

Product Disclosure Statement

Legg Mason
Australian Core Equity Trust

Legg Mason
Australian Value Equity Trust

Legg Mason
Australian Small Companies Trust

Legg Mason
Property Securities Trust

Issued as at 12 January 2010



Important Information

Legg Mason Asset Management Australia Limited (ABN 76 004 835 849, AFSL 240827) (“Legg Mason Australia”), the Responsible Entity for the Legg Mason Australian Core Equity Trust (ARSN 088 668 820), the Legg Mason Australian Value Equity Trust (ARSN 122 100 207), the Legg Mason Australian Small Companies Trust (ARSN 119 829 560) and the Legg Mason Property Securities Trust (ARSN 088 677 187) (“Trusts” and individually, a “Trust”) has prepared this Product Disclosure Statement (“PDS”).

This PDS is not a recommendation to invest in the Trusts and does not take into account your financial objectives, situation or needs. Investments are subject to risks, some of which are outlined in this PDS. Legg Mason Australia does not guarantee any profit or recovery of capital from an investment in the Trusts. It is important that you understand and accept the risks before you invest and you should seek professional financial advice prior to making an investment decision.

Legg Mason Australia issues units in the Trusts on the terms and conditions described in this PDS, the Constitution of each Trust and the Corporations Act. Unitholders are bound by the PDS and the Constitution of each Trust. Units in the Trusts are only available to investors that receive this PDS (electronically or otherwise) in Australia. Investors should not rely on information about the Trusts that is not contained in this PDS or the Constitution of each Trust.

In this PDS, all fees and costs are expressed in Australian dollars inclusive of GST less any reduced input tax credits (“RITC”). A reference to a “Business Day” refers to a day on which banks are open for business in Melbourne, Australia. References to “you” or “your” refers to you as the reader of the PDS and “we” and “our” refers to Legg Mason Australia.

INFORMATION IN THIS PDS WAS CORRECT AT THE DATE OF PRINTING AND IS SUBJECT TO CHANGE, INCLUDING CHANGES TO THE TRUSTS’ INVESTMENT GUIDELINES, PROCESSES, FEES, EXPENSES AND OTHER MATERIAL MATTERS. FOR UPDATED INFORMATION, PLEASE REFER TO WWW.LEGGMASON.COM.AU OR CONTACT US. A PAPER COPY OF UPDATED INFORMATION WILL BE PROVIDED TO UNITHOLDERS ON REQUEST. FOR MATERIAL CHANGES, A NEW OR SUPPLEMENTARY PDS MAY BE ISSUED AND UNITHOLDERS NOTIFIED AS REQUIRED BY THE CORPORATIONS ACT. UPDATES SHOULD BE READ IN CONJUNCTION WITH THE LATEST PDS. A COPY OF THE CONSTITUTION FOR EACH TRUST IS ALSO AVAILABLE ON REQUEST.

About Us

Legg Mason, Inc.

Legg Mason, Inc. is a pre-eminent global asset management firm that is listed on the New York Stock Exchange. Through its asset management affiliates, Legg Mason, Inc. managed assets totalling US\$703 billion as at 30 September 2009. Legg Mason, Inc.'s asset management affiliates include Batterymarch Financial Management, Brandywine Global Investment Management, Global Currents Investment Management, Legg Mason Capital Management, Legg Mason Australian Equities, Legg Mason International Equities, The Permal Group and Western Asset Management Company.

Legg Mason Australia

Legg Mason Australia is the Australian asset management business of Legg Mason, Inc. Legg Mason Australia holds an Australian Financial Services Licence.

Legg Mason Australia offers a range of investment strategies managed by its asset management affiliates. The strategies are applied across Australian and global equities, property, fixed income, cash, balanced and alternative investments.

Legg Mason Australian Equities

Legg Mason Australian Equities, a division of Legg Mason Australia, manages the assets of the Trusts. Legg Mason Australian Equities is an Australian asset management business with over 20 years investment management experience. The guiding investment philosophy of the firm is that in-depth proprietary research can generate superior long term investment performance. Legg Mason Australian Equities comprises an experienced and stable investment team with a strong mix of fundamental research, quantitative analysis and market expertise.

How to contact Legg Mason Australia

Please contact Legg Mason Australia if you require further information or if you have any questions regarding this PDS.



