

Legg Mason Global Multi Strategy Bond Fund

This Final Short Report covers the year to 28 February 2014

Fund Facts

Fund Inception Date:	23 May 2008
Total Net Assets:	£641.7m
Income Payment Dates:	Monthly on the last day of each month
OCF Class 'A' Inc:	1.46%
OCF Class 'B' Inc:	1.01%
OCF Class 'I' Inc:	0.59%
OCF Class 'I' Acc:	0.59%
OCF Class 'X' Inc:	0.84%
XD Dates:	Monthly on last day of each month

Investment Manager

Western Asset Management focuses exclusively on the management of fixed income portfolios, taking a fundamental approach to money management that is continually fine-tuned and adapted to changing conditions.

When making investment decisions, Western Asset focuses on areas such as sector allocation, issue selection, duration weighting and maturity.

Summary Investment Objective and Policy

The objective of this Fund is to maximise total return through income and capital appreciation by diversifying across a range of fixed income securities, sectors and currencies. The Fund seeks to achieve its objective by investing globally, principally in debt and fixed income securities denominated in currencies of a variety of developed and emerging market countries. The Fund invests across the major fixed income sectors including high yielding and Emerging Market debt securities. A minimum of 80% of the Fund's net asset value will be invested in debt and fixed

income securities that are either denominated in pounds sterling or, if denominated in other currencies, hedged to pounds sterling. Consequently, no more than 20% of the Fund's net asset value maybe exposed to currencies other than pounds sterling. The Fund may also invest in other investments to the extent permitted by the Financial Conduct Authority Rules as applicable from time to time and as explained in the Prospectus, including derivatives, for investment purposes as well as efficient portfolio management purposes, and collective investment schemes.

Legg Mason Global Multi-Strategy Bond Fund Review

The Legg Mason Global Multi Strategy Bond Fund fell 2.33% in sterling terms over the period under review, while the IMA Global Bond sector recorded a decrease in sterling terms of 5.71%. Over the period, the Fund's yield curve positioning added value, although the duration stance had a negative impact. The Fund's country allocation also weighed on relative returns although this was countered by the positive impact of sector allocation. Security selection proved detrimental, however.

The manager continues to believe the global economy will expand at a moderate pace in 2014 and inflation will remain benign. It expects core bond yields to stay within recent trading ranges, anchored by very low official rates. Despite the Fed's reducing quantitative easing, monetary policy should stay highly accommodative in all major economies throughout 2014, providing support to the global economy. The manager maintains its core conviction that emerging market (EM) economies will see improving growth over the longer term despite weaker near-term growth prospects. If momentum in the recovery of developed economies continues, net exports should benefit from significantly more competitive currencies. Nevertheless, scrutiny is warranted on the nature and pace of reforms undertaken by individual EM policymakers to support long-term competitiveness, especially for countries with external deficits and those facing political risks and elections this year. The Fund remains positioned to benefit potentially from the risk premia in EM bonds, especially given the recent improvement in valuations. The manager maintains exposure to Mexican, Brazilian, Polish and South African government bonds with a more modest and actively managed currency exposure.

The key risks to the manager's outlook are predicated on the strength or weakness of the US economy and/or unexpected economic developments in China or other EM economies. Stronger US growth should support spread sectors and underpin EM recoveries, but could push US Treasury yields higher. Weaker data may pressure profit margins and employment and result in further volatility in EM economies and currencies. This may cause the Fed to slow the pace of tapering and drive UST yields lower. The manager will therefore manage duration on a tactical basis with a bias to be overweight as ballast against credit and other spread sectors.

