

# Legg Mason Western Asset Global Bond Trust

## QUICK VIEW

### Key performance drivers

- The Fund returned 0.79%<sup>1</sup> in March, falling behind its benchmark, which returned 1.02%.
- Overweight to US duration benefitted the fund as US government bonds declined, however it was offset by an underweight position in European duration.
- Overweight in Italian government bonds detracted as Italian bonds underperformed German bunds.
- Long Mexican peso exposure detracted during the month

### Views and positioning

- Tactical duration management and yield curve management remain key macro strategies.
- The Fund remains underweight to the euro and overweight Italian government bonds.

### Current activity and manager outlook

- The manager expects the Fed to initiate policy normalization in the second half of 2015, although the pace of rate increases is likely to be very slow and gradual.
- In Europe, while the manager continues to believe structural reforms are required, the weaker euro, lower energy costs, higher real incomes and the availability of cheaper financing are likely to see growth improve modestly in 2015.
- The manager's focus remains on longer-term fundamentals with diversified strategies to manage risk.

Performance <sup>1</sup> to 31/03/15	1 Month	3 Months	YTD	1 Year	5 Years
<b>Legg Mason Western Asset Global Bond Trust</b>	<b>0.79%</b>	<b>2.92%</b>	<b>2.92%</b>	<b>9.57%</b>	<b>3.53%</b>
Citigroup World Government Bond Index ex Japan hedged to S\$	1.02%	3.05%	3.05%	10.18%	3.71%

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

### Market Review

Global bond market returns were mostly positive in March. Core European government bonds outperformed as 10-year German yields reached new all-time lows. The European Central Bank (ECB) announced the final details of its enhanced Quantitative Easing (QE) program and the national central banks initiated sovereign bond purchases. European economic data surprised to the upside as the weaker euro, lower energy prices and rising stock markets supported confidence. US Treasury yields declined mildly with a modest steepening of the yield curve. Commentary from the US Federal Reserve (Fed) pointed to a shallower increase in the fed funds rate target than previously outlined and economic data releases were mostly weaker, excluding the employment statistics. The US dollar continued to strengthen, reaching multi-year highs on a trade-weighted basis. Emerging markets (EM) were negatively impacted by the strengthening of the US dollar and rising concerns over the outlook for growth in many commodity producing countries.

### Fund Review

The Legg Mason Western Asset Global Bond Trust returned 0.79%<sup>1</sup> in SG dollar terms in March, falling behind its benchmark, the Citigroup World Government Bond ex Japan Index, which returned 1.02%.

An overweight to US duration benefitted the fund as US government bond yields declined. However, this was offset by an underweight to European duration as yields also declined.

An overweight exposure to Italy detracted from performance as Italian government bonds underperformed German bunds. An allocation to Mexico was also negative as Mexican government bond yields rose during the month. A long breakeven position in Japan added to performance. An allocation to US agency mortgages had a marginal impact. Long Mexican peso exposure detracted during the month.

### Outlook

The US is the bright spot among the developed market economies. US labor market conditions continue to improve and although current inflation remains low, both remain consistent with the Fed's dual mandate of full employment and price stability. The manager expects the Fed to initiate policy normalization in the second half of 2015, although the pace of rate increases is likely to be very slow and gradual.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

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## Outlook (cont.)

The manager believes that a sustained rise in long-term US bond yields is unlikely while inflation remains subdued. With the expectation that global bond yields remain in relatively tight ranges during 2015, tactical duration and yield curve management remain key macro strategies.

In Europe, the ECB is targeting an aggressive expansion of its balance sheet via negative deposit rates, targeted lending operations and sovereign debt purchases. While the manager continues to believe structural reforms are required to raise the eurozone's potential growth rate, the weaker euro, lower energy costs, higher real incomes and the availability of cheaper financing are likely to see growth improve modestly in 2015. The fund remains short the euro and maintains a long position in Italian government bonds.

With the world's major central banks moving monetary policy in different directions, this year is unlikely to pass without increased volatility, although dislocations in some sectors may create opportunities for active fixed-income managers. The focus remains on longer-term fundamentals with diversified strategies to manage risk.

## This Fund is managed by Western Asset Management Company Pte. Ltd.

<sup>1</sup> Source: Legg Mason, as of 31 March 2015, based on Class A (SGD) Acc. Performance is net of fees and is calculated on NAV-NAV basis (SGD), with any income and dividends reinvested, without any initial sales charges but reflecting annual management fees. Performance for periods greater than one year is annualised. Performance figures inclusive of sales charge is -2.24% for 1 Month, -0.16% for 3 Months, -0.16% for YTD, 6.28% for 1 Year and 2.90% for 5 Years. **Investment involves risks. Past performance is not indicative of future results.**

## IMPORTANT INFORMATION

### The Fund may invest in derivatives for hedging or efficient portfolio management purposes.

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