LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason Western Asset Asian Enterprise Trust

QUICK VIEW

Key performance drivers

- The Fund returned -8.48%[1] in August, underperforming its benchmark, the MSCI AC Asia ex Japan Index, which fell 7.02%.
- Overweight positions in the Materials sector contributed to performance.
- Underweight positions in Taiwan and stock selection in Indonesia added to relative performance.
- Underweight exposure in the Utilities sector and an overweight exposure in Energy sector detracted from performance.
- Underweight positions in Korea and overweight positions in Singapore also posed a drag on performance.

Views and positioning

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

Current activity and manager outlook

- The sub-manager pointed out that the last time markets fell as sharply in such a compressed period of time was in 2011, when the probability of the Euro continuing in its present state was uncertain.
- The sub-manager believes that there are no comparable existential risks associated with this sell off and therefore believes markets should begin to stabilize in the coming weeks.

Performance[1] to 31/08/15	1 Month	3 Months	YTD	1 Year	5 Years
Legg Mason Western Asset Asian Enterprise Trust	**-8.48%**	**-19.50%**	**-12.08%**	**-16.45%**	**-1.42%**
MSCI AC Asia ex Japan Index	-7.02%	-14.83%	-5.01%	-4.88%	4.06%

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

Market Review

China dominated headlines in August for all the wrong reasons. A surprise devaluation of the renminbi on 11th August sent shockwaves around the world, creating reverberations in global currencies, commodities, equities and fixed income markets. Asian currencies were amongst the most severely impacted, reigniting fears of competitive devaluations and bringing back memories of the Asian Financial Crisis, which was triggered by the devaluation of the Thai baht. At the close of August, the MSCI Asia Pacific ex-Japan index closed down 10.5%[2], dragged down by the markets of Malaysia, Hong Kong and Singapore. Exports account for about 40-56%[3] of GDP for these three economies, the highest amongst Asian economies, and concerns about China's devaluation might have contributed to a more severe sell-off in their markets. In addition, Malaysia is witnessing political uncertainty which has driven the ringgit to a near all-time low. All Asian markets registered negative returns for the month in August, with Korea, Thailand and Philippines having fallen the least.

Malaysia has traditionally been viewed as a defensive safe-haven post the Asian crisis, with the market typically falling less than the region during a sell-off. It's not the case this time as the country continues to be beset with political woes and a falling oil price, both of which has dragged the ringgit down to near Asian crisis lows. Capital outflows have renewed fears of a currency peg and capital controls, both of which are unlikely as the country's current account and foreign reserves are at reasonable levels.

It has been one year since Indonesia held its presidential election and President Jokowi's report card looks dismal. To be fair, the correction in commodity price was already in full swing when he entered office and there was little he could do to halt its effects. What Jokowi has been responsible for is a series of shocking interventionist policies that highlights his socialistic tendencies. From controls on cement prices to the recent hikes to import tariffs, Jokowi is rapidly losing confidence of the people. His approval rating has plunged to 41% from 72%[4] after his election. Even his flagship infrastructure programme is behind schedule. A recent cabinet shuffle is providing some optimism but investors are no longer giving him the benefit of the doubt.

China is but one of several crosswinds causing the chill in Asian and emerging markets (EM). The collapse in commodity prices and the persistent strength of the USD is raising fears across the EM complex that could cause a reverberation across Asia. The market is in the process of working out if this is the case, and meanwhile valuations are already at levels associated with recession lows. The 12-months forward price-earnings ratio for the MSCI Asia Pacific ex-Japan now stands at 11.6x[5], almost one standard deviation below its 10-year average. The trailing price-to-book ratio, a better indicator for those fearing a credit crisis, now stands at 1.2x[5]. This is about 1.5[5] standard deviation below its 10-year average and only 15%[5] above the 10-year low set in 2008.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

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Market Review (cont.)

It is probable that the Fed rate hike will be delayed, or that the Fed will turn dovish after the rate hike, and that could potentially spark a reversal in the USD and a sharp rebound rally in the impacted sectors and markets.

Fund Review

The Legg Mason Western Asset Asian Enterprise Trust returned -8.48% in SG dollar terms in August, underperforming its benchmark, the MSCI AC Asia ex Japan Index, which fell 7.02%.

The overweight exposure in the Materials sector contributed to relative performance. Underweight exposure in Taiwan and stock selection in Indonesia also helped performance. Underweight positions in the Utilities sector and overweight positions in the Energy sector detracted from performance. On a geographical basis, the underweight positions in Korea and overweight positions in Singapore posed a drag on performance.

Outlook

It is significant also to point out that the last time markets fell as sharply in such a compressed period of time was in 2011, when the probability of the Euro continuing in its present state was no better than 50%. There are no comparable existential risks associated with this sell off. The sub-manager therefore believes markets should begin to stabilize in the coming weeks.

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 August 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 -13.05% for 1 Month, -23.53% for 3 Months, -16.48% for YTD, -20.63% for 1 Year and -2.43% for 5 Years. **Investment involves risks. Past performance is not indicative of future results.**

[2] Source: Bloomberg, 31 August 2015

[3] Source: Credit Suisse, 28 August 2015

[4] Saiful Mujani Research and Consultant (SMRC), August 2015

[5] Source: Bloomberg, 31 August 2015