Major Holdings

Top 5 largest investments as at 28.02.14

Bundesrepublik Deutschland 3.25% Euro Zone 04/07/2021	6.36%
Ing Bank 0.4% 03/03/2014	3.75%
HSBC 0.35% 03/03/2014	3.75%
Rabobank 0.3% 03/03/2014	3.74%
UBS London 0.23% 03/03/2014	3.74%

Top 5 largest investments as at 28.02.13

Bundesobligation 2.25% Euro Zone 10/04/2015	9.11%
Legg Mason Global Funds Western Asset US High Yield Fund	6.12%
Bundesrepublik Deutschland 3.25% Euro Zone 04/07/2021	5.90%
Bundesobligation 0.75% Euro Zone 24/02/2017	4.44%
Ing Bank 0.4% 01/03/2013	3.96%

Fund Performance

Share Class	Pence per share 28.02.14	Pence per share 28.02.13	Net Asset value % Change
Class 'A' (inc)	97.29	103.57	-6.06
Class 'B' (inc)	99.84	105.82	-5.65
Class 'I' (acc)	112.49	113.15	-0.58
Class 'I' (inc)	121.08	127.78	-5.24
Class 'X' (inc)	95.03	100.60	-5.54

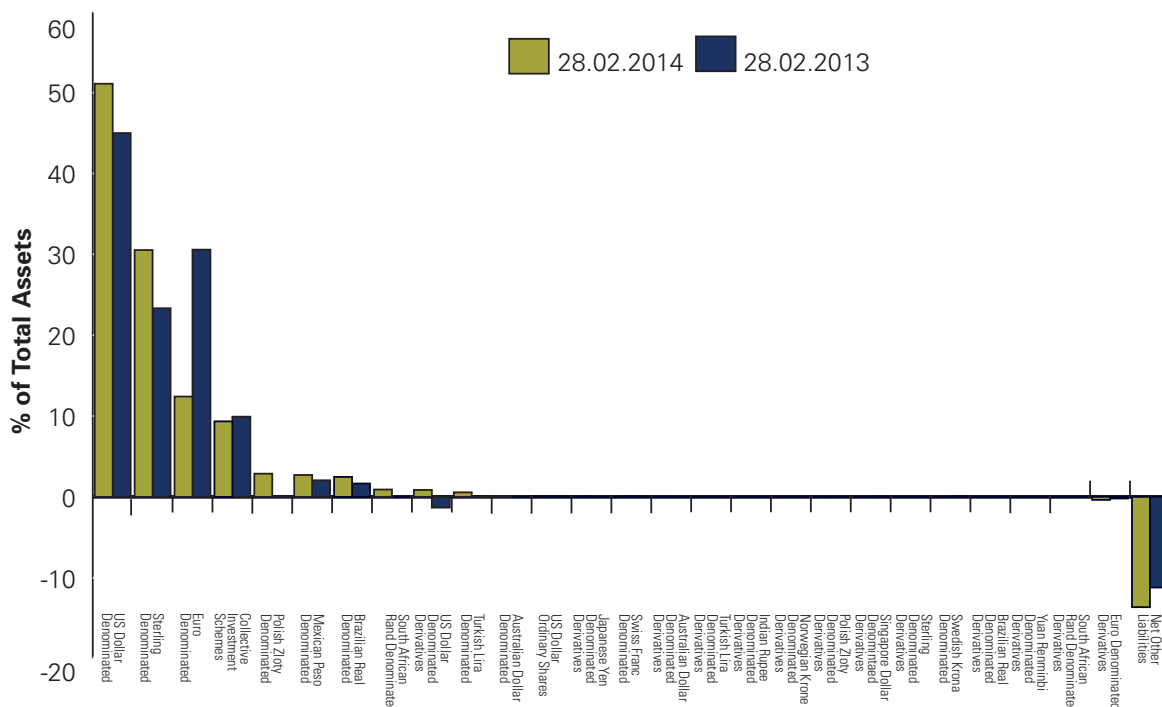
Performance History

	2014-2013	2013-2012	2012-2011	2011-2010	2010-2009	5 years launch	Since
Class 'A' (inc)	-2.33	6.11	3.87	6.47	24.45	42.63	26.30

Source for performance figures: Legg Mason. Performance is calculated on a NAV to NAV basis. The performance reflects all fees and charges payable by the fund but does not reflect any entry or exit charge that might be payable. For performance purposes only, any distributed income (with the deduction of UK income tax) has been reinvested.

