

Legg Mason QS

MV European Equity Growth and Income Fund

Fund performance

Annualised (%) ¹	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	Since inception
Class A Dis (A) EUR	0.89	10.93	10.93	5.20	3.59	4.76	4.27
Class A Dis (A) EUR (Inclusive of sales charge)	-4.15	5.39	5.39	-0.06	1.83	3.69	3.95
Benchmark: MSCI Europe Index Net (EUR)	2.03	12.84	12.84	5.45	7.08	5.27	5.76

Past performance is not a reliable indicator of future results

Monthly review

What happened in the market? The MSCI Europe Index returned 2.0% for the month of March in euro terms. European equities had muted but generally positive performance for the month, after a strong start to 2019. Most markets and sectors were in positive territory for the month. Belgium and Denmark were the best-performing countries, with returns of 4.6% and 4.5%, respectively, while Austria had the only appreciable negative return, -1.7%, and four other markets had declines of less than 0.4%. Sectors were led by consumer staples, real estate and health care, with returns of 7.2%, 4.1% and 3.9%, respectively. Banks and financials ex-banks had the only declines, with returns of -3.8% and -0.2%, respectively. In March, the European Central Bank cut the region's growth forecast and inflation expectations; kept benchmark interest rates steady; and announced a stimulus move, offering cheap rates to banks to boost growth. Manufacturing in the eurozone, most notably Germany, contracted as export orders declined. However, the eurozone jobless rate held steady. In the United Kingdom, inventories climbed as manufacturers continued to stockpile raw materials in anticipation of Brexit, reaching a record high rate in March, though equities had a return of 2.5%.

What happened in the Fund? The Fund underperformed the benchmark in March as the investment environment continued from February, where dividend-paying stocks, the investment focus of the Fund, were not rewarded and high-beta names outperformed low-beta names. Across countries, stock selection detracted from the return, mainly in the U.K. and France. Selection added value in Finland, but the overweight to that market was the biggest detractor in terms of country allocations. Across sectors, stock selection detracted in industrials, consumer staples, consumer discretionary and communication services. Selection in energy added value. Sector allocations added value, mainly due to the underweight in banks, the performance laggard.

What did the portfolio manager do? Across countries, the main changes in Fund positioning in March were to reduce overweights to Denmark and the U.K. and to increase the underweights to France and Germany. Across sectors, the Fund increased the overweight to energy, reduced the overweight to communication services, and increased underweights to industrials, consumer discretionary and information technology.

What is the outlook? During the first quarter, global equity markets saw consistent equity gains despite continuing contraction in manufacturing growth across a number of countries, including Germany and other eurozone markets, and Japan, South Korea and Taiwan. With recent gains, valuations in the U.S. appear stretched, while international markets continue to appear more attractively priced in a slowing global trade environment. Despite solid recent equity performance, emerging markets face a growing number of pressures, including trade tensions, widening interest rate differentials, and turbulent currency fluctuations. We believe that our well-diversified, disciplined strategy is positioned to benefit in this environment.

Investment Aim: The Fund seeks to provide long-term capital appreciation by investing at least two-thirds of its Net Asset Value in equity securities of companies that are domiciled in or are conducting a predominant portion of their economic activities in Europe, including up to 20% in European emerging markets.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

IMPORTANT INFORMATION:

This Fund is managed by QS Investors, LLC

¹ Source: Legg Mason. Performance is calculated on a NAV to NAV basis (in EUR terms) with income and dividends reinvested, if any, without initial charges but reflecting annual management fees. Performance for periods above one year is annualised. **Investment involves risks. Past performance is not indicative of future results.** Inception Date: 30 August 2002.

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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