

Objective

The Trust aims to earn a before fees and taxes return equivalent to at least the return of the benchmark.

Benchmark

UBS Australian Bank Bill Index.

Value

\$53,791,775.

Rating

AAAm (as rated by Standard & Poor's).

Investment Process Summary

The Trust actively manages investments to ensure that:

- deposits are readily accessible;
- investments are highly liquid and low risk; and
- returns have limited volatility.

Performance (before fees and taxes)

	TRUST %	BENCHMARK %
3 months	0.92	0.88
1 year	3.82	3.47
3 years p.a.	6.09	5.92
5 years p.a.	6.01	5.90

Past performance is no indication of future performance.

Profile

SECTOR ALLOCATION	TRUST %
Bank obligations	62.6
Corporate	0.0
Asset backed	20.4
Cash	17.0

Market Review

Australia was the first G20 nation to begin reversing emergency monetary policy settings when the Reserve Bank of Australia lifted the target cash rate by 0.25% at its October meeting, and then again in November and December. The Reserve Bank indicated that a resilient employment market, sticky underlying inflation and generally stronger than expected economic activity were the reasons for removing the "emergency" stimulatory settings put in place during the crisis period. The short term yield curve flattened slightly as a result, with the market forecasting cash rates to be in the range of 4.5% to 5.0% by mid 2010.

Mid quarter concerns about the sustainability of the global economic recovery and issues in Dubai led to a strong rally in global bonds, which initially helped Australian bond yields move lower. However the steady flow of positive data, both domestic and offshore, and the heavy supply of U.S. government bonds into year end caused global bond yields, and Australian bond yields with them, to rise at the end of the quarter. The Australian bond curve steepened over the quarter, as 10 year yields rose 0.28% for the quarter and three year yields declined 0.17%.

The credit sector continued to strongly outperform along with equity and other risk markets. Lower rated credit outperformed higher rated alternatives as spreads continued to grind tighter and the idea of a double dip recession seemed to lose currency with many market participants.

Early in the quarter the Reserve Bank's monetary policy decision helped the Australian dollar to a 15 month high against the U.S. dollar and a 24 year high against the sterling. However, the U.S. dollar regained some ground with signs of an improving economy giving investors reason to consider an earlier exit from aggressive monetary policy stimulus there.

Performance

The Legg Mason Cash Trust marginally outperformed its benchmark over the quarter. The portfolio's longer term track record is also marginally ahead of benchmark.

Outlook

Gross domestic product growth in Australia is expected to improve to around trend in 2010 as government infrastructure spending gains traction and export demand improves.

Inflation is likely to remain below average through 2010 as wage pressures remain weak and the economy continues to operate below its productive capacity.

With Australia's labour market in reasonable shape, and broader economic growth returning, cash rates are expected to continue to move higher throughout 2010.

Further Information

CREDIT QUALITY	TRUST %	MAXIMUM %
"AAA" or "A-1+" securities	100.0	100
"A-1" securities and cash	0.0	25

MATURITY STRUCTURE	TRUST %
1 to 7 days	22.6
8 to 30 days	20.4
31 to 90 days	36.9
91 to 180 days	20.1
181 to 365 days	0.0

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