

# 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

\$42,795,211

## Performance (before fees and taxes)

	Trust %	Benchmark %
1 month	1.73	0.93
3 months	4.12	2.75
1 year	-4.95	-5.23
3 years p.a.	-5.54	-3.86

Past performance is no indication of future performance.

## Profile

Regional Allocations	Trust %	Benchmark %
Europe (ex U.K.)	18.1	18.7
U.K.	11.7	10.3
Japan	10.9	9.6
Asia ex-Japan	0.0	2.1
North America	58.5	59.3
Cash	0.8	0.0

## Market Review

The MSCI World ex-Australia Standard Index rose 0.94% for the month. Market volatility continued throughout the period as Europe's leaders appeared to drag their feet on the broad package of measures they had announced earlier to keep the Greek debt crisis in check and recapitalize banks. Governments changed hands in three of the debtor nations - Greece, Italy and Spain. In addition, bond spreads in Italy inverted during the third week on fears its debt may not be rolled over, alarming policymakers and investors.

Markets rallied significantly in the last three days of November on positive results in the US for "Black Friday" retail sales, rumours that the bailout of Italy would be forthcoming and that the European Financial Stability Pact would have other announcements. At month end, six developed markets central banks announced coordinated actions to ease strains in the financial system. On the same day, China announced an easing of monetary policy, cutting the amount of deposits that banks must hold in reserve.

Across the US, the UK and continental Europe, Banks and Financials ex-Banks were the weakest performing sectors. The US was the best performer, the only region to outperform the global index. Consumer Staples and Energy were the top performing sectors, followed by Industrials, Utilities and Health Care. Within the UK, Telecommunication Services was the top performer, followed by Information Technology and Consumer Staples. All sectors except Banks and Financials ex-Banks were in positive territory. Within continental Europe, most sectors declined, while returns for the top performers, Consumer Staples and Health Care, were positive.

The New Zealand & Canada region underperformed due to the Banks sector, while Materials had a solid gain. Japan declined, led down by Financials ex-Banks and Health Care. The only sector in positive territory was Utilities. Asia ex-Japan was the performance laggard this month. Both Hong Kong and Singapore saw significant weakness in real estate names in an atmosphere of tightening financing conditions

## Performance

The Legg Mason Global Equity Trust outperformed its benchmark by 0.8% during the month. Stock selection benefited the portfolio chiefly due to stock selection in the US. Selection was modestly positive in most regions and flat in Asia ex-Japan.

The impact of region/sector allocations added value due to an underweight in Asia ex-Japan, where we had no holdings and in continental Europe. At month end the portfolio was broadly diversified across regions and sectors. The largest overweight was the UK and the largest underweight was Asia ex-Japan, similar to last month.

Across sectors, the largest overweight was Telecommunication Services and the largest underweight was Materials. The portfolio was attractively valued with a lower 12-month forward PE than the benchmark.

## Outlook

At month end, central banks of the developed markets announced that they took coordinated action to support the global financial system. We believe that this effort will be positive for global developed markets over the short-term as it has provided much needed liquidity in a period of increasing credit stress.

Our long-term view remains unchanged and we expect that growth will continue at an anemic pace. From a bottom-up perspective, corporate balance sheets are healthy and many contain high cash balances compared to 2007, 2008 and even 2009, when companies were highly levered. In addition, while leading commodity prices such as copper and crude oil have declined, prices are at higher levels than they were during the previous downturn, an indication that demand continues.

At month end, region and sector exposures to the benchmark remain moderate, which should help to stabilise portfolios from big directional market swings. Based on our stock selection model, current portfolio positioning includes underweights in the peripheral markets of Europe, most notably in Banks in that region and overweights in the largest stocks, those with a market value over \$60 billion.

## Further Information

Sector Allocations	Trust %
Energy	11.9
Materials	5.3
Industrials	10.1
Consumer Discretionary	10.5
Consumer Staples	11.0
Health Care	11.6
Financials	13.7
Information Technology	14.2
Telecommunication Services	6.9
Utilities	4.4
Cash	0.4