

Legg Mason ClearBridge Value Fund

QUICK VIEW

Key performance drivers

- The Fund decreased 1.29%¹ in December but outperformed its benchmark, the S&P 500 Index, which fell 1.58% in US dollar terms.
- The Fund also outperformed over the fourth quarter of 2015.
- In December, stock picking contributed in consumer staples but detracted in energy and financials.
- At a sector level, underweight exposure to consumer staples was negative but an underweight to energy was positive.
- For the fourth quarter, selection helped in consumer staples and consumer discretionary but hindered in financials.

Views and positioning

- At the end of December, the largest overweight allocations were in financials and utilities.
- The largest underweights were in consumer staples, telecommunication services, energy and industrials.

Current activity and manager outlook

- Looking ahead to 2016, the manager's goal is to try and manage the challenges and risks through continuous effort regarding portfolio construction.

| Performance ¹ to 31/12/15 | 1 Month | 3 Months | YTD | 1 Year | 5 Years |
|--------------------------------------|---------|----------|--------|--------|---------|
| Legg Mason ClearBridge Value Fund | -1.29% | 8.05% | -4.63% | -4.63% | 9.23% |
| S&P 500 Index | -1.58% | 7.04% | 1.38% | 1.38% | 12.57% |

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

Market Review

US stocks closed the year on a down note with small caps suffering the largest losses. The large-cap S&P 500 index fell 1.58% in December in US dollar terms, while small-cap stocks, as measured by the Russell 2000 index, were down 5.02%. Equities continued to face the same headwinds in December that have restrained gains all year; global growth concerns that have weighed heavily on commodity stocks. Crude oil dropped below US\$36 per barrel as the Organization of the Petroleum Exporting Countries (OPEC) pledged at its latest meeting to maintain production levels. Weak manufacturing reports from China exacerbated concerns about the slowdown of the world's second-largest economy. Conversely, confidence in the strength of the US economic recovery caused the US Federal Reserve (Fed) to raise short-term interest rates for the first time since 2006, but the well-telegraphed December move failed to lift stocks. The market had rallied earlier in the month after employers added a better-than-expected 211,000 jobs in November and October's payroll gain was revised upward to 298,000. In a further sign of consumer strength, housing starts in November hit their highest level since 2008. Despite these results, however, US equities failed to produce positive monthly returns.

Fund Review

In December, the Fund fell 1.29%¹, outperforming its benchmark (S&P 500 Index), which was down 1.58% in US dollar terms. The Fund also outperformed over the fourth quarter of 2015.

In December, stock picking in the consumer staples (particularly Keurig Green Mountain) added most value. However, stock selection in energy (notably Devon Energy) and financials (Genworth Financial) weighed on relative returns. From a sector perspective, underweight exposure to outperforming consumer staples detracted while an underweight allocation to energy, the worst-performing sector over the month, contributed.

For the fourth quarter of the year, stock selection in both consumer staples and consumer discretionary helped, while selection in financials hindered relative performance. At a sector level, overweight exposure to utilities was detrimental but this was countered to some degree by the beneficial impact of the Fund's underweight allocation to energy.

At the end of the month, the Fund's largest overweight exposures were to the financials and utilities sectors. Its largest underweight exposures were to the consumer staples, telecommunication services, energy and industrials groups.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

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Outlook

Wider dispersions between price and value are an important risk consideration for the manager's process, but also present it with greater long-term opportunities. Looking ahead to 2016, the manager's goal is to try and manage the challenges and risks through continuous effort on portfolio construction. This involves explicitly tracking the Fund's exposure to a myriad of risk and return factors, including crowding. The manager is comfortable owning crowded stocks but will carefully monitor the risk of being run over when the crowd heads for the exits. Meanwhile, the manager wants to be a provider of liquidity in uncrowded names as long as it is being paid to take the risk of investing in these underappreciated stocks.

This Fund is managed by ClearBridge, LLC

¹ Source: Legg Mason, as of 31 December 2015. Class A Acc USD performance is net of fees and is calculated on a NAV to NAV basis (USD), with any income and dividends reinvested, if any, without any initial charges but reflecting annual management fees. Performance figures inclusive of sales charge is -6.23% for 1 Month, 2.64% for 3 Months, -9.39% for YTD, -9.39% for 1 Year and 8.11% for 5 Years. Performance for periods above one year is annualised. **Investment involves risks. Past performance is not indicative of future results.**

IMPORTANT INFORMATION

The Fund may invest in certain types of derivative instruments for efficient portfolio management purposes. Please refer to the prospectus for more information.

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