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Key Features

Feature	Summary	
Investment objectives	Legg Mason Australian Core Equity Trust Aims to earn a before fees and taxes return of 3% p.a. in excess of the benchmark over rolling three year periods.	
	Legg Mason Australian Value Equity Trust Aims to earn a before fees and taxes return of greater than 3.5% p.a. in excess of the benchmark over rolling three year periods.	
	Legg Mason Australian Small Companies Trust Aims to earn a before fees and taxes return of 5% p.a. in excess of the benchmark over rolling three year periods	
	Legg Mason Property Securities Trust Aims to earn a before fees and taxes return of 1.5% p.a. in excess of the benchmark over rolling three year periods.	
Benchmarks	Legg Mason Australian Core Equity Trust and Legg Mason Australian Value Equity Trust: S&P/ASX 200 Accumulation Index.	
	Legg Mason Australian Small Companies Trust S&P/ASX Small Ordinaries Accumulation Index.	
	Legg Mason Property Securities Trust: S&P/ASX 200 A-REIT Accumulation Index.	
Investment approach	The Trusts aim to achieve their respective investment objective by holding actively managed diversified portfolios of eligible investments that adhere to strict risk controls.	
Risks	The returns on your investment may be below your expectations and you risk losing your capital.	
Minimum initial investment and holding	\$500,000. We have the discretion to accept lower amounts.	
Fees and other costs	Legg Mason Australian Core Equity Trust BUY/SELL SPREAD $\pm 0.28\%$ relative to the net asset value ("NAV"), equating to \$1,400 for an application or redemption of \$500,000.	
	INDIRECT COST RATIO 0.732% for the year to 30 June 2009, equating to \$3,660 p.a. for an investment of \$500,000.	
	Legg Mason Australian Value Equity Trust BUY/SELL SPREAD $\pm 0.28\%$ relative to the NAV, equating to \$1,400 for an application or redemption of \$500,000.	
	INDIRECT COST RATIO 0.975% for the year to 30 June 2009, equating to \$4,875 p.a. for an investment of \$500,000.	
	Legg Mason Australian Small Companies Trust BUY/SELL SPREAD $\pm 0.40\%$ relative to the NAV, equating to \$2,000 for an application or redemption of \$500,000.	
	INDIRECT COST RATIO 1.321% for the year to 30 June 2009, equating to \$6,605 p.a. for an investment of \$500,000.	
	Legg Mason Property Securities Trust BUY/SELL SPREAD $\pm 0.28\%$ relative to the NAV, equating to \$1,400 for an application or redemption of \$500,000.	
	INDIRECT COST RATIO 0.720% for the year to 30 June 2009, equating to \$3,600 p.a. for an investment of \$500,000.	
	Unit prices	An Entry Price and an Exit Price for each of the Trusts will generally be determined for each Business Day.
	Distributions	The Trusts may distribute income at 31 December and will distribute any income at 30 June each year.
	Eligible Investors	Any person who is a "wholesale client" under the Corporations Act, as described in the "Standing Application for Units" form.

Investment Information

Legg Mason Australian Core Equity Trust

The Legg Mason Australian Core Equity Trust offers Eligible Investors exposure to an actively managed core portfolio of Australian equities, as described in the following paragraph, as well as diversification benefits that would be difficult to achieve through direct investment.

The Trust is managed according to the “core” investment process of Legg Mason Australian Equities and seeks to achieve a relatively diversified portfolio of approximately 45 to 90 stocks. The Trust has a low to medium Australian equities risk profile relative to the benchmark. Legg Mason Australian Equities conducts extensive in house security and industry research to derive valuations of underlying companies. The valuation is complemented with quantitative measures that aim to smooth investment performance outcomes. Disciplined portfolio construction rules and risk controls help construct a portfolio of attractively valued Australian equity securities that are expected to deliver relatively strong cash flows.

Investment guidelines

The Legg Mason Australian Core Equity Trust aims to hold investments so that at time of purchasing securities:

- exposure to individual securities is within $\pm 4\%$ of Benchmark weight; and
- exposure to sectors (as determined by Legg Mason Australian Equities) is within $\pm 6\%$ of Benchmark weight.

While the maximum cash holding is 10%, the portfolio is intended to be fully invested at all times with cash being held for liquidity purposes only.

Legg Mason Australian Value Equity Trust

The Legg Mason Australian Value Equity Trust offers Eligible Investors exposure to an actively managed value orientated portfolio of Australian equities, as described in the following paragraph, as well as diversification benefits that would be difficult to achieve through direct investment.

The Trust is managed according to the “value” investment process of Legg Mason Australian Equities and seeks to achieve a relatively concentrated portfolio of approximately 25 to 40 stocks. The Trust has a medium to high Australian equities risk profile relative to the benchmark. Legg Mason Australian Equities conducts extensive in house security and industry research to derive valuations of underlying companies. Disciplined portfolio construction rules and risk controls help construct a portfolio of undervalued Australian equity securities. The approach is premised on the philosophy that underlying company valuations drive stock prices over the medium term.

Investment guidelines

The Legg Mason Australian Value Equity Trust aims to hold investments so that at time of purchasing securities:

- exposure to individual securities is within $\pm 6\%$ of Benchmark weight; and
- exposure to sectors (as determined by Legg Mason Australian Equities) is within $\pm 11\%$ of Benchmark weight.

While the maximum cash holding is 10%, the portfolio is intended to be fully invested at all times with cash being held for liquidity purposes only.

Legg Mason Australian Small Companies Trust

The Legg Mason Australian Small Companies Trust offers Eligible Investors exposure to an actively managed portfolio of listed Australian small company securities, as well as diversification benefits that would be difficult to achieve through direct investment.

The investment process is designed to add value by building a portfolio of attractively valued Australian small company securities. The focus is on understanding company management, business models, growth ambitions and track records. The aim is to identify catalysts that are expected to drive share prices. Disciplined portfolio construction rules and risk controls are adhered to.

Investment guidelines

The Legg Mason Australian Small Companies Trust typically holds securities listed on the Australian Stock Exchange that are outside the largest 100 companies as measured by market capitalisation.

The Legg Mason Australian Small Companies Trust generally aims to:

- invest in securities listed on the Australian Stock Exchange that are outside the largest 100 as measured by market capitalisation; and
- have exposure to individual securities within $\pm 7\%$ of Benchmark weight.

Sector positions are actively monitored, as are exposures to quantitative factors.

Legg Mason Property Securities Trust

The Legg Mason Property Securities Trust offers Eligible Investors exposure to an actively managed portfolio of listed property securities and property related listed securities, as well as diversification benefits that would be difficult to achieve through direct investment.

