Monthly review

What happened in the market? During September, ASEAN equities, as measured by the MSCI AC ASEAN Index, were up 0.4% in Singapore dollar terms. The best-performing market was the Philippines (+3.3%), while Singapore was weakest (-1.3%). In sector terms, IT fared the best (+3.1%), while utilities was the most notable underperformer (-2.7%).

What happened in the fund? The Fund rose 0.98% during the month. In sector terms, financials was the top contributor to relative returns, adding 0.5 percentage points (pp), with consumer staples and utilities also aiding performance, (contributing 0.4pp and 0.2pp respectively). Telecommunications, materials, consumer discretionary and real estate were all detractors.

Performance-wise, Philippines retail names were among the top performers over the period, with supermarket chain Puregold and multi-format retailer, Robinsons Retail both faring well. Philippines retail bank BDO Unibank was also a notable positive. In Malaysia, the fund also benefited from the strength of one financial stock, the universal bank Maybank, but also from not holding another, CIMB, which performed poorly due to the announcement that Japanese financial Mitsubishi UFJ was selling its stake in the company.

On the other side, Indonesian retailer Matahari Department Store continued its slide on the bank of weak same-store sales. We think from a long-term viewpoint the current valuation is extremely attractive. Jasa Marga, which operates toll roads in Indonesia, was the main detractor, falling on a governance concern following the arrest of one manager accused of bribery. At this stage it appears to be an isolated incident, yet acts as a powerful reminder of the inherent risks with infrastructure projects in the region. Singapore-listed international real estate operator City Developments also fared badly.

What did the portfolio manager do? There were no new purchases or sales during the month.

What is the outlook? The sub-manager concluded last month that the picture for the ASEAN region felt somewhat muted and nothing in September changed that feeling. Generally economic growth continues to underwhelm, although at the margins there are some signs of improvement. Earnings are broadly fine, but given reasonably full valuations are not sufficient to move markets.
IMPORTANT INFORMATION:

The managers of the Fund are Legg Mason Asset Management Singapore Pte. Limited.^ Martin Currie Investment Management Limited ^^ has been appointed as the sub-manager of the Fund.

† Source: Legg Mason, as of 30 September 2017, based on Class A (SGD) Acc. Performance is calculated on NAV-NAV basis, with net income and dividends reinvested, if any (SGD terms). Performance for periods greater than one year is annualised. Investment involves risks. Past performance is not indicative of future results.

‡ With effect from 1 August 2017, the Fund name for Legg Mason Southeast Asia Special Situations Trust has been changed to Legg Mason Martin Currie Southeast Asia Trust.

^ With effect from 3 April 2017, the manager of the Fund has been changed from Western Asset Management Company Pte. Ltd. to Legg Mason Asset Management Singapore Pte. Limited.

^^ With effect from 1 August 2017, the sub-manager of the Fund has been changed from Havenport Asset Management Pte Ltd to Martin Currie Investment Management Limited.

* With effect from January 2017, the benchmark was rebranded from MSCI South East Asia Index to MSCI AC ASEAN Index. Prior to 1 October 2013, the benchmark was MSCI AC Far East ex Japan, ex China, ex Hong Kong, ex Taiwan, ex Korea (S$).

The fund may invest in derivatives for hedging and/or efficient portfolio management purposes, and transferable securities embedding a financial derivative may be used for the purposes of hedging, efficient portfolio management and/or optimising returns. The fund’s net asset value may have higher volatility characteristics as a result of its portfolio management style.

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