

GLOBAL BOND EXPOSURE THAT IS TRULY GLOBAL

Legg Mason's Fixed Income Choice

To access today's best global bond market opportunities, you should consider including **emerging markets exposure** due to the high real yields they can offer. So, choose your fund manager wisely. It may pay to bypass managers that avoid or restrict investing in emerging markets due to the perceived risks and those that closely follow popular fixed income benchmarks as these have little or no allocation to emerging markets.

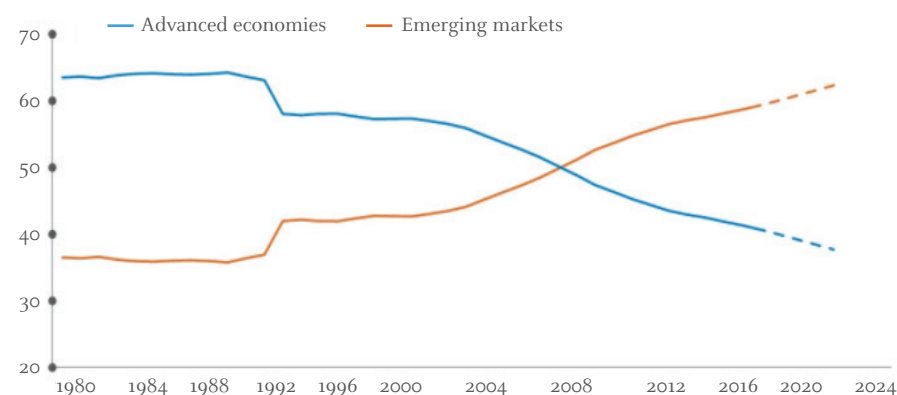
Emerging markets have emerged

Emerging markets didn't use to be for the faint-hearted, given 1990s-style Asian balance of payment crises and double-digit Latin American inflation rates. But today – some twenty years later – most emerging market countries have stabilised and converged towards (or in some cases even moved past) developed markets based on fundamentals.

The chart below shows that emerging and developing economies now account for 59% of the world's Gross Domestic Product (GDP), and this is on an upward trend. Meanwhile, the advanced economies' share has dropped to 40% and is forecast to fall further.

As a result, investors now look differently at emerging bond and credit markets, viewing them not only as a source of tactical, short-term trading but as long-term investment opportunities.

Emerging markets: taking over the world (% of world GDP)



Source: International Monetary Fund as of 20 February 2018. The dashed lines indicate the figures are estimates.

Unconstrained - freedom to choose

Global bond funds that hug the FTSE World Government Bond Index or the Bloomberg Barclays Global Aggregate Index don't have much scope to invest in emerging bond markets as these indices have little or no emerging market exposure. For funds that closely follow benchmarks, deviating too far from published index weights risks underperforming peers and the market.

But funds with an active and unconstrained approach to global bond investing can easily allocate towards emerging markets when attractive opportunities arise. Being benchmark unaware means their emerging market investment limits are often more generous, allowing more value to be added through disciplined investment processes.

Legg Mason's unconstrained global bond specialist

Launched in March 2011, the Legg Mason Brandywine Global Opportunistic Fixed Income Fund is a pioneering global unconstrained strategy managed by a vastly experienced and deeply resourced team. The Fund has a 'go anywhere', opportunistic style, with strict risk limits in place to avoid over-exposure to any one sector or issuer. The Fund can invest up to a maximum 15% in high yield or emerging markets whenever these sectors offer compelling opportunities. The Fund is a highly rated, multiple industry award winner that is A\$716m¹ in size. Returns have been attractive since launch, placing it in the first quartile in its peer group over 1 year, 5 years and since inception (Morningstar)².

Brandywine  GLOBAL

www.leggmason.com.au/fixed-income

1800 679 541 | enquiries@leggmason.com

LEGG MASON
GLOBAL ASSET MANAGEMENT

Past performance is no indication of future performance.

Legg Mason Asset Management Australia Limited (ABN 76 004 835 849, AFSL 240827) (Legg Mason Australia) is part of the global Legg Mason, Inc. group. Legg Mason Australia is the Responsible Entity of the Legg Mason Brandywine Global Opportunistic Fixed Income Trust (ARSN 127 583 411) Funds named in this document (the "Funds") and has appointed Brandywine Global Investment Management (Brandywine) as the investment manager. The Fund's Product Disclosure Statement is available and can be obtained by contacting Legg Mason on 1800 679 541. The information in this article is of a general nature only and is not intended to be, and is not, a complete or definitive statement of the matters described in it. The information does not constitute specific investment advice and does not include recommendations on any particular securities. Investors should obtain professional advice and read the relevant trust's Product Disclosure Statement before making any investment decision. Legg Mason Australia nor any of its related parties, guarantee the repayment of capital or performance of any of the Legg Mason trusts referred to in this article.

¹As at February 2018.

²Source: Morningstar Direct. Ranked in the first quartile in its peer group among 56 funds (1 year), 45 funds (5 years) and 42 funds (since inception) within Morningstar Bonds Global category as at 28 February 2018. © 2018 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser.