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>-0.67%</td>
<td>-2.00%</td>
<td>-4.85%</td>
<td>2.08%</td>
<td>1.84%</td>
<td>-2.97%</td>
<td>6.61%</td>
</tr>
<tr>
<td>Class A Acc SGD (inclusive of sales charge)</td>
<td>-5.64%</td>
<td>-6.90%</td>
<td>-9.60%</td>
<td>-3.02%</td>
<td>0.11%</td>
<td>-3.96%</td>
<td>6.34%</td>
</tr>
<tr>
<td>Benchmark: MSCI AC ASEAN Index2</td>
<td>1.13%</td>
<td>-0.09%</td>
<td>-2.65%</td>
<td>4.68%</td>
<td>8.33%</td>
<td>4.82%</td>
<td>4.87%</td>
</tr>
</tbody>
</table>

Past performance is not a reliable indicator of future results

Monthly review

What happened in the market? August was another positive month for ASEAN markets, the MSCI AC ASEAN index rising 1.1% in Singapore dollar terms. The outperforming countries were similar to those which fared best in July, with Thailand and the Philippines leading the field. Singapore, meanwhile, was the only market to fall over the month.

What happened in the fund? The portfolio fell 0.67% in Singapore dollar terms during the month. In sector terms, consumer staples was the largest contributor over the month. Financials was the biggest detractor, with real estate and consumer discretionary also weighing on performance.

At the stock level, Dairy Farm International, a pan-Asian food, home-furnishing and beauty retailer with franchises in China and Southeast Asia was the most notable positive. Despite a challenging operating environment, investors appear to be gaining confidence in management’s ability to solve any difficulties and restructure the business where necessary. Cement manufacturer Semen Indonesia also fared well, while not holding casino operator Genting Singapore (the portfolio holds Genting Malaysia and its parent company Genting Berhad) was also positive for performance.

On the other side, the largest detractor for a second month was Singapore real estate firm City Developments. This was weak on the back of Singapore’s latest property tightening measures. Philippines conglomerate GT Capital was another negative. This was due to weak sales at one of its interests, Toyota Motor Philippines. There were two reasons for the disappointing sales, firstly people buying cars last year ahead of tax changes, and secondly, as inventory is being depleted ahead of a full update of Toyota’s best-selling model, the Vios. Singapore TV producer and cinema operator mm2 also fared poorly, its share price falling following disappointing results.

What did the portfolio manager do? We sold IHH, a Malaysian-based hospital company, which has exposure across the region. IHH has a substantial operation in Turkey, and its business there makes up a large part of the company’s profit currently. In the current environment, with Turkey still in economic turmoil, a big hit to profits could be quite impactful for shareholders.

What is the outlook? The improving performance is, most likely, driven by a combination of (a relative) lack of negative news on trade and a more favourable valuation level in ASEAN markets. However, the macro backdrop remains challenging. We continue to see negative earnings revisions and our meetings with corporates haven’t yet begun pointing to a pick up in economic activity.

With the withdrawal of the goods and services tax (GST) in Malaysia, all eyes would be on the new government’s fiscal policy. It would appear one result will be the cancellation of major infrastructure projects. The difficulty in Malaysia now, is that a great deal of uncertainty surrounds policy – and uncertainty is rarely good for investment. Philippines inflation hit 5.7% for July and, anecdotally, inflationary expectations are beginning to become embedded. The central bank has already been proactive in raising rates, continuing this with another 50bps hike in August.

Singapore is possibly the ASEAN economy most at risk from a trade war, or even just a decline in the growth of international trade. In any case the economy slowed a little in the second quarter, to a growth rate of 3.9% year on year. Thailand has proved the most resilient of the markets from a currency point of view and this has allowed the Bank of Thailand (BOT) to keep rates on hold (near record lows) so far during this tightening cycle.

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.

PLEASE REFER TO THE IMPORTANT INFORMATION ON THE FINAL PAGE.
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. Investment involves risks. Past performance is not indicative of future results. Inception date: 2 March 1998.

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 ($$).

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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