The investment process is designed to add value by building an attractively valued portfolio of property securities. The approach used by Legg Mason Australian Equities relies upon the analysis of individual property securities. The normalised earnings and intrinsic value of each security is based on long term cash flow based analysis. The aim is to look through the short term noise of market cycles and to focus on the sustainability of cash flows. Disciplined portfolio construction rules and risk controls are adhered to.

Investment guidelines

The Legg Mason Property Securities Trust aims to hold investments so that at time of purchasing securities:

- exposure to individual securities is no more than 6% above the Benchmark weight; and
- a diversified exposure to property security sub sectors (as determined by Legg Mason Australian Equities, such as diversified property, retail property, commercial property, infrastructure, etc) is obtained.

While the maximum cash holding is 10%, the portfolio is intended to be fully invested at all times with cash being held for liquidity purposes only.

Further Investment Information

Other considerations

The Trusts do not intend to borrow. However, derivatives may be used to implement investment decisions. Please refer to the Derivatives section of this PDS for more information.

The Trusts do not take into account labour standards or environmental, social or ethical considerations in the selection, retention or realisation of investments. Decisions to invest in, retain or realise investments are based on the stated investment processes and investment guidelines.

Investment performance

Investment performance of the Trusts is published on our internet site at www.leggmason.com.au/en/product_performance/australia.aspx

Legg Mason Australia claims compliance with the Global Investment Performance Standards (GIPS ©), as developed by the CFA Institute.

Risks

All investments involve risks. Different asset classes have different inherent risk characteristics. As each of the Trusts have different investment objectives and guidelines, their risk profiles are also different. Investors should consider the risk profiles of the Trusts independently of each other, with the assistance of a professional advisor, as required.

Investments in the Trusts are subject to the following specific risks:

- market risks, including declines in asset prices, unfavourable economic conditions, changes in government regulation, inflation and lack of liquidity (in this context, "lack of liquidity" means investments may not be readily disposed of);
- manager risks, including human error, system failures, poor procedures, lack of management controls, termination of the Trust, counterparty risk, changes in fees, replacement of the Responsible Entity and replacement of Legg Mason Australian Equities;
- counterparty risks, including a situation where a counterparty either cannot or will not meet its obligations;
- investment risks, including benchmark performance that is below unitholder expectation and/or the Trust not meeting its investment objective; and
- the risks of implementing investment decisions using derivatives, including market risks, manager risks, counterparty risks, the risks of a derivative position unexpectedly not corresponding with the intended exposure, and the risks of a derivative position inadvertently not being backed by cash, cash equivalents or securities. A derivative position that is not appropriately backed will cause the Trusts to be inadvertently leveraged.

Techniques used to manage risks include:

- extensive research;
- active portfolio management;
- monitoring economic factors;
- maintaining disciplined management controls;
- auditing operational procedures; and
- managing derivatives in accordance with Legg Mason Australia's Derivative Risk Statement, as discussed in the "Derivatives" section of this PDS, including backing derivatives with cash, cash equivalents or securities.

Fees and other costs

Consumer advisory warning

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To Find Out More

If you would like to find out more, or see the impact of fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

Fees and other costs - continued

Fees and other costs table

This table shows fees and other costs that you may be charged. These fees and other costs may be deducted from your money, from the returns on your investment or from the Trusts assets as a whole. Investors investing through an investor directed portfolio scheme ("IDPS") or a master trust should note that the fees outlined in the following table do not include any other fees imposed by the IDPS or master trust operator.

Type of fee or cost	Amount	How and when paid
Fees when unitholder money moves in or out of the Trusts⁽¹⁾		
Establishment fee The fee to open your investment	Nil.	Not applicable.
Contribution fee The fee on each amount contributed to the unitholder's investment	Nil.	Not applicable. However, under the Constitution of each Trust we may charge a Contribution Fee of up to 2%.
Withdrawal fee The fee on each amount the unitholder takes out of their investment	Nil.	Not applicable. However, under the Constitution of each Trust we may charge a Withdrawal Fee of up to 2%.
Termination fee The fee to close the unitholders investment	Nil.	Not applicable.
Management costs⁽²⁾ <i>The fees and costs for managing the unitholder's investment</i>		
Investment costs		
Legg Mason Australian Core Equity Trust	0.636% p.a. of the NAV, equating to \$3,180 p.a. for a constant investment of \$500,000.	Please see "Investment costs" and "Classes of units" under the heading "Additional explanation of fees and costs"
Legg Mason Australian Value Equity Trust	0.889% p.a. of the NAV, equating to \$4,445 p.a. for a constant investment of \$500,000.	
Legg Mason Australian Small Companies Trust (Class A units)	1.251% p.a. of the NAV, equating to \$6,255 p.a. for a constant investment of \$500,000.	
Legg Mason Australian Small Companies Trust (Class P units)	1.046% p.a. of the NAV, equating to \$5,230 p.a. for a constant investment of \$500,000.	
Legg Mason Property Securities Trust	0.657% p.a. of the NAV, equating to \$3,285 p.a. for a constant investment of \$500,000.	
Performance Fee		
Legg Mason Australian Small Companies Trust (Class P units)	20.500% of the amount by which the Trust outperforms its benchmark provided specified conditions are met.	Reflected in unit prices and deducted from the Trust six monthly in arrears at 30 June and 31 December each year from net Trust assets if specified conditions are met. Please see "Performance Fee" under the heading "Additional explanation of fees and costs".
Other Trust costs (estimated)		
Legg Mason Australian Core Equity Trust	0.096% p.a. of the NAV, equating to \$480 p.a. for a constant investment of \$500,000.	Where such costs can be reliably estimated they are accrued throughout the financial year, reflected in unit prices and deducted from the respective Trusts at time of payment. Otherwise they are reflected in unit prices upon invoice and deducted from the respective Trust at time of payment.
Legg Mason Australian Value Equity Trust	0.086% p.a. of the NAV, equating to \$430 p.a. for a constant investment of \$500,000.	
Legg Mason Australian Small Companies Trust	0.070% p.a. of the NAV, equating to \$350 p.a. for a constant investment of \$500,000.	
Legg Mason Property Securities Trust	0.063% p.a. of the NAV, equating to \$315 p.a. for a constant investment of \$500,000.	
Service fees		
Investment switching fee The fee for changing investment options	Nil.	Not applicable.

