

Legg Mason Western Asset Global Multi Strategy Fund

QUICK VIEW

Key performance drivers

- The Fund returned -2.51%¹ in US dollar terms in August.
- Exposure to Italian and German government bonds detracted.
- Exposure to US, European and UK high yield hurt.
- Emerging market (EM) exposure was negative.
- Currency positioning was detrimental.

Views and positioning

- In terms of activity, the manager added exposure to long-dated US investment grade corporates.
- The manager opportunistically added to US high yield.
- Following China's devaluation, the manager reduced exposure to the Indian rupee, Chinese renminbi and Indonesian rupiah.
- The manager bought South Korean won puts to help protect against weakness in Asian currencies.

Current activity and manager outlook

- The manager anticipates a fragile global recovery, largely due to policy accommodation from central banks around the world.
- The manager expects the pace of rate increases by the US Federal Reserve to be very slow and gradual.
- The manager maintains the Fund's exposure to global corporate bonds where it believes the fundamental outlook is positive.

| Performance ¹ to 31/08/15 | 1 Month | 3 Months | YTD | 1 Year | 5 Years |
|--|---------------|---------------|---------------|---------------|--------------|
| Legg Mason Western Asset Global Multi Strategy Fund | -2.51% | -4.87% | -1.74% | -5.17% | 2.02% |

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

Market Review

Global bonds posted mixed returns in August against a very volatile market backdrop. Within government bonds, most of the core and peripheral eurozone bond markets were in negative territory, with positive performance in local currency terms coming from markets such as South Korea, Australia, India, Mexico and Hungary. Within credit sectors, both high yield and investment grade corporates globally generated negative returns. US high yield bonds were particularly adversely impacted by the weakness in energy-related issuers. Within emerging markets (EMs), local currency-denominated sovereign debt significantly underperformed US dollar-denominated sovereign debt and corporate bonds, with most of that negative performance resulting from the impact of EM currency weakness against the US dollar. Indeed, currency performance versus the US dollar was generally negative, with the Malaysian ringgit, Russian ruble, Colombian peso and Brazilian real amongst the weakest performers.

Fund Review

The Legg Mason Western Asset Global Multi Strategy Fund returned -2.51%¹ in US dollar terms in August.

Exposure to the government bond markets of Italy and Germany (inflation-linked bonds) detracted. The Fund's significant allocation to the US high yield market also weighed on performance, as did the euro/UK high yield allocation. In addition, the performance of the Fund's EM allocations across all sectors - local currency sovereigns, hard currency EM sovereigns and corporates - was negative over the month. Currency positioning was detrimental notably allocations to the Brazilian real, Chinese renminbi, Mexican peso, Indian rupee and Indonesian rupiah. In addition, the short Japanese yen and euro positions also hurt as both currencies strengthened versus the US dollar.

In terms of activity, as credit spreads widened, the manager added exposure to long-dated US investment grade corporates, buying names like General Electric, General Motors and Verizon. The manager also opportunistically added to US high yield on the back of the sharp sell-off, buying non-energy-related US high yield issuers that had sold off in sympathy. The manager remained tactical in its duration management; some of the Fund's long-end US Treasuries exposure was reduced and the manager bought into the short end as the market pushed out its rate rise expectations. Following China's devaluation, the manager reduced exposure to the Indian rupee by approximately 1%, the Chinese renminbi by 2% and the Indonesian rupiah by 1%. Furthermore, the manager bought South Korean won puts in attempt to protect the Fund against weakness in Asian currencies. The manager also continued to add to non-agency mortgages in the US.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

Legg Mason Western Asset Global Multi Strategy Fund

Outlook

Despite the recent market volatility and increased anxiety about China's economic outlook, the manager believes the global recovery, though fragile, will continue, largely due to policy accommodation from central banks around the world. Global inflationary pressures remain very subdued. The fall in commodity prices last year could support global growth by increasing real consumer incomes and corporate earnings. In EM countries, lower inflation is providing the flexibility for policymakers to stimulate growth by cutting rates. In the US, despite a strong second quarter, the manager forecasts a trend of 2% to 2.5% growth. US labour market conditions appear to have improved, and, although current inflation remains low, both remain consistent with the Fed's dual mandate of full employment and price stability. The manager believes the Fed wants to start the monetary policy normalisation process, but it does not want to upset the recovery or the markets. The manager expects the pace of rate increases to be very slow and gradual. The manager believes a sustained rise in long-term US bond yields is unlikely while inflation remains subdued. The manager expects global bond yields to remain in relatively tight ranges during 2015.

Against this backdrop, the manager maintains the Fund's exposure to global corporate bonds where it believes the fundamental outlook and management of companies remain positive, particularly in the financial sector where the complementary processes of deleveraging, capital rebuilding and regulatory constraint remain credit positive. The manager's focus remains on longer-term fundamentals with diversified strategies to manage risk. The Fund remains invested in spread product sectors in an attempt to take advantage of attractive valuations, using duration opportunistically as valuations change, and to try and mitigate downside risks.

This Fund is managed by Western Asset Management

Legg Mason Western Asset Global Multi Strategy Fund

¹ Source: Legg Mason, as of 31 August 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 -7.38% for 1 Month, -9.63% for 3 Months, -6.66% for YTD, -9.91% for 1 Year and 0.97% for 5 Years. Performance for periods above one year is annualised. **Investment involves risks. Past performance is not indicative of future results.**

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.

Source: Western Asset Management. This document is issued by Legg Mason Asset Management Singapore Pte. Limited in Singapore (“**Legg Mason**”) and is for information only and does not constitute an offer or invitation to the public to purchase any shares in any fund in Singapore.

This document is for information only and is not intended to provide investment advice. All data, opinions, estimates and other information are provided as of the date of this document and may be subject to change without notice. The prospectus of the fund is available and may be obtained from Legg Mason or its authorised distributors. **Investors should check with Legg Mason or its authorized distributors on whether a particular class of the fund is available for subscription. Investors should read the most current prospectus prior to any subscription. All applications for units in the fund must be made on the application forms accompanying the prospectus. Past performance is not necessarily indicative of future performance. All investments involve risk, including possible loss of principal. The value of the units in the fund and the income accruing to the units, if any, may fall or rise.** Although information has been obtained from sources that Legg Mason believes to be reliable, no guarantee can be given as to its accuracy and such information may be incomplete or condensed and may be subject to change at any time without notice.

Any views expressed are opinions of the respective investment affiliates as of the date of this document and are subject to change based on market and other conditions without notice and may differ from other investment affiliates or of the firm as a whole. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice. The mention of any individual securities/ funds should neither constitute nor be construed as a recommendation to purchase or sell securities, and the information provided regarding such individual securities/ funds is not a sufficient basis upon which to make an investment decision. Portfolio allocations, holdings and characteristics are subject to change at any time. Legg Mason, its affiliates, officers or directors, may have an interest in the acquisition or disposal of the securities mentioned herein. Distribution of this document may be restricted in jurisdictions, other than Singapore. Any person coming into possession of this document should seek advice for details of, and observe such restrictions (if any).

Neither Legg Mason nor any officer or employee of Legg Mason accepts any liability whatsoever for any loss arising from any use of this document or its contents. The information in this document is confidential and proprietary and may not be used other than by the intended user. This document may not be reproduced, distributed or published without prior written permission from Legg Mason.

Legg Mason Asset Management Singapore Pte. Limited is the legal representative of Legg Mason, Inc. in Singapore. (Registration Number (UEN): 200007942R)