

LEGG MASON ASIAN ENTERPRISE TRUST

(Constituted under a Trust Deed registered in the Republic of Singapore)

ANNUAL REPORT

Period from 1 April 2017 to 15 January 2018 (date of termination)

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

ANNUAL REPORT

Period from 1 April 2017 to 15 January 2018 (date of termination)

CONTENTS

	Page
REPORT OF THE TRUSTEE	1
STATEMENT BY THE MANAGER	2
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF TOTAL RETURN	5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS	7
STATEMENT OF PORTFOLIO	8
NOTES TO THE FINANCIAL STATEMENTS	10

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Legg Mason Asian Enterprise Trust (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 5 to 19, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee

HSBC Institutional Trust Services (Singapore) Limited

Authorised signatory

13 April 2018

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Statement by the Manager

In the opinion of Legg Mason Asset Management Singapore Pte. Limited (the “Manager”), the accompanying financial statements set out on pages 5 to 19, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of Legg Mason Asian Enterprise Trust (the “Fund”) as at 15 January 2018 (date of termination), and the financial performance and movements in unitholders' funds for the financial period then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet their financial obligations as and when they materialise.

For and on behalf of

Legg Mason Asset Management Singapore Pte. Limited

Authorised signatory

13 April 2018

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LEGG MASON ASIAN ENTERPRISE TRUST

(Constituted under a Trust Deed in the Republic of Singapore)

Our Opinion

In our opinion, the accompanying financial statements of the Legg Mason Asian Enterprise Trust (the "Fund") are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 15 January 2018 (date of termination), and of the financial performance and movements of unitholders' funds for the financial period from 1 April 2017 to 15 January 2018 (date of termination).

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial period from 1 April 2017 to 15 January 2018 (date of termination);
- the Statement of Financial Position as at 15 January 2018 (date of termination);
- the Statement of Movements of Unitholders' Funds for the financial period from 1 April 2017 to 15 January 2018 (date of termination);
- the Statement of Portfolio as at 15 January 2018 (date of termination); and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Fund in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Emphasis of Matter

We draw attention to Note 2(a) of the financial statements which indicates that the Fund has been terminated on 15 January 2018. These financial statements have therefore been prepared using a liquidation basis of accounting. Our opinion is not qualified in respect of this matter.

Other Information

The Fund's Manager (the "Manager") is responsible for the other information. The other information comprises the relevant sections of the annual report, but excludes the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
LEGG MASON ASIAN ENTERPRISE TRUST**

(Constituted under a Trust Deed in the Republic of Singapore)

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so. Note 1 to the financial statements indicates that the Fund has been terminated on 15 January 2018.

The Manager's responsibilities include overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 13 April 2018

Legg Mason Asian Enterprise Trust*(Constituted under a Trust Deed registered in the Republic of Singapore)***Statement of Total Return**

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

		For the financial period from 1 April 2017 to 15 January 2018 (date of termination)	31 March 2017
	Notes	\$	\$
Income			
Dividend income		1,959,004	3,104,566
Interest income		2,634	228
		<u>1,961,638</u>	<u>3,104,794</u>
Less: Expenses			
Audit fee		21,721	21,501
Custody fee	9	37,353	77,044
Management fee	9	1,121,625	2,415,598
Trustee fee	9	50,512	107,176
Registration fee	9	15,422	17,462
Printing fee		(950)	5,501
Professional fee		68,859	31,808
Valuation fee	9	23,609	46,510
Goods and services tax		(43,390)	40,645
Transaction cost		1,358,326	1,338,623
Other expenses		15,935	17,415
		<u>2,669,022</u>	<u>4,119,283</u>
Net losses		<u>(707,384)</u>	<u>(1,014,489)</u>
Net gains or losses on value of investments			
Net gains on investments		22,175,130	30,092,681
Net foreign exchange losses		(550,055)	(96,512)
		<u>21,625,075</u>	<u>29,996,169</u>
Total return for the period/year before income tax		20,917,691	28,981,680
Less: Income tax	3	<u>(174,277)</u>	(324,656)
Total return for the period/year		<u>20,743,414</u>	<u>28,657,024</u>

The accompanying notes form an integral part of these financial statements.