(1) Please see "Buy/Sell Spread" and "Duty" under the heading "Additional explanation of fees and costs".

(2) Please see "Negotiated fees" under the heading "Additional explanation of fees and costs".

Additional explanation of fees and costs

Investment costs

The Investment costs identified in the “Fees and other costs” table comprise a Management Fee and a Responsible Entity Fee, as identified in the following.

Please refer to the following “Classes of units” section for information on how the Management Fee is calculated and charged. The Responsible Entity Fee is reflected in unit prices and deducted from the Trusts quarterly in arrears.

Trust	Management Fee	Maximum Management Fee chargeable ⁽¹⁾	Responsible Entity Fee	Maximum Responsible Entity Fee chargeable ⁽¹⁾	Performance Fee
Legg Mason Australian Core Equity Trust	0.615% p.a.	0.636% p.a.	0.021% p.a.	0.082% p.a.	Not applicable
Legg Mason Australian Value Equity Trust	0.868% p.a.	2.05% p.a.	0.021% p.a.	1.025% p.a.	Nil ²
Legg Mason Australian Small Companies Trust (Class A units)	1.230% p.a.	2.05% p.a.	0.021% p.a.	1.025% p.a.	Nil ²
Legg Mason Australian Small Companies Trust (Class P units)	1.025% p.a.	2.05% p.a.	0.021% p.a.	1.025% p.a.	20.500% ²
Legg Mason Property Securities Trust	0.636% p.a.	0.636% p.a.	0.021% p.a.	0.082% p.a.	Not applicable

(1) This is the maximum fee which may be charged under the Constitution.

(2) The Responsible Entity may charge up to 30% of the amount by which the return of the Trust for a relevant period exceeds the benchmark. Currently such a fee is not charged for the Legg Mason Australian Value Equity Trust or the Legg Mason Australian Small Companies Trust (Class A units) but will be charged at 20.500% of the amount by which the Legg Mason Australian Small Companies Trust (Class P units) outperforms its benchmark provided specified conditions are met. – see below.

Performance Fee

The Performance Fee for the Legg Mason Australian Small Companies Trust (Class P units) is 20.500% of the amount by which the Trust (before all other fees and expenses) outperforms its benchmark (the S&P/ASX Small Ordinaries Accumulation Index), provided the “high-water mark” has been exceeded and the Trust return (before all other fees and expenses) is positive.

The “high-water mark” means the Performance Fee is not payable for a calculation period where at the end of that calculation period the unit price on an accumulation basis (i.e. with distributions reinvested, but not performance fees deducted) is lower than the highest unit price calculated on the same basis at the end of any previous calculation period. Calculation periods end at 30 June and 31 December each year.

Before a Performance Fee can be paid the following conditions must be met:

- the Trust must make a positive return (before all other fees and expenses);
- the Trust must outperform (before all other fees and expenses) the S&P/ASX Small Ordinaries Accumulation Index; and
- the “high-water mark” must be exceeded.

For a worked example please refer to the “Example of Annual Fees and Costs”.

Additional explanation of fees and costs - continued

Negotiated fees

Legg Mason Australia may negotiate differential fee arrangements. Please contact Legg Mason Australia to determine eligibility. There is no particular manner in which fees may be negotiated.

Other Trust costs (estimated)

The Other Trust costs for the Trusts identified in the "Fees and other costs" table are based on the estimated expenses that may be incurred for a financial year. Under the Constitution of each Trust, Legg Mason Australia is entitled to recover from the Trusts all expenses which are incurred in the proper performance and exercise of its powers and duties. Consequently, the expenses that are actually recovered may be higher than the estimated Other Trust costs.

Other Trust costs include the fees, costs and/or expenses of the Trusts (including those of the Responsible Entity, the Custodian and the Administrator). Other Trust Costs may also include financial institution fees, costs of unitholders' meetings, costs of amending the Constitution of each Trust, costs of engaging auditors and/or other advisers, costs of promoting the Trusts, costs of compliance, costs of New South Wales duty and administrative costs generally.

Transactional and operational costs

In addition to the Other Trust costs, the Trusts may incur transactional and operational costs such as brokerage, settlement and clearing costs. Transactional and operational costs incurred as a result of unitholders coming into and going out of the Trusts may be accounted for in the Buy/Sell Spread. Other transactional and operational costs are additional costs to unitholders that are deducted from the assets of the Trusts. Such costs are recovered as they are incurred and reflected in the unit price.

It is not possible to come up with a meaningful estimate of transactional and operational costs because the turnover in the underlying assets may change substantially as investment and market conditions change, which may affect the level of transactional and operational costs not covered in the Buy/Sell Spread. Further, due to the highly variable drivers upon which such transactional and operational costs are dependent, any estimate provided may not be indicative of future transactional and operational costs not covered in the Buy/Sell Spread.

