# SHINING A LIGHT ON THE……
# Legg Mason Western Asset Short Duration Blue Chip Bond Fund

## AT A GLANCE

| Investment Objective |
|---|
| The Fund's investment objective is to achieve total return, through income and capital appreciation. The Fund invests primarily in debt securities that are: (i) rated A- or higher by S&P or the equivalent by another NRSRO, or if unrated deemed to be of comparable quality; (ii) (a) issued by corporate issuers domiciled in any jurisdiction other than an Emerging Market Country which are, at the time of purchase and in the opinion of the Sub-Investment Manager, "blue chip" companies, meaning they have a long-term debt rating of A- or higher by S&P or the equivalent by another NRSRO, or if unrated are deemed to be of comparable quality, and/or (b) issued by supranational organisations which have a long-term debt rating of A- or higher by S&P or the equivalent by another NRSRO, or if unrated are deemed to be of comparable quality, and (iii) listed or traded on Regulated Markets set out in Schedule III of this Prospectus. |

| | |
|---|---|
| **Inception Date** | 2 June 2009 |
| **Fund Factsheet Link** | https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000003UMB |

| Management | |
|---|---|
| **Manager Name** | **Start Date** |
| Matthew Jackson | |

| Top 10 Holdings | | |
|---|---|---|
| **Total number of holdings** | 207 | |
| **Assets in Top 10 Holdings** | 25.70 | |
| **Name** | **Sector** | **% of Assets** |
| United States Treasury Notes 1.75% | - | 5.92% |
| Western Asset $ Liquidity WA USD Acc NAV | - | 5.13% |
| United States Treasury Notes 2.12% | - | 4.91% |
| Citigroup Inc. 3.3% | - | 1.54% |
| Swedbank AB (publ) 0.25% | - | 1.40% |
| Credit Agricole S.A. London Branch 1.25% | - | 1.39% |
| Banque Federative du Credit Mutuel 1.5% | - | 1.39% |
| Bank of America Corporation 3.55% | - | 1.38% |
| JPMorgan Chase & Co. 4.02% | - | 1.37% |
| Wells Fargo & Company 3.2% | - | 1.27% |

| Volatility Measurements | |
|---|---|
| **3-Yr Std Dev (volatility)** | 7.73% |
| **3-Yr Mean Return (average)** | 1.86% |

**FUND PERFORMANCE**

Performance from 1st January 2013 to 30th August 2019:

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| **Legg Mason Western Asset Short Duration Blue Chip Bond Fund** | -2.53% | 8.06% | 6.95% | 22.03% | -6.53% | 6.16% | 4.34% |
| **Vanguard Global Bond Index** | -0.13% | 7.97% | 1.25% | 3.51% | 2.00% | -0.11% | 7.10% |

Performance over 12 months, 3 years, 5 years, and since launch:

| | 1 year | 3 years | 5 years | Since Launch |
|---|---|---|---|---|
| **Legg Mason Western Asset Short Duration Blue Chip Bond Fund** | 5.35% | 4.76% | 35.33% | 71.98% |
| **Vanguard Global Bond Index** | 8.98% | 7.22% | 18.03% | 58.41% |

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

**UPDATE….**

The performance figures are based on the oldest share class which is USD, so are slightly misleading. We don't have access to the UK share class performance figures. The fund was launched in 2009 and is a child of the financial crisis.

It limits its investments to credit risk A- and above. The aim is to deliver a return of between 2 and 4% per annum over a cycle. When launched the fund grew to £500 million as investors searched for an alternative to cash. As investors started to move up the risk scale the fund saw its size fall to around £30 million. They re-launched the fund three years ago with a change of name, but nothing else really changed. The fund now has around £200 in assets.

This is seen as a dull strategy with not too much credit or interest rate risk. They actively look to hide away from risk. It won't hold subordinated, structured or secured debt, or any EM debt. The fund provides diversification with sterling, euro and dollars. The ability to invest overseas provides different opportunities for the fund.

The main theme is towards the banking sector where banks are super regulated. This would include the likes of HSBC and JP Morgan. In terms of corporates they like companies like Pepsi, Colgate and Mars.

In this current environment the fund should cruise along with a return of between 2 to 3% per annum. They also believe the fund offers something different for investors, and therefore provides an element of downside protection. This plays to investors who are concerned about returns and risk and are looking to de-risk.

The management team remuneration structure is a mix of about 50% performance, 30% firm and 20% towards the marketing and asset gathering. The manager does use the fund as an entry point to investing, and bonuses are differed and must be held in their funds. So, there is an alignment with investors.

In summary, this is not a strategic bond:- this is a looking to invest high quality credit. It aims to be easy to understand and predictable in terms of returns. For those looking to reduce the risks on their investments this is where they see this providing that option. In terms of performance the long-term track record is from the US share class, which is misleading, but what we have seen between 2014 and 2017, are returns of between 2 and 3%. 2012 and 2019 to date saw higher returns and 2013 was flat. So, on average they have achieved their target.

*The source of information in this note has been provided by Legg Mason Western Asset and is correct as at December 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*