

Small on size,
hot on opportunity

**Legg Mason
Australian Small
Companies Trust**



Small companies. Could you add a little?

The Legg Mason Australian Small Companies Trust was launched in July 2006 and invests primarily in Australian listed companies outside the S&P/ASX 100.

Previously managed as an 'in-house' fund, the Trust is now available to external investors early in its growth phase.

It is designed to give your portfolio greater coverage of the sharemarket when combined with other 'large company' Australian equity funds.

Six reasons the Legg Mason Australian Small Companies Trust represents a hot opportunity...

1 Investment experience 50-years combined

Legg Mason's Australian small companies portfolio managers have 50 years combined investment experience. That's many investment cycles, many years modelling companies and many times re-interviewing company managers.

The small caps portfolio managers can also leverage off the research of the broader Australian equities team. This provides a greater pool of insights that can help identify good investments early in a sector that is generally under researched by broking analysts and market commentators.

Portfolio managers – complementary skills



Shane Livingstone

- Seasoned portfolio manager with a long term track record of outperforming.
- Skills in portfolio construction, risk analysis, position size and timing.



Julian Mulcahy

- Analytical experience brings specialised focus to small companies analysis with strong views on company management.
- Skills in understanding how the market ticks and the dynamics of fund manager activity in small caps.

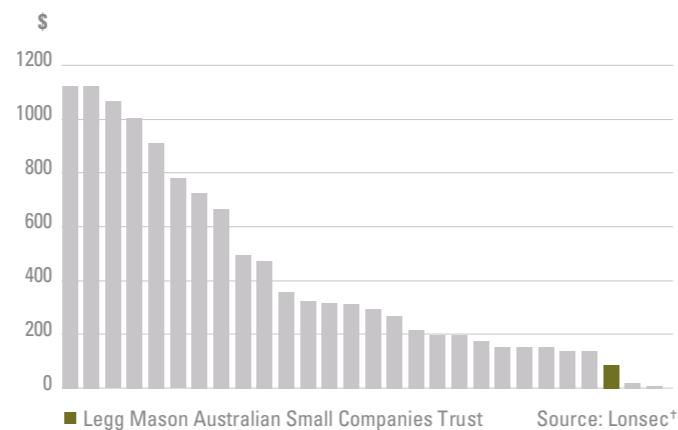
4 Strong global parent Top 10 worldwide

Legg Mason Australian Equities is part of Legg Mason, Inc., the 10th largest asset manager in the world with AUD747 billion under management as at 31 March 2010.

Legg Mason, Inc. focuses exclusively on funds management and therefore avoids the potential conflicts associated with offering other services such as broking, financial advice, banking or platform distribution. The firm's philosophy is to support a number of best-of-breed fund managers for the long term, through the good and bad times.

2 Small and nimble \$219m under management as at 31 May 2010

Australian Small Cap Manager Universe - FUM comparison



Legg Mason Australian Small Companies Trust. Here lies perhaps the greatest opportunity for new investors.

In the Australian small caps sector, the benefits of investing with a manager with capacity to grow are widely recognised. On a comparative basis, smaller funds can act decisively to achieve desired portfolio positions. This is particularly important when sudden changes occur.

3 Outperformance over 13 years

The Legg Mason Australian small companies strategy has achieved returns above the benchmark since inception in 1996. That's a long time in the context of the Australian small companies industry.

The fact that Portfolio Manager Shane Livingstone has been involved with the process through this entire period is significant. Few others in the industry can match this tenure.

Legg Mason Australian Small Companies Performance

Gross performance as at 31 May 2010



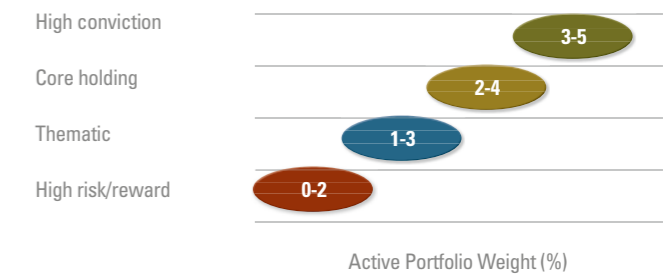
Past performance is not a reliable indicator of future performance.

[†] Inception date 1 June 1996

[‡] S&P ASX Small Ordinaries Accumulation Index

5 Transparent stock-picking process

Company description and target weightings



The Legg Mason Australian Equities small caps investment process is designed to provide a clear translation from research to portfolio construction. The chart above shows how company descriptions (resulting from in-house research) are assigned to target weighting bands in the portfolio.

