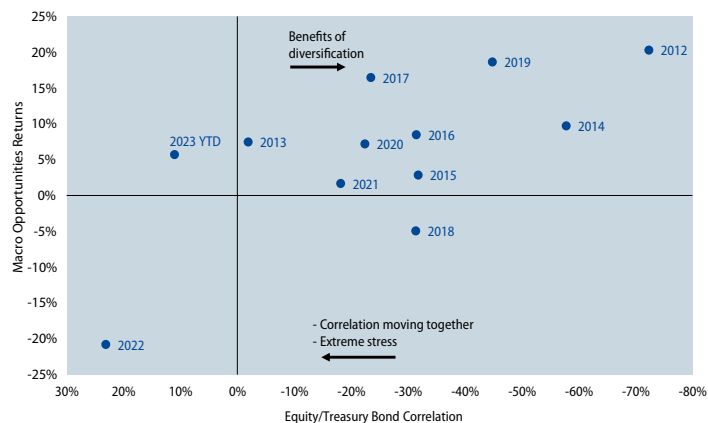


# Webcast Summary

## Strategy Update: Focusing on Today's Macro Opportunities

The Macro Opportunities strategy has had a successful track record over the years, navigating a variety of different market environments. However, the last year and a half have been challenging due to unusual market conditions, including two back-to-back years of negative returns in the Treasury space. The strategy has done well for investors with its EM positioning, which was not a consensus trade at the beginning of the year. Looking ahead, we believe central banks will begin to cut rates as inflation falls close to target. Despite challenges in China, we expect EM economies will be resilient. As a result, we have exposure in Mexico, Brazil, Indonesia and India.

**Exhibit 1: Macro Opportunities Returns vs. Equity/Treasury Bond Correlations**



- Generally, correlations between risk assets (equities) and US Treasuries have been low or slightly negative, indicating that diversification benefits portfolio construction.
- Macro Opportunities' investment philosophy strongly supports using diversified strategies.
- 2022 stands as a stark example of when positive correlation greatly reduced the benefit from diversification.

Returns as of 31 Aug 23	1-Yr	2-Yr	5-Yr	10-Yr	SI	Returns as of 31 Dec 22	1-Yr	2-Yr	5-Yr	10-Yr	SI
Composite (gross)	4.07	-3.56	2.32	4.35	5.56	Composite (gross)	-20.65	-4.84	-0.50	4.06	5.32
Composite(net)	3.04	-4.52	1.31	3.33	4.58	Composite(net)	-21.45	-5.79	-1.49	3.07	4.35

Source: Western Asset. Since Inception: 01 Apr 12

Past performance is not indicative of future results. Returns for periods greater than one year are annualized. Gross-of-fees returns are presented before management fees, but after all trading expenses. Net-of-fees results are calculated using a model approach whereby the current highest tier of the appropriate strategy's fee schedule is used. Effective January 1, 2020, for annual periods where the actual account weighted fees are higher than the composite model fee, the actual account weighted fees will be used for the net-of-fee composite return calculations. Net-of-fee composite return calculations using actual account weighted fees may include fund returns that incur higher fees than those applied to separately managed accounts. Please see Performance and Risk Disclosure for more information.

Source: Bloomberg, Western Asset. As of 31 Aug 23. Past performance is not a reliable indicator of future results.

### Market Review

- The rapid rise in rates caused most asset prices to decline, pushing most correlations to be more positive.
- Temporarily, this greatly reduced the effectiveness of using diversified strategies.
- Negative returns in US Treasuries (USTs) and many risk assets in 2022 also resulted in increased volatility conditions.
- Correlations have become more normal in 2023, restoring the historical diversification benefit.
- Tailwinds that had been helping the strategy, such as moderate energy pricing, became headwinds this year and weighed on market sentiment.
- Job growth initially raised wage concerns, worrying markets, and could linger for longer than the Federal Reserve (Fed) initially believed.
- The regional banking stress we saw early in the year is complex but appears contained for now.

