LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason Western Asset Asian Opportunities Fund

Fund performance

Annualised (%)[1]	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	Since inception
Class A Acc USD	**1.70**	**4.23**	**4.23**	**0.34**	**2.51**	**1.97**	**3.91**
Class A Acc USD (inclusive of sales charge)	-3.39	-0.98	-0.98	-4.68	0.77	0.93	3.42
Benchmark: Markit iBoxx Asian Local Bond Index[2]	1.06	3.12	3.12	1.61	2.91	2.84	4.14

Past performance is not a reliable indicator of future results

Monthly review

What happened in the market? The Asian credit market continued to rally in March, as it rose sharply against a backdrop of falling U.S. Treasury yields. The JPMorgan Asia Credit indexes, both financials and non-financials, posted strong returns in March, adding to their year-to-date gains. On a sector basis and beginning with Asian financial senior paper, spreads tightened largely across the board in Korea, China and most of Southeast Asia. Indian financial senior paper experienced even greater spread tightening. On the non-financials front, it was generally a matter of how much tightening, as opposed to any spread widening, that separated the underperformers and outperformers. Beginning with China, technology credits performed well, as did select developers. India generally outperformed, with spreads tightening 20-30 basis points during the month. In terms of new issuance, US$10.8 billion of Asian investment-grade corporate/financial printed in March. However, for the first quarter of 2019 new issuance was down 15% year over year. Meanwhile, the Markit Asia Local Bond Index posted a positive return for the month, as emerging market bonds recovered on the back of positive risk sentiment and falling U.S. Treasury yields.

What happened in the Fund? The Fund outperformed the benchmark in March. The Fund’s marginally broad overweight positioning was additive for results, with differentiated moves in the local markets benefiting the portfolio. In particular, overweights in India, Indonesia and the Philippines contributed to returns. On the downside, underweights in Singapore, Hong Kong, Thailand and Malaysia detracted from performance. Asian currencies were mostly weaker against the U.S. dollar in March. Against this backdrop, a structural overweight in the offshore Chinese yuan detracted from results. Elsewhere, the Fund’s overweight in U.S. dollar-denominated Asian investment-grade credit continued to pay off from a carry perspective.

What did the portfolio manager do? There were no significant changes to the portfolio during the month.

What is the outlook? Indicators of manufacturing sentiment in Japan, the U.S., Europe and China all began to fall in the second half of 2018, and they have experienced a more pronounced decline over the past few months. This was driven by a combination of trade policy uncertainty and weakening growth momentum, as the effects of monetary and fiscal easing wear off. The slowdown in China is driven by lackluster consumption on the back of tightening financial conditions and a weaker employment outlook. While household leverage remains reasonable, it has risen quickly in the past 10 years. The heavy industry downturn of 2014-2015 produced a lot of job losses, but these were quickly absorbed by fast-growing service sectors. This time around, the service sector is not proving as resilient. Chinese policymakers acknowledged the downside risks, with a gross domestic product (GDP) target of 6%-6.5% and 11 million new jobs (versus 13.6 million new jobs created in 2018). They also announced more targeted reserve requirement ratio cuts for smaller banks and lower real interest rates via market reforms, while keeping macroeconomic leverage stable. “Jobs first” has become the primary goal of Beijing’s pro-growth policies, and the authorities’ assessment of the unemployment picture will largely dictate how much they will stimulate the economy. At the end of the National People’s Congress, Beijing confirmed a stronger-than-expected stimulus package, while setting a slightly lower growth target. Stimulus measures mainly targeted the private corporate sector rather than the highly leveraged property sector and state-owned enterprises. While credit growth bottoming looks to be in sight, the manager believes activity will continue to be soft until the second half of the year, when the effect of firming policy support begins to show.

Investment Aim: The Fund seeks to maximise total return through income and capital appreciation by investing at least 70% of its Net Asset Value in debt securities issued by Asian issuers and in derivatives on Asian interest rates and currencies.

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 a NAV to NAV basis (in USD terms) with 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 July 2008.

[2] Markit iBoxx Asian Local Bond Index since 1 May 2016. On or before 29 April 2016, the benchmark was HSBC Asian Local Bond Overall Index.

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. Due to the investment policies of the Fund, this Fund may have particularly volatile performance.

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