

Legg Mason Global Equity Trust

Objective

The Trust aims to earn a before fees and taxes return of 2.5% p.a. in excess of its benchmark over rolling three year periods.

Benchmark

MSCI World (ex Australia) Index, expressed in Australian dollars, net dividends reinvested.

Value

\$40,568,391.

Performance (before fees and taxes)

	Trust %	Benchmark %
1 month	0.63	0.73
3 months	-3.32	-2.80
1 year	0.81	0.53
3 years p.a.	-13.15	-10.28

Past performance is no indication of future performance.

Profile

Regional Allocations	Trust %	Benchmark %
Europe (ex U.K.)	21.0	19.3
U.K.	9.6	9.9
Japan	8.8	10.9
Asia ex-Japan	1.4	1.9
North America	57.5	58.0
Cash	1.7	-

Market Review

Global equity markets reversed course in July, as the MSCI World (ex Australia) Index, expressed in Australian dollars, rose 0.7% over the month. Company earnings announcements were generally better than analyst estimates and investors began to see equity markets as oversold. U.S. manufacturers reported better growth and lower inventories than expected, despite continued disappointment on employment. Several of Japans largest multinationals raised forecasts. In addition, daily volatility declined relative to levels experienced over recent months.

Among the major regions, the U.K. was the best performed, led by Banks, many of which posted strong quarterly earnings as names including Barclays, Standard Chartered and Lloyds enjoyed double digit returns. Materials also made significant gains as BP added 24% this month as it put a temporary cap on the oil well leak in the Gulf of Mexico and announced that it planned to sell assets, not dilute shares, to pay for oil leak reparations.

Continental Europe also managed a positive return for the month. Banks such as BNP Paribas and Santander recovered ground as worries about the sovereign debt crisis appeared to abate. The Telecommunication Services, Utilities and Financials ex-Banks sectors rose over 5%. Only the Health Care, Consumer Staples and Information Technology sectors lost ground.

The U.S. was down 0.2% in July. Materials and Industrials were in positive territory, while Health Care, Banks and Consumer Staples were the weakest performed sectors.

Among the smaller regions, Asia ex-Japan underperformed due to weak results in Hong Kong. Canada was broadly neutral for the month.

Performance

The Legg Mason Global Equity Trust marginally underperformed the benchmark over the month. However, portfolio performance was in excess of benchmark over the past year.

Stock selection decisions detracted slightly for the month, chiefly in the U.S., where exposure to the Consumer Discretionary and Materials sectors detracted form performance. Selections in continental Europe and Japan were also weak. These were offset somewhat by positive results in the U.K. and Canada.

In region/sector allocations, the portfolio benefited from an overweight position in the U.K., where the holding in BP plc aided performance, but the overweight to Japan and underweight to Europe detracted value.

At month end, the portfolio was overweight the Europe (ex U.K.) and was underweight Japan and the U.S. Across sectors, the portfolio was most overweight Information Technology and most underweighted Consumer Staples.

Outlook

The portfolio has a slightly cyclical tilt and is positioned for global recovery over the next 12 months. Portfolio exposures relative to the benchmark remain moderate. It is expected that recovery will be tempered by the sovereign debt problems in Europe, slow jobs improvement and efforts by China to prevent overheating in its real estate market. However, the Chinese government's recent decision to allow its currency to rise against the U.S. dollar is expected to aid global equities as increased currency strength in China and the rest of Asia should bolster consumption in those markets.

With the prospect of slower growth, we believe investors will reward fundamentally-sound companies that are well equipped to succeed in a low growth environment. The portfolio is well positioned to take advantage of this trend.

Further Information

Sector Allocations	Trust %
Energy	10.3
Materials	6.3
Industrials	11.9
Consumer Discretionary	9.9
Consumer Staples	9.6
Health Care	9.3
Financials	17.9
Information Technology	15.2
Telecommunication Services	4.3
Utilities	3.7
Cash	1.6