LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason
Property Securities Trust

Objective

The Trust aims to earn a before fees and taxes return of 1.5% p.a. in excess of its benchmark over rolling three year periods.

Benchmark

S&P/ASX 300 A-REIT Accumulation Index.

Value

$159,940,434

Performance (Before fees and taxes)

	Trust %	Benchmark %
1 month	2.77	2.65
3 months	2.06	1.66
1 year	7.30	2.29
3 years p.a.	5.13	-0.94

Past performance is no indication of future performance.

Profile

Overweight Positions	Active %
Charter Hall Retail	+5.0
Westfield Retail Trust	+4.4
Stockland	+3.8
Charter Hall Group	+3.5
Mirvac Group	+3.4

Underweight Positions	Active %
GPT Group	-6.9
Cfs Retail Group	-6.7
Goodman Group	-6.1
Investa Office Fund	-2.6
Commonwealth Property Office	-2.6

Market Review

In November, equity markets were once again weak, on the back of concerns around a potential European financial meltdown. Increasing yields on Italian Government bonds contributed to increase solvency concerns of the larger European economies. Equities plummeted through the month before rallying near month-end on renewed speculation that the European Central Bank was preparing a new plan to solve the sovereign debt issue.

The Australian Real Estate Investment Trusts (A-REIT) sector was up 2.65 % over the month, as measured by the S&P/ASX 300 A-REIT Accumulation Index. A-REITs outperformed the broader Australian equity market by 6.1% during the period. Securities that outperformed included Stockland (+7.3%), Westfield Group (+6.5%) and BWP Trust (+5.4%). During November, retail REIT benefited from improved sentiment and outperformed.

Australian economic data released during the month were mixed. The Reserve Bank of Australia announced a 25 basis points rate cut on November 1, in line with market expectations. The market has priced in more potential rate cuts heading into 2012.

The Australian dollar continued to reflect the increase in risk aversion and lost ground against the U.S. dollar. After reaching a low of US0.969 cents during the period, it ended the month at US0.998 cents, down US5.5 cents.

Performance

The Legg Mason Property Securities Trust outperformed its benchmark over the month by 0.1%. The Trust is 5% ahead of benchmark for the last 12 months.

In November, portfolio's holdings that aided performance included Stockland (+7.3%) and the underweight positions to Goodman Group (-4.8%), Investa Office (-4.8%) and CFS Retail (+1.1%).

Stockland (+7.3%) outperformed after the RBA announced a 25 basis points rate cut, with the expectation of further rate cuts. The company also held a property tour and reiterated its guidance. The overweight position in the portfolio aided performance.

LEGG MASON
GLOBAL ASSET MANAGEMENT

Shares of Goodman Group (-4.8%) fell last month as global risks combined with austerity measures in Europe continue to weigh on the REIT's share price. The underweight exposure of the portfolio was beneficial to performance last month. Investa Office (-4.8%) underperformed despite no specific news-flow.

In terms of negative contributors, exposure to Lend Lease Corporation (-7.1%) detracted value as global growth concerns increased.

Outlook

We continue to see sizeable medium term investment opportunities for A-REIT investors. However, this is in the context of the wider equity market also looking attractively priced.

At the overall market level, A-REITs are attractively valued based on implied value relative to unlisted property, global REITs, the broader Australian equity market as well as Australian and global bonds. We continue to see direct property transactions that reaffirm the relatively attractive pricing on offer in the A-REITs. The move during the quarter for A-REITs to initiate stock buybacks should help close this pricing gap.

At the stock picking level, the investment opportunity for selected A-REITs continues to be attractive. The valuation spread between the most attractive and least attractive securities in the investment universe remains at around two times historical averages. It is pleasing to see these opportunities flow through to outperformance by the Trust over the past year.

Our relatively favourable medium term outlook is supported by increased risk aversion in the wider market and the reduced risk profiles of A-REITs. Having increased focus on traditional property rental streams and reduced gearing continues to see the A-REITs well placed in this environment.

Further Information

Regional Allocations	Trust %	Benchmark %
New South Wales	38.05	40.01
Victoria	13.66	10.03
Queensland	10.77	11.06
Australian Capital Territory	2.28	3.21
Western Australia	4.48	5.35
Other Domestic	3.14	2.56
Offshore	27.62	27.78

Regional Allocations	Trust %	Benchmark %
Commercial	24.6	24.8
Retail	61.9	63.5
Industrial	12.6	6.9
Hotels	0.3	0.1
Car Park	0.2	0.3
Residential	0.2	0.0
Offshore	0.2	4.4