

Legg Mason Western Asset US Core Plus Bond Fund

Fund performance

Annualised (%) ¹	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	Since inception
Class A Acc USD	2.02	4.02	4.02	3.13	2.53	2.55	3.61
Class A Acc USD (inclusive of sales charge)	-3.08	-1.18	-1.18	-2.03	0.79	1.50	3.17
Benchmark: Bloomberg Barclays US Aggregate Bond Index	1.92	2.94	2.94	4.48	2.03	2.74	3.92

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 return in March. The Fund’s emerging markets exposure was the largest detractor from returns, as both sovereign and corporate spreads widened in March. In addition, long exposures to the Brazilian real and Mexican peso were headwinds for returns, as they weakened versus the U.S. dollar. Yield curve positioning was negative for results, as the front part of the curve flattened and the back end steepened. The Fund’s non-U.S. dollar positioning also detracted from performance. This was driven by longs in the Canadian dollar and British pound, both of which depreciated versus the U.S. dollar. On the upside, having a duration that was longer than that of the benchmark contributed to results, as yields moved lower in March. The Fund’s allocation to investment-grade corporate bonds was modestly beneficial, as their spreads narrowed during the month.

What did the portfolio manager do? A number of adjustments were made to the portfolio in March. The manager pared the Fund’s duration, but it remains long versus that of the benchmark. The manager also slightly trimmed the Fund’s exposure to investment-grade corporate bonds.

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.

Investment Aim: The Fund seeks to provide maximum total return, consisting of capital appreciation and income, by investing at least 70% of its Net Asset Value in investment grade debt securities that are listed or traded on regulated markets in the U.S.

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 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: 20 April 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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