

# Legg Mason Western Asset Global Bond Trust

## QUICK VIEW

### Key performance drivers

- The Fund returned 2.242%<sup>1</sup> in June, falling behind its benchmark, which returned 2.54%.
- An overweight to US duration added value, but underweights to duration in Japan and Europe detracted from performance.
- Overweights to Mexican and Polish government bonds had a positive impact on performance.
- However, an overweight to Italy detracted from performance.
- Long Mexican peso and Polish Zloty versus the Singapore dollar subtracted from returns

### Views and positioning

- The Manager expects global bond yields to remain in relatively narrow ranges over the next few months, so tactical duration and yield curve management remain key macro strategies.

### Current activity and manager outlook

- The Manager expects the Fed to maintain a cautious, risk-management-focused approach, absent a much stronger signal from the economic data or from markets.
- The Manager believes the economic fallout in the eurozone should be reasonably contained.
- The Manager maintains a modest long position in Italian government bonds.
- The manager's focus remains on longer-term fundamentals with diversified strategies to manage risk.

Performance <sup>1</sup> to 30/06/16	1 Month	3 Months	YTD	1 Year	5 Years
<b>Legg Mason Western Asset Global Bond Trust</b>	<b>2.24%</b>	<b>2.03%</b>	<b>5.26%</b>	<b>7.99%</b>	<b>5.20%</b>
Citigroup World Government Bond Index ex Japan hedged to S\$	2.54%	2.67%	6.43%	9.12%	5.81%

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

### Market Review

In stark contrast to financial market expectations, the UK voted to leave the EU after 43 years of membership. The response of the global fixed-income and currency markets, while significant, was more muted and orderly than expected given the additional economic and political uncertainty that resulted from the outcome. Sterling weakened sharply, spread sectors underperformed, the yen appreciated and government yields declined. 10-year US Treasury yields ended the month around 1.5%, close to their 2012 lows. The UK Prime Minister David Cameron announced his resignation and S&P downgraded the UK's sovereign credit rating from AAA to AA. In Mexico, the Central Bank raised rates by 0.5% aimed at preventing further currency depreciation and anchoring inflation expectations.

### Fund Review

The Legg Mason Western Asset Global Bond Trust returned 2.24%<sup>1</sup> in SG dollar terms in June, falling behind its benchmark, the Citigroup World Government Bond ex Japan Index, which returned 2.54%.

An overweight to US duration added value, but underweights to duration in Japan and Europe detracted from performance as government bond yields closed the month lower.

A curve flattening position in Europe contributed positively to performance as longer-dated bonds outperformed shorter-dated maturities

Overweights to Mexican and Polish government bonds had a positive impact on performance. However, an overweight to Italy detracted from performance. In addition, Long Mexican peso and Polish zloty currency exposures versus the Singapore dollar subtracted from returns

A long breakeven position in the US detracted from performance as inflation-linked bonds underperformed nominal bonds.

### Outlook

The UK's decision to leave the EU raises significant political and economic uncertainty, which is likely to have a negative impact on investment and consumer confidence in both the UK and Europe. However, with global growth and inflation risks skewed to the downside, the Manager expect the BoE, European Central Bank (ECB) and Bank of Japan (BoJ) to provide further policy accommodation over the coming months, and for the Fed to retain its "data dependent" bias.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

# Legg Mason Western Asset Global Bond Trust

## Outlook (cont.)

While recognizing that downside risks persist, the Manager's view remains that the global recovery, though fragile, will be positive and sustainable as policy accommodation from central banks around the world ultimately succeeds in underpinning growth. In the Manager's opinion, the Fed is now unlikely to raise rates this year. The Fed will be concerned about the potential negative impact on global growth from Brexit and any tightening of financial conditions from a stronger US dollar or weaker equity markets. The Manager expects the Fed to maintain a cautious, risk-management-focused approach, absent a much stronger signal from the economic data or from markets. Overall, the Manager expects global bond yields to remain in relatively narrow ranges over the next few months, so tactical duration and yield curve management remain key macro strategies. The Manager maintains a long US duration position, but a move deeper into negative yields for core European and Japanese government bond yields may provide the opportunity to reduce exposure further.

The Manager believes the economic fallout in the eurozone should be reasonably contained. Exports are likely to weaken and investment may be curtailed, but the momentum the consumer has garnered in the early months of this year should be maintained as further action from the ECB keeps the pressure on savers to spend. The Manager maintains a modest long position in Italian government bonds as the Manager believes the ECB's aggressive sovereign bond purchase program will keep any spread widening contained. Should risk premiums rise in the next few months due to increased uncertainty surrounding the EU framework, however, the Manager would look to add to exposure.

With volatility likely to remain elevated, the Manager will look for opportunities to take advantage of market anomalies. The Manager's focus remains on longer-term fundamentals with diversified strategies to manage risk.

**The manager of the Fund is Western Asset Management Company Pte. Ltd.**

# Legg Mason Western Asset Global Bond Trust

<sup>1</sup> Source: Legg Mason, as of 30 June 2016, based on Class A (SGD) Acc. Performance is net of fees and is calculated on NAV-NAV basis (SGD), with any income and dividends reinvested, without any initial sales charges but reflecting annual management fees. Performance for periods greater than one year is annualised. Performance figures inclusive of sales charge is -0.83% for 1 Month, -1.03% for 3 Months, 2.11% for YTD, 4.75% for 1 Year and 4.56% for 5 Years. **Investment involves risks. Past performance is not indicative of future results.**

## IMPORTANT INFORMATION

### **The Fund may invest in derivatives for hedging or efficient portfolio management purposes.**

Source : Western 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.

The prospectus of the fund is available and may be obtained from Legg Mason or its authorised distributors. Investors should read the 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.

Distribution of this document may be restricted in certain jurisdictions. Any persons coming into possession of this document should seek advice for details of, and observe such restrictions (if any). This document does not constitute the distribution of any information or the making of any offer or solicitation by anyone in any jurisdiction in which such distribution or offer is not authorized or to any person to whom it is unlawful to distribute such a document or make such an offer or solicitation. This fund is not available to US citizens, residents or greencard holders and may not be available in all jurisdictions.

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 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.

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. 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. Legg Mason, its affiliates, officers or directors, may have an interest in the acquisition or disposal of the securities mentioned herein.

The views expressed are opinions of the portfolio managers as of the date of this document and are subject to change based on market and other conditions and may differ from other portfolio managers 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 minimum CPF interest rate for the Ordinary Account (OA) is 2.5% per annum. As announced in September 2015, the Government will maintain a 4% per annum minimum rate for interest earned on all Special Account and Medisave Account (SMA) and Retirement Account (RA) monies until 31 December 2016. Thereafter, interest rates on all CPF account monies will be subject to a minimum rate of 2.5% per annum unless otherwise announced by the Government. The first S\$60,000 of your combined CPF accounts earns an extra 1% interest. To enable members to earn extra interest, only monies in excess of S\$20,000 in your OA and S\$40,000 in your Special Account can be invested. Please visit the CPF Board website for information on how the CPF interest rate is calculated.

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