LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason Western Asset Asian Enterprise Trust

QUICK VIEW

Key performance drivers

- The Fund rose 2.68%[1] in April, underperforming its benchmark, the MSCI AC Asia ex Japan Index, which increased by 3.56%.
- The Fund's underweight positions in both the Information Technology and Utilities sectors contributed to performance.
- Underweight positions in Taiwan and Hong Kong helped performance.
- Underweight position in Materials sector and overweight exposure to Consumer Staples sector detracted from performance.
- Underweight in China and overweight position in Philippines weighed on relative performance.

Views and positioning

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

Current activity and manager outlook

- The sub-manager have hedged its underweight positions in Taiwan by adding financial proxies which are beneficiaries of any upturn in market activities.
- The sub-manager maintains its strong conviction in Philippines as it believes that the increase in discretionary spending from a growing per capita income should broaden the opportunity set of the market.
- The sub-manager continue to believe that the heavily shorted energy sector has the most potential to surprise on the upside even without having oil price having to rise appreciably from current levels.

Performance[1] to 30/04/15	1 Month	3 Months	YTD	1 Year	5 Years
Legg Mason Western Asset Asian Enterprise Trust	**2.68%**	**5.01%**	**9.80%**	**12.83%**	**1.13%**
MSCI AC Asia ex Japan Index	3.56%	7.43%	12.45%	24.71%	6.86%

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

Market Review

As a reflection of the rapid ascendancy of China, whose weighting within the Asia-Pacific benchmark will soon eclipse that of Australia's, the MSCI China Index rose 16.68%[2] in April 2015 which far outstripped the returns of the rest of the markets in the region. The average daily value of shares traded on the Hong Kong stock exchange more than doubled, an increase of which is more than the combined value traded on the rest of the markets in the region. The increasing dominance and size of the Chinese market will have major socio-economic as well as political ramifications for the rest of the region. However, fears that it could be a black hole that will suck the rest of the other smaller Asian markets out of oblivion may be premature.

By the stroke of a pen just before the Easter break, the Chinese authorities allowed all funds and not just the Qualified Domestic Institutional Investors alone, to invest in Hong Kong via the Shanghai-Hong Kong Stock Connect program. This change effectively unlocks trillions of RMB that can potentially flow southbound into the Hong Kong stock market. It is the opening of this spigot that effectively facilitates the arbitrage of the wide premiums that the A-shares in Shanghai have over their H-shares counterparts traded in Hong Kong.

Fund Review

The Legg Mason Western Asset Asian Enterprise Trust rose 2.68%[1] in SG dollar terms in April, underperforming its benchmark, the MSCI AC Asia ex Japan Index, which rose 3.56%.

The positive contributors were attributed to the underweight in both the information technology and the utilities sectors, and overweight in the energy sector. Positive geographical contribution came from the underweight in Taiwan and Hong Kong. The underweight in the materials sector and overweight in consumer staples sector detracted from performance. On a geographical basis the underweight in China and the overweight in Philippines detracted from performance.

Outlook

While the leaders at the helm in China may want to see a bull market with longevity, it appears naïve to believe that anyone can successfully control the animal spirits without paying the price of an inevitable bust. Nonetheless, the sub-manager believes we are at an early phase of the market upcycle. There are some hopeful signs that reforms of state-owned behemoths, if properly executed, can create positive effects on the stock market. Many asset injections and corporate restructuring of state-owned enterprises are also expected in the pipeline but the timings of such exercise are always unpredictable.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

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Outlook (cont.)

Taiwan was also recently rumored to be joining the Stock Connect program but many regulatory and political hurdles stand in the way and any extension of the Stock Connect program to Taiwan is unlikely to materialize in the short term. The sub-manager has, nonetheless, hedged its underweight positions by adding financial proxies which are beneficiaries of any upturn in market activities.

With the bulk of investors' attention drawn to the North Asia markets, Philippines underwent a mild correction. The sub-manager is still maintaining its strong conviction there. As the country notches above per capita income of more than US$3,000[3], discretionary spending is expected to increase and this should broaden the opportunity set of the market.

Oil price has begun to stabilize and the worst prediction of US$20 per barrel of oil has not materialized. As the sub-manager has articulated previously, US shale oil production is likely to peak around the 1st- 2nd Quarter 2015 and rig counts are likely to roll over thereafter. Oil and gas related stocks, which have been unduly punished over the last three quarters, are beginning to show signs of recovery as investor confidence gradually return to the sector in search of undervalued situations. The sub-manager continues to believe that this heavily shorted sector has the most potential to surprise on the upside even without oil price having to rise appreciably from current levels.

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 30 April 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 -2.46% for 1 Month, -0.24% for 3 Months, 4.31% for YTD, 7.19% for 1 Year and 0.10% for 5 Years. **Investment involves risks. Past performance is not indicative of future results.**

[2] Source: Bloomberg, as at May 2015.

[3] Source: CLSA, as at May 2015