LEGG MASON
GLOBAL ASSET MANAGEMENT

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.

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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

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[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.