

# LEGG MASON FUNDS

## - LEGG MASON SINGAPORE OPPORTUNITIES 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 FUNDS**

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**Legg Mason Funds****- Legg Mason Singapore Opportunities 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 to hold the assets of the sub-fund of Legg Mason Funds (the "Fund"), namely Legg Mason Singapore Opportunities Trust (the "Sub-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 Sub-Fund during the financial period 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**

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**Authorised signatory**

**13 April 2018**

**Legg Mason Funds**

**- Legg Mason Singapore Opportunities 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 portfolio holdings of the sub-fund of Legg Mason Funds (the "Fund"), namely Legg Mason Singapore Opportunities Trust (the "Sub-Fund") as at 15 January 2018 (date of termination) and of 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 Sub-Fund will be able to meet their financial obligations as and when they materialise.

For and on behalf

**Legg Mason Asset Management Singapore Pte. Limited**

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**Authorised signatory**

**13 April 2018**

**Independent Auditor's Report to the Unitholders of  
Legg Mason Funds - Legg Mason Singapore Opportunities Trust**  
(Constituted under a Trust Deed registered in the Republic of Singapore)

***Our Opinion***

In our opinion, the accompanying financial statements of the sub-fund of Legg Mason Funds (the "Fund"), namely Legg Mason Singapore Opportunities Trust (the "Sub-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 Sub-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 Sub-Fund comprises:

- 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 Sub-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 Sub-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 that we obtained, 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 Funds - Legg Mason Singapore Opportunities 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 Sub-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 Sub-Fund or to cease the Sub-Fund's operations, or has no realistic alternative but to do so. Note 1 to the financial statements indicates that the Sub-Fund has been terminated on 15 January 2018.

The Manager's responsibilities include overseeing the Sub-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 Sub-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 Sub-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 Sub-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.

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**PricewaterhouseCoopers LLP**  
**Public Accountants and Chartered Accountants**

**Singapore, 13 April 2018**

**Legg Mason Funds - Legg Mason Singapore Opportunities 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)

|   |       | <b>For the financial<br/>period from 1<br/>April 2017 to 15<br/>January 2018<br/>(date of<br/>termination)</b> | 31 March 2017 |
|---|-------|--|---------------|
|   | Notes | \$   | \$            |
| <b>Income</b>   |       |  |               |
| Dividend income   |       | <b>641,714</b>   | 661,120       |
| <b>Less: Expenses</b>                                     |       |  |               |
| Audit fee   |       | <b>12,992</b>  | 11,178        |
| Custody fee   | 9     | <b>5,463</b>   | 5,825         |
| Management fee  | 9     | <b>29,164</b>  | 42,997        |
| Trustee fee   | 9     | <b>11,091</b>  | 12,729        |
| Registration fee  | 9     | <b>2,807</b>   | 3,336         |
| Printing fee  |       | <b>(1,643)</b>   | 2,000         |
| Professional fee  |       | <b>7,266</b>   | 16,054        |
| Valuation fee   | 9     | <b>9,083</b>   | 10,229        |
| Goods & services tax                                      |       | <b>(1,896)</b>   | 1,897         |
| Transaction cost  |       | <b>81,010</b>  | 58,421        |
| Other expense   |       | <b>1,517</b>   | 1,007         |
|   |       | <b>156,854</b>   | 165,673       |
| <b>Net income</b>   |       | <b>484,860</b>   | 495,447       |
| <b>Net gains or losses on value of investments</b>        |       |  |               |
| Net gains on investments                                  |       | <b>1,965,126</b>   | 1,425,789     |
| Net foreign exchange losses                               |       | <b>(50)</b>  | (38)          |
|   |       | <b>1,965,076</b>   | 1,425,751     |
| <b>Total return for the period/year before income tax</b> |       | <b>2,449,936</b>   | 1,921,198     |
| <b>Less: Income tax</b>                                   | 3     | <b>(8,787)</b>   | (21,467)      |
| <b>Total return for the period/year</b>                   |       | <b>2,441,149</b>   | 1,899,731     |