Buy/Sell Spread

The Buy/Sell Spread represents an allowance for the estimated costs of trading securities as a consequence of unitholders transacting. The Buy/Sell Spread seeks to ensure that the interests of existing unitholders are not diluted by transacting unitholders. Legg Mason Australia does not benefit from the Buy/Sell Spread.

The following table identifies the Buy/Sell Spreads of the Trusts.

Trust	Buy Spread	Sell Spread
Legg Mason Australian Core Equity Trust	+0.28% relative to NAV	-0.28% relative to NAV
Legg Mason Australian Value Equity Trust	+0.28% relative to NAV	-0.28% relative to NAV
Legg Mason Australian Small Companies Trust	+0.40% relative to NAV	-0.40% relative to NAV
Legg Mason Property Securities Trust	+0.28% relative to NAV	-0.28% relative to NAV

Changes to the fees and expenses

All fees and expenses can change, without the consent of unitholders, subject to any maximum amount specified in the Constitution of each Trust.

Rebates and related payments

Legg Mason Australia complies with the Guide on Rebates and Related Payments in the Wealth Management Industry and the Code of Practice on Alternative forms of Remuneration issued by the Investment and Financial Services Association/Financial Planning Association. Legg Mason Australia may make payments to IDPS and master trust operators. Such payments may include product access payments of up to \$10,000 p.a. and/or ongoing fund manager payments of up to 40% p.a. of the Indirect Cost Ratio for funds invested through the relevant platform. These payments are at Legg Mason Australia's expense and are not an additional charge to unitholders. Legg Mason Australia may also pay other alternative forms of remuneration. Alternative remuneration is at Legg Mason Australia's expense. Information regarding alternative forms of remuneration is maintained on a register maintained by Legg Mason Australia that is available for inspection.

Indirect Cost Ratio

The Indirect Cost Ratio is the ratio of the Trusts' management costs that are not deducted directly from a unitholder's account, against the Trusts' total average net assets. The Indirect Cost ratio is the sum of the Management costs that are described in the "Fees and other costs" table. The Indirect Cost Ratio of each of the Trusts is calculated each year at 30 June.

The following table identifies the Indirect Cost Ratios of the Trust for the year to 30 June 2009

Trust	Indirect Cost Ratio for the year to 30 June 2009
Legg Mason Australian Core Equity Trust	0.732%, equating to \$3,660 p.a. for an investment of \$500,000
Legg Mason Australian Value Equity Trust	0.975%, equating to \$4,875 p.a. for an investment of \$500,000
Legg Mason Australian Small Companies Trust (Class A units)	1.321%, equating to \$6,605 p.a. for an investment of \$500,000
Legg Mason Property Securities Trust	0.720%, equating to \$3,600 p.a. for an investment of \$500,000

Example of annual fees and costs

This table provides an example of how fees and costs for the Legg Mason Australian Core Equity Trust can affect your investment over a one year period. You should use this table to compare the Legg Mason Australian Core Equity Trust with other managed investment products.

Example – Legg Mason Australian Core Equity Trust	Balance of \$500,000 with total contributions of \$5,000 during year	
Contribution fees ⁽¹⁾	Nil.	For every \$5,000 you put in, you will be charged nil.
Plus management costs	0.732%	And for every \$500,000 you have in the Legg Mason Australian Core Equity Trust you will be charged \$3,660 each year.
Equals cost of fund		If you put in \$5,000 during a year and your balance was \$500,000, then for that year you will be charged fees of \$3,660 ⁽¹⁾ .
		What it costs you will depend on the Trust you choose and the fees that you negotiate.

(1) The Buy/Sell Spread also applies.

Additional explanation of fees and costs - continued

You should use this table to compare the Legg Mason Small Companies Trust (Class P units) with other managed investment products.

Example – Legg Mason Small Companies Trust (Class P units)		Balance of \$500,000 with total contributions of \$5,000 during year
Contribution fees ⁽¹⁾	Nil.	For every \$5,000 you put in, you will be charged nil.
Plus management costs	1.116%	And for every \$500,000 you have in the Legg Mason Small Companies Trust you will be charged \$5,580 each year .
Plus performance fee	20.500% of performance (before all other fees and expenses) in excess of the Benchmark, provided the “high-water mark” has been exceeded and the Trust return (before all other fees and expenses) is positive.	If the requirements to pay a Performance Fee are not met then no Performance Fee will be paid. If this occurs you will be charged \$0.
Equals cost of fund		If you put in \$5,000 during a year and your balance was \$500,000, then for that year you will be charged fees of \$5,580 ⁽¹⁾ . What it costs you will depend the fees that you negotiate and the performance of the Trust.

(1) The Buy/Sell Spread also applies.

The following example assumes the Trust has returned 10% for a calculation period compared with a benchmark return of 5% over the same period.

Example – Legg Mason Small Companies Trust (Class P units)		Balance of \$500,000 with total contributions of \$5,000 during year
Contribution fees ⁽¹⁾	Nil.	For every \$5,000 you put in, you will be charged nil.
Plus management costs	1.116%	And for every \$500,000 you have in the Legg Mason Small Companies Trust you will be charged \$5,580 each year .
Plus Performance Fee	20.500% of performance (before all other fees and expenses) in excess of the Benchmark, provided the “high-water mark” has been exceeded and the Trust return (before all other fees and expenses) is positive.	If the requirements to pay a Performance Fee are met then a Performance Fee will be paid. Using the stated assumptions you will be charged \$5,125.
Equals cost of fund		If you put in \$5,000 during a year and your balance was \$500,000, then for that year you will be charged fees of \$10,705 ⁽¹⁾ . What it costs you will depend on the fees that you negotiate and the performance of the Trust.

