LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason Western Asset Global Bond Trust

QUICK VIEW

Key performance drivers

- The Fund returned 0.07%[1] in August, outperforms the benchmark, which fell -0.06%.
- Short duration in Japan and Germany benefited as government bond yields closed the month higher, but performance was partially offset by a long duration position in the US.
- Overweights to Italian, Mexican and Polish government bonds had a positive impact on performance.
- Long Polish zloty and Mexican peso exposure benefited the portfolio.

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.
- Maintain a long US duration position and a modest long position in Italian government bonds.

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 spreads available in select Emerging Markets (EMs) present an opportunity to add value.
- Believes Polish rates remain attractive, especially relative to core eurozone yields.
- The manager's focus remains on longer-term fundamentals with diversified strategies to manage risk.

Performance[1] to 31/08/16	1 Month	3 Months	YTD	1 Year	5 Years
Legg Mason Western Asset Global Bond Trust	**0.07%**	**3.15%**	**6.20%**	**7.13%**	**4.68%**
Citigroup World Government Bond Index ex Japan hedged to S$	-0.06%	3.28%	7.19%	8.37%	5.19%

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

Market Review

Central bank policy dominated market sentiment in August. An aggressive easing of policy from the Bank of England (BoE), including a 0.25% Bank Rate cut, renewed asset purchases and a term funding scheme for the banks, together supported all UK bonds and especially supported sterling-denominated corporate bonds. In the US, the yield curve continued to flatten as the US Federal Reserve (Fed) shifted its message towards a bias to tighten and market expectations of a near-term rate increase rose

Fund Review

The Legg Mason Western Asset Global Bond Trust returned 0.07%[1] in SG dollar terms in August, outperforms its benchmark, the Citigroup World Government Bond ex Japan Index hedged to S$, which fell -0.06%.

Short duration in Japan and Germany benefited as government bond yields closed the month higher. This was partially offset by a long duration position in the US where bond yields also rose. Overweights to Italian, Mexican and Polish government bonds had a positive impact on performance.

A curve flattening position in the US contributed positively to performance as longer-dated bonds outperformed shorter-dated maturities while a long breakeven position in the US detracted slightly.

Long Polish zloty and Mexican peso exposures versus the Singapore dollar benefited the portfolio.

Outlook

Global growth of around 3% is slow but sustainable in the Manager's opinion. Global debt loads, however, are flashing a cautionary sign and the recovery is going to continue to take time as well as a continuation of policy support. The Manager still believe the Fed will remain on hold unless and until 1) economic growth is in line with the Fed's forecast, 2) financial conditions improve significantly and 3) inflation expectations rise.

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Outlook (cont.)

In the US, the Manager forecast is for 1.5% real Gross Domestic Product (GDP) growth. While the consumer and housing sectors have been holding steady, manufacturing has been very stagnant. 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 the move deeper into negative yields for core European and Japanese government bond yields has provided the opportunity to reduce exposure further.

The Managers expects eurozone growth of around 1.75% in 2016 and 2017. 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. Global portfolios maintain a modest long position in Italian government bonds. The Manager believes the ECB's aggressive sovereign bond purchase program will keep any spread widening contained despite rising political uncertainty in Italy ahead of a referendum on constitutional reforms in October.

The Manager believes the spreads available in select EMs present an opportunity to add value, such as in Mexico, and where yield curve flattening trends are likely to be supported by weak growth, low developed market rates and proactive central bank policies. The ramifications of Brexit for Poland are potentially significant. However, Poland benefits greatly from the free movement of European Union (EU) labor and is a large net recipient of EU funds. Support for continuation of EU membership in Poland is likely to remain high. With slower growth and continued downside inflation surprises, the Manager believes Polish rates remain attractive, especially relative to core eurozone yields.

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.

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[1] Source: Legg Mason, as of 31 August 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 -2.93% for 1 Month, 0.06% for 3 Months, 3.01% for YTD, 3.91% for 1 Year and 4.04% 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.
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