Legg Mason Western Asset
Macro Opportunities Bond Fund

**Investment aim**
The fund seeks to maximise total return, through capital appreciation and income by investing in a combination of investment grade and high yielding debt securities and financial derivative instruments.

**Western Asset**
- Western Asset uses a team-based approach to managing the fund.
- One of the world’s largest and leading fixed-income managers, Western Asset has focused on fixed income since its founding in 1971. They offer investors a broad range of core and specialised bond portfolios from across the fixed-income universe, all managed using a long-term, value-oriented investment process.
- Legg Mason’s unique structure provides you with access to this specialised expertise. We offer a powerful portfolio of solutions through our independent investment management firms.

**Fund Details**

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<th>Inception Date:</th>
<th>November 29, 2013</th>
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<td>ISIN:</td>
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**Monthly review**

**What happened in the market?** Developed government yields moved higher in September, as risk sentiment improved. The Fed raised rates an additional 0.25% to a range of 2.00% to 2.25%. The Fed’s forecast for the future path of rate hikes was largely static, but the characterization of monetary policy as being “accommodative” was removed from its official statement. Although the U.S. imposed additional tariffs on imports from China, emerging market (EM) bonds and currencies stabilized. Several EM central banks raised rates, including a surprise 6.25% rate hike in Turkey. In addition, the International Monetary Fund announced a new financing program for Argentina. Italian bonds outperformed, but spreads over Germany rose sharply at the end of the month as the new government released budget proposals that indicated a higher than expected deficit. Core eurozone yields also rose as European Central Bank President Draghi described underlying inflation as “vigorous.”

**What happened in the Fund?** The Fund generated a positive absolute return during the month. EM debt was the most significant contributor to performance, mainly as a result of exposure to rates in Brazil, Argentina and Turkey. EM foreign exchange also added significantly to returns, mainly as a result of long positions in the Turkish lira, Brazilian real and Russian ruble, all of which strengthened versus the U.S. dollar during the month. Investment-grade credit added modestly to returns, mainly from the Fund’s financial exposure. Credit derivatives (CDX) also aided performance. Peripheral Europe was also a modest contributor, largely driven by long 10-year Italian Treasury exposures. Duration/curve positioning detracted from performance on a net basis, as the negative effect of overall long U.S. duration was only partially offset by the positive effect of German bund/buxl exposures.

**What did the portfolio manager do?** The Fund maintained a short position in Japan rates and slightly added to its small long yen position. The Fund also modestly increased its small short position in the euro. Elsewhere, the Fund held external sovereign/corporate debt exposures in Argentina, Brazil, Colombia, Russia, United Arab Emirates, Turkey, Ecuador, Mexico, Indonesia, Egypt, Kuwait and Macau.
What is the outlook? Notwithstanding the improved near-term growth outlook in the U.S., the manager sees little evidence that recent tax changes and government spending will materially improve the longer-term trajectory for the economy. U.S. inflation has moved up to the Fed’s 2% target, but it has not shown any acceleration past it. The limited increase in inflation, even though growth has improved meaningfully, speaks to the magnitude and persistence of the long-term disinflationary pressures on the U.S. economy. Absent any further acceleration in nominal gross domestic product (GDP), the manager views the expected uptick in inflation as merely a move back to more normal levels as the economy heals. The manager believes this scenario is fully priced into the forward markets. The manager’s opinion is that the Fed will not hike past its own estimate of neutral policy rates and that this should continue to support U.S. Treasury yields. Accordingly, the Fund retains a long U.S. duration bias, which the manager believes remains an effective hedge against risk exposures in global portfolios.

Fund Risks

Bonds: There is a risk that issuers of bonds held by the fund may not be able to repay the investment or pay the interest due on it, leading to losses for the fund. Bond values are affected by the market’s view of the above risk, and by changes in interest rates and inflation.

Derivatives: The Fund makes significant use of derivatives. The use of derivatives can result in greater fluctuations of the fund’s value, and may cause the fund to lose as much as or more than the amount invested.

Liquidity: In certain circumstances it may be difficult to sell the fund’s investments because there may not be enough demand for them in the markets, in which case the fund may not be able to minimise a loss on such investments.

Low rated bonds: The fund may invest in lower rated or unrated bonds of similar quality, which carry a higher degree of risk than higher rated bonds.

Emerging markets investment: The fund may invest in the markets of countries which are smaller, less developed and regulated, and more volatile than the markets of more developed countries.

Asset-backed securities: The timing and size of the cash flow from asset-backed securities is not fully assured and could result in loss for the fund. These types of investments may also be difficult for the fund to sell quickly.

Fund currency: Changes in exchange rates between the currencies of investments held by the fund and the fund’s base currency may negatively affect the value of an investment and any income received from it.

Hedging: The fund may use derivatives to reduce the risk of movements in exchange rates between the currency of the investments held by the fund and base currency of the fund itself (hedging). However, hedging transactions can also expose the fund to additional risks, such as the risk that the counterparty to the transaction may not be able to make its payments, which may result in loss to the fund.

Interest rates: Changes in interest rates may negatively affect the value of the fund. Typically as interest rates rise, bond values fall.

Fund counterparties: The fund may suffer losses if the parties that it trades with cannot meet their financial obligations.

Fund operations: The fund is subject to the risk of loss resulting from inadequate or failed internal processes, people or systems or those of third parties such as those responsible for the custody of its assets, especially to the extent that it invests in developing countries.

Important Information

This is a sub-fund (“fund”) of Legg Mason Global Funds plc (“LMGF plc”), an umbrella fund with segregated liability between sub-funds, established as an open-ended investment company with variable capital, organised as an undertaking for collective investment in transferable securities (“UCITS”) under the laws of Ireland as a public limited company pursuant to the Irish Companies Acts and UCITS regulations. LMGF plc is authorised in Ireland by the Central Bank of Ireland (the “Central Bank”). Individual securities mentioned are intended as examples only and are not to be taken as advice nor are they intended as a recommendation to buy or sell any investment or interest. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situations or needs of investors.

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