(1) The Buy/Sell Spread also applies.

Classes of units

For the Legg Mason Australian Core Equity Trust, the Legg Mason Australian Value Equity Trust and the Legg Mason Property Securities Trust, Legg Mason Australia currently offers two classes of units – Class A and Class X.

For the Legg Mason Australian Small Companies Trust, Legg Mason Australia currently offers three classes of units – Class A, Class P and Class X.

Legg Mason Australia may offer or withdraw classes of units. Eligible investors should nominate which class of units they are applying for. In the absence of a nomination, new investors will be issued with class A units. The rights of a unitholder differ depending upon the class of units that the unitholder holds, as follows:

- **Class A units** reflect the deduction of the Management Fee from the unit price;
- **Class P units** reflect the deduction of the Management Fee and, when applicable, the deduction of the Performance Fee from the unit price; and
- **Class X units** do not reflect the deduction of the Management Fee in the unit price. The Management Fee is agreed by negotiation and charged separately.

Unit price calculation

Entry and Exit Prices are based on the NAV of each Trust, the number of units on issue and the Buy/Sell Spread. In normal circumstances, Entry and Exit Prices will be determined for each Business Day. Legg Mason Australia may declare Entry and/or Exit Prices more or less frequently or may delay calculation in certain circumstances.

Legg Mason Australia has a policy in relation to exercising discretion in calculating unit prices which is available upon request.

Application for and redemption of units

Application requests received before 11.00 am on a Business Day will generally receive the Entry Price for that Business Day. Application requests received after 11.00 am on a Business Day will generally receive the Entry Price for the next Business Day. Legg Mason Australia reserves the right not to accept an application request.

Redemption requests received before 11.00 am on a Business Day will generally receive the Exit Price for that Business Day. Redemption requests received after 11.00 am on a Business Day will generally receive the Exit Price for the next Business Day.

Your units may be compulsorily redeemed or a redemption

request refused where you hold less, or a redemption would cause you to hold less, than the minimum holding amount (unless the redemption request relates to the balance of your holding). Legg Mason Australia may compulsorily redeem your units if you cease to be, or cannot prove that you are, an Eligible Investor.

Payment of redemptions

Redemption proceeds are typically paid within five Business Days, although the Constitutions of the Legg Mason Australian Core Equity Trust, the Legg Mason Australian Value Equity Trust and the Legg Mason Australian Small Companies Trust allow us up to 30 Business Days or longer in certain circumstances, and the Constitution of the Legg Mason Property Securities Trust allows us up to 60 Business Days or longer in certain circumstances. Legg Mason Australia may deduct money owed by you from a redemption. Proceeds from redemption will be paid in accordance with the unitholders' instructions or as agreed with Legg Mason Australia.

A redemption request by a unitholder of more than 5% of the units on issue in any Trust may be treated as five separate requests, each for 1/5 of the original request received on five successive Business Days. Redemption requests by one or more unitholders of more than 10% of the number of units on issue in any of the Trusts over five consecutive Business Days may have the excess paid:

- within 45 Business Days of the receipt of the request(s) for the Legg Mason Australian Core Equity Trust, the Legg Mason Australian Value Equity Trust and the Legg Mason Australian Small Companies Trust; and
- within 90 Business Days of the receipt of the request(s) for the Legg Mason Property Securities Trust.

Distributions

The Trusts may distribute income at 31 December and will distribute any income at 30 June each year. A unitholder's entitlement to distributions of income is determined based on the number of units held on the distribution date. Distributions will be paid within 60 days. Unitholders who redeem units during a distribution period will not receive a distribution of income in respect of those units for that distribution period. The amount of the income distributed to the unitholder will also depend on the class of units held, to reflect the different management fee arrangements for the different classes.

You may use the "Standing Application for Units" form to reinvest distributions. Reinvested distributions will be taken to be issued on the next day after the distribution calculation date.

Derivatives

Derivatives may be used to implement investment decisions. In this context, “derivatives” are financial products whose return is linked or derived from changes in the value of an underlying asset. Derivatives are generally more timely and cost effective to buy and sell than the underlying asset. Derivatives are not used for speculation where speculation is defined as derivatives activity that would result in the net exposure being outside of the Investment Guidelines. Derivative positions are fully backed by cash, cash equivalents or securities, or other financial instruments in certain cases, and are governed by Legg Mason Australia’s Derivative Risk Statement, available at www.leggmason.com.au/en/fiduciary_standards/index.aspx

Custodian and Administrator

State Street Australia Limited is the Custodian of the Trusts. State Street Australia Limited also provides administration services for the Trusts pursuant to an Administrative Services Agreement. State Street Australia Limited does not oversee Legg Mason Australia’s management of the Trusts and is not responsible for protecting the rights and interests of unitholders. Legg Mason Australia can terminate State Street Australia Limited’s appointment as Custodian and/or Administrator in the circumstances specified under respective agreements governing these relationships.

As the register for the Trusts is located in New South Wales, certain transactions (including transferring units to another person) may be subject to stamp duty. Please speak to your professional financial advisor for information about how duty may apply to a particular transaction.

