

Annual Report

Legg Mason Martin Currie Southeast Asia Trust

Legg Mason Funds

- Legg Mason Western Asset Singapore Dollar Fund

Legg Mason Western Asset Global Bond Trust

Legg Mason Western Asset Asian Bond Trust

Legg Mason Western Asset Singapore Bond Fund

For the financial year ended 31 March 2018

Contents	Page
Legg Mason Martin Currie Southeast Asia Trust	9
Legg Mason Funds	37
- Legg Mason Western Asset Singapore Dollar Fund	
Legg Mason Western Asset Global Bond Trust	63
Legg Mason Western Asset Asian Bond Trust	95
Legg Mason Western Asset Singapore Bond Fund	127

Important Information

The minimum CPF interest rate for the Ordinary Account (OA) is 2.5% per annum. As announced in September 2017, the Government will maintain a 4% per annum minimum rate for interest earned on all Special Account and Medisave Account (SMA) and Retirement Account (RA) monies until 31 December 2018. Thereafter, interest rates on all CPF account monies will be subject to a minimum rate of 2.5% per annum unless otherwise announced by the Government. The first S\$60,000 of your combined CPF accounts earns an extra 1% interest. To enable members to earn extra interest, only monies in excess of S\$20,000 in your OA and S\$40,000 in your Special Account can be invested. Please visit the CPF Board website for information on how the CPF interest rate is calculated. Subscriptions using CPF monies shall at all times be subject to inter alia the regulations and such directions or requirements imposed by the CPF Board from time to time.

Legg Mason Western Asset Asian Bond Trust, Legg Mason Western Asset Global Bond Trust and Legg Mason Western Asset Singapore Bond Fund may invest in derivatives for hedging and/or efficient portfolio management purposes. Legg Mason Martin Currie Southeast Asia Trust may invest in derivatives for hedging and/or efficient portfolio management purposes, and transferable securities embedding a financial derivative may be used for the purposes of hedging, efficient portfolio management and/or optimizing returns. Legg Mason Martin Currie Southeast Asia Trust may have net asset values with higher volatility characteristics as a result of their portfolio management style. Please refer to the prospectus for more information.

This Report is prepared by Legg Mason Asset Management Singapore Pte. Limited for information purposes only. It does not constitute an offer or solicitation to buy or sell units of these funds. It must be appreciated that the price of units can fall as well as rise and past performance is not necessarily a guide for future performance. Any forecasts made are not necessarily indicative of the likely or future performance of the fund. All applications for units in the fund must be made on the application forms accompanying the prospectus. Investors should read the prospectus available from Legg Mason or its authorized distributors prior to any subscription.

Legg Mason Martin Currie Southeast Asia Trust was formerly known as Legg Mason Southeast Asia Special Situations Trust. The effective date of the name change was 1 August 2017.

Investment Manager's Report

As at 31 March 2018

Global Fixed Income

Market Review

US yields fell and the curve flattened as trade tensions between the US and China escalated and equity markets weakened. The March Federal Open Market Committee (FOMC) meeting delivered the expected 0.25% rate increase. US Federal Reserve (Fed) Governor Jerome Powell highlighted the Fed's more optimistic outlook on US growth given the recent changes to fiscal policy but continued to advocate a gradual path for further monetary policy tightening. The US dollar weakened versus other major currencies, and German bund yields also declined as European economic data were weaker than expected. The Eurozone Consumer Price Index (CPI) fell to 1.1% year-over-year (YoY) from 1.3% and the composite Purchasing Managers' Index (PMI) fell for the second consecutive month. Although the Italian general election delivered a hung parliament, peripheral market spreads ended the month much unchanged and Italy outperformed. Credit spreads widened with shorter maturities underperforming due to tighter liquidity conditions in the front end of the US yield curve. Emerging market (EM) performance was mixed on the month. The Mexican peso rallied and rates fell as optimism grew that a good deal on NAFTA might be possible while the Russian ruble, Brazilian real and Turkish lira all weakened versus the US dollar.

Outlook and Strategy

With the recent changes in US fiscal policy, Fed officials have become more optimistic on growth and employment over the last few months. However, in our opinion, it is important to distinguish optimism from hawkishness. Until inflation has moved up to the Fed's target of 2% and held that level for some time, we expect the Fed will continue to be cautious and gradual in adjusting rates, and will refrain from sounding overly hawkish in its rhetoric, especially given the recent volatility in equity markets.

We continue to believe inflation in the US economy will remain benign. The recent changes to US fiscal policy are likely to improve the near-term growth outlook but are unlikely to materially improve the longer-term growth trajectory. We also believe this economic cycle will extend much further before we see signs of inflationary pressures building simply because the magnitude of growth created in the last nine years has been so low relative to what has been experienced in previous cycles. Absent an acceleration in nominal GDP, we view the expected uptick in inflation this year as merely a move back to more normal levels as the economy heals. If the economy continues to improve as we expect and policy is adjusted at a gradual pace, risk assets should do well and government bond yields should remain well supported.

The growth dynamic in the eurozone is broad-based, with the reliance on net exports being dissipated as domestic demand has strengthened. It is not only the "core" economies that are benefitting; the periphery economies are also on an upward trajectory. We believe the continued cyclical recovery aided by accommodative policy should help the output gap narrow further. We expect bund yields will eventually rise to reflect the possibility of policy normalization or a change in European Central Bank guidance, but in the near term, yields are unlikely to rise materially.

In Japan, we expect growth to improve to around 1.5% to 2.0% in the context of the current fiscal and monetary policy mix and the improving global economy. Inflation remains low although it should increase gradually due to a tighter labor market and the receding effects of the decline in oil prices. We expect the Bank of Japan (BoJ) to continue with its accommodative monetary policy for some time, however, to meet its 2% inflation goal. With 10-year nominal yields capped around 0.0% by the BoJ, we expect real yields to decline further and maintain exposure to Japanese inflation-linked bonds.

Despite the strong performance of the euro over the past year, we maintain the overweight position initiated in 1Q17. Eurozone slack is diminishing, growth remains strong and interest-rate differentials are unlikely to widen further. We continue to expect the long-term trend for the US dollar is to weaken as Fed policy normalization is fully priced and growth outside of the US is likely to remain firm.

We remain vigilant to an escalation in trade tensions between the US and China and a potential further increase in equity market volatility. Under this scenario corporate bond spreads could widen and we believe holding some "ballast" in high-quality government duration remains a prudent risk management strategy. With the continued flattening of the US yield curve and forward bond yields already above the Fed's long run expectation of 2.9%, we have continued to move duration down the yield curve from US long bonds towards intermediate maturities. In portfolios that allow credit strategies, we view the recent spread widening in short-dated maturities as a buying opportunity and have added exposure where possible.

Investment Manager's Report

As at 31 March 2018

Global Fixed Income (continued)

Our base case view for credit spreads remains a modestly tighter destination in the near-to-midterm. We remain cautious about the potential for further M&A and shareholder-friendly activities in certain industrial sectors such as healthcare/pharmaceuticals and telecommunications. The largest sector bias remains in the financial sector, where deleveraging, capital build and regulatory constraint remain credit-positive.

We continue to be constructive on EM debt as fundamentals, valuations and technicals are likely to support EM assets over the medium-term. We believe EM economies have stabilized for the most part and are now better positioned to absorb shocks than at any other time over the past three to four years. The stabilization in commodity prices should also provide some support to commodity-producing EM countries. We expect further spread compression versus developed countries.

Global portfolios remain positioned with a modest overweight to spread sectors, in particular select EM USD- and local-currency-denominated bonds, to take advantage of attractive valuations. We continue to look for opportunities to benefit from market anomalies. Our focus remains on longer-term fundamentals with diversified strategies to manage risk.

Investment Manager's Report

As at 31 March 2018

Asian Fixed Income Review

Market Review

We did see some respite on the US Treasuries (UST) front in March as the 10-year UST began March at 2.81%, but ended the month at 2.74%. While spreads did widen, we finished the month with positive returns, for example, with the JACI FINS CORP Index seeing +0.2% of returns in March—pushing 1Q18 total returns to -0.57%.

The Markit Asia Local Bond Index (ALBI) saw gains of 1.26% in March bringing YTD returns to -1.03%. Returns were positive across all markets with the exception of the Philippines, alongside gains in USTs. India led with gains of 2.6% as onshore investors drove a rally after a reduced supply pipeline announcement. Other markets performed mostly in line with bull-flattening moves in the UST curve driven by the long end as markets calmly digested the well-anticipated US Federal Reserve (Fed) rate hike. The underperformer was the Philippines which saw losses of 0.65% as expectations of a more hawkish Bangko Sentral ng Pilipinas (BSP) drove yields higher. Asian currencies were mostly stronger across the board with outperformance driven by high-beta markets such as the Korea won, with gains of 1.98%, the Malaysian ringgit and the Chinese renminbi. The exception was the Philippine peso which saw losses of 0.21% and the Indonesian rupiah which lagged the regional rally to end the month almost flat.

Outlook and Strategy

The Federal Open Market Committee (FOMC) raised the fed funds rate by 25 bps at its March meeting, as expected. The committee as a whole became more hawkish, raising its growth and inflation forecasts and lowering its unemployment projections, leading it to revise up its projected rate path expectations. The committee lifted its forecasts for 2018 and 2019 growth, by 0.2 percentage points (pp) to 2.7% and 0.3 pp to 2.4%, respectively. It left its 2020 and longer-run estimates unchanged at 2.0% and 1.8%, respectively. Along with raising its growth forecasts, the committee lowered its unemployment rate forecasts, doing so by 0.1 pp for 2018, to 3.8%, 0.3 pp for 2019, to 3.6%, and 0.4 pp for 2020, to 3.6%. It also lowered its longer-run estimate of equilibrium unemployment by 0.1 pp to 4.5%. The high debt levels in advanced economies, unfavorable demographics and still slow structural growth rates also suggest limited upside for rates given debt overhang risks and the attendant feedback loop into consumer confidence.

