LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason Western Asset Global Bond Trust

Fund performance

Annualised (%)[1]	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	Since inception
Class A Acc SGD	**1.29%**	**-0.07%**	**-0.07%**	**1.72%**	**0.24%**	**2.20%**	**1.97%**
Class A Acc SGD (inclusive of sales charge)	-1.75%	-3.07%	-3.07%	-1.33%	-0.78%	1.58%	1.84%
Benchmark: FTSE World Government Bond Index ex Japan hedged to S$	1.39%	0.36%	0.36%	2.28%	1.67%	3.30%	3.58%

Past performance is not a reliable indicator of future results

Monthly review

What happened in the market? US yields fell and the curve flattened as trade tensions between the US and China escalated and equity markets weakened. The March Federal Open Market Committee (FOMC) meeting delivered the expected 0.25% rate increase. US Federal Reserve (Fed) Governor Jerome Powell highlighted the Fed's more optimistic outlook on US growth given the recent changes to fiscal policy but continued to advocate a gradual path for further monetary policy tightening. The Eurozone Consumer Price Index (CPI) fell to 1.1% year-over-year (YoY) from 1.3% and the composite Purchasing Managers' Index (PMI) fell for the second consecutive month. Although the Italian general election delivered a hung parliament, peripheral market spreads ended the month much unchanged and Italy outperformed.

What happened in the fund? The rally of US rates towards month end and the portfolio's overweight US position contributed to performance. This was however offset by the rally in German bunds where the underweight duration positions detracted. The portfolio's curve positioning detracted as the US curve flattened. Long positions in Polish and Mexico rates contributed to performance. Overall, currency strategies contributed to performance. Gains from Mexican peso was partially offset by Polish zloty and Canadian dollar. A long breakeven position in Japan contributed to performance.

What did the portfolio manager do? In March, the manager reduced underweight duration position in Euro rates.

What is the outlook? We continue to believe inflation in the US economy will remain benign. The recent changes to US fiscal policy are likely to improve the near-term growth outlook but are unlikely to materially improve the longer-term growth trajectory. We also believe this economic cycle will extend much further before we see signs of inflationary pressures building simply because the magnitude of growth created in the last nine years has been so low relative to what has been experienced in previous cycles. Absent an acceleration in nominal Gross Domestic Product (GDP), we view the expected uptick in inflation this year as merely a move back to more normal levels as the economy heals. If the economy continues to improve as we expect, and policy is adjusted at a gradual pace, risk assets should do well and government bond yields should remain well supported.

We remain vigilant to an escalation in trade tensions between the US and China and a potential further increase in equity market volatility. Under this scenario corporate bond spreads could widen and we believe holding some "ballast" in high-quality government duration remains a prudent risk management strategy. With the continued flattening of the US yield curve and forward bond yields already above the Fed's long run expectation of 2.9%, we have continued to move duration down the yield curve from US long bonds towards intermediate maturities.

We continue to be constructive on emerging markets (EM) debt as fundamentals, valuations and technicals are likely to support EM assets over the medium-term. Global portfolios remain positioned with a modest overweight to spread sectors, in particular select EM USD- and local-currency-denominated bonds, to take advantage of attractive valuations. We continue to look for opportunities to benefit from market anomalies. Our focus remains on longer-term fundamentals with diversified strategies to manage risk.

Investment Aim: The objective of the Fund is to maximise total returns in Singapore Dollar terms over the longer term by investing a portfolio of high quality debt securities of Singapore and major global bond markets such as the G10 countries and Australia and New Zealand. The Fund aims to outperform its benchmark.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.

IMPORTANT INFORMATION:

This Fund is managed by Western Asset Management

[1] Source: Legg Mason. Performance is calculated on NAV to NAV basis (in SGD terms), with net income and dividends reinvested, if any, without initial charges but reflecting annual management fees. Performance for periods above one year is annualised. **Investment involves risks. Past performance is not indicative of future results.** Inception date: 2 November 1998.

IMPORTANT INFORMATION

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

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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 2017, 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 2018. 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.

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