Legg Mason Asian Enterprise Trust*(Constituted under a Trust Deed registered in the Republic of Singapore)***Statement of Financial Position**

As at 15 January 2018 (date of termination)

	Notes	15 January 2018 (date of termination) \$	31 March 2017 \$
ASSETS			
Portfolio of investments		-	165,670,341
Cash and bank balances	5	20,671,953	5,930,484
Receivables	6	111,032	624,671
Due from broker		3,271,357	-
Total assets		24,054,342	172,225,496
LIABILITIES			
Payables	7	24,054,342	677,398
Total liabilities		24,054,342	677,398
EQUITY			
Net assets attributable to unitholders	8	-	171,548,098

The accompanying notes form an integral part of these financial statements.

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Statement of Movements of Unitholders' Funds

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

	For the financial period from 1 April 2017 to 15 January 2018 (date of termination)	31 March 2017
Notes	\$	\$
Net assets attributable to unitholders at the beginning of the financial period/year	171,548,098	152,870,404
Operations		
Change in net assets attributable to unitholders resulting from operations	20,743,414	28,657,024
Unitholders' contributions/(withdrawals)		
Creation of units	1,816,459	5,637,246
Cancellation of units	(194,107,971)	(15,616,576)
Change in net assets attributable to unitholders resulting from net cancellation of units	(192,291,512)	(9,979,330)
Total (decrease)/increase in net assets attributable to unitholders	(171,548,098)	18,677,694
Net assets attributable to unitholders at the end of the financial period/year	8 -	171,548,098

The accompanying notes form an integral part of these financial statements.

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Statement of Portfolio

As at 15 January 2018 (date of termination)

	Percentage of total net assets attributable to unitholders at 15 January 2018 (date of termination)	Percentage of total net assets attributable to unitholders at 31 March 2017
	%	%
By Geography (Summary)		
Quoted Equities		
Australia	-	1.12
China	-	26.44
Hong Kong	-	12.12
India	-	8.99
Indonesia	-	2.92
Macau	-	2.12
Malaysia	-	1.93
Philippines	-	2.66
Singapore	-	6.97
South Korea	-	17.87
Taiwan	-	12.49
Thailand	-	0.94
Portfolio of investments	-	96.57
Other net assets	-	3.43
Net assets attributable to unitholders	-	100.00

The accompanying notes form an integral part of these financial statements.

Legg Mason Asian Enterprise Trust*(Constituted under a Trust Deed registered in the Republic of Singapore)***Statement of Portfolio**

As at 15 January 2018 (date of termination)

	Percentage of total net assets attributable to unitholders at 15 January 2018 (date of termination) %	Percentage of total net assets attributable to unitholders at 31 March 2017 %
By Industry (Secondary)		
Agriculture	-	0.82
Banks	-	5.96
Building and construction material	-	7.90
Chemical	-	2.68
Commercial services	-	0.66
Computer and software	-	5.40
Consumer	-	2.96
Diversified resources	-	2.42
E-Commerce	-	3.27
Electrical and electronic	-	12.93
Finance	-	1.47
Healthcare	-	1.08
Hotel	-	5.24
Insurance	-	8.39
Investment	-	1.34
Iron and Steel	-	1.28
Manufacturing	-	6.71
Media	-	8.11
Mining	-	2.66
Miscellaneous	-	0.98
Oil and gas	-	1.93
Property and real estate	-	2.94
Real estate	-	0.87
Semiconductor	-	2.23
Services	-	1.65
Telecommunication	-	3.84
Utility - Water	-	0.85
Portfolio of investments	-	96.57
Other net assets	-	3.43
Net assets attributable to unitholders	-	100.00

The accompanying notes form an integral part of these financial statements.

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Notes to the Financial Statements

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Legg Mason Asian Enterprise Trust (the "Fund") is an open-ended unit trust constituted pursuant to the Trust Deed dated 15 August 1995, as amended by various Supplemental Deeds. The Trust Deed and subsequent Supplemental Deeds are governed in accordance with the laws of the Republic of Singapore. The Trustee of the Fund is HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). On 3 April 2017, Western Asset Management Company Pte. Ltd. retired as the Manager of the Fund. The new Manager and Sub-Manager of the Fund are Legg Mason Asset Management Singapore Pte. Limited (the "Manager"), and Havenport Asset Management Pte. Ltd. (the "Sub-Manager") respectively.

The principal objective of the Fund is to achieve long-term capital appreciation of its assets by investing primarily in equity securities of corporations in Asia (excluding Japan). The Fund has been terminated on 15 January 2018.