### Inflation Outlook

- Supply-chain improvements and slowing demand should help to reduce inflation ahead.
- Tight monetary policy and a declining money supply will likely slow consumers, and serve to cool demand.
- Consumers show resilience but have dipped into savings built up during the pandemic.
- Wage growth is moderating after initial pandemic-driven spikes.
- Overall monetary policy from the Fed is quite tight based on real rates and balance sheet reduction.

### Credit Markets

- Spreads have tightened significantly since 2020 pandemic-driven widenings.
- Fundamentals currently look good, including interest coverage ratios, low defaults and manageable near-term refinancing needs.
- Loan valuations look very compelling after spreads widened a lot versus high-yield.
- Investment-grade spread levels indicate security selection is better than broad beta exposure.
- We see attractive opportunities in financials in both investment-grade and high-yield (AT1) parts of the capital structure.

### Emerging Markets (EM)

- EM should benefit from global growth rates, valuations, overall monetary policy easing (especially from EM central banks) and a weaker US dollar.
- Mexico and Brazil are cutting rates after hiking to control inflation.
- Commodity exporters and supply chain shifts should benefit Mexico.
- China faces challenges but we believe EM can still grow even amid a China slowdown.

### Portfolio Positioning

- The strategy holds a long position in bonds on the view that as inflation falls in EM economies and if growth slows, then EM yields should also do well, not only USTs but also German bunds.
- We also hold overweights in investment-grade and high-yield credit, particularly in financials and industrials.
- We recently increased our allocation to agency mortgage-backed securities (MBS) within structured products.
- Our EM currency exposure is largest in Mexico, Brazil, Indonesia and India.

### Q&A Highlights

- We believe that inflation will continue to decline, albeit slowly and unevenly. We also acknowledge the strength of the labor market.
- Our disinflation view could certainly be wrong given the uncertainties, but many indicators still point that direction.
- The Fed is unlikely to adopt an inflation target materially above 2% in the current environment, remaining focused on reaching the 2% target.
- The Fed should pause on further rate hikes to avoid overtightening and damaging the economy.
- Key positioning elements include overweights in the front end and long end of the US yield curve based on our outlook.
- While commercial real estate risks are serious, we believe they are manageable and isolated rather than posing systemic risk.
- There remain plenty of attractive opportunities in lower-rated segments of the corporate bond market, but we prefer higher-quality credits.

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Rolling 1-Year Performance Returns Period Ending:	31 Aug 23	31 Aug 22	31 Aug 21	31 Aug 20	31 Aug 19
Macro Opportunities Composite (gross of fees)	4.07%	-19.31%	6.79%	12.40%	11.27%
Macro Opportunities Composite (net of fees)	3.04%	-20.12%	5.74%	11.30%	10.18%

**Base Currency:** USD

Past investment results are not indicative of future investment results. Source for performance figures is Western Asset. Please refer to the Performance Disclosure for more information. Currency exchange rate fluctuations will impact the value of your investment.

**The value of investments and the income from them may go down as well as up and you may not get back the amount you originally invested.**

#### Investment Risks:

The strategy does not offer any capital guarantee or protection and you may not get back the amount invested. The strategy is subject to the following risks which are materially relevant but may not be adequately captured by the indicator:

**Derivatives:** The strategy makes significant use of derivatives. The use of derivatives can result in greater fluctuations of the portfolio's value.

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

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

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

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

**Counterparties:** The strategy may suffer losses if the parties that it trades with cannot meet their financial obligations.

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

**Concentrated:** The strategy's investment approach may result in the strategy being focused in one, or a small number of, countries, sectors or asset classes compared to other investment strategies. This means that the strategy may be more sensitive to economic, market, political or regulatory events than other strategies that invests across a broader range of countries, sectors and asset classes.

**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 strategy. These types of investments may also be difficult for the strategy to sell quickly.