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

**Legg Mason Funds - Legg Mason Singapore Opportunities Trust**  
(Constituted under a Trust Deed registered in the Republic of Singapore)

**Statement of Financial Position**

As at 15 January 2018 (date of termination)

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|  |       | 15 January<br>2018<br>(date of<br>termination) | 31 March 2017     |
|--|-------|--|-------------------|
|  | Notes | \$   | \$                |
| <b>ASSETS</b>                          |       |  |                   |
| Portfolio of investments               |       | -  | 20,523,857        |
| Cash and bank balances                 | 5     | 23,501,601                                     | 1,515,333         |
| Sales awaiting settlement              |       | -  | 45,362            |
| Receivables                            | 6     | 5,106  | 918               |
| <b>Total assets</b>                    |       | <b>23,506,707</b>                              | <b>22,085,470</b> |
| <b>LIABILITIES</b>                     |       |  |                   |
| Payables                               | 7     | 23,506,707                                     | 55,088            |
| Purchases awaiting settlement          |       | -  | 39,692            |
| <b>Total liabilities</b>               |       | <b>23,506,707</b>                              | <b>94,780</b>     |
| <b>EQUITY</b>                          |       |  |                   |
| Net assets attributable to unitholders | 8     | -  | 21,990,690        |

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



**Legg Mason Funds - Legg Mason Singapore Opportunities 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)

|  | <b>Note</b> | <b>For the financial<br/>period from 1<br/>April 2017 to 15<br/>January 2018<br/>(date of<br/>termination)</b> | <b>31 March 2017</b> |
|--|-------------|--|----------------------|
|  |             | <b>\$</b>  | <b>\$</b>            |
| <b>Net assets attributable to unitholders at the beginning of the financial period/year</b>            |             | <b>21,990,690</b>  | 19,752,420           |
| <b>Operations</b>  |             |  |                      |
| Change in net assets attributable to unitholders resulting from operations                             |             | 2,441,149  | 1,899,731            |
| <b>Unitholders' contributions/(withdrawals)</b>  |             |  |                      |
| Creation of units  |             | 3,728  | 921,882              |
| Cancellation of units  |             | (24,435,567)   | (583,343)            |
| Change in net assets attributable to unitholders resulting from net cancellation and creation of units |             | <u>(24,431,839)</u>  | 338,539              |
| Total (decrease)/increase in net assets attributable to unitholders                                    |             | <u>(21,990,690)</u>  | 2,238,270            |
| <b>Net assets attributable to unitholders at the end of the financial period/year</b>                  | <b>8</b>    | <b>-</b>   | <u>21,990,690</u>    |

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

**Legg Mason Funds - Legg Mason Singapore Opportunities Trust**  
*(Constituted under a Trust Deed registered in the Republic of Singapore)*

**Statement of Portfolio**

As at 15 January 2018 (date of termination)

|   | Holdings<br>as at<br>15 January 2018<br>(date of<br>termination) | Fair value<br>as at<br>15 January 2018<br>(date of<br>termination)<br>\$   | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>15 January 2018<br>(date of<br>termination)<br>% |
|---|--|--|--|
| <b>By Geography - (Primary)</b>               |  |  |  |
| <b>Unquoted Equities</b>                      |  |  |  |
| <b>Singapore</b>                              |  |  |  |
| Ezion Holdings Limited                        | 2,107,560  | *  | -  |
|   |  | -  | -  |
| <b>Portfolio of investments</b>               |  | -  | -  |
| <b>Other net assets</b>                       |  | -  | -  |
| <b>Net assets attributable to unitholders</b> |  | -  | -  |
|   |  | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>15 January 2018<br/>(date of<br/>termination)<br/>%</b> | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>31 March 2017<br/>%</b>                   |
| <b>By Geography (Summary)</b>                 |  |  |  |
| <b>Quoted Equities</b>                        |  |  |  |
| Singapore                                     |  | -  | 91.41  |
| Thailand                                      |  | -  | 1.92   |
|   |  | -  | 93.33  |
| <b>Unquoted Equities</b>                      |  |  |  |
| Singapore                                     |  | *  | -  |
| <b>Portfolio of investments</b>               |  | -  | 93.33  |
| <b>Other net assets</b>                       |  | -  | 6.67   |
| <b>Net assets attributable to unitholders</b> |  | -  | 100.00   |

\* This security is suspended from trading in market during the financial period.

