

Legg Mason ClearBridge US Aggressive Growth Fund

QUICK VIEW

Key performance drivers

- The Fund fell 7.30%¹ in US dollar terms in October, and underperformed its benchmark, the Russell 3000 Growth Index, which decreased 2.64%.
- Exposure to healthcare and information technology (IT) detracted.
- Stock selection in materials and industrials helped.

Views and positioning

- The Fund's largest overweights remain in the healthcare and energy sectors.
- The largest underweight exposures are in consumer staples, IT and industrials.
- The Fund maintained its lack of exposure to companies in utilities, consumer staples and real estate.

Current activity and manager outlook

- While the US Federal Reserve is forecast to raise interest rates before year-end, the manager expects the rate of future hikes to be measured.

Performance ¹ to 31/10/16	1 Month	3 Months	YTD	1 Year	5 Years
Legg Mason ClearBridge US Aggressive Growth Fund	-7.30%	-5.09%	-4.24%	-6.83%	10.42%
Russell 3000 Growth Index	-2.64%	-2.58%	3.32%	2.08%	13.47%

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

Market Review

Equity markets suffered broad losses in October, with the S&P 500 Index falling 1.82%, its sharpest drop since January. Growth stocks underperformed value stocks for the month, with the Russell 3000 Growth Index down 2.64%. Volatility also picked up, reaching its highest levels since Brexit, as anxiety over the upcoming US presidential election caused investors to eschew risk. Stocks sold off as revenue growth proved elusive amid mostly mediocre third-quarter corporate results, with many companies offering uninspiring guidance. October was a record month for merger & acquisition (M&A) activity, with portfolio holding AT&T making an US\$84 billion offer for Time Warner, but announced deals failed to provide much support. Equities also took a cue from the fixed income market, which saw sharp losses as bond yields moved higher on the likelihood of higher interest rates and higher inflation; the yield on the 10-year US Treasury increased 23 basis points during the month. The US dollar rose against foreign currencies, while crude oil prices fell 3%, hurting energy stocks.

Fund Review

The Legg Mason ClearBridge US Aggressive Growth Fund was down 7.30%¹ in US dollar terms in October, underperforming its benchmark, the Russell 3000 Growth Index, which fell 2.64%.

The Fund's overweight exposure to the healthcare sector, one of the worst performing over the month, detracted. Stock selection within this segment also hurt, notably biotech stocks Amgen and Biogen, which were adversely affected by concerns about drug pricing and the impact of the US presidential election on the industry. These top-ten holdings fell over the month, despite having exceeded expectations for revenue and earnings per share. Amgen also raised guidance. Although both have significant pipeline events in the coming months, these stocks sold off in the double digits in October, pointing to a disconnection between stock prices and underlying fundamentals. On the contrary, UnitedHealth, which also released strong earnings, held up well and was the largest stock-level contributor over the month.

Underweight exposure to and stock-picking in information technology (IT) weighed on relative returns too. The sector was one of only two in the benchmark to register positive performance in October. The Fund's holdings in Seagate Technology had a negative impact; the stock underperformed despite better-than-expected results and raised guidance. An overweight allocation to energy also proved detrimental. The strongest contributor to returns year to date, the sector was actually the weakest performer in October, as the price of oil retreated somewhat.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

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Fund Review (cont.)

On a more positive note, stock selection in materials and industrials added value.

The Fund's largest overweight exposures remain in the healthcare and energy sectors. The largest underweights include the consumer staples, information technology and industrials segments. The Fund has no exposure to companies in the utilities, consumer staples and real estate sectors.

Outlook

Despite the up-tick in volatility since September, the manager remains constructive about the stocks owned in the portfolio and sees several elements that could drive performance. The manager is particularly encouraged by the recent performance of holdings in the IT sector, such as storage company, Western Digital, which has continued to rally from May lows, as well as the solid year-to-date gains turned in by social media and advertising platform Facebook and design software developer Autodesk. The manager believes valuations are still attractive in IT as well as companies held in the media and energy sectors.

In the manager's opinion, undervalued assets continue to be monetised through M&A activity. While the US Federal Reserve is forecast to raise interest rates before year-end, the manager expects the rate of future hikes to be measured, with affordable financing readily available to fund ongoing consolidation. At current prices, the manager believes acquirers could pay large premia and still see accretion. In early November, for example, portfolio holding Broadcom announced an acquisition of Brocade Communications, which would extend its communications chip business into the storage network market.

This Fund is managed by ClearBridge Investments

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¹ Source: Legg Mason, as of 31 October 2016. 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 -11.93% for 1 Month, -9.84% for 3 Months, -9.03% for YTD, -11.49% for 1 Year and 9.29% 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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