A significant amount of spare capacity in Asian economies should therefore continue to anchor inflation, despite the sharp pickup in growth. Monetary policy will not be driven purely by considerations of inflation alone, either; policymakers in Asia are acutely aware of rising protectionist tendencies and the potential for hostile trade policy. This will drive a preference for stability on the rates front. Emerging market (EM) Asia fundamentals remain well anchored on strong current account balances, lower external financing requirements and strong fiscal discipline. Asian macroeconomic fundamentals remain stable and in spite of the volatility in macro and market conditions, resilience should remain the base case scenario even if in the short term, thin liquidity and bouts of selling can persist. Asia looks set for a strong cyclical uplift in 2018, with major economies delivering stronger growth supported by a positive regional trade outlook, domestic political stability and endogenous growth. EM assets will also continue to benefit from stable global growth while positive cyclicals and stronger fundamentals would see Asia as a beneficiary of a search for quality yield. Asia will contribute more than 60% of total global growth of a projected 3.5% in 2018 and looks set to continue to do so in the near term. The US in comparison has seen its contribution to global real GDP decrease from 25% twenty years ago to less than 10%. The structural underpinning remains the positive working-age population and productivity growth.

Private investment and a government spending pickup will anchor domestic growth though that spare capacity will further narrow and Asian central banks will see less room for continued monetary accommodation. EM Asia's divergence from the US growth cycle is a key anchor of Asian rates, as Asia's recovery has lagged that of the US. In local currency bond markets, it becomes important to differentiate between high-UST beta markets such as South Korea and Singapore. In the medium term, domestic monetary conditions and the direction for monetary policy will anchor markets, with an increasing divergence from US monetary policy compared with a decade ago when Asian central banks were more inclined to alignment. In this respect, Asian markets that have significant regional or home bias will see yields supported.

Greater exchange rate flexibility than was available during past recoveries will allow some EM central banks to tailor monetary policy to their specific needs, instead of moving their policy rates in lockstep with those of advanced economies. Asia FX remains supported fundamentally by current account dynamics as well as portfolio inflows, specifically over the past year by equity inflows. Asian equity markets have also been driven by earnings growth and there remains room for catchup flows in the equity space. This will structurally impact the behavior of FX currency pairs, resulting in underlying currency fundamentals, portfolio and investment flows having more significant bearing on currency valuations. Hence, we will take these factors into consideration when managing FX exposure and risks within the portfolio.

Investment Manager's Report

As at 31 March 2018

Singapore Fixed Income

Market Review

In March, the Singapore government bond market saw gains of 0.45% against losses of -1.05% last month, bringing year-to-date returns to -1.03%. The 3-month SIBOR rate rose to 1.45%, up from the previous month's 1.37% level alongside moves in front-end LIBOR rates. The Singapore curve bull-flattened with the long end outperforming as yields were lower by up to 15 basis points (bps) even as front-end yields rose by up to 22 bps. Singapore government securities (SGS) underperformed US Treasuries (USTs) on the whole during the month of March. USTs saw yields declining by up to 15 bps in the long end, but front-end yields were almost flat for the month.

Non-oil domestic exports (NODX) fell unexpectedly in February, by 5.9% year-over-year (YoY) (January: 12.9%; December: 3.1%), and were markedly weaker than expected. On a month-over-month (MoM) seasonally adjusted (sa) basis, NODX fell 2.6%, marking a third consecutive month of contraction (January: -0.4%; December: -1.9%). In terms of product mix, electronic shipments (share: 28%) recorded a third consecutive contraction in February. The Consumer Price Index rose 0.2% MoM, leaving headline inflation a touch higher than expected at 0.5% YoY, largely due to the impact of government housing rebates that were distributed in January but not in February. Importantly, core prices continued their gradual ascent, rising 0.1% MoM, and accelerating 1.4% (3Mo3M), a similar pace as in January. The sequential rise in core prices was broad-based across almost all categories, with firm increases in the cost of services, including education (+0.7% MoM), recreation (+0.6% MoM), and health care (+0.4% MoM) costs.

Outlook and Strategy

The Federal Open Market Committee (FOMC) raised the fed funds rate by 25 bps at its March meeting, as expected. The committee as a whole became more hawkish, raising its growth and inflation forecasts and lowering its unemployment projections, leading it to revise up its projected rate path expectations. The committee lifted its forecasts for 2018 and 2019 growth, by 0.2 percentage points (pp) to 2.7% and 0.3 pp to 2.4%, respectively. It left its 2020 and longer-run estimates unchanged at 2.0% and 1.8%, respectively. Along with raising its growth forecasts, the FOMC lowered its unemployment rate forecasts, doing so by 0.1 pp for 2018, to 3.8%, 0.3 pp for 2019, to 3.6%, and 0.4 pp for 2020, to 3.6%. It also lowered its longer-run estimate of equilibrium unemployment by 0.1 pp to 4.5%. The high debt levels in advanced economies, unfavorable demographics and still slow structural growth rates also suggest limited upside for rates given debt overhang risks and the attendant feedback loop into consumer confidence.

A significant amount of spare capacity in Asian economies should therefore continue to anchor inflation, despite the sharp pickup in growth. Monetary policy will not be driven purely by considerations of inflation alone, either; policymakers in Asia are acutely aware of rising protectionist tendencies and the potential for hostile trade policy. This will drive a preference for stability in the rates front. The Philippines, for example, faces the most significant inflation pressures in Asia, in spite of which Bangko Sentral ng Pilipinas (BSP) has not signaled any intention to tighten monetary policy. Emerging market (EM) Asia fundamentals remain well anchored on strong current account balances, lower external financing requirements and strong fiscal discipline. Asian macroeconomic fundamentals remain stable and in spite of the volatility in macro and market conditions, resilience should remain the base case scenario even if in the short term, thin liquidity and bouts of selling can persist. Asia looks set for a strong cyclical uplift in 2018, with major economies delivering stronger growth supported by a positive regional trade outlook, domestic political stability and endogenous growth. EM assets will also continue to benefit from stable global growth while positive cyclicals and stronger fundamentals would see Asia as a beneficiary of a search for quality yield. Asia will contribute more than 60% of total global growth of a projected 3.5% in 2018 and looks set to continue to do so in the near term. The US in comparison has seen its contribution to global real GDP decrease from 25% twenty years ago to less than 10%. The structural underpinning remains the positive working-age population and productivity growth. Private investment and a government spending pickup will anchor domestic growth, though that spare capacity will further narrow and Asian central banks will see less room for continued monetary accommodation. EM Asia's divergence from the US growth cycle is a key anchor of Asian rates, as Asia's recovery has lagged that of the US. In local currency bond markets, it becomes important to differentiate between high-UST beta markets such as South Korea and Singapore. In the medium term, domestic monetary conditions and the direction for monetary policy will anchor markets, with an increasing divergence from US monetary policy compared with a decade ago when Asian central banks were more inclined to alignment. In this respect, Asian markets that have significant regional or home bias will see yields supported.

A broad-based synchronous global economic recovery continues to benefit Singapore, traditionally a high-beta economy. The cyclical uptick provided a much-needed boost to consumer confidence as well as corporate bullishness, evidenced in property developers' aggressive bidding for en-bloc residential sale sites. The medium-term

Investment Manager's Report

As at 31 March 2018

Singapore Fixed Income (continued)

growth outlook remains moderate as demographic headwinds and a continued low tolerance for a rise in immigration points to a structural slowdown of traditional human capital employment driven growth. The service sector remains a key pillar supporting employment, at 80% of total employment, picking up the decline in the manufacturing sector. Singapore continues to be anchored by its fundamental strength, with an estimate of sovereign foreign net assets at around 90% of GDP as of year-end 2016, according to Fitch.

The overarching stance of Singapore's budget policy remains that of prudence and sustainability. Tying budget measures to achieve broader policy outcomes has also been a key focus, with the budget being the most anticipated alongside the Prime Minister's annual national day rally. This year's budget continues the government's emphasis on economic restructuring through innovation and internationalization. The government also announced that the goods and services tax will be hiked from 7% to 9% within 2021-2025 while addressing loopholes by starting to impose a tax on online services. Whilst politically challenging, especially in light of a large basic surplus, it again reinforces the government's intent to maintain sustainability of an expected rise in operating expenditure due to an ageing population.

We are cautious of the rapid expansion of the Singapore credit market and the relatively low level of risk premium the market is pricing into bonds issued by new entrants. We remain highly selective and will place a strong emphasis on sound credit fundamentals as a key premise. We believe our long-term approach will allow us to ride out any volatility in the next few months and we will seek to minimize our risk exposure. In terms of strategy, we continue to adopt a tactical approach to positioning across the SGS curve in view of global growth headwinds and monetary policy divergence among central banks. We will seek to bolster carry-through exposure in high-quality corporate and bank credits.

Investment Manager's Report

As at 31 March 2018

Asean Equities

Market Review

March proved to be a volatile month for ASEAN equity markets. The headline fall in the MSCI AC ASEAN (Net) index of 3.1% in Singapore dollar terms, hid very poor performance from Indonesia and the Philippines, which were both down more than 6%. This was, in part, due to exchange rate moves, and in the case of the Philippines, the peso was down against the already weak US dollar by 4.3% for the first quarter.