Other Rights & Obligations

The Responsible Entity and the Constitution of each Trust

The Constitution of each Trust, the Corporations Act and general legal principles govern Legg Mason Australia's responsibilities as the Responsible Entity of the Trusts. Legg Mason Australia's duties include acting honestly and in the best interest of unitholders; to treat unitholders of the same class equally and unitholders of different classes fairly; and to exercise care and diligence. The terms and conditions of the Constitution of each Trust are binding on Legg Mason Australia and on unitholders. Some of the key terms and conditions of the Constitution of each Trust and/or the Corporations Act include:

- the nature and entitlements of units in the Trusts;
- amendments to the Constitution of each Trust and how meetings of unitholders can be called and operated;
- termination of the Trusts and the retirement of Legg Mason Australia as Responsible Entity;
- the powers of Legg Mason Australia to make investments on behalf of the Trusts;
- the considerations and powers of Legg Mason Australia in accepting applications and paying redemptions;
- the processes and procedures when one or more of the Trusts is not liquid;
- the indemnity which Legg Mason Australia is owed by the Trusts; and
- details of the Compliance Committee and the Compliance Plan.

Legg Mason Australia will provide investors with a free copy of the Constitution for each Trust upon request.

Reporting

Legg Mason Australia will confirm transactions to unitholders in the Trusts and provide quarterly reporting that identifies the Trusts' investment performance, provides market commentary, documents the units issued and/or redeemed over the quarter and the balance of units held. Unitholders will be sent the respective audited accounts of the Trusts and other information as required under the Corporations Act at financial year's end.

Investing via an IDPS or a master trust

Investors accessing the Trusts indirectly through an IDPS or a master trust do not acquire the rights of a unitholder. Rather, the operator acquires the units and the rights of a unitholder, meaning that the right to receive distributions, confirmations, reports, attend meetings and make complaints. The rights of IPDS or master trust investors, including the taxation implications of investing, should be set out in disclosure documents issued by the IPDS or master trust operator.

Related party dealings

Legg Mason Australia may transact business with related parties on "arms' length" terms, whether the related party acts as agent or principal. Legg Mason Australia may delegate its functions to related parties or other third parties. Legg Mason Australia may invest in other trusts for which we are the Responsible Entity.

Anti-money laundering

Anti-money laundering laws in Australia may require Legg Mason Australia to obtain additional information to verify the identity of an investor, any underlying beneficial owner of units in the Trusts and the source of any payment. The processing of applications or redemptions may be delayed or suspended until the requested information is provided in a satisfactory form.

Other Rights & Obligations - continued

Complaints

To make a complaint, a unitholder should initially contact Legg Mason Australia. If the complaint is not satisfactorily resolved, the unitholder's complaint should be forwarded in writing. Legg Mason Australia will acknowledge receipt of the written complaint within 14 Business Days. Legg Mason Australia will formally respond to the complainant within 45 days to advise the complainant of the outcome of the investigation, the proposed course of action and any further avenues available.

Legg Mason Australia is a member of the Financial Ombudsman Service Limited, a body set up specifically to resolve complaints from investors. The Financial Ombudsman Service Limited can be contacted on 1300 780 808.

Privacy

Legg Mason Australia collects personal information from unitholders to process applications, administer investments and provide unitholders with services related to their investments. To do that, Legg Mason Australia may disclose a unitholder's personal information to third party agents, contractors or service providers to whom we outsource services such as mailing functions, registry and accounting. If a unitholder does not provide us with requested information we may not be able to process the application.

Legg Mason Australia's privacy practices are contained in a Privacy Policy. The Privacy Policy is available on Legg Mason Australia's website at www.leggmason.com.au

Legg Mason will provide investors with a free copy of the Privacy Policy upon request.

Tax

The information set out below is a broad overview of some of the tax consequences for Australian residents of investing in the Trusts. It does not take into account the specific circumstances of each unitholder that may invest in the Trusts and should not be used as the basis upon which potential unitholders make an investment decision.

This information has been prepared based on Australian tax law and administrative and judicial interpretations of such as at the date of this PDS.

This summary does not take into account the position of unitholders who are assessed on their disposal of units otherwise than under the Australian capital gains tax provisions, such as unitholders who are in the business of trading or dealing in units or securities.

The taxation implications of investing in the Trusts are particular to each unitholder's circumstances. Legg Mason Australia recommends that you seek professional tax advice, particularly if, for Australian tax purposes, you are not a resident of Australia or you are a "temporary resident" of Australia. Nothing contained in this PDS should be construed as the giving of, or be relied upon, as tax advice.

Taxation of the Trusts

No Australian income tax should be payable by the Trusts on the income of the Trusts provided unitholders of the Trusts become presently entitled to all of the taxable income of the Trusts each financial year. Legg Mason Australia intends to take all reasonable steps to ensure that these requirements are satisfied.

The taxable income of the Trusts which Australian resident unitholders become entitled to during a financial year (including any reinvested income) should form part of their assessable income for that year, even though payment may not occur until some time later.

The Trusts will issue a distribution statement following any distribution at 31 December. The Trusts will also issue a distribution statement and a tax statement following the Trusts' financial year end at 30 June. These statements will detail the distribution paid and any relevant tax information relating to the distribution, including any foreign taxes withheld.

The tax consequences for unitholders of the receipt of distributions depends on the components of the income distributions they are entitled to.

The taxation of managed investment trusts (including the characterisation of gains and losses on the sale of certain assets) is under review by the Australian Taxation Office and the Board of Taxation. Investors should monitor developments.

