliates manage all the assets of the Trusts.

5. Identification of Investment Manager DRS

Legg Mason Asset Management has prepared a Part B Derivative Risk Statement in respect of the derivatives usage it may undertake in managing the assets of the Trusts. The Part B Statement, which has an effective date of 21 July 2009, will be subject to external audit and is applicable to the assets managed for the Trusts.

6. Trustee Authorisation of use of Derivatives

Legg Mason Asset Management recognises that it is responsible for the investment strategy of the Trusts, including the use of derivatives which are permitted by the governing rules of the Trusts. Legg Mason Asset Management is also satisfied that the purposes of the use of derivatives, as set out in Legg Mason Asset Management's Part B Derivative Risk Statement, are consistent with the investment strategy of the Trusts.

7. Date of Authorisation of this Statement

This Part A Derivative Risk Management Statement was authorised on 21 July 2009 for release to investors in the Trusts.