**Legg Mason Funds - Legg Mason Singapore Opportunities Trust**  
*(Constituted under a Trust Deed registered in the Republic of Singapore)*

**Statement of Portfolio**

As at 15 January 2018 (date of termination)

|   | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>15 January 2018<br/>(date of<br/>termination)<br/>%</b> | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>31 March 2017<br/>%</b> |
|---|--|--|
| <b>By Industry (Secondary)</b>                |  |  |
| Automotives and Trucks                        | -  | 1.77   |
| Banks   | -  | 32.87  |
| Consumer                                      | *  | 3.57   |
| Diversified Resources                         | -  | 3.76   |
| Finance                                       | -  | 7.78   |
| Foods and Beverage                            | -  | 1.92   |
| Media   | -  | 3.33   |
| Real Estate                                   | -  | 17.22  |
| Real Estate Investment Trust                  | -  | 1.98   |
| Services                                      | -  | 3.14   |
| Telecommunications                            | -  | 11.91  |
| Warehousing                                   | -  | 4.08   |
| <b>Portfolio of investments</b>               | -  | 93.33  |
| <b>Other net assets</b>                       | -  | 6.67   |
| <b>Net assets attributable to unitholders</b> | -  | 100.00   |

\* This security is suspended from trading in market during the financial period.

## Legg Mason Funds - Legg Mason Singapore Opportunities 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)

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

#### 1. General

Legg Mason Funds (the "Fund") is an umbrella unit trust constituted pursuant to the Trust Deed dated 6 March 2000, 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 and the new Manager is Legg Mason Asset Management Singapore Pte. Limited (the "Manager").

The Fund comprises 2 sub-funds, namely Legg Mason Western Asset Singapore Dollar Fund and Legg Mason Singapore Opportunities Trust. Legg Mason Singapore Opportunities Trust (the "Sub-Fund") has been terminated on 15 January 2018. These financial statements relate to the Sub-Fund.

The Sub-Manager of the Sub-Fund is Havenport Asset Management Pte.Ltd. (the "Sub-Manager"). The principal objective of the Sub-Fund relates to holding of certain authorised investments for medium to long-term capital appreciation. The Sub-Fund has 2 classes of units, Class A and I in issue at the reporting date. Only Class A unitholders currently pay management fees of 1.5% per annum.

#### 2. Significant accounting policies

##### (a) Basis of preparation

As the Sub-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 Sub-Fund.

As at the date of termination, the Sub-Fund is in possession of an unquoted equity security, Ezion Holdings Ltd, that was suspended during the year, with no actively trading market, and currently is valued at zero in the financial statements. Should the security have an uplift in value in the future, the Manager will make an assessment whether there will be sufficient recoverable value for further distribution to be made to the Fund's unitholders.

##### (b) Income recognition

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

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

##### (c) Foreign currencies

###### (i) Functional and presentation currency

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

The performances of the Sub-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 Sub-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 Statements 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 Statements of Total Return.

## Legg Mason Funds - Legg Mason Singapore Opportunities 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 Statements of Total Return in the period which they arise. The resultant unrealised gains and losses are taken to the Statements 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 Statements 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 equities held by the Sub-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

|                      | <b>For the<br/>financial<br/>period from 1<br/>April 2017 to<br/>15 January<br/>2018 (date of<br/>termination)</b> | 31 March 2017 |
|----------------------|--|---------------|
|                      | \$   | \$            |
| Singapore income tax | <u>8,787</u>   | <u>21,467</u> |

## Legg Mason Funds - Legg Mason Singapore Opportunities 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 Sub-Fund was granted the status of a Designated Unit Trust ("DUT") in Singapore. The Trustee of the Sub-Fund ensures that the Sub-Fund fulfills their 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 futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or 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.
- (b) The Singapore income tax represents tax deducted at source for Singapore sourced dividends.

The Sub-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 Sub-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 Sub-Fund's brokers on a "withholding" basis.