We commented in January that it was likely regional central banks would be looking at tighter policy into 2018, as the US Federal Reserve (Fed) raised rates. Despite the Fed rate rise in March, it is becoming fairly clear ASEAN banks are reluctant to tighten too early. This is a delicate balancing act; on one hand, they do not want to get behind the curve, given the inherent risks for later policy and potential foreign-exchange issues. On the other, many economies are only just beginning to show signs of improvement and higher real rates risk choking off a nascent recovery. It is early days but, given all the talk about a weak US dollar, it is worth noting that on top of the mentioned drop in the Philippine peso, the Indonesian rupiah has also weakened against the greenback.

Outlook and Strategy

The Bank of Thailand, has kept rates unchanged at 1.50%. However, one of the seven Monetary Policy Committee members voted for a 25 basis-point rate rise, suggesting at least a little uncertainty. At the same time, the bank raised its economic growth forecasts to 4.1%, while lowering its predictions for inflation. Meanwhile, the Monetary Authority of Singapore (MAS) is widely expected to tighten policy, via an appreciating currency at its next policy review.

Malaysia is the one country which has already hiked rates and would appear to be on hold for the foreseeable future. The focus now is undoubtedly on the election which will take place over the coming months.

However, in Indonesia, given the persistently high real rates in the economy and lack of consumption growth, there is even some discussion about a rate cut. We spoke to several of the big banks in Indonesia this month and although they tend to agree a rate rise is eventually inevitable to maintain stability, they also highlighted the lack of loan growth caused by the high real rates. In addition to the mysterious lack of a consumption recovery, there also appears to be a reluctance to invest ahead of the early 2019 Presidential elections.

Elsewhere, the risk in the Philippines comes from a slowing of the two recent economic drivers—namely the business process outsourcing (BPO) sector and overseas remittances. This possible slowdown has combined with a trade deficit which, although small, is moving the wrong way; as well as perceived budget risks from the ambitious 'Build, Build, Build' infrastructure programme. Together these factors have clearly driven the abovementioned currency pressure. The recently instituted tax-reform package, coupled with the weaker peso, both risk resulting in higher inflation. As discussed, this will make for difficult central bank decisions. On the other hand, the infrastructure spend can be expected to add a short-term stimulative effect to the economy and, if successful, will be incredibly beneficial to long-term development.

Intentionally left blank

Legg Mason Martin Currie Southeast Asia Trust

Legg Mason Funds

- Legg Mason Western Asset Singapore Dollar Fund

Legg Mason Western Asset Global Bond Trust

Legg Mason Western Asset Asian Bond Trust

Legg Mason Western Asset Singapore Bond Fund

Legg Mason Martin Currie Southeast Asia Trust

(formerly known as Legg Mason Southeast Asia Special Situations Trust)

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

Report of the Trustee

For the financial year ended 31 March 2018

The Trustee is under a duty to take into custody and hold the assets of Legg Mason Martin Currie Southeast Asia Trust (formerly known as Legg Mason Southeast Asia Special Situations 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 financial year covered by these financial statements, set out on pages 14 to 31, 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

19 June 2018

Legg Mason Martin Currie Southeast Asia Trust

(formerly known as Legg Mason Southeast Asia Special Situations Trust)

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

Statement by the Manager

For the financial year ended 31 March 2018

In the opinion of Legg Mason Asset Management Singapore Pte. Limited. (the "Manager"), the accompanying financial statements set out on pages 14 to 31, 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 Martin Currie Southeast Asia Trust (formerly known as Legg Mason Southeast Asia Special Situations Trust) (the "Fund") as at 31 March 2018, and the financial performance and movements of unitholders' funds for the financial year 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

Director

19 June 2018

Independent Auditor’s Report to the Unitholders of Legg Mason Martin Currie Southeast Asia Trust

*(formerly known as Legg Mason Southeast Asia Special Situations Trust)
(Constituted under a Trust Deed in the Republic of Singapore)*

Our Opinion

In our opinion, the accompanying financial statements of the Legg Mason Martin Currie Southeast Asia Trust (formerly known as Legg Mason Southeast Asia Special Situations 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 31 March 2018, and of the financial performance and movements of unitholders’ funds for the financial year ended on that date.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial year ended 31 March 2018;
- the Statement of Financial Position as at 31 March 2018;
- the Statement of Movements of Unitholders’ Funds for the financial year ended 31 March 2018;
- the Statement of Portfolio as at 31 March 2018; 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.

Other Information

The Fund’s Manager (the “Manager”) is responsible for the other information. The other information comprises all sections of the annual report, but does not include 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.

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.

Independent Auditor's Report to the Unitholders of Legg Mason Martin Currie Southeast Asia Trust

*(formerly known as Legg Mason Southeast Asia Special Situations Trust)
(Constituted under a Trust Deed in the Republic of Singapore)*

Responsibilities of the Manager for the Financial Statements (continued)

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.

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, 19 June 2018

Statement of Total Return

For the financial year ended 31 March 2018

	Notes	2018 \$	2017 \$
Income			
Dividend income		3,489,272	3,131,078
Interest income		1,287	208
		3,490,559	3,131,286
Less: Expenses			
Audit fee		24,605	22,131
Custody fee	9	79,317	86,640
Management fee	9	2,379,620	2,557,119
Trustee fee	9	105,617	113,309
Registration fee	9	26,909	25,997
Printing fee		4,000	9,001
Professional fee		40,157	23,934
Valuation fee	9	45,910	48,869
Goods & services tax		5,813	39,877
Transaction cost		801,571	1,284,042
Other expenses		22,660	20,991
		3,536,179	4,231,910
Net losses		(45,620)	(1,100,624)
Net gains or losses on value of investments			
Net gains on investments		7,476,030	8,347,248
Net foreign exchange losses		(447,232)	(207,913)
		7,028,798	8,139,335
Total return for the financial year before income tax		6,983,178	7,038,711
Less: Income tax	3	(273,524)	(294,427)
Total return for the financial year		6,709,654	6,744,284

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

Statement of Financial Position

As at 31 March 2018

	Notes	2018 \$	2017 \$
ASSETS			
Portfolio of investments		158,979,970	155,201,085
Cash and bank balances	5	2,372,074	8,464,568
Receivables	6	524,374	554,718
Sales awaiting settlement		3,374,278	6,300,718
Total assets		165,250,696	170,521,089
LIABILITIES			
Payables	7	960,673	1,783,453
Purchases awaiting settlement		3,265,477	5,463,202
Total liabilities		4,226,150	7,246,655
EQUITY			
Net assets attributable to unitholders	8	161,024,546	163,274,434

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

Statement of Movements of Unitholders' Funds

For the financial year ended 31 March 2018

	Notes	2018 \$	2017 \$
Net assets attributable to unitholders at the beginning of the financial year		163,274,434	173,533,153
Operations			
Change in net assets attributable to unitholders resulting from operations		6,709,654	6,744,284
Unitholders' contributions/(withdrawals)			
Creation of units		24,482,535	13,013,171
Cancellation of units		(33,442,077)	(30,016,174)
Change in net assets attributable to unitholders resulting from net cancellation of units		(8,959,542)	(17,003,003)
Total decrease in net assets attributable to unitholders		(2,249,888)	(10,258,719)
Net assets attributable to unitholders at the end of the financial year	8	161,024,546	163,274,434

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %
<u>By Geography (Primary)</u>			
Quoted Equities			
Indonesia			
PT Adaro Energy Tbk	8,153,800	1,654,195	1.03
PT Astra International Inc Tbk	2,765,200	1,922,633	1.20
PT Bank Central Asia Tbk	3,330,700	7,391,599	4.59
PT Bank Mandiri Tbk	4,830,600	3,531,233	2.19
PT Cardig Aero Services Tbk	45,314,900	2,549,715	1.58
PT Hanjaya Mandala Sampoerna Tbk	4,254,100	1,612,641	1.00
PT Matahari Department Store Tbk	2,585,000	2,696,011	1.68
PT Semen Indonesia (Persero) Tbk	3,351,300	3,303,700	2.05
PT Telekomunikasi Indonesia Tbk	3,806,400	1,305,160	0.81
PT United Tractors Tbk	925,700	2,821,416	1.75
		28,788,303	17.88
Malaysia			
British American Tobacco Malaysia Berhad	178,900	1,602,355	0.99
Gamuda Berhad	1,858,300	3,263,331	2.03
Genting Berhad	1,762,400	5,215,960	3.24
Genting Malaysia Berhad	1,800,700	2,991,252	1.86
IHH Healthcare Berhad	1,010,600	2,072,766	1.29
Lotte Chemical Titan Holding Berhad	1,075,400	2,220,255	1.38
Malayan Banking Berhad	2,311,400	8,306,088	5.16
Tenaga Nasional Berhad	913,200	5,027,678	3.12
		30,699,685	19.07
Philippines			
Ayala Corporation	109,190	2,601,417	1.61
BDO Unibank Inc	1,805,310	6,306,456	3.92
CEMEX Holdings Philippines Inc	5,048,200	461,803	0.29
GT Capital Holdings Inc	123,835	3,638,117	2.26
International Container Terminal Service Inc	455,950	1,145,872	0.71
LT Group Inc	3,262,900	1,541,631	0.96
Puregold Price Club Inc	2,539,760	3,347,780	2.08
Robinsons Retail Holdings Inc	719,890	1,615,609	1.00
		20,658,685	12.83

