LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason Western Asset Global Multi Strategy Fund

Fund performance

Annualised (%) [1]	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	Since inception
Class A Acc USD	**0.84**	**5.04**	**5.04**	**0.19**	**4.70**	**2.46**	**3.76**
Class A Acc USD (inclusive of sales charge)	-4.20	-0.21	-0.21	4.82	2.93	1.42	3.31

Past performance is not a reliable indicator of future results

Monthly review

What happened in the market? Developed market government bonds rallied sharply following dovish leanings from many global central banks, notably the Federal Reserve Board (“Fed”) and the European Central Bank (ECB). The ECB extended forward guidance for rates to remain at current levels by a further quarter, “through the end of 2019.” A new series of quarterly targeted longer-term refinancing operations, starting in September 2019 and running until March 2021, was also announced. While these decisions were largely anticipated, the surprise came in terms of timing, as they were expected later in the year. Updated ECB economic forecasts for growth and inflation showed greater-than-expected downward revisions. This was driven by continued weak data and continued uncertainty from a number of factors, such as Brexit, global trade tensions and weaker external demand. The dovishness from the Fed came in the form of revisions to its median rate outlook forecasts, projecting no rate hikes during 2019 and only one in 2020. In addition, the Fed said it would conclude its balance sheet tapering by the end of September. In addition to the lowering of forward rate expectations, high levels of caution from central banks have increased investor anxiety over the global growth outlook. These worries peaked following disappointing manufacturing data in Europe, particularly in Germany, where contraction in the sector continues.

What happened in the Fund? The Fund generated a positive absolute return in March. Contributing to performance were the Fund’s allocation to spread products (high-yield and investment-grade corporate bonds) and U.S. dollar-denominated emerging market debt. The Fund’s U.S. government duration position was also additive for returns, as U.S. Treasury yields declined in March. This was partially offset by the negative contribution from the Fund’s short core European rates positioning, as German bund yields moved back into negative territory during the month. Elsewhere, the Fund’s bank loans returns were slightly negative for results in March. That being said, the Fund’s allocation to the asset class was decreased over the first quarter, so the impact was minimal. Finally, the Fund’s emerging market foreign exchange positioning was mixed. In particular, allocations to the Russian ruble and the Indian rupee were beneficial, as they strengthened during the month. In contrast, the Fund’s allocations to the Argentine peso, the Brazilian real and the Turkish lira detracted from results, as they weakened in March.

What did the portfolio manager do? The Fund reduced its allocation to short-term U.S. duration as yields declined. To protect the portfolio against a risk-off environment, call options on the Japanese yen were purchased. In the emerging market space, 10-year local Russia bonds were switched into Russia four-year bonds as the curve yield flattened. Finally, an opportunistic allocation was made to five-year U.S. dollar-denominated Turkish sovereign bonds as their spreads widened.

What is the outlook? Global growth concerns have intensified since year end. Ongoing trade disputes and a slowdown in China have conspired to markedly slow down global trade activity and materially impact global manufacturing activity, most notably in the eurozone. Despite these headwinds, the manager expects global growth to remain on a positive trajectory, with U.S. growth remaining resilient and Europe and China regaining their footing as risks over a “hard Brexit” and trade uncertainties recede.

While the manager remains mindful of the downside risks from an escalation in global trade tensions and slower global growth, their base case view for credit spreads is a modestly tighter destination in the near- to mid-term. Credit fundamentals continue to remain sound, broadly speaking, albeit there are pockets of weakness to be vetted, once again showing the importance of active management/issue selection/avoiding impairment. Favorable technicals, given inflows into credit markets and limited primary supply, may breed further spread compression, given the low default rate environment and wide-open access to capital.

Investment Aim: The Fund seeks to maximise total return through income and capital appreciation by investing primarily in debt securities across the major fixed income sectors and that are listed or traded in developed and emerging market countries and the face value of which is in U.S. dollars, Japanese yen, pound sterling, euro and a variety of other 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 any 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: 9 May 2007.

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.

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