

**Part A**  
**Fund Reference**

Derivative Risk Statement  
for Registered Managed  
Investment Schemes

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

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

## 1 Name of Collective Investment

This Statement has been prepared for the following collective investments ("the Trusts"):

- Legg Mason Australian Equity Trust;
- Legg Mason Australian Value Equity Trust;
- Legg Mason Australian Small Companies Trust;
- Legg Mason Australian Bond Trust;
- Legg Mason Australian Credit Trust;
- Legg Mason Australian Core Plus Bond Trust
- Legg Mason Core Plus Global Bond Trust;
- Legg Mason Global Multi Sector Bond Trust;
- Legg Mason Property Securities Trust;
- Legg Mason Global Equity Trust;
- Legg Mason Emerging Market Trust;
- Legg Mason Permal Investment Holdings Trust;
- Legg Mason Permal Macro Holdings Trust;
- Legg Mason Tactical Allocation Trust;
- Legg Mason Diversified Trust;
- Legg Mason Cash Trust;
- Legg Mason Cash Plus Trust;
- Legg Mason Diversified Fixed Income Trust;
- Legg Mason Brandywine Global Opportunistic Fixed Income Trust;
- Legg Mason Brandywine Global Fixed Income Trust; and
- Legg Mason Global Value Equity Trust.

## 2 Objective of this Statement

This Statement identifies the situations in which derivatives are used by the Trusts and confirms that derivative investments are subject to appropriate controls.

Legg Mason Asset Management as the responsible entity of the Trusts, is responsible for the investment strategies of each of the Trusts. Where a Trust invests in domestic cash, domestic fixed income and international assets, those assets are generally managed on behalf of Legg Mason Asset Management by its affiliates pursuant to arms-length agreements, whereby investment strategies are communicated to and implemented by those affiliates.

The Trusts invest in derivatives directly and indirectly via 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 used are 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 to capture valuation opportunities and take advantage of market inefficiencies between, 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 strategy of each Trust is summarised in the Information Memorandum or Product Disclosure Statement issued for that Trust.

### **4 Strategy Delegated to Investment Manager**

Legg Mason Asset Management and its portfolio managers manage all the domestic equities assets of the Trusts. Domestic cash, domestic fixed income and international assets are managed by Legg Mason Asset Management's affiliates and their portfolio managers pursuant to arms-length agreements under which the investment strategy and guidelines are agreed in writing with its affiliates.

### **5 Identification of Investment Manager DRS**

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

### **6 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 Statement was authorised on 21 July 2009 for release to investors in the Trusts.