LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason Western Asset Global Bond Trust

QUICK VIEW

Key performance drivers
- The Fund gained 0.72[1] in SG dollar terms in February, trailing the benchmark slightly by 0.26%.
- A long US duration contributed from performance.
- Curve flattening bias positions in the US and tactical trading over the month added value as longer-dated bonds outperformed shorter-dated maturities.
- A long Mexican Peso versus the Singapore dollar was additive but partially offset by a long Polish zloty exposure which detracted.

Views and positioning
- Hold a long US duration position with a bias towards 30-year US maturities.
- Remain tactical with respect overall portfolio duration and yield curve positioning.

Current activity and manager outlook
- The Manager believe the Fed will remain cautious, however, mindful of the many unknowns surrounding the new administration's policies.
- The Manager's focus remains on longer-term fundamentals with diversified strategies to manage risk.

Performance[1] to 28/02/17	1 Month	3 Months	YTD	1 Year	5 Years
Legg Mason Western Asset Global Bond Trust	**0.72%**	**0.22%**	**-0.07%**	**-2.18%**	**2.63%**
Citigroup World Government Bond Index ex Japan hedged to S$	0.98%	0.60%	0.19%	0.37%	3.81%

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

Market Review

Political headlines continued to dominate market sentiment. US President Donald Trump's first address to Congress struck a more conciliatory tone. Less harsh rhetoric over global trade reduced the risk premia in emerging market assets with Mexican bonds and the Mexican peso benefiting in particular. As US financial conditions continued to improve, the Federal Reserve (Fed) indicated a readiness to hike interest rates again. Shorter-dated US yields rose and the US yield curve flattened. US corporate and high-yield bonds continued to outperform despite increased expectations for Fed tightening. German government bonds outperformed other European markets as political uncertainty increased ahead of upcoming elections in France and the Netherlands, while in Italy former Prime Minister Matteo Renzi resigned as leader of the Democratic party.

Fund Review

The Legg Mason Western Asset Global Bond Trust returned 0.72%[1] in SG dollar terms in February, trailing the Citigroup World Government Bond Index ex Japan hedged to S$ which returned 0.98%.

Underweight duration positions to German bunds and UK gilts hurt performance but a long US duration position partially offset losses. A long position in Italy subtracted as Italian government bonds underperformed German bunds. Overweight to Mexican and Polish government bonds was positive to performance.

A curve flattening bias in the US, and tactical trading over the month added value as longer-dated bonds outperformed shorter-dated maturities. A long Mexican peso exposure versus the Singapore dollar was additive, partially offset by a long Polish zloty exposure which detracted.

Outlook

In the US, fiscal stimulus and the withdrawal of anti-growth regulations are expected to provide a more favorable climate for business and growth. Growth could accelerate, the disinflation backdrop could reverse and the Federal Reserve (Fed) could tighten more meaningfully. Igniting US growth in the context of a weak global environment, however, has proven exceedingly difficult.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

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Outlook (cont.)

US financial conditions have improved in the past few months and the Fed has indicated a readiness to reduce policy accommodation further. Market expectations for the peak level in interest rates are now close to the Fed's own forecast. The Manager continue to believe the Fed will remain cautious, however, mindful of the many unknowns surrounding the new administration's policies. The Manager continue to hold a long US duration position in global portfolios with a bias towards 30-year US maturities, but remain tactical with respect to overall portfolio duration and yield curve positioning.

The outlook for EM countries remains uncertain given the potential for a diminution in global trade under the new Trump administration. The recent improvement in commodity prices should, however, provide some support to commodity-producing EM countries. Mexican bonds and the peso have begun to recover after weakening significantly after the US elections. The Manager expect the worst case outcomes with respect to potential border tariffs and immigration will be avoided and Mexican assets therefore have the potential to continue to recover further. In Poland, macro fundamentals remain solid and yields are attractive in our opinion, especially versus core eurozone yields.

With volatility likely to remain elevated, the Manager continues to look for opportunities to benefit from market anomalies. The focus remains on longer-term fundamentals with diversified strategies to manage risk.

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[1] Source: Legg Mason, as of 28 February 2017, 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 -2.30% for 1 Month, -2.79% for 3 Months, -3.07% for YTD, -5.12% for 1 Year and 2.00% for 5 Years. **Investment involves risks. Past performance is not indicative of future results.**