LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason Western Asset Asian Enterprise Trust

QUICK VIEW

Key performance drivers

- The Fund rose 1.40%[1] in March, outperforming its benchmark, the MSCI AC Asia ex Japan Index, which increased by 1.28%.
- The Fund's overweight positions in the Consumer Staples and underweight positions in the Information Technology sectors contributed to performance.
- Overweight position in Energy and Consumer Discretionary sectors detracted from performance.
- Underweight in China and overweight positions in Singapore mitigated positive performance.

Views and positioning

- The Fund's largest overweight remains in the Consumer Discretionary sector.
- The largest underweight exposures are in Financials and Information Technology sectors.

Current activity and manager outlook

- The sub-manager finds it hard to develop strong bottom up conviction midstream through China's policy rebalancing.
- In contrast, the Indian budget reflects a government that is thoughtful, cohesive and secularly focused on growth, with the stock market priced to reflect the longer term prospects.
- The sub-manager is still holding onto its energy services overweight even as valuations have ratcheted down to distress levels. The sub-manager is not seeing anything fundamentally troubling and is willing to trade pain for longer term gains.

Performance[1] to 31/03/15	1 Month	3 Months	YTD	1 Year	5 Years
Legg Mason Western Asset Asian Enterprise Trust	**1.40%**	**6.94%**	**6.94%**	**10.90%**	**0.63%**
MSCI AC Asia ex Japan Index	1.28%	8.59%	8.59%	21.10%	6.13%

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

Market Review

Asian equities ended a featureless month marginally lower. With the notable exception of China "A" share market, and to a far lesser extent Philippines and Korea, the performance of most other markets were lacklustre to poor. The Asia Pacific region continues to be in easing mode, with Korea, India and China announcing further rate cuts. This tailwind has aided the Korean and the "A" share markets. The advance in Korea was reasonably broad based. The "A" share rally this month follows the consolidation in January and February, which in turn was a response to its explosive move from late last year. "H" shares continue to be decoupled from the "A" shares, although the anticipation of "H" shares playing catch up caused a spike in the final week of March that reversed the year-to-date negative returns on the Hang Seng China Enterprises Index. Regulators are now intending for domestic mutual fund managers to be able to purchase "H" shares. This notwithstanding, the sense of mixed fortunes across both markets reflect the prevailing mixed sentiments on China. In contrast to the "A" share market, India succumbed to an expected and overdue correction, post budget and rate cut. Some foreign flow reversal has been detected in the 8.5%[2] selloff from its peak in early March. This correction has been orderly and we remain sanguine on its prospects.

Numerous crosswinds are influencing Asian markets, but none more so than the relentless ascent of the US dollar, the prospect of a Fed rate hike, and what this all means to the Asian region which is already experiencing growth headwinds. The latest guidance from the Fed served to assuage investors that it is leaning towards lifting rates later rather than sooner. This has led to a modest correction in the US Dollar Index (DXY) this month.

Fund Review

The Legg Mason Western Asset Asian Enterprise Trust rose 1.40%[1] in SG dollar terms, outperforming its benchmark, the MSCI AC Asia ex Japan Index, which rose 1.28%.

The Fund's positive performance was attributed to the overweight in Consumer Staples and the underweight in Information Technology. The underweight in Korea and overweight in the Philippines also added to positive relative performance. The detractors in March came from overweight exposure to the energy sector, and Consumer Discretionary, attributed mainly from the Macau gaming sector. The overweight in Singapore and the underweight in China mitigated positive performance.

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Outlook

Together with the series of rate cut across the region, Asia should be exhibiting a stronger trend of out-performance, with markets showing better breadth, but this is not evident. Growth concerns cast a long shadow over Asia, especially over China, where the sub-manager is struggling to develop strong bottom up conviction midstream through the country's policy rebalancing. In contrast to China, the Indian budget reflects a government that is thoughtful, cohesive and secularly focused on growth, bent on removing obstacles that stand in its way. The macro picture is no less compelling compared with China, but the bottom up clarity is better. Modi's policy approach will require a 2-3 year horizon before it can be judged. The stock market is priced to reflect the longer term prospects, which is why quarterly results have so far not had much of a market wide impact. The sub-manager believes this will persist for another quarter or so, by which time, the base effect will begin to kick in, and the year-on-year change in earnings will inflect upwards anyway. Up until recently, the sub-manager has been cautious about extrapolating India's prospects too far into the future, its overweight notwithstanding.

The sub-manager has hung onto its energy services overweight despite the negative impact on performance in recent months. Analysts have viciously applied their scalpels to earnings forecasts. This notwithstanding, valuation have been ratcheted down to distress levels. Investors are adopting a wait and see attitude until such time the narrative for oil turns constructive but once this narrative inflects, the sub-manager expects stocks to be sharply higher just on short covering alone. Crude has stayed within a narrow band for some time now, and rig count in the US has fallen as it has expected. The sub-manager is not seeing anything fundamentally troubling that is causing it to change its view and is prepared to trade pain for longer term gains.

The managers of the Fund are Western Asset Management Company Pte. Ltd. Havenport Asset Management Pte. Ltd. has been appointed as the sub-manager of the Fund.

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[1] Source: Legg Mason, as of 31 March 2015, based on Class A (SGD) Acc. Performance is calculated on NAV-NAV basis, with net income and dividends reinvested, if any (SGD terms). Performance for periods greater than one year is annualised. Performance figures inclusive of sales charge is -3.67% for 1 Month, 1.59% for 3 Months, 1.59% for YTD, 5.36% for 1 Year and -0.40% for 5 Years. **Investment involves risks. Past performance is not indicative of future results.**

[2] Source: Bloomberg, as at March 2015