

Legg Mason Western Asset Southeast Asia Special Situations Trust

QUICK VIEW

Key performance drivers

- The Fund underperformed its benchmark, returning 1.63%¹ in January against the MSCI South East Asia Index, which returned 1.85%.
- Stock selection in Malaysia (JAKS Resources) and Singapore (mm2 Asia) contributed.
- Holdings in Thailand (KCE Electronics, CH Karnchang, Sino-Thai Engineering & Construction) and Indonesia (Cardig Aero Services) detracted from performance.

Views and positioning

- The Fund's largest overweights are in the industrials and healthcare sectors.
- The largest underweight exposure is in the financials sector.

Current activity and manager outlook

- The sub-manager believes that the market is unlikely to be shaken by the possibility of two additional rate hikes by the Fed this year unless the acceleration in US inflation and rate hike trajectory falls outside the realm of expectations.
- The generally pessimistic prognosis and media's negative portrayal of Trump's presidency may paradoxically leave much room for reality to surprise on the upside.

Performance ¹ to 31/01/17	1 Month	3 Months	YTD	1 Year	5 Years
Legg Mason Western Asset Southeast Asia Special Situations Trust	1.63%	-1.36%	1.63%	7.46%	-0.10%
MSCI South East Asia Index	1.85%	1.21%	1.85%	11.98%	3.12%

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

Market Review

Despite the fog of uncertainties surrounding the dawn of a new era under the much maligned and widely labelled "unpredictable" President Trump, global equity markets were off to a strong start this year. This contrasts sharply to the wobbly and debacles-ridden start of last year. A year ago, investors were shocked by the sharp depreciation of the RMB and the free fall in the Chinese A-share market. This year, sentiment in regional markets was buoyed by the revival of "animal spirits" on Wall Street and the general optimism of investors riding on the waves of reflationary trades. The regional benchmark MSCI Asia ex-Japan Index rose 3.56% during the first month of 2017².

Fund Review

The Legg Mason Western Asset Southeast Asia Special Situations Trust returned 1.63%¹ in SG dollar terms in January, underperforming its benchmark, the MSCI South East Asia Index, which returned 1.85%. Stock selection in Malaysia and Singapore contributed to performance. The Fund's holdings in JAKS Resources surged after the company refocused on its Vietnam power plant project given the slowdown in the Malaysian property market. Holdings in mm2 Asia rallied after the company announced the appointment of a media industry veteran as its new CEO.

Negative contributions during the month came from Thailand and Indonesia. The holdings in KCE Electronics and Thai construction companies CH Karnchang and Sino-Thai Engineering & Construction gave up part of its prior month's gains. Holdings in Cardig Aero Services saw its share price decline under very thin liquidity conditions.

Outlook

Despite the possibility of two additional rate hikes by the Fed this year, the market is unlikely to be shaken unless the acceleration in US inflation and the rate hike trajectory falls outside the realm of expectations. While it may be premature to form any hasty conclusions on the Trump administration, the generally pessimistic prognosis and the media's negative portrayal of Trump's presidency may paradoxically leave much room for reality to surprise on the upside.

Legg Mason Western Asset Southeast Asia Special Situations Trust

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 January 2017, 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 -3.45% for 1 Month, -6.29% for 3 Months, -3.45% for YTD, 2.09% for 1 Year and -1.12% for 5 Years. **Investment involves risks. Past performance is not indicative of future results.**

² Source: Bloomberg, as of January 2017.

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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