The Fund has withdrawn from the CPF Investment Scheme on 14 September 2017. Accordingly, the fund will not be able to accept subscriptions from CPF accounts and the CPF investment guidelines issued by the CPF Board is no longer applicable to the fund effective from 14 September 2017.

2. Significant accounting policies

(a) Basis of preparation

As the Fund has been terminated on 15 January 2018, these financial statements have been prepared on a liquidation basis of accounting and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. Provisions have been made to write down the assets to their realisable values, as well as provided for all expected liabilities that may arise from the termination of the Fund.

(b) Income recognition

Dividend income is recognised when the rights to receive payment is established.

Interest income on deposits is recognised on a time proportion basis using the effective interest rate method.

(c) Foreign currencies

(i) Functional and presentation currency

The Fund's investors are mainly from Singapore with the subscriptions and redemptions of the units denominated in Singapore dollars.

The performance of the Fund is measured and reported to the investors in Singapore dollars. The Manager considers the Singapore Dollar as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's functional and presentation currency is the Singapore Dollar.

(ii) Foreign currency translation

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the date of Statement of Financial Position. Foreign currency transactions during the financial period are converted into Singapore dollars at the rates of exchange ruling on the transaction dates.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from translation of foreign currency monetary assets and liabilities at reporting date are taken to the Statement of Total Return.

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Notes to the Financial Statements

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

2. Significant accounting policies (continued)

(d) Investments

Investments are classified as financial assets at fair value through profit or loss.

(i) Initial recognition

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

(ii) Subsequent measurement

Investments are subsequently carried at fair value. Net changes in fair value on investments are included in the Statement of Total Return in the year which they arise. The resultant unrealised gains and losses are taken to the Statement of Total Return.

(iii) Derecognition

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and taken up in the Statement of Total Return.

(e) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for investments held by the Fund is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

(f) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Trust Deed.

Financial derivative outstanding as the end of the financial period are measured at their fair values using the marked-to-market method, and the resultant gains and losses are taken up in the Statement of Total Return.

(g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

(h) Distributions

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid on the distribution date. The amount shall not be treated as part of the property of the Sub-Fund. Distributions are accrued for at the point in time when the necessary approvals have been obtained and a legal or constructive obligation has been created.

3. Income tax

	For the financial period from 1 April 2017 to 15 January 2018 (date of termination)	31 March 2017
	\$	\$
Capital gains tax	-	4,809
Overseas withholding tax	174,277	319,847
Total tax expense	174,277	324,656

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Notes to the Financial Statements

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

3. Income tax (continued)

- (a) The Fund was granted the status of a Designated Unit Trust ("DUT") in Singapore. The Trustee of the Fund ensures that the Fund fulfills its reporting obligations under the DUT Scheme.

Under the DUT Scheme, certain income of the DUT Fund is not taxable in accordance with Sections 35(12) and 35(12A) of the Income Tax Act. Such income includes:

- (i) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (ii) interest (other than interest for which tax has been deducted under Section 45 of the Income Tax Act);
- (iii) dividends derived from outside Singapore and received in Singapore;
- (iv) gains or profits derived from foreign exchange transactions, transactions in future contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities of financial index;
- (v) discount, prepayment fee, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (vi) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

The Singapore income tax relates to taxes paid on income that does not qualify for exemption under the DUT scheme.

- (b) The overseas income tax represents tax deducted at source on dividends derived from outside Singapore and received in Singapore.

The Fund invests in securities issued by entities which are domiciled in foreign countries. Many of these foreign countries have tax laws which indicate that taxes on gains on disposal of investments may be applicable to non-residents, such as the Fund. Typically, these capital gains taxes are required to be determined on a self assessment basis and, therefore, such taxes may not be deducted by the Fund's brokers on a "withholding" basis.

The Fund is required to recognise a tax liability when it is probable that the tax laws of foreign countries require a tax liability to be assessed on the Fund's gains on investments sourced from such foreign countries, assuming the relevant taxing authorities have full knowledge of all the facts and circumstances. The tax liability is then measured at the amount expected to be paid to the relevant taxation authorities using the tax laws and rates that have been enacted or substantively enacted by the end of the reporting period. There is sometimes uncertainty about the way enacted tax law is applied to offshore investment funds. This creates uncertainty about whether or not a tax liability will ultimately be paid by the Fund. Therefore when measuring any uncertain tax liabilities management considers all of the relevant facts and circumstances available at the time which could influence the likelihood of payment, including any formal or informal practices of the relevant tax authorities.