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %
By Geography (Primary) (continued)			
Quoted Equities (continued)			
Singapore			
Ascendas Real Estate Investment Trust	1,587,200	4,174,336	2.59
City Developments Limited	518,500	6,740,500	4.19
Cityneon Holdings Limited	584,500	602,035	0.37
DBS Group Holdings Limited	523,200	14,388,000	8.94
Jumbo Group Limited	3,000,200	1,650,110	1.02
Keppel Corporation Limited	550,600	4,278,162	2.66
MM2 Asia Limited	5,196,000	2,649,960	1.64
Singapore Telecommunications Limited	1,856,400	6,256,068	3.89
United Overseas Bank Limited	431,200	11,858,000	7.36
		52,597,171	32.66
Thailand			
C.P. All Public Company Limited	1,311,600	4,840,143	3.00
Glow Energy PCL	540,500	1,949,253	1.21
Intouch Holdings Public Company Limited	2,010,600	4,890,213	3.04
Kasikornbank Public Limited Company	664,800	5,910,184	3.67
PTT Exploration & Production Public Company Limited	428,700	2,058,416	1.28
PTT Public Company Limited	284,600	6,587,917	4.09
		26,236,126	16.29
Total quoted equities		158,979,970	98.73
Unquoted Equities			
Singapore			
Ezion Holdings Limited [^]	10,940,082	-	-
Ezion Holdings Limited Call Warrant 31/12/2049 [^]	8,455,909	-	-
		-	-
Portfolio of investments		158,979,970	98.73
Other net assets		2,044,576	1.27
Net assets attributable to unitholders		161,024,546	100.00

[^] There is no readily available market quotation as the securities are suspended from trading on the relevant exchange. The Manager made certain estimates and assumptions to arrive at the fair value, after taking into account all relevant information. The actual proceeds that could be realised from the sale of these shares could be different from the estimated fair value.

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

Statement of Portfolio

As at 31 March 2018

	Percentage of total net assets attributable to unitholders at 31/3/2018 %	Percentage of total net assets attributable to unitholders at 31/3/2017 %
By Geography (Summary)		
Quoted Equities		
Australia	-	1.09
Indonesia	17.88	21.30
Malaysia	19.07	14.49
Philippines	12.83	11.48
Singapore	32.66	28.65
Thailand	16.29	18.05
	98.73	95.06
Unquoted Equities		
Singapore	-	-
	98.73	95.06
Portfolio of investments	98.73	95.06
Other net assets	1.27	4.94
Net assets attributable to unitholders	100.00	100.00

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

Statement of Portfolio

As at 31 March 2018

	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %	Percentage of total net assets attributable to unitholders at 31/3/2017 %
By Industry (Secondary)			
Aerospace and defense	-	-	1.33
Bank	57,691,560	35.83	9.44
Building and construction	3,303,700	2.05	5.06
Building construction materials	461,803	0.29	1.97
Chemical	2,220,255	1.38	-
Commercial services	-	-	0.16
Communications	-	-	5.07
Consumer	1,602,355	0.99	3.95
Diversified resource	4,278,162	2.66	2.12
E-commerce	-	-	2.94
Energy	3,603,448	2.24	-
Engineering and machinery	2,821,416	1.75	-
Finance	-	-	2.24
Foods and beverage	3,191,741	1.98	1.21
Healthcare	2,072,766	1.29	3.94
Hotel	8,207,212	5.10	3.26
Infrastructure	3,263,331	2.03	-
Investment	3,638,117	2.26	-
Media	2,649,960	1.65	2.98
Mining	-	-	1.09
Miscellaneous	-	-	3.15
Oil and gas	8,646,333	5.37	5.83
Real estate and development	9,341,917	5.80	6.25
Real estate investment trust	4,174,336	2.59	-
Retail	14,422,176	8.96	10.06
Services	602,035	0.37	7.10
Shipbuilding	-	-	0.51
Telecommunication	12,451,441	7.73	6.36
Tobacco	1,612,641	1.00	1.27
Transport - Air	2,549,715	1.58	3.24
Transport	1,145,872	0.71	-
Utilities	5,027,678	3.12	-
Utility - Water	-	-	2.46
Warehousing	-	-	2.07
Portfolio of investments	158,979,970	98.73	95.06
Other net assets	2,044,576	1.27	4.94
Net assets attributable to unitholders	161,024,546	100.00	100.00

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

Notes to the Financial Statements

For the financial year ended 31 March 2018

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

1. General

Legg Mason Martin Currie Southeast Asia Trust (formerly known as Legg Mason Southeast Asia Special Situations Trust) (the "Fund") is an open-ended unit trust constituted pursuant to the Trust Deed dated 14 January 1998, 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. On 1 August 2017, Havenport Asset Management Pte. Ltd. retired as the sub-manager of the Fund. The manager and new sub-manager of the Fund are Legg Mason Asset Management Singapore Pte. Limited (the "Manager") and Martin Currie Investment Management Limited (the "Sub-Manager") respectively.

The principal objective of the Fund relates to holding of certain authorised investments for long-term capital appreciation.

The Fund is included under the Central Provident Fund Investment Scheme.

The name of the Fund was changed as follows:

Name prior to 1 August 2017	New name with effect from 1 August 2017
Legg Mason Southeast Asia Special Situations Trust	Legg Mason Martin Currie Southeast Asia Trust

2. Significant accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The Fund has adopted the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in March 2017 for the financial year beginning on or after 1 July 2016.

The Fund has adopted the following Singapore Financial Reporting Standards ("FRS") and related amendments in accordance with the recommendations of the RAP7:

(i) Consolidation and disclosure of interests in other entities

FRS 110 "*Consolidated financial statements*"
FRS 112 "*Disclosure of interests in other entities*"
Amendments to FRS 110, FRS 112 and FRS 27 "*Investment entities*"

FRS 110 and the amendments define an investment entity and introduce an exception from the consolidation requirements for investment entities.

FRS 112 and the amendments require entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some interests in other entities. Entities are also required to provide disclosure around certain "structured entities". The amendments to FRS 112 introduce new disclosure requirements related to investment entities.

(ii) Offsetting financial assets and liabilities disclosures

Amendments to FRS 32 "*Financial instruments: Presentation – Offsetting financial assets and financial liabilities*"
Amendments to FRS 107 "*Disclosures – Offsetting financial assets and financial liabilities*"

The amendments to FRS 32 provide clarification on the offsetting criteria in FRS 32 and address inconsistencies in their application.

Notes to the Financial Statements

For the financial year ended 31 March 2018

2. Significant accounting policies (continued)

(a) Basis of accounting (continued)

(ii) Offsetting financial assets and liabilities disclosures (continued)

The amendments to FRS 107 require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The adoption of these new or amended FRS impacted the Fund's level of disclosures in certain of the above noted areas, but did not result in substantial changes to the accounting policies of the Fund and had no material effect on the amounts reported for the current or prior financial years.

(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 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 year 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.

(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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

2. Significant accounting policies (continued)

(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 at the end of the financial year 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 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.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

3. Income tax

	2018 \$	2017 \$
Singapore income tax	23,749	-
Overseas income tax	249,775	294,427
	<u>273,524</u>	<u>294,427</u>

- (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;

Notes to the Financial Statements

For the financial year ended 31 March 2018

3. Income tax (continued)

- (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 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 31 March 2018 and 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 Managers' 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 year ended 31 March 2018 (2017: \$Nil).

5. Cash and bank balances

	2018 \$	2017 \$
Held with a related company of the Trustee:		
- Cash and bank balances	<u>2,372,074</u>	<u>8,464,568</u>

Notes to the Financial Statements

For the financial year ended 31 March 2018

6. Receivables

	2018 \$	2017 \$
Amount due from unitholders on subscriptions	240,450	191,667
Dividends receivable	283,924	320,928
Other receivables	-	42,123
	524,374	554,718

7. Payables

	2018 \$	2017 \$
Amount due to unitholders on redemptions	679,005	1,512,612
Accrued management fee	209,997	208,578
Accrued trustee fee	9,312	9,251
Amount due to the Manager	7,238	498
Other payables and accruals	55,121	52,514
	960,673	1,783,453

8. Units in issue

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

	2018	2017
Units at beginning of the financial year	93,587,457	103,400,260
Units created	13,029,143	7,648,376
Units cancelled	(18,486,246)	(17,461,179)
Units at end of the financial year	88,130,354	93,587,457
Net assets attributable to unitholders (\$)	161,024,546	163,274,434
Net asset value per unit (\$)	1.827	1.745

A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset as determined for the purpose of processing unit subscription and redemption is provided below:

	2018 \$	2017 \$
Net assets attributable to unitholders per financial statements per unit	1.827	1.745
Effect of movement in net asset value between the last dealing date and the end of the reporting date per unit	(0.002)	-
Net assets attributable to unitholders for issuing/redeeming per unit	1.825	1.745

9. Related party transactions

The Manager of the Fund is Legg Mason Asset Management Singapore Pte. Limited (2017: Western Asset Management Company Pte. Ltd.), the Trustee is HSBC Institutional Trust Services (Singapore) Limited and the

Notes to the Financial Statements

For the financial year ended 31 March 2018

9. Related party transactions (continued)

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 year 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 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 achieves medium to long-term capital appreciation by investing at least 70% of the Fund in securities issued by companies that are incorporated, domiciled or listed, or have a significant economic interest, in South and South-East Asia countries. 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 ASEAN.

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 2018 and 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 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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Benchmark Component	Benchmark increase / decrease by 10% Impact on net assets attributable to unitholders*	
	2018 \$'000	2017 \$'000
MSCI AC ASEAN INDEX	± 15,580	± 14,589

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

(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. Hence, no sensitive 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.

