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	**1.34**	**1.48**	**1.48**	**1.41**	**0.16**	**2.28**	**1.95**
Class A Acc SGD (inclusive of sales charge)	-1.70	-1.56	-1.56	-1.63	-0.85	1.65	1.82
Benchmark: FTSE World Government Bond Index ex Japan hedged to S$	2.03	2.60	2.60	3.92	2.00	3.77	3.60

Past performance is not a reliable indicator of future results

Monthly review

What happened in the market? Developed market (DM) government bonds rallied sharply following dovish announcements from many global central banks, notably the Federal Reserve (Fed) and European Central Bank (ECB). 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, we expect global growth to remain on a positive trajectory with US growth remaining resilient and Europe and China regaining their footing as risks over a “hard Brexit” and trade uncertainties recede.

What happened in the fund? An underweight exposure in European and UK duration detracted while an overweight Mexican government bonds contributed positive performance. Overweight British pound detracted from performance. Overweight EUR inflation-linked bonds contributed to performance.

What did the portfolio manager do? The manager reduced overweight exposure to US duration and reduced long Japanese yen exposures.

What is the outlook? In the US, we expect growth in the 2.0%-2.25% range in 2019 and inflation similar to that of 2018. The factors propelling faster growth in 2017-18—business investment and exports—have moderated a bit, and homebuilding is declining mildly, rather than growing as it did in 2017-2018. These factors will reduce growth to our forecast range. However, at this time, we see nothing in the way of more serious declines in these aggregates or others that would threaten the continuation of the expansion. The Fed’s pronouncements last year of four rate hikes in 2019 were predicated on continued strong economic growth. As reality has instead come into line with our slower-growth outlook, the Fed has understandably pulled back on the aggressiveness of its hiking regime. We expect the Fed to hold back from any additional rate hikes and maintain its “wait-and-see” strategy at least through the rest of this year. At present, we retain a long US duration bias which we also believe remains an effective hedge against risk exposures in global portfolios.

With respect to Europe, a confluence of domestic and global factors has led us to materially revise lower our growth forecasts and we now estimate 2019 eurozone growth to come in around 1%. Our forecast factors in a weaker outlook for Germany and Italy and to a lesser degree for France and Spain. It also reflects the continued drag on the region’s external sector from weaker global manufacturing and trade, ongoing Brexit uncertainty and renewed global growth concerns. Consequently, we have also revised lower our expectations for eurozone core inflation, although we still believe this will gradually rise during the course of the year. Responding to the softer economic outlook, the ECB has extended its forward guidance and signaled that policy will remain accommodative for as long as necessary. Under this scenario we expect higher German bund yields toward the end of 2019. We think firmer ECB forward guidance is supportive for short-dated carry trades, which supports our decision to retain a modest overweight to Italian bonds.

A dovish Fed and stable to strengthening EM currencies have taken pressure off EM central banks to tighten policy, which should result in a compression of the EM versus DM real yield differential. The diminishing impact of US fiscal stimulus, and the re-introduction of stimulus in China also augur well for the resynchronization of global growth. In our view, these combined factors are supportive for all segments of the EM asset class.

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:

The manager of the Fund is Legg Mason Asset Management Singapore Pte. Limited^.
Western Asset Management^ has been appointed as the sub-manager of the Fund.

[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.

^ With effect from 3 September 2018, the manager of the Fund has been changed from Western Asset Management Company Pte. Ltd. to Legg Mason Asset Management Singapore Pte. Limited while Western Asset Management Company Pte. Ltd. has been appointed as the sub-manager for the Fund.

IMPORTANT INFORMATION

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

Source: Western Asset Management and Legg Mason.

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The minimum CPF interest rate for the Ordinary Account (OA) is 2.5% per annum. As announced in September 2018, 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 2019. 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.

Investors should note that the applicable interest rates for each of the CPF accounts may be varied by the CPF Board from time to time. Subscriptions using CPF monies shall at all times be subject to inter alia regulations and such directions or requirements imposed by the CPF Board from time to time.

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