As at 15 January 2018 (date of termination) and 31 March 2017, the Fund has uncertain tax exposure with respect to gains on investments of which the tax liability is estimated to be nil. While this represents the Manager's best estimate, the estimated value could differ significantly from the amount ultimately payable.

4. Distribution to unitholders

The Manager has not proposed any distribution to unitholders for the financial period ended 15 January 2018 (2017: \$Nil).

5. Cash and bank balances

	15 January 2018 (date of termination)	31 March 2017
Held with a related company of the Trustee:		
- Cash and bank balances	\$ 20,671,953	\$ 5,930,484

Legg Mason Asian Enterprise Trust*(Constituted under a Trust Deed registered in the Republic of Singapore)***Notes to the Financial Statements**

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

6. Receivables

	15 January 2018 (date of termination)	31 March 2017
	\$	\$
Amount due from unitholders on subscriptions	-	204,942
Dividends receivable	-	380,727
Other receivable	111,032	39,002
	111,032	624,671

7. Payables

	15 January 2018 (date of termination)	31 March 2017
	\$	\$
Amount due to unitholders on redemptions	23,907,078	402,631
Accrued management fee	82,221	216,995
Accrued trustee fee	2,363	9,615
Other payables and accruals	62,680	48,157
	24,054,342	677,398

8. Units in issue

During the financial period ended 15 January 2018 and financial year ended 31 March 2017, the number of units issued, redeemed and outstanding were as follows:

	For the financial period from 1 April 2017 to 15 January 2018 (date of termination)	31 March 2017
Units at beginning of the financial period/year	77,689,329	82,524,096
Units created	773,838	2,857,692
Units cancelled	(78,463,167)	(7,692,459)
Units at end of the financial period/year	-	77,689,329
Net assets attributable to unitholders (\$)	-	171,548,098
Net asset value per unit (\$)	-	2.208

There is no difference between the net asset attributable to unitholders per financial statements and the net assets attributable to unitholders for issuing/redeeming of units for the Legg Mason Asian Enterprise Trust as at 15 January 2018 (date of termination) and 31 March 2017.

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Notes to the Financial Statements

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

9. Related party transactions

The Manager of the Fund is Legg Mason Asset Management Singapore Pte. Limited., the Trustee is HSBC Institutional Trust Services (Singapore) Limited and the Custodian is The Hongkong and Shanghai Banking Corporation Limited. The management fee, trustee fee, custody fee, registration fee and valuation fee paid or payable by the Fund are related party transactions and are shown in the Statement of Total Return.

Except for the related party information disclosed elsewhere in the financial statements, no other significant transactions took place during the financial period between the Fund and related parties.

10. Financial risk management

The Fund's activities expose it to a variety of market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management policy seeks to minimise potential adverse effects of such risks on the Fund's financial performance. The Fund may use futures, options and/or currency forward contracts subject to the terms of the Trust Deed to moderate certain risk exposures. Specific guidelines on exposures to individual securities and certain industries and/or countries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

The Fund's assets principally consist of financial instruments such as equity investments and cash. They are held in accordance with the published investment policies of the Fund. The allocation of assets between the various types of investments is determined by the Manager to achieve their investment objectives.

The following is a summary of the main risks and risk management policies :

(a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments. The Fund's investments are substantially dependent on changes in market prices. The Fund's investments are monitored by the Manager on a regular basis so as to assess changes in fundamentals and valuation. Although the Manager makes reasonable efforts in the choice of investments, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the net asset value of the Fund. Guidelines are set to reduce the Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies and industries, and alternatively, the Fund may be hedged using derivative strategies.

The Fund's objective is the long-term capital appreciation of the assets of the Fund by investing primarily in equity securities of corporations in Asia (excluding Japan) with an emphasis on such corporations whose equity capitalisation is, in the view of the Sub-Manager, small to medium at the time of investment in relation to any of the markets in Asia (excluding Japan) in which the Fund is permitted to invest. The countries in which the Fund invests or may invest in are Australia, China, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand and any other countries in Asia (excluding Japan) that are, in the view of the Sub-Manager, recognised investment markets.

The Fund's market risk is affected primarily by changes in three components; changes in actual market prices, interest rate volatility and foreign exchange movements.