*This strategy is managed by Western Asset. This information is only for use by professional clients, eligible counterparties or qualified investors. It is not aimed at, or for use by, retail clients.*

**Macro Opportunities Composite**

Composite Inception Date: 04/1/2012 | Composite Creation Date: 05/14/2012

	No. of Accts	Gross Total Return	Net Total Return	Benchmark Total Return	Gross Total 3-Yr St Dev	Benchmark Total 3-Yr St Dev	Internal Dispersion	Mkt. Value USD Mil	Percentage of Firm Assets	Firm Assets USD Mil
2013	2	7.57%	6.85%	-na-	-na-	-na-	-na-	745	0.16%	451,632
2014	8	9.66%	8.67%	-na-	-na-	-na-	-na-	5,184	1.11%	466,036
2015	8	2.86%	1.84%	-na-	4.61%	-na-	0.24%	7,409	1.71%	433,747
2016	9	8.38%	7.31%	-na-	6.25%	-na-	0.25%	7,915	1.89%	419,207
2017	10	16.05%	14.92%	-na-	6.25%	-na-	0.69%	14,185	3.25%	436,309
2018	10	-4.50%	-5.45%	-na-	7.09%	-na-	0.85%	12,147	2.86%	424,136
2019	10	18.52%	17.36%	-na-	6.62%	-na-	0.19%	14,116	3.10%	455,276
2020	12	7.56%	6.50%	-na-	10.81%	-na-	0.77%	14,675	3.06%	479,810
2021	14	0.96%	-0.04%	-na-	10.84%	-na-	0.41%	12,843	2.63%	488,490
2022	9	-20.65%	-21.45%	-na-	14.05%	-na-	0.34%	4,705	1.20%	391,756

**Description:** The Western Asset Macro Opportunities strategy is a macro-oriented, global, unconstrained strategy providing concentrated and opportunistic exposures to Western Asset's key themes. It aims to maximize total return and add value, while managing overall portfolio risk, through duration, yield-curve and volatility management as an offset to high-conviction long-term themes. These long-term themes consist of sector, country and currency rotation and security selection. The strategy invests in a diversified portfolio consisting of a core of liquid developed credit and currencies, combined with an actively managed global rates component constructed through liquid derivatives.

**Benchmark Description:** The Composite is not measured against a benchmark as accounts that may comprise the Composite are measured on an absolute return basis. There is no benchmark available that appropriately reflects the guidelines of all accounts within the Composite.

**Base Currency:** USD | **Composite Minimum:** No minimum asset size requirement as of 1/1/20 (previously USD40 million) (USD1 million prior to 1/1/16).

**Current Fee Schedule:** The investment management fee schedule for the separate account is 1%. The investment management fee for the Western Asset Macro Opportunities Portfolio Master Ltd. is 1%, and the Western Asset Macro Opportunities Alternative Fund, Ltd. is 90 of 1%, both of which are included in the composite. The total expense ratio as of December 31, 2021 for the Western Asset Macro Opportunities Portfolio Master Ltd. was .99 of 1% and for the Western Asset Macro Opportunities Alternatives Fund, Ltd was .99 of 1%.

**Western Asset claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Western Asset has been independently verified for the periods from January 1, 1993 to December 31, 2022.**

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Macro Opportunities Composite has been examined for the period of April 1, 2012 to December 31, 2022. The verification and performance examination reports are available upon request.

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Composite returns are measured against a benchmark, when applicable. The benchmark is unmanaged and provided to represent the investment environment in existence during the time periods shown. For comparison purposes, its performance has been linked in the same manner as the Composite. The benchmark presented was obtained from third party sources deemed reliable but not guaranteed for accuracy or completeness. Benchmark returns and benchmark three-year annualized ex-post standard deviation are not covered by the report of independent verifiers.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the Composite for the entire year. Periods with five or fewer accounts are not statistically representative and are not presented. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period.

Past investment results are not indicative of future investment results. Information contained herein is believed to be accurate, but cannot be guaranteed. Employees and/or clients of Western Asset may have a position in the securities mentioned.

Western Asset's list of composite descriptions, limited distribution pooled fund descriptions, and broad distribution pooled funds are available upon request. Please contact Derek Fan at 626-844-9465 or derek.fan@westernasset.com. All returns for strategies with inception prior to January 1, 2013 are available upon request.

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