

Legg Mason Western Asset Cash Trust

Objective

The Trust aims to earn a before fees and taxes in excess of the return of the benchmark.

Benchmark

UBS Australian Bank Bill Index.

Value

\$46,972,209.

Rating

AAAm (as rated by Standard & Poor's).

Investment Process Summary

The Trust actively manages investments to ensure that:

- deposits are readily accessible;
- investments are highly liquid and low risk; and
- returns have limited volatility.

Performance (before fees and taxes)

| | Trust % | Benchmark % |
|--------------|---------|-------------|
| 1 month | 0.39 | 0.40 |
| 3 months | 1.12 | 1.12 |
| 1 year | 3.85 | 3.89 |
| 3 years p.a. | 5.70 | 5.56 |

Past performance is no indication of future performance.

Profile

| Sector Allocation | Trust % |
|-------------------|---------|
| Bank obligations | 71.7 |
| Corporate | 0.0 |
| Asset backed | 17.0 |
| Cash | 11.3 |

Market Review

Economic growth momentum appeared to soften during the month as March quarter gross domestic product data released in early June showed economic activity grew at 0.5%, compared with 1.1% the prior quarter. Confidence and building approval measures also declined. However the unemployment rate provided some positive news with a fall to 5.2%.

The Reserve Bank of Australia kept the target cash rate at 4.5%. Softer economic data, heightened sovereign risk aversion and the Reserve Bank's assessment that borrowing rates were back to average appeared to contribute to this decision. Bank bill rates increased through the month to levels not seen since November 2008.

Domestic government bond yields inched higher through most of June before market sentiment darkened and yields declined sharply at the end of the month. The decline in yields late in the period was driven by offshore leads as the U.S. and other international bonds rallied on weaker economic data, including a downward revision of March quarter gross domestic product.

Credit spreads on highly rated corporate bonds remained largely unchanged while spreads on lower rated investment grade debt widened. This caused lower rated credit to underperform. Domestic debt issued by Australian based corporates tended to outperform their international peers.

Currency volatility continued as concerns of weaker than expected global growth resurfaced. The Australian dollar finished the month even to slightly down against most major currencies.

Performance

The Legg Mason Western Asset Cash Trust performed in-line with its benchmark over the month. The portfolio's long term track record remains ahead of benchmark.

Outlook

Domestic gross domestic product growth is expected to move towards trend in 2010/11. As government stimulus begins to wind down, a self sustaining growth phase is expected to ensue.

Inflation is forecast to remain in the upper band of the Reserve Bank's target range and may push above the band over the short-term due to one-off items. High inflation is expected to continue to pressure the Reserve Bank as strength in the mining sector may lead to wage and cost pressures, as witnessed in 2007/08.

With Australia's labour market in very good shape and broader economic growth strengthening, cash rates are expected to continue to move higher throughout 2010, with an expectation that rates could reach around 5% by the end of the year.

Further Information

| Credit Quality | Trust % | Maximum % |
|----------------------------|---------|-----------|
| "AAA" or "A-1+" securities | 100.0 | 100 |
| "A-1" securities and cash | 0.0 | 25 |

| Maturity Structure | Trust % |
|--------------------|---------|
| 1 to 7 days | 17.6 |
| 8 to 30 days | 29.7 |
| 31 to 90 days | 40.2 |
| 91 to 180 days | 12.5 |
| 181 to 365 days | 0.0 |

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