Legg Mason Martin Currie
Southeast Asia Trust

Fund performance

<table>
<thead>
<tr>
<th>Annualised (%)</th>
<th>1 Month</th>
<th>3 Months</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>Since inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Acc SGD</td>
<td>-5.72%</td>
<td>-7.36%</td>
<td>-11.25%</td>
<td>-8.19%</td>
<td>-1.26%</td>
<td>-5.36%</td>
<td>6.20%</td>
</tr>
<tr>
<td>Class A Acc SGD (inclusive of sales charge)</td>
<td>-10.43%</td>
<td>-12.00%</td>
<td>-15.69%</td>
<td>-12.78%</td>
<td>-2.94%</td>
<td>-6.33%</td>
<td>5.93%</td>
</tr>
<tr>
<td>Benchmark: MSCI AC ASEAN Index²</td>
<td>-4.98%</td>
<td>-4.22%</td>
<td>-7.80%</td>
<td>-3.62%</td>
<td>5.86%</td>
<td>2.19%</td>
<td>4.55%</td>
</tr>
</tbody>
</table>

Past performance is not a reliable indicator of future results

Monthly review

What happened in the market? Equities in Southeast Asia were weak in October as global markets struggled. The MSCI AC ASEAN fell almost 5% in Singapore dollar terms, but this was less than world markets overall and the MSCI Asia (which ended the month down 8.6%). Singapore, Thailand and Malaysia were all down by more than 5%, while the markets which have been falling most so far in 2018, Indonesia and the Philippines held up a little better.

What happened in the fund? The portfolio fell 5.72% in Singapore dollar terms during the month. In sector terms, industrials and IT made a positive contribution to performance over the period. Consumer discretionary was the biggest detractor, with real estate and financials also notably weighing on performance.

At the stock level, Philippines financial BDO Unibank was the top performer over the period, recovering from weakness in September. It announced a strong set of results, with profits up 18% year on year, helped by net margin expansion. Defensive stocks, such as pan-Asian retailer Dairy Farm also held up in the tough market environment. Indonesian heavy-equipment distributor United Tractors was also a positive, following strong results.

On the other side, Indonesian retailer Matahari Department Store was the most notable detractor. Its shares were hit due to bribery allegations against the CEO of Lippo Group, Matahari’s largest shareholder, although the company has confirmed to us it has no exposure to the deal in question and there are no wider implications for the business from the allegations. Several of the fund’s bank holdings were weak over the month, including DBS and United Overseas Bank (UOB) in Singapore, and Kasikornbank in Thailand. UOB results over the month were largely in line with expectations and the key is whether it can resume the margin improvement seen earlier in the year. The market is also concerned about a general slowdown in activity – although this has not been reflected in the results.

What did the portfolio manager do? In terms of portfolio activity, there were no new purchases or outright sales over the month.

What is the outlook? Earnings revisions have clearly turned negative across Asia and the ASEAN markets are no exception. So far, however, the downgrades have been relatively mild compared with market adjustments so valuation levels are contracting. Against their own 10-year history. Singapore and Philippines are now looking inexpensive, whereas Thailand’s relative defensive positioning means valuations are high versus recent history. The challenge for markets will be to find a bottom while earnings continue to be downgraded. Foreign investors have been selling markets such as Indonesia and the Philippines for most of 2018 and the question is, at what valuation levels will interest in these markets reverse? Much here is likely to depend on the US rate cycle and the US dollar.

Investment Aim: The objective of the Fund is to achieve medium to long-term capital appreciation by investing at least 70% of the Fund in securities issued by companies that are incorporated, domiciled or listed, or have a significant economic interest, in South and South-East Asia countries.
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.

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. 


2 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$).

IMPORTANT INFORMATION

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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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 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 $60,000 of your combined CPF accounts earns an extra 1% interest. To enable members to earn extra interest, only monies in excess of $20,000 in your OA and $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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