

Legg Mason US Equity Fund

This Final Short Report covers the year to 28 February 2014

Fund Facts

Fund Inception Date: 1 January 2003
Total Net Assets: £42.0m
Income Payments Dates: 30 April
OCF Class 'A' Acc: 1.79%
OCF Class 'B' Acc: 1.29%
OCF Class 'X' Acc: 1.04%
XD Dates: 28 February (final)
31 August

Investment Manager

The Fund's investment manager is ClearBridge, LLC which is authorised and regulated by the SEC. The principal business activity of ClearBridge, LLC is investment management.

Summary Investment Objective and Policy

The objective of this Fund is to achieve capital growth principally through investment in securities of US issuers. The Fund seeks to achieve its objective by investing principally in securities of US issuers which the ACD believes are undervalued. The Fund may also invest up to 20% of its assets in securities of non-US issuers. At least 50% of the net asset value of the Fund will be invested in equity securities. The Fund may also invest in other investments to the extent permitted by the Financial Conduct Authority Rules as applicable from time to time and as explained in the Prospectus.

Legg Mason US Equity Fund Review

The Legg Mason US Equity Fund increased by 16.74% in sterling terms over the period under review, while its benchmark, the S&P 500 Index, recorded a gain in sterling terms of 13.56%. Throughout the period under review, the Fund's largest overweight exposures were to the financials, information technology (IT), healthcare, energy, consumer discretionary and industrials sectors, as the manager continued to believe these areas offer the most attractive stocks on valuation grounds.

Stock selection was largely responsible for outperformance over the period, although sector allocation also had a beneficial impact. Stock picking in financials added the most value, notably holdings in Genworth Financial and MetLife, both of which performed strongly over the 12-month period. Investments in industrials were also strong, with a particularly robust contribution from United Continental. Selection in IT was detrimental, however. At a sector level, the Fund's underweight to consumer staples and lack of exposure to telecommunication services bolstered relative performance, as did an overweight allocation to healthcare.

Looking ahead, the manager continues to see very attractive price-to-value gaps in cyclical earnings streams, especially financial stocks that will benefit from higher interest rates. Technology (tech) has also been a major performance laggard since last year, as investors grapple with the major structural shift from PC- to cloud-based architectures. The manager believes lowered expectations in tech are creating attractive opportunities to buy inexpensive growth options. Beyond cyclical areas, healthcare remains the most attractively valued group in the manager's view, and it continues to find good long-term expectations gaps. In aggregate, one of the best combinations in the market is an attractive valuation that suggests investor scepticism, married with a management team that is exploiting that scepticism by growing its dividend aggressively and/or buying back stock. Conversely, the manager remains underweight in the most bond-like equity areas, such as utilities, telecom and selected staples. Overall, after five years of high realised equity returns the manager is still finding attractive valuation opportunities within equities, and fully recognises that such returns will inevitably attract a crowd. The goal of the manager's process is to translate the still extreme relative valuation advantage for equities versus fixed income into excess shareholder returns within equities.

Major Holdings

Top 5 largest investments as at 28.02.14		Top 5 largest investments as at 28.02.13	
Apple	4.11%	JPMorgan Chase	3.98%
JPMorgan Chase	3.64%	Apple	3.59%
Microsoft	3.60%	Ford Motor	3.28%
Citigroup	3.36%	McDonald's	3.07%
Merck & Co	3.22%	Chevron	3.01%

Fund Performance

Share Class	Pence per share 28.02.14	Pence per share 28.02.13	Net Asset value % Change
Class 'A' (acc)	138.10	118.25	16.79
Class 'B' (acc)	145.59	124.03	17.38
Class 'X' (acc)	134.37	114.18	17.68

