

Legg Mason Western Asset Global Multi Strategy Fund

QUICK VIEW

Key performance drivers

- The Fund returned 2.00%¹ in US dollar terms in June.
- Sector allocation and yield curve strategies added value.
- Currency strategies detracted.

Views and positioning

- The manager continues to see value in the higher yielding corporate bond and bank loan sectors.

Current activity and manager outlook

- The manager anticipates a fragile global recovery, largely due to policy accommodation from central banks around the world.
- However, in the manager's opinion, downside risks to growth persist.
- In the manager's opinion, the US Federal Reserve is unlikely to raise rates this year.

Performance ¹ to 30/06/16	1 Month	3 Months	YTD	1 Year1	5 Years
Legg Mason Western Asset Global Multi Strategy Fund	2.00%	4.62%	8.41%	1.62%	2.03%

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

Market Review

In stark contrast to the expectations of financial markets, the UK voted to leave the European Union (EU) after 43 years of membership. The response of 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. Yields on 10-year US Treasuries ended the month around 1.5%, close to their 2012 lows. The UK Prime Minister, David Cameron, announced his resignation and Standard & Poor's (S&P) downgraded the UK's sovereign credit rating from AAA to AA. UK financial issuers underperformed due to concerns over UK growth, weaker earnings growth and more volatile funding conditions in the months ahead. Spread sectors recovered towards the end of June, as expectations for a rate hike by the US Federal Reserve (Fed) diminished and Bank of England (BoE) Governor, Mark Carney, gave a clear indication that policy would likely be eased over the summer. 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 Multi Strategy Fund returned 2.00%¹ in US dollar terms in June.

Strong positive returns were driven primarily by the decline in global government and investment grade yields.

Sector allocation strategies contributed, largely because of positive returns from high yield and emerging market (EM) assets.

Yield curve strategies had a slightly positive impact on performance. A bias to longer-dated issues contributed, as long-dated Treasuries outperformed shorter-dated maturities.

Currency strategies were negative. Short exposures to the South Korean won and yen were negative, as these currencies outperformed the US dollar, although a long exposure to the Brazilian real contributed as the currency strengthened.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

Legg Mason Western Asset Global Multi Strategy Fund

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 expects 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.

While recognising that downside risks persist, the manager's view remains that the global recovery, though fragile, should be sustainable, as long 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 likely 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. Therefore, the manager expects the Fed to maintain a cautious, risk-management-focused approach, in the absence of a much stronger signal from economic data or from markets.

The focus remains on longer term fundamentals with diversified strategies to manage risk. The Fund remains invested in the spread product sectors, taking advantage of potential attractive valuations, using macro strategies opportunistically as valuations change in order to lower any downside risks. The manager continues to see value in the higher yielding corporate bond and bank loan sectors, where, in the manager's opinion, valuations appear attractive, given underlying credit fundamentals.

This Fund is managed by Western Asset Management

¹ Source: Legg Mason, as of 30 June 2016. 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 -3.10% for 1 Month, -0.61% for 3 Months, 2.99% for YTD, -3.46% for 1 Year and 0.99% 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.

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