LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason
Tactical Allocation Trust

Objective

The Legg Mason Tactical Allocation Trust aims to achieve a rate of return in excess of its benchmark over rolling three year periods by making active asset allocation decisions between Australian equities, bonds and cash.

Legg Mason continually assesses the relative values of Australian equities, bonds and cash. The portfolio is tilted toward the relatively undervalued asset class in the expectation that the undervalued asset class will outperform as it returns to its assessed fair value.

Benchmark

50% the S&P/ASX 200 Accumulation Index and 50% the UBS Australian Treasury Index.

Value

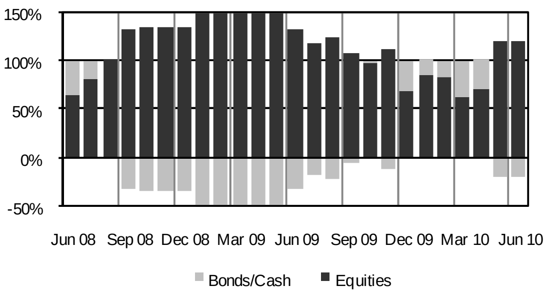
$75,247,429.

Performance (before fees and taxes)

	Trust %	Benchmark %
3 months	-9.97	-3.69
1 year	25.12	10.43
3 years p.a.	-2.25	0.24
5 years p.a.	1.48	5.62

Past performance is no indication of future performance.

Asset Allocations



Market Review

Equity markets around the world lost ground during the June quarter as investors became concerned by European sovereign debt levels and moderating growth expectations in China and the U.S. Domestically, wrangling over the Resource Super Profits Tax generated headlines, though Materials companies were not uniformly lower.

The Australian equity market closed down 11.1% over the quarter, as measured by the S&P/ASX 200 Accumulation Index. Over the past year, Australian equities gained 13.2% despite the recent declines.

Corporate activity continued to gain steam. Newcrest Mining (+6.7%) made an offer for Lihir Gold (+35.2%), Healthscope (+16.1%) announced that various private equity groups were interested in buying the business and Foster's Group (+6.6%) announced that the company would split its wine and beer operations into separate companies.

Meanwhile, Telstra (+8.3%) and the Federal Government announced that they had signed a non-binding Heads of Agreement with respect to Telstra's copper network and associated infrastructure to be sold to the National Broadband Network.

On the economic front, the Federal Budget saw the announcement of a reduced company tax rate, increases to the Superannuation Guarantee levy and a forecast return to surplus by 2012/13. The Reserve Bank of Australia raised the target cash rate by 0.25% to 4.25% in April, while the Australian dollar reaffirmed itself as a "risk" currency; it lost US6.36 cents against the greenback to end the period at US85.23 cents. March quarter gross domestic product recorded a 0.5% gain, in line with market expectations.

In the Australian bond market, the yield on Australian 10-year government bonds declined 0.68% over the quarter to 5.09%.

Activity

The Legg Mason Tactical Allocation Trust started the quarter overweight Australian equities (+62.8%) and underweight Australian bonds (+37.2%).

The Australian equity market lost ground during the quarter on increased risk aversion and 10-year bond yields declined. These market movements increased the attractiveness of equities relative to bonds. In response, the portfolio increased its allocation to equities and decreased its allocation to bonds in a number of stages over the quarter.

At the end of the quarter, the portfolio was significantly overweight Australian equities (+120.0%) and underweight Australian bonds (-20.0%).

In the portfolio's bond allocation, portfolio duration remained longer than benchmark duration during the quarter. Late in the period, the portfolio's long position relative to benchmark duration was reduced as 10-year bond yields reached their intra-quarter lows. The portfolio's bond allocation ended the quarter 0.11 years longer than the benchmark.

Issued and approved by Legg Mason Asset Management Australia Limited, ABN 76 004 835 849, AFSL No. 240827. Level 47, 120 Collins Street, Melbourne VIC 3000.

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Performance

The Legg Mason Tactical Allocation Trust underperformed its benchmark over the quarter; this bucked a strong period of relative performance for the Trust as performance over the past year was 14.7% ahead of benchmark.

Performance this quarter was impacted by the portfolio's overweight allocation to equities and underweight allocation to bonds as the equity market underperformed the bond market.

Elsewhere, duration management within the portfolio's bond allocation added back some value over the quarter, as portfolio duration was longer than benchmark duration as the yield on 10-year bonds declined.

Meanwhile, underlying security selection in Australian equities detracted from portfolio performance.

At 30 June 2010, the assets of the Legg Mason Tactical Allocation Trust were invested as follows:

	Trust %	Benchmark %
Australian equities	+120.0	+50
Australian bonds	+20.0	+50