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

As at 31 March 2018

	THB \$	PHP \$	SGD \$	MYR \$	USD \$	IDR \$	Total \$
Assets							
Portfolio of investments	26,236,126	20,658,685	52,597,171	30,699,685	-	28,788,303	158,979,970
Cash and bank balances	-	9,528	2,313,670	48,837	39	-	2,372,074
Receivables	192,653	18,016	240,450	-	-	73,255	524,374
Sales awaiting settlement	3,374,278						3,374,278
Total assets	29,803,057	20,686,229	55,151,291	30,748,522	39	28,861,558	165,250,696
Liabilities							
Payables	-	-	959,831	-	842	-	960,673
Purchases awaiting settlement	1,302,180	-		1,963,297	-	-	3,265,477
Total liabilities	1,302,180	-	959,831	1,963,297	842	-	4,226,150
Net currency exposure	28,500,877	20,686,229	54,191,460	28,785,225	(803)	28,861,558	

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

As at 31 March 2017

	THB \$	PHP \$	SGD \$	MYR \$	USD \$	Others \$	Total \$
Assets							
Portfolio of investments	29,470,416	18,739,452	46,777,251	23,654,024	-	36,559,942	155,201,085
Cash and bank balances	-	-	3,776,595	-	4,633,843	54,130	8,464,568
Receivables	146,572	68,801	233,741	40,541	7,903	57,160	554,718
Sales awaiting settlement	1,940,142	143,301	389,440	2,406,522	-	1,421,313	6,300,718
Total assets	31,557,130	18,951,554	51,177,027	26,101,087	4,641,746	38,092,545	170,521,089
Liabilities							
Payables	-	-	1,776,701	-	6,752	-	1,783,453
Purchases awaiting settlement	1,505,041	-	385,726	2,179,547	-	1,392,888	5,463,202
Total liabilities	1,505,041	-	2,162,427	2,179,547	6,752	1,392,888	7,246,655
Net currency exposure	30,052,089	18,951,554	49,014,600	23,921,540	4,634,994	36,699,657	

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 31 March 2018 and 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.

(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).

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 Fund 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 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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Financial risk management (continued)

(b) Liquidity risk (continued)

As at 31 March 2018	Less than 3 months \$
Liabilities	
Payables	960,673
Purchases awaiting settlement	3,265,477
	<hr/>
As at 31 March 2017	
Liabilities	
Payables	1,783,453
Purchases awaiting settlement	5,463,202
	<hr/>

(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 also 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 event 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.

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

	Credit Rating ##	Source of Credit Rating
As at 31 March 2018		
<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
<hr/>		
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
<hr/>		

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Financial risk management (continued)

(c) Credit risk (continued)

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 2018 and 2017:

As at 31 March 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	156,430,255	2,549,715	-	158,979,970
- Unquoted equities	-	-	#	-
<hr/>				
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	155,201,085	-	-	155,201,085

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, comprise 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.

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 2 equity securities which are suspended from trading on the relevant exchange. The fair value of these securities have 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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Financial risk management (continued)

(e) Fair value estimation (continued)

The table below presents the movement in Level 3 investments for the financial year ended 31 March 2018.

	Level 3
	\$
Opening balance	-
Transfers in to Level 3	2,155,196
Net losses on investments	(2,155,196)
Closing balance	-

Except for cash and cash balances which are classified as Level 1, the Fund's financial assets and liabilities not measured at fair value at 31 March 2018 and 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.

11. Credit facility

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

	2018	2017
	\$	\$
<u>Facility</u>		
Overdraft	10 million	10 million

The above credit facility is unsecured and is not utilised at year end.

12. Financial ratios

	2018	2017
	%	%
Expense ratio ¹	1.72	1.73
Portfolio turnover ratio ²	92.57	92.64

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 31 March 2018 was based on total operating expenses of \$2,734,608 (2017: \$2,947,868) divided by the average net asset value of \$158,618,598 (2017: \$170,467,177) for the financial 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 \$146,827,503 (2017: purchases of \$157,922,191) divided by the average daily net asset value of \$158,618,598 (2017: \$170,467,177).

Report to Unitholders

For the financial year ended 31 March 2018

Investment Allocation as at 31 March 2018

By Country	Market Value in SGD	% of NAV
Indonesia	28,788,303	17.88
Malaysia	30,699,685	19.07
Philippines	20,658,685	12.83
Singapore	52,597,171	32.66
Thailand	26,236,126	16.29
Portfolio of investments	158,979,970	98.73
Other net assets	2,044,576	1.27
Total	161,024,546	100.00

By Industry	Market Value in SGD	% of NAV
Bank	57,691,560	35.83
Building and construction	3,303,700	2.05
Building construction materials	461,803	0.29
Chemical	2,220,255	1.38
Consumer	1,602,355	0.99
Diversified resource	4,278,162	2.66
Energy	3,603,448	2.24
Engineering and machinery	2,821,416	1.75
Foods and beverage	3,191,741	1.98
Healthcare	2,072,766	1.29
Hotel	8,207,212	5.10
Infrastructure	3,263,331	2.03
Investment	3,638,117	2.26
Media	2,649,960	1.65
Oil and gas	8,646,333	5.37
Real estate and development	9,341,917	5.80
Real estate investment trust	4,174,336	2.59
Retail	14,422,176	8.96
Services	602,035	0.37
Telecommunication	12,451,441	7.73
Tobacco	1,612,641	1.00
Transport - Air	2,549,715	1.58
Transport	1,145,872	0.71
Utilities	5,027,678	3.12
Portfolio of investments	158,979,970	98.73
Other net assets	2,044,576	1.27
Total	161,024,546	100.00

Report to Unitholders

For the financial year ended 31 March 2018

By Asset Class	Market Value in SGD	% of NAV
Equity securities	158,979,970	98.73
Portfolio of investments	158,979,970	98.73
Other net assets	2,044,576	1.27
Total	161,024,546	100.00

Top 10 Holdings

Holdings as at 31 March 2018	Market Value in SGD	% of NAV
DBS Group Holdings Limited	14,388,000	8.94
United Overseas Bank Limited	11,858,000	7.36
Malayan Banking Berhad	8,306,088	5.16
PT Bank Central Asia Tbk	7,391,599	4.59
City Developments Limited	6,740,500	4.19
PTT Public Company Limited	6,587,917	4.09
BDO Unibank Inc	6,306,456	3.92
Singapore Telecommunications Limited	6,256,068	3.89
Kasikornbank Public Limited Company	5,910,184	3.67
Genting Berhad	5,215,960	3.24

Holdings as at 31 March 2017	Market Value in SGD	% of NAV
PT Telekomunikasi Indonesia Tbk	8,283,250	5.07
City Developments Limited	7,840,740	4.80
Singapore O&G Limited	7,689,307	4.71
Ezion Holdings Limited	6,444,912	3.95
PT Astra International Inc Tbk	6,173,048	3.78
PT Bank Central Asia Tbk	5,543,619	3.40
PT Cardig Aero Services Tbk	5,292,522	3.24
MM2 Asia Limited	4,862,808	2.98
Bangkok Expressway & Metro PCL	4,856,173	2.97
MY EG Services Berhad	4,792,232	2.94

Exposure to Derivatives

Nil as at 31 March 2018.

Global Exposure

The global exposure relating to derivative instruments is calculated using the commitment approach by converting the derivative positions into equivalent positions in the underlying assets embedded in those derivatives.

The global exposure of the Fund to financial derivative instruments or embedded financial derivative instruments will not exceed 100% of the net asset value of the Fund at any time.

Collateral

Nil as at 31 March 2018.

Report to Unitholders

For the financial year ended 31 March 2018

Securities Lending or Repurchase Transactions

Nil as at 31 March 2018.

Investment in Other Unit Trust, Mutual Funds and Collective Investment Schemes

	Market Value in SGD	% of NAV
Ascendas Real Estate Investment Trust	4,174,336	2.59

Borrowings

Nil as at 31 March 2018.

Amount of Redemptions and Subscriptions

For the period 1 April 2017 to 31 March 2018

	SGD
Redemptions	33,442,077
Subscriptions	24,482,535

Related Party Transactions

For the period 1 April 2017 to 31 March 2018

Refer to Note 9 of the "Notes to the Financial Statements".

Performance

	Legg Mason Martin Currie Southeast Asia Trust - Class A (SGD) Accumulating*	Benchmark
3-month	-1.72%	-0.03%
6-month	+4.41%	+7.07%
1-year	+4.58%	+13.62%
3-year	-4.40%	+2.97%
5-year	-4.31%	+3.08%
10-year	+0.47%	+5.25%
Since inception	+6.93%	+5.11%

* NAV-NAV basis, with net income and dividends reinvested, if any (SGD terms). Annualised for periods over one year.

Benchmark : MSCI AC Asean Index. With effect from January 2017, the benchmark was rebranded from MSCI Southeast Asia to MSCI AC Asean Index . Prior to 1 October 2013, the benchmark was MSCI AC Far East ex Japan, ex China, ex Hong Kong, exTaiwan, ex Korea (S\$).

The inception date was 2 March 1998

Source : Legg Mason Asset Management Singapore Pte. Limited

Report to Unitholders

For the financial year ended 31 March 2018

Expense Ratio

For the period 1 April 2017 to 31 March 2018	1.72%
For the period 1 April 2016 to 31 March 2017	1.73%

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 31 March 2018 was based on total operating expenses of \$2,734,608 (2017: \$2,947,868) divided by the average net asset value of \$158,618,598 (2017: \$170,467,177) for the financial 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.

