LEGG MASON GLOBAL ASSET MANAGEMENT

Legg Mason Western Asset Asian Enterprise Trust

Performance[1] to 28/02/15	1 Month	3 Months	YTD	1 Year	5 Years
Legg Mason Western Asset Asian Enterprise Trust	**1.27%**	**4.55%**	**5.55%**	**9.87%**	**3.55%**
MSCI AC Asia ex Japan Index	2.40%	6.73%	7.20%	19.87%	7.23%

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

Market Review

Markets continued their upwards grind during the month of February, aided by monetary easing stimulus by central banks across the region. Australia and Indonesia surprised investors with interest rate cuts, joining India, China and Singapore, which had taken similar measures since the start of the year. South Korea and New Zealand have left their doors open for rate cuts down the road. Recent central banks moves may have been triggered by low inflation readings (negative in some cases), in part driven by lower oil prices. While some may argue this is a case of good disinflation, the fact remains that debt levels remain elevated in many parts of the global economy and prospects of negative inflation raises the hurdle for debtors even further. Japan's lost decades are a stark reminder of what happens in such an environment. Thanks to Prime Minister Abe's policy of aggressive quantitative easing (Abenomics), Japan is tentatively emerging from its crisis. The unintended consequence of recent monetary easing actions has been to raise the spectre of currency wars. With global trade still in the doldrums in spite of economic recovery in the US, currency devaluations have become the name of the game. This beggar-thy-neighbour policy, while clearly a zero-sum game, has been a last ditch desperate attempt to boost exports. It remains to be seen whether any of these policy actions will help lift economic activity, although there is no doubt it has helped lift financial markets.

Fund Review

The Legg Mason Western Asset Asian Enterprise Trust rose 1.27%[1] in SG dollar terms in February, underperforming its benchmark, the MSCI AC Asia Ex-Japan Index, which rose 2.40%.

The positive contributors were attributed to the underweight in both the utilities sector and the industrials sector. Positive geographical contribution came from the underweight in Malaysia and the underweight in Thailand.

The overweight in the energy sector and underweight in information technology sector detracted from performance. On a geographical basis the overweight in Singapore and the underweight in Korea detracted from performance.

Outlook

The China A-share market's initial failure to react positively to the government's cut in the reserve requirement ratio on 4 February appears a little concerning. It is increasingly apparent that for a sustained bull market to occur there needs to be genuine reform where companies are run to maximise returns for shareholders rather than to maximise capital expenditure or sales growth. Nevertheless, we are cognizant that fund managers remain underweight bank stocks and any covering of positions could easily propel the market higher given its large weighting in the benchmark. This was evident during the month when weak inflation data released by the government gave hopes to further easing measures, which lifted the market back to recent highs. Hence, while we are underweight the market, we are positioned in stocks that are beneficiaries of further easing measures, such as banks, as well as well-run companies whose share price will benefit from the recently launched Shanghai-Hong Kong Stock Connect policy.

Overall market conditions for stock-picking remain challenging, notwithstanding easy monetary conditions, due to the limited breath of market leadership (whether by country, sector or market capitalisation), as well as narrowness in stock dispersions. The recent broadening of leadership to the energy and materials sector is welcoming, though a more sustained trend needs to be established. We continue to believe our core holding of companies are executing well and it will be a matter of time before the market recognises their value.

[1]Source: Havenport , as of 28 February 2015. Performance is calculated on gross basis.

This Fund is managed by Havenport Asset Management

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

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