While the process includes a high degree of discipline it also provides the flexibility for the portfolio managers to apply their experience and judgment to account for the way different companies are assessed. This is designed to focus the research effort on a tailor-made set of factors for each company as well as capture factors 'outside the square' that may be missed by other small cap fund managers.

6 Externally rated by research houses

Research House	Rating	Date
Lonsec	Recommended [†]	January 2010
Zenith	Recommended [*]	May 2010
Standard & Poor's	Three Stars [#]	May 2009



Meet the Legg Mason Fund Managers

LEGG MASON AUSTRALIAN EQUITIES

BATTERYMARCH

GLOBAL CURRENTS

ESEMPIA

BRANDYWINE GLOBAL

WESTERN ASSET

PERMAL

LEGG MASON Australian Equities

Legg Mason Australian Equities is a specialist fund manager

The Legg Mason Australian Small Companies Trust is managed by Legg Mason Australian Equities, a Legg Mason fund manager specialising in Australian equities.

The Legg Mason Australian Equities brand was launched in 2009, although the business has operated specialist Australian equity products since 1982. The fund manager has investment capabilities covering Small Companies, Value, Core and Property Securities.

Who is Legg Mason?

Legg Mason, Inc. is a global funds management company that owns 15 independently-run fund managers. Legg Mason fund managers are backed by the global resources of the parent company; this allows each to focus solely on investing for clients.

Each fund manager is considered an industry leader in its asset class. Names such as Western Asset, BatteryMarch, Permal, Global Currents and Brandywine Global all belong to the Legg Mason network. As a group Legg Mason is the 10th largest funds management company in the world, with AUD747 billion under management as at 31 March 2010.

Globally, Legg Mason employs nearly 550 portfolio managers or research analysts. That's a significant amount of intellectual capital in one business. Large scale fund managers like Legg Mason can offer a broad spectrum of investment solutions across major asset classes. Clients are diverse, ranging from large institutions to individual investors, located in over 190 countries.

An Australian history

In Australia, the business now known as Legg Mason Australia has a history that dates back to 1954, when the merchant bank 'Australia United Corporation' launched its balanced fund to Australian investors. Since then, the business has progressed under various world-class brands, including JP Morgan and Citigroup, before becoming part of Legg Mason in 2005. The multiple-brand history is a positive and differentiating part of the firm's fabric in Australia, by exposing it like few other fund managers to the best insights from different cultures and business models.

Further Information

Please contact Legg Mason on freecall 1800 679 541 or visit our website at www.leggmason.com.au

Legg Mason Asset Management Australia Limited (ABN 76 004 835 849 AFSL 240827) (Legg Mason) is part of the global Legg Mason, Inc. group, which managed AUD747 billion in assets at 31 March 2010. Legg Mason is the issuer of the Legg Mason Australian Small Companies Trust (ARSN 119 829 560). A Product Disclosure Statement (PDS) is available by contacting Legg Mason on 1800 679 541. Potential investors should read the PDS prior to making any investment decisions and consider consulting a financial planner or other professional. Legg Mason makes no guarantee of capital or income returns or yields and investments are subject to risk including possible delays of withdrawal proceeds and loss of capital invested. Past performance is no indication of future performance.

[†] Sources from Lonsec Limited 'Small Cap Australian Equity Sector Review' March 2010 (chart data as at 31 December 2009). Other fund manager's fund size is omitted.

[‡] The Lonsec Limited ("Lonsec") ABN 56 061 751 102 rating (assigned January 2010) presented in this document is limited to "General Advice" and based solely on consideration of the investment merits of the financial product(s). It is not a recommendation to purchase, sell or hold the relevant product(s), and you should seek independent financial advice before investing in this product(s). The rating is subject to change without notice and Lonsec assumes no obligation to update this document following publication. Lonsec receives a fee from the fund manager for rating the product(s) using comprehensive and objective criteria.

^{*} The Zenith Investment Partners ("Zenith") ABN 60 322 047 314 rating (Recommended May 2010) referred to in this document is limited to "General Advice" (as defined by section 766B of Corporations Act 2001) and based solely on the assessment of the investment merits of the financial product on this basis. It is not a specific recommendation to purchase, sell or hold the relevant product(s), and Zenith advises that individual investors should seek their own independent financial advice before investing in this product. The rating is subject to change without notice and Zenith has no obligation to update this document following publication. Zenith usually receives a fee for rating the fund manager and product against accepted criteria considered comprehensive and objective.

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