

Legg Mason Western Asset Global Multi Strategy Fund

QUICK VIEW

Key performance drivers

- The Fund returned -0.14%¹ in US dollar terms in May.
- Exposure to US and UK high yield, and emerging market (EM) corporates contributed.
- Exposure to investment grade corporates and longer-dated US Treasuries detracted.
- Currency strategies had a mixed impact.

Views and positioning

- In terms of activity, the manager continued to allocate selectively to European and US high yield new issues.
- The manager also diversified the Fund's EM exposure.
- The manager increased US duration via US Treasury futures.

Current activity and manager outlook

- The manager continues to believe that the current global recovery will be slow.
- However, the manager believes lower oil prices should support global growth by increasing real consumer incomes and corporate earnings in those economies that have a higher propensity to spend.

Performance ¹ to 31/05/15	1 Month	3 Months	YTD	1 year	5 Years
Legg Mason Western Asset Global Multi Strategy Fund	-0.14%	0.79%	3.29%	0.89%	4.28%
Benchmark ²	-0.95%	-0.22%	0.38%	-2.42%	5.28%

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

Market Review

Global bond markets registered mixed performance in May. Within government bonds, many developed and emerging market (EM) segments were in negative territory. Conversely, selected markets such as South Korea, the UK and Hungary were up in local-currency terms. Within credit sectors, high yield corporates saw positive performance in the US and UK, while the eurozone underperformed. In investment grade corporate bonds, the UK market generated positive returns, while the US and the eurozone were down.

Within EMs, US dollar-denominated corporate bonds outperformed both US dollar-denominated and local-currency-denominated sovereign debt.

Currency weakness versus the US dollar led to negative returns for local debt in US dollar terms. Currency performance versus the US dollar was generally negative over the month, with the New Zealand dollar, Brazilian real and Japanese yen amongst the weakest performers.

Fund Review

The Legg Mason Western Asset Global Multi Strategy Fund returned -0.14%¹ in US dollar terms in May.

The Fund's allocation to US high yield, which posted modestly positive returns for the month, added value. The Fund's allocation to UK high yield also contributed to relative performance. Exposure to EM corporates added value too, although allocations to other EM subsectors generally detracted. Exposure to investment grade corporates and longer-dated US Treasuries also weighed on relative returns.

Currency strategies were mixed with long positions in the Brazilian real, Indian rupee, Mexican peso and Indonesian rupiah detracting from performance. However, our short position in the Japanese yen added value.

In terms of activity, the manager made a number of changes over the month. In credit, the manager continued to allocate selectively to European and US high yield new issues (including Europcar in Euro and Genesis Energy, Chemours, Quicken Loans and HCA in US dollars). In EMs, the manager diversified exposure by selling commodity-related corporates and initiating exposure in select EM frontier markets through US dollar-denominated sovereign issues (Kenya, Ivory Coast, Dominican Republic and Honduras). The manager also sold names like Ecopetrol and Vale to buy Southern Copper.

In terms of duration, the manager extended US duration, by adding 0.25 years of 30-year US Treasury futures and 0.1 years of 10-year US Treasury futures, while selling 0.25 years of 5-year US Treasury futures.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

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Outlook

The manager has long been of the view that the pace of this global recovery will be slow relative to past economic cycles. In the manager's opinion, despite intermittent periods of optimism, mostly emanating from the US economy, global activity remains subpar. Global inflationary pressures remain very subdued, and the recent sharp decline in commodity prices suggests to the manager an even weaker global inflation outcome in 2015. The manager believes that lower oil prices could support global growth by increasing real consumer incomes and corporate earnings in economies, such as the US, that have a higher propensity to spend. In EM countries generally, lower inflation is providing the flexibility for policymakers to stimulate growth by cutting rates. Overall, the manager expects global growth to improve mildly in 2015 helped by accommodative monetary policies across all major economies.

This Fund is managed by Western Asset Management

¹ 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 -5.13% for 1 Month, -4.25% for 3 Months, -1.88% for YTD, -4.16% for 1 Year and 3.22% for 5 Years. Performance for periods above one year is annualised. **Investment involves risks. Past performance is not indicative of future results.**

² Composite Benchmark: 50% Barclays Global Aggregate Index, 25% Barclays U.S. Corporate High Yield - 2% Issuer Capped Index (Lehman Brothers U.S. High Yield Index prior to 01/12/2005), 25% JP Morgan EMBI+ Index.

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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