Past performance is no guide to future returns and may not be repeated.

Legg Mason Global Multi Strategy Bond Fund (continued)



Share Price Range and Net Income Distribution

Calendar Year	Net Income per share (pence)	Highest share price (pence)	Lowest share price (pence)
2009			
Class 'A' (inc)	4.9718	99.97	82.11
Class 'B' (inc)	4.9603	100.70	82.40
Class 'I' (inc) ³	3.6482	120.10	100.90
2010			
Class 'A' (inc)	4.5703	104.80	99.12
Class 'B' (inc)	4.5110	105.90	100.00
Class 'I' (inc)	5.3342	126.80	119.50
2011			
Class 'A' (inc)	4.2632	102.70	95.35
Class 'B' (inc)	4.3322	104.10	96.78
Class 'I' (acc) ⁴	0.2110	100.50	98.26
Class 'I' (inc)	5.1631	124.80	116.30
2012			
Class 'A' (inc)	3.9663	104.20	98.20
Class 'B' (inc)	3.9943	106.40	99.79
Class 'I' (acc)	5.1573	112.70	100.60
Class 'I' (inc)	4.9143	128.40	120.00
Class 'X' (inc) ⁵	0.2319	101.10	99.84
2013			
Class 'A' (inc)	3.5694	104.70	95.24
Class 'B' (inc)	3.6577	107.10	97.53
Class 'I' (acc)	4.9447	115.40	107.10
Class 'I' (inc)	4.4532	129.50	118.00
Class 'X' (inc)	3.4981	101.80	92.75
2014			
Class 'A' (inc)	0.9341 ¹	97.81 ²	96.32 ²
Class 'B' (inc)	0.9634 ¹	100.40 ²	98.82 ²
Class 'I' (acc)	1.3597 ¹	112.80 ²	110.60 ²
Class 'I' (inc)	1.1711 ¹	121.70 ²	119.80 ²
Class 'X' (inc)	0.9208 ¹	95.54 ²	94.04 ²

¹ To 30 April 2014.

² To 28 February 2014.

³ Launched 26 March 2009.

⁴ Launched 18 November 2011.

⁵ Launched 6 November 2012.

Legg Mason Global Multi Strategy Bond Fund (continued)



There is no guarantee that the Fund will remain in the indicator category shown above and the categorisation of the Fund may shift over time. Historical data, which is used in calculating the indicator, may not be a reliable indicator of the future risk profile of this Fund.

The lowest category does not mean a risk-free investment.

The Fund does not offer any capital guarantee or protection.

The Fund is in its risk/reward category because it invests in a diversified portfolio of bonds from various sectors and countries which have historically been subject to moderate fluctuations in value.

The Fund is subject to the following risks which are materially relevant but may not be adequately captured by the indicator:

Bonds: There is a risk that issuers of bonds held by the Fund may not be able to repay the bond or pay the interest due on it, leading to losses for the Fund.

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.

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.

Derivatives: Investment in derivatives may cause the Fund to lose as much as or more than the amount invested.

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.

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.

Annual management charge from capital: The Fund's annual management charge is taken from its capital (rather than income). This may adversely affect the Fund's overall growth.

For further explanation on the risks associated with an investment in the Fund, please refer to the section entitled "Risk Factors" in the Prospectus.

Annual Report and Financial Statements

This report is to inform unitholders of the Fund during the reporting period, and the results of those activities at the end of the reporting period. For more information please contact the Authorised Corporate Director. Copies of the full Long Form Report and the Key Investor Information Document are available free of charge upon request from the Client Services Team on 0207 070 7444.

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