

For Immediate Release

Edelman:

Belinda Chung
+852 2837 4721
belinda.chung@edelman.com

WESTERN ASSET: FINANCIAL SECTOR OFFERS BEST VALUE IN CORPORATE BOND SPACE

Singapore – 20 October 2009 – The financial subsector continues to offer potentially significant upside within the credit universe and corporate spreads will grind tighter, said Mike Zelouf, Director of International Business at Western Asset. Senior financial issues are compelling even under relatively pessimistic profit scenarios, whereas subordinated issues generally have appreciated enough and no longer overcompensate for the risk of a worse than expected economic recovery.

“Where possible, we are retaining a modest opportunistic allocation to below investment-grade issues, although we continue to look for opportunities to reduce selected holdings if and when pricing converges toward fair value,” he said.

Zelouf said that after more than a year of short-term cyclical concerns being the main consideration, investors must now simultaneously assess longer-term trend considerations alongside ongoing short-term cyclical vulnerabilities across the global economy.

Although there is potential for GDP in Europe and the US to grow above trend for a few quarters as part of a cyclical rebound following what was considered over-reactive corporate cost-cutting measures, economic growth will be subdued for years to come due to destroyed productive capacity and weak household spending.

“The inflationary result of these shifts is indeterminate. Destroyed productive capacity puts upward pressure on prices while weak household spending has the opposite effect. Given the extreme rise in unemployment, we suspect the larger effect comes from weak household spending and that ongoing disinflationary pressures will be the more likely outcome,” said Zelouf.

A further challenge for global investors is to identify lasting impacts from the financial crisis across regions and identify markets where central banks are more likely to hold rates lower for longer.

“We are emphasizing peripheral markets where enthusiasm for rapid economic rebound and aggressive monetary tightening has been priced in. Australia and Norway are two such markets where we have tactically added duration in anticipation of a less aggressive tightening cycle compared to market expectations,” Zelouf added.

On currency strategies, Western Asset is maintaining a modest long U.S. dollar, short euro stance and continues to tactically use a long Canadian dollar, short pound sterling position as a hedge against potential commodity price increases. As Canada’s banking system is in relatively healthy condition, an upswing to trend growth is more probable in Canada than the U.K.

--End--

Note to Editors

About Western Asset

Western Asset is one of the world's leading fixed income managers with over US\$485 billion (June 30, 2009) under management. With offices in the United States, London, Tokyo, Singapore, Hong Kong, Melbourne and Sao Paulo, the company offers clients a full range of local and cross-border fixed income products. By devoting all of its resources to fixed income, Western Asset can provide a full commitment to clients in every area. This focused approach has generated positive long-term returns in a variety of products with varying risk disciplines. Western Asset's long performance track record and global presence has positioned the company to continue its commitment to excellence in fixed income investment management and client service.

About Legg Mason

Legg Mason, Inc., headquartered in Baltimore, USA, is a global investment management firm with assets under management totaling US\$656.9 billion as of June 30, 2009. Serving clients in 180 countries, Legg Mason is the 10th largest asset manager in the world¹. Legg Mason's wholly-owned, independently-operated investment subsidiaries manage equity and fixed income assets across the world's major markets. Collectively, they offer a broad spectrum of asset management styles.

¹ *Legg Mason is the 10th largest asset manager in the world based on worldwide assets under management as of 31 December 2008. Source: Pensions & Investments May 2009 ranking.*

Important Notice

Source: Western Asset Management. This document, provided by Legg Mason Asset Management Singapore Pte. Limited ("Legg Mason"), is for information only and does not constitute an offer or solicitation to buy or sell any units in any fund.

The views expressed are opinions of the portfolio managers as of the date of this document and are subject to change based on market and other conditions without notice and may differ from other portfolio managers or of the firm as a whole. Any forecast of future events is not indicative or a guarantee of future results or investment advice.

Any statistics have been obtained from sources believed to be reliable, but the accuracy and completeness of the information cannot be guaranteed. **Investment involves risks, including possible loss of principal. Past performance is not indicative of future results.**

Neither Legg Mason nor any officer or employee of Legg Mason accepts any liability whatsoever for any loss arising from any use of this document or its contents. The information in this document is confidential and proprietary and may not be used other than by the intended user. This document may not be reproduced, distributed or published without prior written permission from Legg Mason. Distribution of this document may be restricted in certain jurisdictions. Any persons coming into possession of this document should seek advice for details of, and observe, such restrictions (if any).

Legg Mason Asset Management Singapore Pte. Limited is the legal representative of Legg Mason, Inc. in Singapore. Registration Number (UEN): 200007942R.

For Press Use Only