

# Legg Mason Western Asset Southeast Asia Special Situations Trust

## QUICK VIEW

### Key performance drivers

- The Fund marginally outperformed its benchmark, falling 0.95%<sup>1</sup> in April against the MSCI South East Asia Index, which returned -1.04%.
- Overall, both country allocation and stock selection contributed positively to relative performance.
- Underweight exposure in the Information Technology sector detracted from performance, while stock selection contributed positively.
- Underweight exposure in the Utilities and Telecommunication Services sectors also helped performance.

### Views and positioning

- The Fund's largest overweight is in the Information Technology sector.
- The largest underweight exposure is in the Financials ex Real Estate sector.

### Current activity and manager outlook

- The sub-manager is cognisant of the fact that the absence of positive catalysts may cause regional market to undergo a short term correction after its strong rebound from the February lows.
- The sub-manager will seek to capitalise on any sharp weakness in the markets to build its desired positions as markets are likely to be confined to a range trade pattern for the time being.

Performance <sup>1</sup> to 30/04/16	1 Month	3 Months	YTD	1 Year	5 Years
<b>Legg Mason Western Asset Southeast Asia Special Situations Trust</b>	<b>-0.95%</b>	<b>2.34%</b>	<b>-3.04%</b>	<b>-20.23%</b>	<b>-4.45%</b>
MSCI South East Asia Index	-1.04%	5.17%	3.46%	-11.18%	1.40%

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

### Market Review

Regional markets continued to build on the counter-trend rally that began in March, albeit with a modest gain this month. The generally positive market sentiment that prevailed during April was largely aided by the benign global macro-economic environment, absence of a Fed rate hike and a softer US dollar which helped to ease monetary conditions in the Asia-Pacific region and extend the gains in the commodities market.

Despite the absence of an agreement between the Saudis and the Iranians to cap oil productions, oil price continued to trend higher towards the US\$50 per barrel mark during the month. Oil related stocks rallied as a consequence. This also had a knock-on effect on sentiment in other commodity-related stocks. Iron and steel stocks, in particular, chalked up hefty gains from their February lows on news about plant closures and downsizing of iron and steel productions in China. In fact, the speculative activity in the Chinese commodity futures market was so large that the one-day volume of iron rebars futures traded exceeded the annual imports of iron-rebars into China. This sparked off a clampdown of speculative trading activities by the Chinese authorities.

Over in Southeast Asia, Indonesia has changed its Central Bank benchmark rate to the 7-day repo rate which is closer to the money market rates. Although this does not tantamount to a form of monetary easing, more interest rate cuts are expected as the Jokowi government seeks to revitalise the sluggish economy. In Malaysia, the appointment of the former Deputy Central Bank Governor to take over from the outgoing Governor is likely to assuage foreign investors that there will be continuity in monetary policy despite the Prime Minister being embroiled in the never ending 1MDB saga. The market is likely to trade sideways in the absence of fresh stock catalysts.

The oil and gas stocks in Singapore, unfortunately, failed to respond with vigour despite the higher oil prices as the outlook for offshore marine services activities continued to be clouded by uncertainties in operating expenditures of the oil majors. However, given the low valuations of offshore marine stocks, there is probably more scope for upside surprises and normalisation of valuations.

### Fund Review

The Legg Mason Western Asset Southeast Asia Special Situations Trust fell 0.95%<sup>1</sup> in SG dollar terms in April, slightly outperforming its benchmark, the MSCI Southeast Asia Index, which fell 1.04%.

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## Fund Review (cont.d)

Both country allocation and stock selection contributed positively to relative performance. Tactical allocation to China was positive while overweight in Philippines was negative.

Although the overweight exposure in the Information Technology sector detracted from performance, this was offset by stock selection, which contributed positively. Stock selection within the Industrials sector, as well as underweight exposure in the Utilities and Telecommunication Services sectors also helped performance.

## Outlook

As we enter into the proverbial period of “sell in May and go away”, the sub-manager is cognisant of the fact that the absence of positive catalysts may cause regional market to undergo a short term correction after its strong rebound from the February lows. Recent history has also not been favourable with regional markets undergoing mild corrections in five of the last six years in May. As markets are likely to be confined to a range trade pattern for the time being, the sub-manager will seek to capitalise on any sharp weakness in the markets to build its desired positions.

**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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<sup>1</sup> Source: Legg Mason, as of 30 April 2016, 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 -5.91% for 1 Month, -2.77% for 3 Months, -7.89% for YTD, -24.22% for 1 Year and -5.42% for 5 Years. **Investment involves risks. Past performance is not indicative of future results.**

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