Turnover Ratio

For the period 1 April 2017 to 31 March 2018	92.57%
For the period 1 April 2016 to 31 March 2017	92.64%

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 \$146,827,503 (2017: purchases of \$157,922,191) divided by the average daily net asset value of \$158,618,598 (2017: \$170,467,177).

Other Material Information

There are no other material information that will adversely impact the valuation of the Fund.

Soft Dollar Commissions/Arrangements

The Managers currently do not but shall be entitled to receive and enter into soft-dollar commissions/arrangements in respect of the Trust.

The Sub-Manager currently receives and enters into soft-dollar commissions/arrangements in respect of the Trust. The Managers and Sub-Manager will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions which the Sub-Manager receives and which the Managers may receive include specific advice as to the advisability of dealing in, or the value of any investments, research and advisory services, economic and political analyses, portfolio analyses including valuation and performance measurements, market analyses, data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis, and custodial service in relation to the investments managed for clients.

Soft-dollar commissions received shall not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employees' salaries or direct money payment.

The Managers and the Sub-Manager will not accept or enter into soft dollar commissions/arrangements unless such soft-dollar commissions/arrangements would, in the opinion of the Managers or the Sub-Manager (as the case may be), assist it in its management of the Trust, provided that it shall ensure at all times that best execution is carried out for the transactions, and that no unnecessary trades are entered into in order to qualify for such soft-dollar commissions/arrangements.

Detail of Underlying Funds

The Fund does not invest more than 30% of its NAV in another scheme.

Intentionally left blank

Legg Mason Martin Currie Southeast Asia Trust

Legg Mason Funds

- Legg Mason Western Asset Singapore Dollar Fund

Legg Mason Western Asset Global Bond Trust

Legg Mason Western Asset Asian Bond Trust

Legg Mason Western Asset Singapore Bond Fund

Legg Mason Funds - Legg Mason Western Asset Singapore Dollar Fund

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

Report of the Trustee

For the financial year ended 31 March 2018

The Trustee is under a duty to take into custody and to hold the assets of the sub-fund of Legg Mason Funds, namely Legg Mason Western Asset Singapore Dollar Fund (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 year covered by these financial statements, set out on pages 42 to 57, 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

19 June 2018

Legg Mason Funds - Legg Mason Western Asset Singapore Dollar Fund

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

Statement by the Manager

For the financial year ended 31 March 2018

In the opinion of Legg Mason Asset Management Singapore Pte. Limited (the "Manager"), the accompanying financial statements set out on pages 42 to 57, 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 Western Asset Singapore Dollar Fund (the "Sub-Fund") as at 31 March 2018 and of the financial performance and movements in unitholders' funds for the financial year 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 of

Legg Mason Asset Management Singapore Pte. Limited

Authorised signatory

19 June 2018

Independent Auditor's Report to the Unitholders of Legg Mason Funds - Legg Mason Western Asset Singapore Dollar Fund

(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, namely Legg Mason Western Asset Singapore Dollar Fund (the "Sub-Fund") is 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 31 March 2018, and of the financial performance and movements of unitholders' funds for the financial year ended on that date.

What we have audited

The financial statements of the Sub-Fund comprise:

- the Statement of Total Return for the financial year ended 31 March 2018;
- the Statement of Financial Position as at 31 March 2018;
- the Statement of Movements of Unitholders' Funds for the financial year ended 31 March 2018;
- the Statement of Portfolio as at 31 March 2018; 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.

Other Information

The Sub-Fund's Manager (the "Manager") is responsible for the other information. The other information comprises all sections of the annual report, but does not include 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.

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.

Independent Auditor's Report to the Unitholders of Legg Mason Funds - Legg Mason Western Asset Singapore Dollar Fund

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

Responsibilities of the Manager for the Financial Statements (continued)

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.

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.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 19 June 2018

Statement of Total Return

For the financial year ended 31 March 2018

	Notes	2018 \$	2017 \$
Income			
Interest income		53	30,030
Less: Expenses			
Audit fee		13,029	10,854
Custody fee	10	8,411	8,831
Management fee	10	71,844	76,267
Registration fee	10	6,246	6,045
Printing fee		2,000	2,000
Professional fee		13,372	16,051
Valuation fee	10	7,500	7,500
Goods & services tax		40	2,168
Other expense		8,209	7,745
		130,651	137,461
Net losses		(130,598)	(107,431)
Net gains or losses on value of investments			
Net gains on investments		317,763	269,347
Net foreign exchange gains/(losses)		30	(17)
		317,793	269,330
Total return for the financial year before income tax		187,195	161,899
Less: Income tax	4	-	-
Total return for the financial year		187,195	161,899

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

Statement of Financial Position

As at 31 March 2018

	Notes	2018 \$	2017 \$
ASSETS			
Portfolio of investments		25,709,152	28,343,823
Cash and bank balances	6	357,173	1,485,726
Receivables	7	-	143,749
Total assets		26,066,325	29,973,298
LIABILITIES			
Payables	8	39,316	45,893
Total liabilities		39,316	45,893
EQUITY			
Net assets attributable to unitholders	9	26,027,009	29,927,405

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

Statement of Movements of Unitholders' Funds

For the financial year ended 31 March 2018

	Notes	2018 \$	2017 \$
Net assets attributable to unitholders at the beginning of the financial year		29,927,405	29,931,310
Operations			
Change in net assets attributable to unitholders resulting from operations		187,195	161,899
Unitholders' contributions/(withdrawals)			
Creation of units		7,443,188	12,527,852
Cancellation of units		(11,530,779)	(12,693,656)
Change in net assets attributable to unitholders resulting from net cancellation and creation of units		(4,087,591)	(165,804)
Total decrease in net assets attributable to unitholders		(3,900,396)	(3,905)
Net assets attributable to unitholders at the end of the financial year	9	26,027,009	29,927,405

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/03/2018	Fair value as at 31/03/2018 \$	Percentage of total net assets attributable to unitholders at 31/03/2018 %
<u>By Geography - (Primary)</u>			
Quoted Bonds			
Singapore			
Housing & Development Board Series MTN 1.368% 29/05/2018	1,000,000	999,882	3.84
Mas Bill T-Bills Series 84 13/04/2018	6,300,000	6,296,220	24.19
Mas Bill T-Bills Series 84 20/04/2018	2,700,000	2,697,570	10.37
Mas Bill T-Bills Series 84 27/04/2018	6,930,000	6,921,753	26.60
Mas Bill T-Bills Series 84 04/05/2018	6,710,000	6,700,002	25.74
Mas Bill T-Bills Series 84 18/05/2018	1,065,000	1,062,785	4.08
Mas Bill T-Bills Series 84 18/06/2018	1,030,000	1,026,292	3.94
		25,704,504	98.76
Total quoted bonds		25,704,504	98.76
Accrued interest on quoted bonds		4,648	0.02
Portfolio of investments		25,709,152	98.78
Other net assets		317,857	1.22
Net assets attributable to unitholders		26,027,009	100.00

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

Statement of Portfolio

As at 31 March 2018

		Percentage of total net assets attributable to unitholders at 31/03/2018 %	Percentage of total net assets attributable to unitholders at 3/31/2017 %
By Geography (Summary)			
Quoted Bonds			
China		-	6.70
Hong Kong		-	4.18
Malaysia		-	2.51
Singapore		98.76	81.17
		98.76	94.56
Accrued interest on quoted bonds		0.02	0.15
Portfolio of investments		98.78	94.71
Other net assets		1.22	5.29
Net assets attributable to unitholders		100.00	100.00
	Fair value as at 31/03/2018 \$	Percentage of total net assets attributable to unitholders at 31/03/2018 %	Percentage of total net assets attributable to unitholders at 3/31/2017 %
By Industry (Secondary)			
Banks	-	-	10.88
Finance	-	-	2.51
Government	25,704,504	98.76	71.09
Real Estate	-	-	8.41
Transport	-	-	1.67
	25,704,504	98.76	94.56
Accrued interest on quoted bonds	4,648	0.02	0.15
Portfolio of investments	25,709,152	98.78	94.71
Other net assets	317,857	1.22	5.29
Net assets attributable to unitholders	26,027,009	100.00	100.00

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

Notes to the Financial Statements

For the financial year ended 31 March 2018

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 (the "Sub-Fund") and Legg Mason Singapore Opportunities Trust. Legg Mason Singapore Opportunities Trust has been terminated on 15 January 2018. These financial statements relate to the Sub-Fund only.

On 3 April 2017, Western Asset Management Company Pte. Ltd. has been appointed as the sub-manager (the "Sub-Manager"). The Sub-Fund invests in Singapore dollar denominated money market instruments and debt securities such as term deposits, commercial papers, short-term bonds, and certificate of deposits. The Sub-Fund has 2 classes of units in issue at the reporting date. Class A and Class B unitholders currently pay management fees of 0.5% per annum and 0.25% per annum respectively.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The Sub-Fund has adopted the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in March 2017 for the financial year beginning on or after 1 July 2016.

The Sub-Fund has adopted the following Singapore Financial Reporting Standards ("FRS") and related amendments in accordance with the recommendations of the RAP7:

(i) Consolidation and disclosure of interests in other entities

FRS 110 "*Consolidated financial statements*"

FRS 112 "*Disclosure of interests in other entities*"

Amendments to FRS 110, FRS 112 and FRS 27 "*Investment entities*"

FRS 110 and the amendments define an investment entity and introduce an exception from the consolidation requirements for investment entities.

FRS 112 and the amendments require entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some interests in other entities. Entities are also required to provide disclosure around certain "structured entities". The amendments to FRS 112 introduce new disclosure requirements related to investment entities.