(i) Price risk

Price risk primarily results from exposure to volatility of equity prices. The Fund invests primarily in equity securities of corporations in Asia (excluding Japan) with an emphasis on such corporations whose equity capitalisation is, in the view of the Manager, small to medium at the time of investment in relation to any of the markets in Asia (excluding Japan) in which the Fund is permitted to invest. The Manager is of the view that the price risk the Fund is subject to is best reflected by movements in its benchmark of MSCI AC Asia ex Japan (S\$).

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Notes to the Financial Statements

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

10. Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

The table below summarises the impact of increases/decreases from the Fund's underlying investments in equities on the Fund's net assets attributable to unitholders at 31 March 2017. The analysis is based on the assumption that the index components within the benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of the Fund's investments moved according to the historical correlation with the index. The Manager has used their view of what would be a "reasonable possible shift" to estimate the change in market sensitivity analysis below. However, this does not represent a prediction of the future movement in the corresponding key markets.

Benchmark Component	Benchmark increase / decrease by 10% Impact on net assets attributable to unitholders*
	31 March 2017 \$'000
MSCI AC Asia ex Japan (S\$)	± 16,568

* NAV change which is calculated by multiplying the correlation ratio (1-year beta) of the Fund to the benchmark's "reasonable possible shift".

No sensitivity analysis on price risk has been performed as the Fund has been terminated on 15 January 2018.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates (fair value risk).

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate change may affect different industries and securities and then seeks to adjust the Fund's portfolio investment accordingly.

However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect. The Fund also holds cash and cash equivalents that have exposure to cash flow interest rate risk which is not considered to be significant. Hence, no sensitivity analysis has been presented separately.

(iii) Currency risk

The Fund holds monetary financial assets/liabilities denominated in currencies other than Singapore dollars and the Fund may be affected favourably or unfavourably by exchange rate regulations or changes in the exchange rates between the Singapore dollars and such other currencies. The Fund may enter into foreign currency contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies.

Notes to the Financial Statements

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

10. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

The tables below summarise the exposure to currency risks for the Fund:

As at 15 January 2018 (date of termination)

	HKD \$	KRW \$	SGD \$	TWD \$	INR \$	USD \$	Others \$	Total \$
Assets								
Cash and bank balances	-	-	20,646,133	-	-	25,820	-	20,671,953
Receivables	-	-	111,032	-	-	-	-	111,032
Due from broker	-	-	3,271,357	-	-	-	-	3,271,357
Total assets	-	-	24,028,522	-	-	25,820	-	24,054,342
Liabilities								
Payables	-	-	24,028,522	-	-	25,820	-	24,054,342
Total liabilities	-	-	24,028,522	-	-	25,820	-	24,054,342
Net currency exposure	-	-	-	-	-	-	-	-

As at 31 March 2017

	HKD \$	KRW \$	SGD \$	TWD \$	INR \$	USD \$	Others \$	Total \$
Assets								
Portfolio of investments	62,486,805	30,659,887	11,950,303	21,432,388	15,420,619	7,308,450	16,411,889	165,670,341
Cash and bank balances	-	-	1,517,919	357,734	-	4,054,831	-	5,930,484
Receivables	32,723	332,499	243,899	-	-	8,520	7,030	624,671
Total assets	62,519,528	30,992,386	13,712,121	21,790,122	15,420,619	11,371,801	16,418,919	172,225,496
Liabilities								
Payables	-	-	675,637	-	-	1,761	-	677,398
Total liabilities	-	-	675,637	-	-	1,761	-	677,398
Net currency exposure	62,519,528	30,992,386	13,036,484	21,790,122	15,420,619	11,370,040	16,418,919	

Portfolio of investments, which is a significant item in the Statement of Financial Position is exposed to currency risk and price risk. The Manager has considered the impact of currency risk sensitivity on non-monetary assets as part of the price risk sensitivity analysis.

As of 15 January 2018 (date of termination) and 31 March 2017, the Fund does not hold substantial monetary assets/liabilities. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

Notes to the Financial Statements

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

10. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in settling a liability, including redemption requests.

The Fund is exposed to daily cash redemption of units in the Fund. The Fund invests the majority of its assets in investments that are traded in active markets and can be readily disposed of. Investments which are neither listed nor quoted are restricted to a maximum of 10% of the net asset value (depends on actual circumstances). At 15 January 2018 (date of termination), there is no investment in unquoted right issue (2017:\$Nil).