The Sub-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 Sub-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 Sub-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), no tax liability has been recognised.

#### 4. Distribution to unitholders

The Manager has not proposed any distribution to unitholders for the financial period ended 15 January 2018 (31 March 2017: \$Nil).

#### 5. Cash and bank balances

|   | 15 January<br>2018<br>(date of<br>termination) | 31 March<br>2017 |
|---|--|------------------|
| Held with a related company of the Trustee: |  |                  |
| - Cash and bank balances                    | \$ 23,501,601                                  | \$ 1,515,333     |

#### 6. Receivables

|                  | 15 January<br>2018<br>(date of<br>termination) | 31 March<br>2017 |
|------------------|--|------------------|
| Other receivable | \$ 5,106                                       | \$ 918           |

**Legg Mason Funds - Legg Mason Singapore Opportunities 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)

**7. Payables**

|  | <b>15 January<br/>2018<br/>(date of<br/>termination)</b> | 31 March<br>2017 |
|--|--|------------------|
|  | \$   | \$               |
| Amount due to unitholders on redemptions | <b>23,478,193</b>  | 22,284           |
| Accrued management fee                   | <b>7,209</b>   | 3,558            |
| Accrued trustee fee                      | <b>1,899</b>   | 1,140            |
| Other payables and accruals              | <b>19,406</b>  | 28,106           |
|  | <b>23,506,707</b>  | 55,088           |

**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:

|   | <b>For the<br/>financial<br/>period from 1<br/>April 2017 to<br/>15 January<br/>2018 (date of<br/>termination)</b> | 31 March<br>2017 |
|---|--|------------------|
| <b>Legg Mason Singapore Opportunities Trust (Class A)</b> |  |                  |
| Units at beginning of the financial period/year           | <b>3,602,776</b>   | 4,365,347        |
| Units created   | <b>4,129</b>   | 30,048           |
| Units cancelled   | <b>(3,606,905)</b>   | (792,619)        |
| Units at end of the financial period/year                 | <b>-</b>   | 3,602,776        |
| Net assets attributable to unitholders (\$)               | <b>-</b>   | 2,781,871        |
| Net asset value per unit (\$)                             | <b>-</b>   | 0.772            |
| <b>Legg Mason Singapore Opportunities Trust (Class I)</b> |  |                  |
| Units at beginning of the financial period/year           | <b>23,457,290</b>  | 22,259,304       |
| Units created   | <b>503</b>   | 1,206,434        |
| Units cancelled   | <b>(23,457,793)</b>  | (8,448)          |
| Units at end of the financial period/year                 | <b>-</b>   | 23,457,290       |
| Net assets attributable to unitholders (\$)               | <b>-</b>   | 19,208,819       |
| Net asset value per unit (\$)                             | <b>-</b>   | 0.819            |

There is no difference between the net assets attributable to unitholders per financial statements and the net assets attributable to unitholders for issuing/redeeming of units for the Legg Mason Singapore Opportunities Trust (Class A & I).

**9. Related party transactions**

The Manager of the Sub-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 Sub-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 year between the Sub-Fund and related parties.

## Legg Mason Funds - Legg Mason Singapore Opportunities Trust

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### Notes to the Financial Statements

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

#### 10. Financial risk management

The Sub-Fund's activities expose them to a variety of market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Sub-Fund's overall risk management policy seeks to minimise potential adverse effects of such risks on the Sub-Fund's financial performance. The Sub-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 Sub-Fund at any time as part of the overall financial risk management to reduce the Sub-Fund's risk exposures.

The Sub-Funds' assets principally consist of financial instruments such as equity investments, fixed income, money market investments and cash. They are held in accordance with the published investment policies. 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 Sub-Fund's investments are substantially dependent on changes in market prices. The Sub-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 Sub-Fund. Guidelines are set to reduce the Sub-Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies and industries, and alternatively, the Sub-Fund may be hedged using derivative strategies.