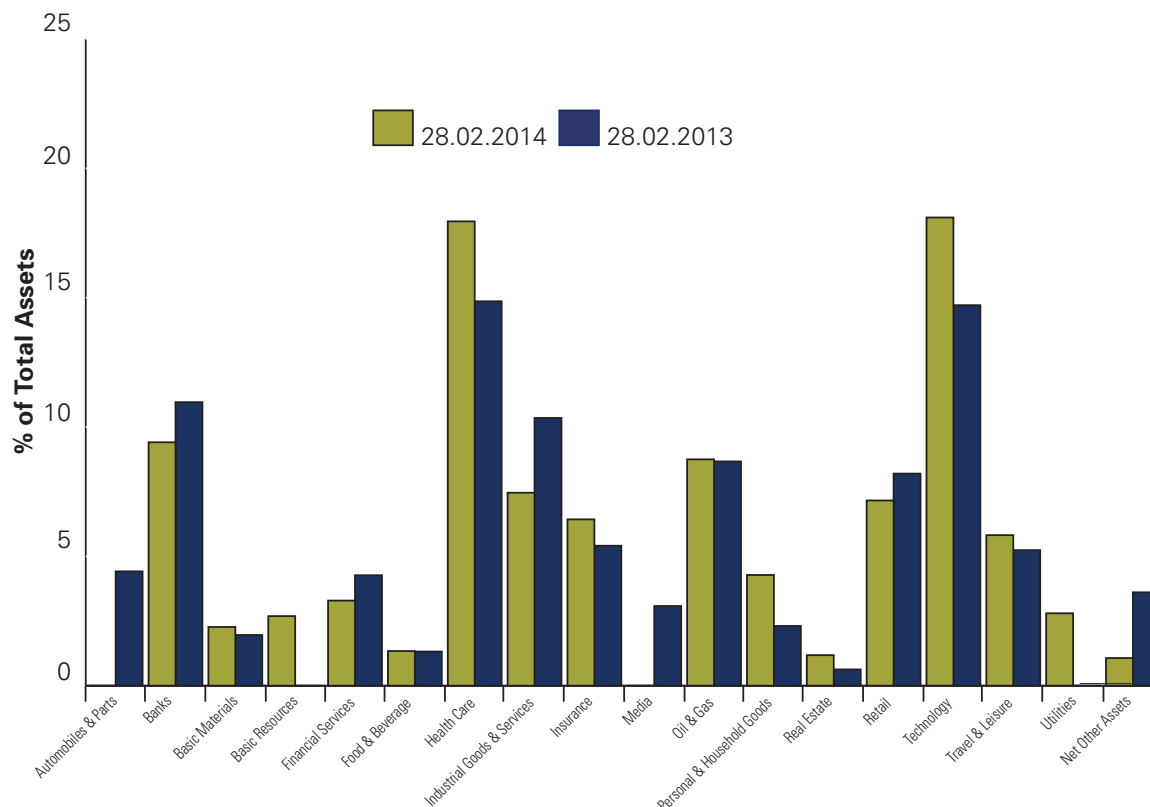
Performance History

	2014-2013	2013-2012	2012-2011	2011-2010	2010-2009	5 years	Since Launch
Class 'A' (acc)	16.74	14.30	0.29	6.39	54.70	120.26	39.35

Source for performance figures: Legg Mason. Performance is calculated on a NAV to NAV basis. The performance reflects all fees and charges payable by the fund but does not reflect any entry or exit charge that might be payable. For performance purposes only, any distributed income (with the deduction of UK income tax) has been reinvested.

Past performance is no guide to future returns and may not be repeated.

Legg Mason US Equity Fund (continued)



Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2009			
Class 'A' (acc)	0.0000	95.32	55.19
Class 'B' (acc)	0.0000	98.40	56.74
2010			
Class 'A' (acc)	0.0000	107.00	85.98
Class 'B' (acc)	0.0000	110.60	88.98
2011			
Class 'A' (acc)	0.0000	106.80	80.86
Class 'B' (acc)	0.0000	110.80	84.15
2012			
Class 'A' (acc)	0.0000	107.40	95.99
Class 'B' (acc)	0.5162	112.10	100.10
Class 'X' (acc) ³	0.0000	101.40	99.04
2013			
Class 'A' (acc)	0.4070	138.90	103.70
Class 'B' (acc)	0.9878	146.00	108.60
Class 'X' (acc)	0.2348	134.50	99.97
2014			
Class 'A' (acc)	0.0000 ¹	141.60 ²	131.70 ²
Class 'B' (acc)	0.3971 ¹	149.20 ²	138.80 ²
Class 'X' (acc)	0.7070 ¹	137.70 ²	128.00 ²

¹ To 30 April 2014.

² To 28 February 2014.

³ Launched 19 December 2012.

Legg Mason US Equity Fund (continued)

Risk and Reward Profile



There is no guarantee that the Fund will remain in the indicator category shown above and the categorisation of the Fund may shift over time. Historical data, which is used in calculating the indicator, may not be a reliable indicator of the future risk profile of this Fund.

The lowest category does not mean a risk-free investment.

The Fund does not offer any capital guarantee or protection.

The Fund is in its risk/reward category because it invests in shares of companies from various sectors which have historically been subject to large fluctuations in value.

The Fund is subject to the following risks which are materially relevant but may not be adequately captured by the indicator:

Investment in company shares: The Fund invests in shares of companies, and the value of these shares can be negatively affected by changes in the company, its industry or the economy in which it operates.

Geographical location: This Fund invests primarily in the United States, which means that it is more sensitive to local economic, market, political or regulatory events in the United States, and will be more affected by these events than other Funds that invest in a broader range of regions.

Concentrated Fund: The Fund invests in fewer companies than other Funds which invest in shares usually do. This means that the Fund does not spread its risk as widely as other Funds and will therefore be affected more if an individual company has significant losses.

Fund currency: Changes in exchange rates between the currencies of investments held by the Fund and the Fund's base currency may negatively affect the value of an investment and any income received from it.

Fund operations: The Fund is subject to the risk of loss resulting from inadequate or failed internal processes, people or systems or those of third parties such as those responsible for the custody of its assets.

For further explanation on the risks associated with an investment in the Fund, please refer to the section entitled "Risk Factors" in the Prospectus.

Annual Report and Financial Statements

This report is to inform unitholders on the activities of the Fund during the reporting period, and the results of those activities at the end of the reporting period. For more information please contact the Authorised Corporate Director. Copies of the full Long Form Report and the Key Investor Information Document are available free of charge upon request from the Client Services Team on 0207 070 7444.

Authorised Corporate Director:

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