In accordance with the Fund's policies, the Manager monitors the Fund's liquidity position on a daily basis, and a risk oversight committee reviews them on a regular basis. The Manager also has the option to limit redemption orders to 10% of the net asset value, with the approval of the Trustee. In this event, the limitation will apply pro-rata so that all unitholders of the relevant class or classes wishing to redeem units in that Fund on that dealing day will redeem the same proportion by value of such units, and units not redeemed will be carried forward for redemption, subject to the same limitation, on the next dealing day. In addition the Fund has an unsecured credit facility as disclosed in note 11.

The Fund may, from time to time, invest in currency forward contracts traded over the counter, which are not traded in an organised market and may be illiquid.

The tables below analyse the Fund's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining year at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 15 January 2018 (date of termination)	Less than 3 months \$
--	--------------------------------------

Liabilities

Payables	<u>24,054,342</u>
----------	-------------------

As at 31 March 2017

Liabilities

Payables	<u>677,398</u>
----------	----------------

(c) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved,
- ensuring that transactions are undertaken with a large number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Credit risk arises from cash and cash equivalents held with financial institutions. The Fund may also enter into derivatives to manage its exposures to currency risk and price risk, including foreign exchange forward contracts and options. Hence, the Fund is also exposed to the risk that its derivatives held with counterparties may not be recoverable in the events of any default by the parties concerned. The Manager minimise the Fund's credit risk by undertaking transactions with banks that are part of a banking group with good credit ratings assigned by international credit rating agencies.

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Notes to the Financial Statements

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

10. Financial risk management (continued)

(c) Credit risk (continued)

The tables below summarise the credit rating of banks and custodians in which the Fund's assets are held as at 15 January 2018 (date of termination) and 31 March 2017.

	Credit Rating ^{##}	Source of Credit Rating
As at 15 January 2018 (date of termination)		
<u>Custodian</u>		
The Hongkong and Shanghai Banking Corporation Limited	Aa3	Moody's
<u>Bank</u>		
The Hongkong and Shanghai Banking Corporation Limited	Aa3	Moody's
As at 31 March 2017		
<u>Custodian</u>		
The Hongkong and Shanghai Banking Corporation Limited	Aa2	Moody's
<u>Bank</u>		
The Hongkong and Shanghai Banking Corporation Limited	Aa2	Moody's

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

The credit ratings are based on the Long-term Issuer Ratings published by the rating agency.

^{##} Group credit rating will be presented for unrated subsidiaries.

(d) Capital management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of unitholders in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions. In addition, the Manager also has the option to limit redemptions with the approval of the Trustee, as disclosed in Note 10(b).

(e) Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following tables analyse within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 March 2017.

As at 31 March 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	163,979,503	1,690,838	-	165,670,341

There are no financial assets or liabilities held at fair value as at 15 January 2018 (date of termination).

Legg Mason Asian Enterprise Trust

(Constituted under a Trust Deed registered in the Republic of Singapore)

Notes to the Financial Statements

For the financial period from 1 April 2017 to 15 January 2018 (date of termination)

10. Financial risk management (continued)

(e) Fair value estimation (continued)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, comprise active listed equities. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include warrants.

Except for cash and cash balances which are classified as Level 1, the Fund's financial assets and liabilities not measured at fair value have been classified as Level 2. The carrying amounts of these financial assets and financial liabilities approximate their fair values as at the reporting date.

11. Credit facility

The Fund has a credit facility with The Hongkong and Shanghai Banking Corporation Limited at 15 January 2018 and 31 March 2017.

	15 January 2018 (date of termination)	31 March 2017
	\$	\$
<u>Facility</u>		
Overdraft	-	7 million

The above credit facility is unsecured and is not utilised at 15 January 2018 (date of termination) and 31 March 2017.

12. Financial ratios

	For the financial period from 1 April 2017 to 15 January 2018 (date of termination)	31 March 2017
	%	%
Expense ratio ¹	1.77	1.73
Portfolio turnover ratio ²	92.02	104.85

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 15 January 2018 was based on total annualised operating expenses of \$1,649,222 (31 March 2017: \$2,780,660) divided by the average net asset value of \$93,013,711 (31 March 2017: \$161,175,529) for the period/year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being purchases of \$85,591,605 (31 March 2017 purchases of \$168,998,797) divided by the average daily net asset value of \$93,013,711 (31 March 2017: 161,175,529).

13. Comparatives

The prior year comparatives figures are not comparable as current year's financial statements were prepared for the financial period from 1 April 2017 to 15 January 2018 (date of termination).