The Sub-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

The table below summarises the impact of increases/decreases from the Sub-Fund's underlying investments in equities on the Sub-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 Sub-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<br>by 10% Impact on net assets<br>attributable to unitholders * |
|----------------------|---|
|                      | 31 March<br>2017  |
| MSCI Singapore Index | \$'000<br><u>± 1,885</u>  |

\* 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.



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**10. Financial risk management (continued)**

(a) Market risk (continued)

(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

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 Sub-Fund's portfolio investment accordingly.

However, the effects of changes in interest rates on the Sub-Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect. The Sub-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 sensitive analysis has been presented separately.

(iii) Currency risk

The Sub-Fund holds monetary financial assets/liabilities denominated in currencies other than Singapore dollars and the Sub-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 Sub-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.

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

| <b>As at 15 January 2018 (date of termination)</b> | <b>SGD</b>        | <b>USD</b>   | <b>Total</b>      |
|--|-------------------|--------------|-------------------|
|  | <b>\$</b>         | <b>\$</b>    | <b>\$</b>         |
| <b>Assets</b>                                      |                   |              |                   |
| Cash and bank balances                             | 23,500,095        | 1,506        | 23,501,601        |
| Receivables  | 5,106             | -            | 5,106             |
| <b>Total assets</b>                                | <b>23,505,201</b> | <b>1,506</b> | <b>23,506,707</b> |
| <b>Liabilities</b>                                 |                   |              |                   |
| Payables   | 23,505,201        | 1,506        | 23,506,707        |
| <b>Total liabilities</b>                           | <b>23,505,201</b> | <b>1,506</b> | <b>23,506,707</b> |
| <b>Net currency exposure</b>                       | <b>-</b>          | <b>-</b>     |                   |
| <b>As at 31 March 2017</b>                         | <b>SGD</b>        | <b>USD</b>   | <b>Total</b>      |
|  | <b>\$</b>         | <b>\$</b>    | <b>\$</b>         |
| <b>Assets</b>                                      |                   |              |                   |
| Portfolio of investments                           | 20,523,857        | -            | 20,523,857        |
| Cash and bank balances                             | 1,515,333         | -            | 1,515,333         |
| Receivables  | 918               | -            | 918               |
| Sales awaiting settlement                          | 45,362            | -            | 45,362            |
| <b>Total assets</b>                                | <b>22,085,470</b> | <b>-</b>     | <b>22,085,470</b> |
| <b>Liabilities</b>                                 |                   |              |                   |
| Payables   | 54,417            | 671          | 55,088            |
| Purchases awaiting settlement                      | 39,692            | -            | 39,692            |
| <b>Total liabilities</b>                           | <b>94,109</b>     | <b>671</b>   | <b>94,780</b>     |
| <b>Net currency exposure</b>                       | <b>21,991,361</b> | <b>(671)</b> |                   |

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 Sub-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 Sub-Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

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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 Sub-Fund will encounter difficulty in settling a liability, including redemption requests.

The Sub-Fund is exposed to daily cash redemption of units in the Sub-Fund. The Sub-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 an investment in unlisted or unquoted securities (31 March 2017: \$Nil).

In accordance with the Sub-Fund's policies, the Manager monitors the Sub-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 Sub-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.

The Sub-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 Sub-Fund's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period 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.

| <b>As at 15 January 2018 (date of termination)</b> | <b>Less than<br/>3 months<br/>\$</b> |
|--|--------------------------------------|
| <b>Liabilities</b>                                 |                                      |
| Payables   | <u>23,506,707</u>                    |
| As at 31 March 2017                                |                                      |
| <b>Liabilities</b>                                 |                                      |
| Payables   | 55,088                               |
| Purchases awaiting settlement                      | <u>39,692</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 Sub-Fund may also enter into derivatives to manage its exposure to currency risk and price risk, including foreign exchange forward contracts and options. Hence, the Sub-Fund is also exposed to the risk that its derivatives held with counterparties may not be recoverable in the event of any default by the parties concerned. The Manager minimise the Sub-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.

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

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**10. Financial risk management** (continued)

(c) Credit risk (continued)

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

|   | Credit<br>Rating <sup>##</sup> | Source of<br>Credit Rating |
|---|--------------------------------|----------------------------|
| <b>As at 15 January 2018 (date of termination)</b>    |                                |                            |
| <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.

