

Legg Mason Western Asset Southeast Asia Special Situations Trust

QUICK VIEW

Key performance drivers

- The Fund underperformed its benchmark, falling 1.75%¹ in May against the MSCI South East Asia Index, which returned -1.00%.
- Overall, country allocation contributed positively to relative performance, especially Philippines as the market rallied post the general election.
- Overweight exposure in the consumer discretionary and underweight exposure in the financials sectors contributed positively.
- Stock selection in the industrials, information technology and consumer staples posed a drag on performance.

Views and positioning

- The Fund's largest overweights are in the information technology and energy sectors.
- The largest underweight exposure is in the financials ex real estate sector.

Current activity and manager outlook

- Asian markets are entering the summer season with a number of uncertainties looming over the next few months. All the possible outcomes have been debated ad infinitum and there is a potential that these have become priced in.
- The sub-manager believes valuations continue to be relatively attractive and that could keep a floor for markets.

Performance ¹ to 31/05/16	1 Month	3 Months	YTD	1 Year	5 Years
Legg Mason Western Asset Southeast Asia Special Situations Trust	-1.75%	-0.18%	-4.73%	-18.33%	-4.13%
MSCI South East Asia Index	-1.00%	2.91%	2.43%	-10.38%	1.29%

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

Market Review

For the month of May, Asian markets gave back a moderate portion of its recent gains as it struggles to decouple from movements in the US dollar. The decline of 1.3%² mirrors the inverse performance of the greenback, dragging the year-to-date performance of the MSCI Asia ex-Japan index back into negative territory again. The Philippines was the best performing market, registering a gain of 4.4%², which puts the country in firm position as one of the best performing markets year-to-date as well as the past few years. The sub-manager continues to maintain a sizeable overweight in the Philippines and believe that the most recent election highlights how far the country has progressed. Separately, the Australian Bureau of Meteorology has announced an end to El Nino, which has resulted in hot and dry conditions throughout Asia and Australia. A cooler and wetter season will bring much relief to the region's agricultural production and farmers' income. The sub-manager is reviewing the portfolio's underweight position in India and Thailand in light of this new information.

Fund Review

The Legg Mason Western Asset Southeast Asia Special Situations Trust fell 1.75%¹ in SG dollar terms in May, underperforming its benchmark, the MSCI Southeast Asia Index, which fell 1.00%.

Country allocation contributed positively to performance for the month of May. The Fund's overweight position in Philippines added to relative performance as the market rallied post the general election but it was offset somewhat by the stock selection effect. Both country and sector allocation in Singapore helped performance. The Fund's underweight exposure in Malaysia contributed positively though stock selection detracted from relative performance.

The Fund's overweight exposure in consumer discretionary and underweight exposure in financials added to positive relative performance. However, stock selection in the industrials, consumer staples and information technology sectors posed a drag on performance.

Outlook

Asian markets are entering the summer season with a number of uncertainties looming over the next few months. Apart from the issues already discussed, there is the Brexit vote, Fed meeting on interest rates and US elections to contend with. All the possible outcomes have been debated ad infinitum and there is a potential that these known unknowns have become priced in. It is clear that central banks are not in favour of an overly strong US dollar which removes a significant headwind that Asian markets have been facing. The sub-manager believes valuations continue to be relatively attractive and that could keep a floor for markets.

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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.

¹ Source: Legg Mason, as of 31 May 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 -6.66% for 1 Month, -5.17% for 3 Months, -9.49% for YTD, -22.41% for 1 Year and -5.11% for 5 Years. **Investment involves risks. Past performance is not indicative of future results.**

² Source: MSCI, as at May 2016, in USD terms.

IMPORTANT INFORMATION

The fund may invest in derivatives for hedging and/or efficient portfolio management purposes, and transferable securities embedding a financial derivative may be used for the purposes of hedging, efficient portfolio management and/or optimising returns. The fund's net asset value may have higher volatility characteristics as a result of its portfolio management style.

Source : Havenport Asset Management and Legg Mason. This document, provided by Legg Mason Asset Management Singapore Pte. Limited ("Legg Mason"), is for information only and does not constitute an offer or solicitation to buy or sell any units in any fund.

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