Capital gains

The disposal of certain investments by the Trusts may give rise to capital gains for the Trusts. Accordingly, the distributions that a unitholder receives from the Trusts may include a component of taxable capital gains, which should be included in the unitholder's assessable income.

The inclusion of non-assessable amounts in the distributions made by the Trusts may have capital gains tax consequences for unitholders. However, where a component of a distribution is non-assessable as a result of the discount capital gains concession, the unitholder should not be required to adjust the cost base of their unit.

Foreign income and tax credits

The Trusts may realise assessable foreign sourced income from their investments, for example, foreign sourced dividend income. Assessable foreign sourced income may be included in the distributions made to unitholders.

Unitholders may be entitled to claim a tax offset in respect of certain foreign taxes withheld from foreign sourced income realised by the Trusts. The tax statement provided should include details of any foreign tax withheld from foreign sourced income realised by the Trusts.

Other gains

The Trusts may realise other types of assessable income, for example, gains arising on certain derivatives which may be entered into by the Trusts.

As the Trusts' investments may be denominated in a currency other than Australian dollars, the Trusts may realise foreign currency gains in certain circumstances. Distributions to unitholders may include distributions of foreign currency gains.

Tax - continued

Disposal or redemption of units by unitholders

Under the capital gains tax provisions, unitholders who redeem or otherwise dispose of their units in the Trusts may realise a capital gain or loss on the redemption or disposal. The amount of the capital gain or loss should, broadly, equal the excess of the consideration they receive in respect of the redemption or disposal over the cost base of their unit.

Unitholders may be able to claim the capital gains tax discount to reduce any net capital gain arising on the disposal or redemption of their units if they have held their units for 12 months or more prior to the disposal or redemption and the relevant conditions are satisfied.

Tax File Number or Australian Business Number

Collection of tax file numbers ("TFN") is authorised and the use and disclosure of TFNs are strictly regulated by the tax laws and the Privacy Act. Unitholders may, but are not required to, quote a TFN, a TFN exemption or, if your investment is made in the course or furtherance of an enterprise carried on by you, an ABN.

If a unitholder does not provide a TFN or an ABN, withholding tax may be deducted from distributions made to the unitholder.

GST

Unitholders should not be subject to GST on applications to or redemptions from the Trusts. The Trusts may incur GST in respect of various supplies that it acquires. However, a RITC may be available to the Trusts on certain supplies.

How To Transact

Complete the “Standing Application for Units” form and send it to:



Mail

State Street Australia Limited
Unit Registry
Level 7 State Street Centre
338 Pitt Street
Sydney NSW 2000



Facsimile

+612 9323 6411 or +612 9323 6420

The “Standing Application for Units” form can be obtained by contacting Legg Mason Australia; it is also available at www.leggmason.com.au

In the case of joint applications, all applicants must sign. Applications lodged by companies must be signed in accordance with their constitution. Applications by trustees must be made in the name of, and signed by, the trustees. If an applicant wishes to specify individuals who have authority to act on their behalf in relation to their investment, they may do so by completing the “Authorised Signatories” section. The same person or persons who sign the “Standing Application for Units” form should sign the “Authorised Signatories” section.

Sending Instructions by Facsimile

Applicants providing authorised instructions by facsimile are subject to the following terms and conditions:

- Legg Mason Australia will accept applications, redemptions and instructions to change an applicants’ details (including authorised signatories details, bank account details and reinvestment requests) by facsimile;
- Legg Mason Australia has absolute discretion in determining whether or not to follow instructions received by facsimile; and
- the applicant will release and indemnify Legg Mason Australia from any and all responsibility for any and all costs, claims, losses or liabilities of any nature (both direct and indirect) resulting from any act or omission of action relating to use of the facsimile facility.

If application is made by cheque

Forward the cheque to:

Urgent Delivery Prior To 11.00 am
State Street Australia Limited
Unit Registry
Level 7 State Street Centre
338 Pitt Street
Sydney NSW 2000

Trust	Cheque payable to:
Legg Mason Australian Core Equity Trust	“State Street Bank & Trust Company - Unitholder name YM01”.
Legg Mason Australian Value Equity Trust	“State Street Bank & Trust Company - Unitholder name ATX3”
Legg Mason Australian Small Companies Trust	“State Street Bank & Trust Company - Unitholder name ATF6”
Legg Mason Property Securities Trust	“State Street Bank & Trust Company - Unitholder name YM02”

If application is made by Austraclear

Funds should be transferred to Austraclear code SSBS20. The Applicant must ensure they quote their Austraclear code on the “Standing Application for Units” form.

If application is made by Electronic Funds Transfer (Real Time Gross Settlement)

Applications made by Electronic Funds Transfer must be sent by Real Time Gross Settlement. Applications received through Electronic Funds Transfer are subject to confirmation (to Legg Mason Australia) of receipt of funds (from the Custodian), which is subject to a minimum 24 hour delay. Legg Mason Australia may exercise discretion to issue units prior to receiving confirmation of funds from the Custodian.

Electronic Funds Transfer details via Real Time Gross Settlement are:

Bank name:	State Street Bank & Trust Company
Acc:	State Street Bank & Trust Co Sydney Branch – Capital Markets
BIC No:	SBOS AU2X
BSB:	913 001
Account Number:	958 2131
Reference:	YM01 (for the Legg Mason Australian Core Equity Trust) ATX3 (for the Legg Mason Australian Value Equity Trust) ATF6 (for the Legg Mason Australian Small Companies Trust) YM02 (for the Legg Mason Property Securities Trust)

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GLOBAL ASSET MANAGEMENT

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