<sup>##</sup> Group credit rating will be presented for unrated subsidiaries.

(d) Capital management

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund strives to invest the subscriptions of unitholders in investments that meet the Sub-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 Sub-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).

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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)

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets and liabilities (by class) measured at fair value at 15 January 2018 (date of termination) and 31 March 2017:

| <b>As at 15 January 2018 (date of termination)</b>                                   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|--|----------------|----------------|----------------|--------------|
|  | \$             | \$             | \$             | \$           |
| <b>Assets</b>  |                |                |                |              |
| <b>Financial assets designated at fair value through profit or loss at inception</b> |                |                |                |              |
| - Unquoted equities  | -              | -              | -              | -            |
| <hr/>  |                |                |                |              |
| <b>As at 31 March 2017</b>   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|  | \$             | \$             | \$             | \$           |
| <b>Assets</b>  |                |                |                |              |
| <b>Financial assets designated at fair value through profit or loss at inception</b> |                |                |                |              |
| - Quoted equities  | 20,523,857     | -              | -              | 20,523,857   |
| <hr/>  |                |                |                |              |

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

Investments classified within Level 3 have significant unobservable inputs as there are no readily available quoted market prices. Investments classified as Level 3 consists of 1 equity security which is suspended from trading on the relevant exchange. The fair value of the security has been written down to nil value. Given the lack of information and prolonged suspension, the manager has written down the fair value of this security to nil value.

The table below presents the movement in Level 3 investments for the financial period ended 15 January 2018 (date of termination).

|                          | <b>Level 3</b> |
|--------------------------|----------------|
|                          | \$             |
| Opening balance          | -              |
| Transfers in to Level 3  | 748,184        |
| Net losses on investment | (748,184)      |
| Closing balance          | <hr/> -        |

Except for cash and cash balances which are classified as Level 1, the Sub-Fund's financial assets and liabilities not measured at fair value at 15 January 2018 (date of termination) and 31 March 2017 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.

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**11. Financial ratios**

|   | For the financial period<br>from 1 April 2017 to 15<br>January 2018 (date of<br>termination) |               | 31 March 2017 |               |
|---|--|---------------|---------------|---------------|
|   | %  | %             | %             | %             |
|   | Class A<br>\$  | Class I<br>\$ | Class A<br>\$ | Class I<br>\$ |
| Expense ratio <sup>1</sup> (annualised) | 1.79   | 0.26          | 1.81          | 0.31          |
| Portfolio turnover ratio <sup>2</sup>   | 16.21  | 16.21         | 49.93         | 49.93         |

<sup>1</sup> The expense ratios have been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the Sub-Fund's annualised expense ratios at 15 January 2018 was based on total operating expenses divided by the average net asset value respectively for the period. The total operating expenses do not include (where applicable) brokerage and other transaction 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 Sub-Fund does not pay any performance fee. The average net asset value is based on the daily balances.

Total operating expenses and average net asset value are as below:

|                         | For the financial period<br>from 1 April 2017 to 15<br>January 2018 (date of<br>termination) |               | 31 March 2017 |               |
|-------------------------|--|---------------|---------------|---------------|
|                         | Class A<br>\$  | Class I<br>\$ | Class A<br>\$ | Class I<br>\$ |
|                         | Total operating expenses (annualised)  | 43,104        | 52,683        | 51,998        |
| Average net asset value | 2,405,180  | 20,201,968    | 2,866,888     | 17,597,385    |

<sup>2</sup> The portfolio turnover ratios are 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 divided by the average daily net asset value respectively as below:

|  | For the<br>financial<br>period from 1<br>April 2017 to<br>15 January<br>2018 (date of<br>termination) |            | 31 March 2017 |            |
|--|---|------------|---------------|------------|
|  | \$  | \$         | \$            | \$         |
| Total value of purchases or sales of<br>the underlying investments |   | 3,664,833  |               | 10,217,306 |
| Average daily net asset value                                      |   | 22,607,149 |               | 20,464,273 |

**12 Comparatives**

The prior year comparatives figure 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).