(ii) Offsetting financial assets and liabilities disclosures

Amendments to FRS 32 "*Financial instruments: Presentation – Offsetting financial assets and financial liabilities*"

Amendments to FRS 107 "*Disclosures – Offsetting financial assets and financial liabilities*"

The amendments to FRS 32 provide clarification on the offsetting criteria in FRS 32 and address inconsistencies in their application.

The amendments to FRS 107 require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Notes to the Financial Statements

For the financial year ended 31 March 2018

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Offsetting financial assets and liabilities disclosures (continued)

The adoption of these new or amended FRS impacted the Sub-Fund's level of disclosures in certain of the above noted areas, but did not result in substantial changes to the accounting policies of the Sub-Fund and had no material effect on the amounts reported for the current or prior financial years.

(b) Income recognition

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 year 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.

(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 fixed income securities

Notes to the Financial Statements

For the financial year ended 31 March 2018

2. Significant accounting policies (continued)

(e) Basis of valuation of investments (continued)

held by the Sub-Fund is the mid-market price for both financial assets and financial liabilities. Accrued interest or discount or premium on fixed income securities at the reporting date are included in the fair value of fixed income securities. Interest income on fixed income securities is presented within net gains or losses on investments on the Statement of Total Return.

(f) 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.

(g) 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.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Sub-Fund or the counterparty.

3. Fees borne by the Manager

There is no trustee fee in the financial year ended 31 March 2018 and 2017 for the Sub-Fund as the fee is borne by the Manager.

4. Income tax

(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) There was no income tax for the financial year ended 31 March 2018 (2017: \$Nil).

Notes to the Financial Statements

For the financial year ended 31 March 2018

5. Distribution to unitholders

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

6. Cash and bank balances

	2018 \$	2017 \$
Held with a related company of the Trustee:		
- Cash and bank balances	357,173	480,504
Held with other financial institutions:		
- Fixed deposits	-	1,005,222
Total	357,173	1,485,726
	2018	2017
Average maturity days on fixed deposits	-	3
Weighted average effective interest rate	-	0.94%

7. Receivables

	2018 \$	2017 \$
Amount due from unitholders on subscriptions	-	137,708
Other receivable	-	6,041
	-	143,749

8. Payables

	2018 \$	2017 \$
Amount due to unitholders on redemptions	1,087	8,912
Accrued management fee	5,579	6,499
Other payables and accruals	32,650	30,482
	39,316	45,893

Notes to the Financial Statements

For the financial year ended 31 March 2018

9. Units in issue

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

	2018	2017
Class A		
Units at beginning of the financial year	386,084	433,772
Units created	31,320	70,621
Units cancelled	(149,422)	(118,309)
Units at end of the financial year	<u>267,982</u>	<u>386,084</u>
Net assets attributable to unitholders (\$)	<u>300,238</u>	<u>430,781</u>
Net asset value per unit (\$)	<u>1.1203</u>	<u>1.1157</u>
Class B		
Units at beginning of the financial year	24,426,601	24,519,192
Units created	6,112,532	10,333,127
Units cancelled	(9,375,783)	(10,425,718)
Units at end of the financial year	<u>21,163,350</u>	<u>24,426,601</u>
Net assets attributable to unitholders (\$)	<u>25,726,771</u>	<u>29,496,624</u>
Net asset value per unit (\$)	<u>1.2156</u>	<u>1.2075</u>

A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset as determined for the purpose of processing unit subscription and redemption is provided below:

	2018 \$	2017 \$
Class A		
Net assets attributable to unitholders per financial statements per unit	1.1203	1.1157
Effect of movement in net asset value between the last dealing date and the end of the reporting date per unit	0.0003	0.0002
Net assets attributable to unitholders for issuing/redeeming per unit	<u>1.1206</u>	<u>1.1159</u>
Class B		
Net assets attributable to unitholders per financial statements per unit	1.2156	1.2075
Effect of movement in net asset value between the last dealing date and the end of the reporting date per unit	0.0003	0.0003
Net assets attributable to unitholders for issuing/redeeming per unit	<u>1.2159</u>	<u>1.2078</u>

10. Related party transactions

The Manager of the Sub-Fund is Legg Mason Asset Management Singapore Pte. Limited (2017: Western Asset Management company Pte. Ltd), the Trustee is HSBC Institutional Trust Services (Singapore) Limited and the Custodian is The Hongkong and Shanghai Banking Corporation Limited. The management 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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Related party transactions (continued)

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.

11. 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-Fund's assets principally consist of financial instruments such as 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

Price risk primarily results from exposure to volatility of equity prices. The Sub-Fund does not hold equity securities as of 31 March 2018 and 2017, and therefore is not exposed to significant amount of risk arising from changes in equity prices.

(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.

It affects the value of fixed income securities more than equities. As interest rate rise, prices of fixed income securities may fall and vice versa. The rationale is that as interest rate increases, the opportunity cost of holding a bond increases since investors are able to realise greater yields by switching to other investments that reflect the higher interest rate. The Manager regularly assesses the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk.

As the Sub-Fund invests in primarily fixed income securities, the values of which are driven by changes in interest rates, the Sub-Fund is mainly subject to interest rate risk. When interest rates rise, the value of previously acquired fixed income securities will normally fall because new fixed

Notes to the Financial Statements

For the financial year ended 31 March 2018

11. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

income securities acquired will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously acquired fixed income securities will normally rise. The Manager regularly assesses the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk. In a rising interest rate environment, the Sub-Fund will acquire debts with a shorter maturity profile to minimise the negative impact to the portfolio. The Sub-Fund's policy requires the manager to manage the risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities. The average effective duration of the Sub-Fund's portfolio is a measure of the sensitivity of the fair value of the Sub-Fund's fixed interest securities to changes in market interest rates.

The tables below summarise the Sub-Fund's exposure to interest rate risks. They include the Sub-Fund's assets and trading liabilities at fair value, categorised by the earlier of contractual re-pricing or maturity dates. All variable rate financial instruments are reset within a month.

As at 31 March 2018

	Variable rates \$	Up to 3 months \$	Fixed rates 3 - 6 months \$	Over 6 months \$	Non-interest bearing \$	Total \$
Assets						
Portfolio of investments	-	25,704,504	-	-	4,648	25,709,152
Cash and bank balances	357,173	-	-	-	-	357,173
Total assets	357,173	25,704,504	-	-	4,648	26,066,325
Liabilities						
Payables	-	-	-	-	39,316	39,316
Total liabilities	-	-	-	-	39,316	39,316

As at 31 March 2017

	Variable rates \$	Up to 3 months \$	Fixed rates 3 - 6 months \$	Over 6 months \$	Non-interest bearing \$	Total \$
Assets						
Portfolio of investments	-	20,277,550	5,770,842	2,250,043	45,388	28,343,823
Cash and bank balances	480,504	1,005,222	-	-	-	1,485,726
Receivables	-	-	-	-	143,749	143,749
Total assets	480,504	21,282,772	5,770,842	2,250,043	189,137	29,973,298
Liabilities						
Payables	-	-	-	-	45,893	45,893
Total liabilities	-	-	-	-	45,893	45,893

As at 31 March 2018, a reasonable possible change in interest rates by 50 basis points (2017: 50 basis points) with all other variables remaining constant, would result in an insignificant impact to the net assets attributable to unitholders as the Sub-Fund invests primarily in debt securities that have short maturity of less than one year.

(iii) Currency risk

The Sub-Fund hold monetary financial assets/liabilities denominated in currencies other than Singapore dollars and the Sub-Fund may be affected favourably or unfavourably by exchange

Notes to the Financial Statements

For the financial year ended 31 March 2018

11. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

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.

No currency tables have been presented for the Sub-Fund as it is primarily exposed only to Singapore Dollar (the Sub-Fund's functional currency) denominated assets and liabilities, and therefore is not exposed to significant currency risk.

(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 invest 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 31 March 2018, there are no investments in unlisted or unquoted securities (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. In addition, the Sub-Fund has unsecured credit facility as disclosed in note 12.

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.

As at 31 March 2018	Less than 3 months
	\$
Liabilities	
Payables	<u>39,316</u>
As at 31 March 2017	
Liabilities	
Payables	<u>45,893</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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

11. Financial risk management (continued)

(c) Credit risk (continued)

The Sub-Fund invests mostly in financial assets, which have an investment grade as rated by Standard and Poor's or Moody's or Fitch. The credit ratings are reviewed regularly.

The table below analyses the Sub-Fund's investments by credit ratings expressed as a percentage of net assets attributable to unitholders.

	2018	2017
	%	%
AAA	-	1.67
A	-	4.18
A2	-	6.70
A3	-	2.51
Unrated (Singapore - incorporated debt securities) #	98.76	79.50
Accrued interest on fixed income securities	0.02	0.15
Total	98.78	94.71

98.76% (2017:71.09%) relates to Singapore government-issued securities

All investment transactions 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.

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

	Credit Rating ##	Source of Credit Rating
As at 31 March 2018		
<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
Oversea-Chinese Banking Corporation	Aa1	Moody's
<u>Bank</u>		
The Hongkong and Shanghai Banking Corporation Limited	Aa2	Moody's

Notes to the Financial Statements

For the financial year ended 31 March 2018

11. Financial risk management (continued)

(c) Credit risk (continued)

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 Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund strive 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 11(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).

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

As at 31 March 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets designated at fair value through profit or loss at inception				
- Quoted bonds	-	25,709,152	-	25,709,152
<hr/>				
As at 31 March 2017				
Assets				
Financial assets designated at fair value through profit or loss at inception				
- Quoted bonds	-	28,343,823	-	28,343,823
<hr/>				

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 investment-grade corporate and government bonds.

