

# Legg Mason Western Asset Global High Yield Fund

## QUICK VIEW

### Key performance drivers

- The Fund increased by 0.17%<sup>1</sup> in US dollar terms in May, while its benchmark, the Barclays Global High Yield Index (Hedged) USD, was up 0.33%.
- Regional selection was neutral.
- Quality biases weighed on relative returns.
- Sector selection was positive.
- Issue selection was neutral.

### Views and positioning

- In terms of positioning, the Fund's overweight in securities rated CCC and below is based on what the manager perceives as yield advantage and low default expectations.
- The Fund is underweight BB rated high yield debt, as this is typically more sensitive to rising rates.
- It is overweight in transportation and also energy, a sector the manager believes has strong fundamentals and that should continue to see consolidation driven by investment grade companies.

### Current activity and manager outlook

- The manager remains constructive on high yield valuations based on what it considers to be solid fundamental credit metrics.
- The manager believes high yield continues to offer attractive risk/reward investment opportunities.

Performance <sup>1</sup> to 31/05/15	1 Month	3 Months	YTD	1 Year	5 Years
<b>Legg Mason Western Asset Global High Yield Fund</b>	<b>0.17%</b>	<b>1.62%</b>	<b>3.01%</b>	<b>-3.78%</b>	<b>6.64%</b>
Barclays Global High Yield Index (Hedged) USD <sup>2</sup>	0.33%	2.00%	4.91%	2.47%	9.48%

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

### Market Review

The Barclays Global High Yield Index (USD-hedged) gained 0.33% in May. The energy sector of the global high yield market continued its recovery as oil price volatility declined and the price per barrel of oil finished the month at US\$60.30, its highest level since November of last year. Oil prices traded in a relatively tight range of roughly US\$3 over the month. Economic data released in May were somewhat better than April, though generally mixed. Payroll numbers disappointed, retail sales were soft as were industrial production, construction spending and exports. Overseas, the drama between Greece and its creditors continued as available funds in the Greek Treasury inched closer to zero. Greek officials made several optimistic pronouncements regarding negotiations during the month only to have their statements contradicted by opposing parties. As a compromise failed to materialise, yields on 10-year peripheral European sovereign bonds rose meaningfully higher than yields on safe-haven bonds, likely reflecting growing contagion risk. While the potential for a Greek default remains real, markets appear to be generally optimistic that a compromise of some sort will be cobbled together to avoid a default and keep Greece within the European Union. The clock is ticking as Greece is due to make a large payment to the International Monetary Fund ('IMF') on June 5. The option-adjusted spread (OAS) of the global high yield index fell by 5 basis points (bps) to 461bps while the index generated 33bps of excess returns. Due to spread contraction, the yield-to-worst (YTW) fell by 0.02% to 5.97%. The Index has gained 4.91% over the first 5 months of 2015 and has outperformed similar duration US Treasuries by 382bps.

### Fund Review

The Legg Mason Western Asset Global High Yield Fund rose 0.17%<sup>1</sup> in US dollar terms in May, while its benchmark, the Barclays Global High Yield Index (Hedged) USD, increased by 0.33%.

Regional positioning had a roughly neutral effect on relative returns. The Fund benefitted from an underweight to Europe, the worst-performing region. However, this was essentially offset by an underweight to emerging markets, the best-performing region over the month.

Quality biases had a negative impact in May. The Fund was overweight Bs, which aided performance, as they were the best performers over the month. Nevertheless, this was more than countered by an overweight to CCC rated issuers, which underperformed.

Sector allocations had a generally positive impact on performance. This was due in large part to an overweight to the top-performing transportation and energy sectors, and underweights to the lagging technology and EM non-corporate sectors.

Issue selection had little effect on relative performance.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

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## Outlook

The manager remains constructive on global high yield valuations based on what it considers to be solid fundamental credit metrics for the asset class that are supportive of tighter risk premia. In the manager's view, the global high yield asset class continues to offer an attractive risk/reward investment opportunity.

## This Fund is managed by Western Asset Management

<sup>1</sup> Source: Legg Mason, as of 31 May 2015. Class A Acc USD performance is net of fees and is calculated on a NAV to NAV basis (USD), with any income and dividends reinvested, if any, without any initial charges but reflecting annual management fees. Performance figures inclusive of sales charge is -4.84% for 1 Month, -3.46% for 3 Months, -2.14% for YTD, -8.59% for 1 Year and 5.55% for 5 Years. Performance for periods above one year is annualised. **Investment involves risks. Past performance is not indicative of future results.**

<sup>2</sup> As of 01/05/2009 the benchmark for the Fund changed from a composite benchmark, 80% Citigroup High Yield Market Index and 20% JPMorgan Emerging Markets Bond Index Global, to the Barclays Global High Yield Index (Hedged) USD.

## IMPORTANT INFORMATION

**The Fund may invest in certain types of derivatives for investment and/or efficient portfolio management purposes. Please refer to the prospectus for more information.**

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