

Legg Mason Global Value Equity Trust

Objective

The Trust aims to earn a before fees and taxes return of at least 3% p.a. in excess of its benchmark over rolling three to five year periods.

Benchmark

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

Value

\$29,518,404

Performance (before fees and taxes)

	Trust %	Benchmark %
1 month	0.38	0.93
3 months	-0.07	2.75
1 year	-9.88	-5.23

Past performance is no indication of future performance.

Profile

Regional Allocations	Trust %
Europe (ex U.K.)	27.52
U.K.	7.47
Japan	2.11
Asia ex-Japan	1.11
North America	52.64
Other	9.15

Market Review

Global equities experienced significant volatility during November as markets declined for the majority of the month and then rallied in the final week, leaving investors down and out in terms of performance. The evolving Eurozone crisis weighed on investors during the month and fed the volatility in stocks. Steps taken by the world's central banks to make it less costly for European banks to borrow U.S. dollars bolstered markets at month's end and supported the equity rally.

In the U.S., the congressional Super Committee and its deliberations of more than \$1 trillion in spending cuts and taxes ended in failure and contributed to negative market sentiment. Economic indicators in the U.S. seemed to reflect continued growth, albeit at low levels.

Europe is likely in a recession and policy makers have been challenged with moving toward fiscal austerity to manage the economic turmoil while also coordinating with the European Central Bank (ECB) to drive down interest rates in the region. Accordingly, doubts about the implementation of policies in both Europe and the U.S. were key factors affecting capital markets as the month drew to a close.

Performance

The Legg Mason Global Value Equity Trust underperformed its benchmark by 0.5% over the month.

The MSCI World Index declined -1.28% in local terms and -2.44% in U.S. Dollar terms. Index markets generally declined in Europe with major indices reporting in local terms: Austria -7.39%; Spain -5.00%; Italy -3.70%; and the United Kingdom -0.15%. In Asia, major country indices generally declined as reflected by Japan -4.84%, Singapore -5.97%, and Hong Kong -7.24%, respectively.

On a relative basis, the U.S. market outperformed global markets as the S&P 500 index returned -0.22% versus -2.44% for the MSCI World Index in U.S. Dollar terms. Additionally, performance in emerging markets was negative as reflected by the MSCI Emerging Markets Index reporting -3.85% in local terms.

Outlook

Currently we are balancing myriad concerns in the Eurozone and the attendant issues of debt, leverage, liquidity and austerity with what appears to be some positive developments across the world. On the one hand, we continue to monitor a relentless deleveraging process with money moving from weak hands to strong hands over time. Policymakers in Europe have resisted this process, but ultimately the participants across the Eurozone will move toward acceptance and adaptation. Recent announcements in Europe represent a good first step towards progress although investors have been strained by experiencing 'final' solutions for Europe over and over again without results. On the positive side, Europe is finally getting serious about taking constructive steps to remedy the unsustainable welfare state and accompanying reckless government spending. Over time, we anticipate that the Eurozone will allocate capital more effectively, less to the destroying public sector and more to the creative private sector that has the potential for real growth.

In the developed world, given fairly high volatility, the investment team anticipates making strategic purchases with a focus on low valuations, low expectations, the value proposition of the franchise and a margin of safety. In emerging markets, our view is that valuations have more room to decline relative to the developed world. Moreover, we believe that additional weakening in the emerging markets could lead to a moderation in commodity prices, which would provide a boost for many of the world's consumers. Finally, despite some challenges in the emerging markets, we are researching some interesting domestic demand opportunities that have compelling valuations. We continue to see negative earnings revisions consistent with a decline in profitability that has historically signalled solid buying opportunities. Frankly, we do not anticipate company earnings collapsing to the 2008 level; however, our contrarian view recognises the trend reflecting more reasonable earnings expectations that have historically signalled increased stock performance.

We are currently operating in an environment characterised by significant central bank easing across the world. Given where we are in the economic cycle, we believe that early cycle investments will do better going forward. We are also evaluating individual companies with resilient cash flows – such as health care, consumer staples, software, commercial services and household product companies. Notably, we believe it is likely too early to consider late cycle companies that have led the market of late. We are positively influenced by recent signs that capital is moving to productive areas of the economy versus the former trend of capital flowing primarily to speculative and unproductive areas such as commodities and gold. We are also encouraged by many monthly economic indicators reflecting favourable trends in addition to an improvement in small business surveys that provide a glimmer of hope for consistent growth in the future.

As we move toward the close of 2011, our investment team's focus is on building a diversified portfolio of high quality, global industry leaders trading at attractive valuations based upon conservative levels of profits.

Further Information

Sector Allocations	Trust %
Energy	11.87
Materials	8.14
Industrials	6.90
Consumer Discretionary	9.90
Consumer Staples	10.70
Health Care	18.29
Financials	21.10
Information Technology	8.58
Telecommunication Services	4.24
Utilities	0.0
Other	0.28

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