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 31 March 2018 and 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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Credit facility

The Sub-Fund has a credit facility with HSBC at 31 March 2018 and 2017.

	2018 \$	2017 \$
<u>Facility</u>		
Overdraft	2.5 million	2.5 million

The above credit facility is unsecured and is not utilised at year end.

13. Financial ratios

	%	2018 %	%	2017 %
	Class A	Class B	Class A	Class B
Expense ratio ¹	0.70	0.45	0.70	0.45
Portfolio turnover ratio ²	497.20	497.20	303.43	303.43

¹ 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 expense ratios at 31 March 2018 was based on total operating expenses divided by the average net asset value respectively for the year. 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 do 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:

	2018 Class A \$	2018 Class B \$	2017 Class A \$	2017 Class B \$
Total operating expenses	2,342	126,920	3,304	132,897
Average net asset value	333,201	28,069,243	471,771	29,544,736

² 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:

	2018 Class A & Class B \$	2017 Class A & Class B \$
Total value of purchases or sales of the underlying investments	141,216,340	91,079,946
Average daily net asset value	28,402,444	30,016,507

Report to Unitholders

For the financial year ended 31 March 2018

Investment Allocation as at 31 March 2018

By Country	Market Value in SGD	% of NAV
Singapore	25,704,504	98.76
	25,704,504	98.76
Accrued interest on quoted bonds	4,648	0.02
Portfolio of investments	25,709,152	98.78
Other net assets	317,857	1.22
Total	26,027,009	100.00

By Industry	Market Value in SGD	% of NAV
Government	25,704,504	98.76
	25,704,504	98.76
Accrued interest on quoted bonds	4,648	0.02
Portfolio of investments	25,709,152	98.78
Other net assets	317,857	1.22
Total	26,027,009	100.00

By Asset Class	Market Value in SGD	% of NAV
Fixed Income securities	25,704,504	98.76
	25,704,504	98.76
Accrued interest on quoted bonds	4,648	0.02
Portfolio of investments	25,709,152	98.78
Other net assets	317,857	1.22
Total	26,027,009	100.00

By Credit Rating *	Market Value in SGD	% of NAV
Unrated	25,704,504	98.76
	25,704,504	98.76
Accrued interest on quoted bonds	4,648	0.02
Portfolio of investments	25,709,152	98.78
Other net assets	317,857	1.22
Total	26,027,009	100.00

* By Standard & Poor's / Moody's / Fitch

Distribution of Investments

By type of money market instruments / debt securities	Market Value in SGD	% of NAV
Local Corporate	999,882	3.84
Singapore Government MAS-Bills	24,704,622	94.92
	25,704,504	98.76
Accrued interest on quoted bonds	4,648	0.02
Portfolio of investments	25,709,152	98.78
Other net assets	317,857	1.22
Total	26,027,009	100.00

Report to Unitholders

For the financial year ended 31 March 2018

Top 10 Holdings

Holdings as at 31 March 2018	Market Value in SGD	% of NAV
Mas Bill T-Bills Series 84 27/04/2018	6,921,753	26.60
Mas Bill T-Bills Series 84 04/05/2018	6,700,002	25.74
Mas Bill T-Bills Series 84 13/04/2018	6,296,220	24.19
Mas Bill T-Bills Series 84 20/04/2018	2,697,570	10.37
Mas Bill T-Bills Series 84 18/05/2018	1,062,785	4.08
Mas Bill T-Bills Series 84 18/06/2018	1,026,292	3.94
Housing & Development Board Series MTN 1.368% 29/05/2018	999,882	3.84

Holdings as at 31 March 2017	Market Value in SGD	% of NAV
Mas Bill T-Bills Series 84 28/04/2017	5,596,472	18.70
Mas Bill T-Bills Series 84 12/05/2017	5,594,512	18.69
Mas Bills T-Bills Series 84 19/05/2017	3,795,668	12.68
CapitaLand Treasury Limited Series EMTN 3.5% 17/07/2017	2,516,257	8.41
Mas Bills T-Bills Series 84 23/06/2017	2,295,078	7.67
Bank of Communications Co Limited/Hong Kong Series EMTN 2.1% 24/07/2017	2,004,930	6.70
Mas Bill T-Bills Series 84 26/05/2017	1,997,360	6.67
Bank of East Asia Limited Series MTN 2% 10/07/2017	1,249,655	4.18
Housing & Development Board Series MTN 1.368% 29/05/2018	999,137	3.34
Mas Bills T-Bills Series 84 02/06/2017	998,460	3.34

Exposure to Derivatives

Nil as at 31 March 2018.

Global Exposure

The global exposure relating to derivative instruments is calculated using the commitment approach by converting the derivative positions into equivalent positions in the underlying assets embedded in those derivatives.

The global exposure of the Sub-Fund to financial derivative instruments or embedded financial derivative instruments will not exceed 100% of the net asset value of the Sub-Fund at any time.

Collateral

Nil as at 31 March 2018.

Securities Lending or Repurchase Transactions

Nil as at 31 March 2018.

Investment in Other Unit Trust, Mutual Funds and Collective Investment Schemes

Nil as at 31 March 2018.

Report to Unitholders

For the financial year ended 31 March 2018

Borrowings

Nil as at 31 March 2018.

Amount of Redemptions and Subscriptions

For the period 1 April 2017 to 31 March 2018

	SGD
Redemptions	11,530,779
Subscriptions	7,443,188

Related Party Transactions

For the period 1 April 2017 to 31 March 2018

Refer to Note 10 of the "Notes to the Financial Statements"

Trustee fee of the Sub-Fund is absorbed by the Manager.

Performance

	Legg Mason Western Asset Singapore Dollar Fund*		Benchmark
	Class A (SGD) Accumulating	Class B (SGD) Accumulating	
3-month	+0.13%	+0.20%	+0.35%
6-month	+0.27%	+0.40%	+0.69%
1-year	+0.42%	+0.67%	+1.21%
3-year	+0.43%	+0.68%	+0.97%
5-year	+0.34%	+0.58%	+0.73%
10-year	+0.32%	+0.57%	+0.55%
Since inception	+0.73%	+1.10%	+0.97%

* NAV-NAV basis, with net income and dividends reinvested, if any (SGD terms). Annualised for periods over one year.

Benchmark : Monetary Authority of Singapore Benchmark Govt Bill Yield 3 Month**

The benchmark is changed from the 1-month Singapore Inter-Bank Bid Rate Average to the Monetary Authority of Singapore Benchmark Govt Bill Yield 3 Month (Bloomberg ticker: MASB3M) with effect from 3 October 2016 because the benchmark data of the 1-month Singapore Inter-Bank Bid Rate Average is no longer published from 30 September 2015. Benchmark performance shown is based on the Monetary Authority of Singapore Benchmark Govt Bill Yield 3 Month and performance prior to 3 October 2016 is for reference only.

** Benchmark data for the Monetary Authority of Singapore Benchmark Govt Bill Yield 3 Month reproduced with the permission of the Monetary Authority of Singapore ("MAS"). By assessing and using any part of the data, you shall be deemed to have accepted to be legally bound by the Terms of Use of the MAS website, available at <http://www.mas.gov.sg/Terms-of-Use.aspx>

The inception dates were 28 June 2002 and 17 April 2000 respectively for Class A and Class B.

Benchmark since inception performance is for Class A only.

Since inception figures are calculated from the first full month of investment.

Source : Legg Mason Asset Management Singapore Pte. Limited

Report to Unitholders

For the financial year ended 31 March 2018

Expense Ratio

Class A

For the period 1 April 2017 to 31 March 2018 0.70%

For the period 1 April 2016 to 31 March 2017 0.70%

Class B

For the period 1 April 2017 to 31 March 2018 0.45%

For the period 1 April 2016 to 31 March 2017 0.45%

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 expense ratios at 31 March 2018 was based on total operating expenses divided by the average net asset value respectively for the year. 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 do 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:

	2018		2017	
	Class A	Class B	Class A	Class B
Total operating expenses	\$ 2,342	\$ 126,920	\$ 3,304	\$ 132,897
Average net asset value	\$333,201	\$28,069,243	\$471,771	\$29,544,736

Turnover Ratio

For the period 1 April 2017 to 31 March 2018 497.20%

For the period 1 April 2016 to 31 March 2017 303.43%

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:

	2018	2017
Total value of purchases or sales of the underlying investments	\$141,216,340	\$91,079,946
Average daily net asset value	\$ 28,402,444	\$30,016,507

Other Material Information

There are no other material information that will adversely impact the valuation of the Sub-Fund.

Soft Dollar Commissions/Arrangements

The Manager and the sub-manager currently do not but shall be entitled to receive or enter into, soft dollar commissions or arrangements in respect of the Legg Mason Western Asset Singapore Dollar Fund.

Detail of Underlying Funds

The Sub-Fund do not invest more than 30% of its NAV in another scheme.

Intentionally left blank

Legg Mason Martin Currie Southeast Asia Trust

Legg Mason Funds

- Legg Mason Western Asset Singapore Dollar Fund

Legg Mason Western Asset Global Bond Trust

Legg Mason Western Asset Asian Bond Trust

Legg Mason Western Asset Singapore Bond Fund

Legg Mason Western Asset Global Bond Trust

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

Report of the Trustee

For the financial year ended 31 March 2018

The Trustee is under a duty to take into custody and hold the assets of Legg Mason Western Asset Global Bond 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 financial year covered by these financial statements, set out on pages 68 to 90, 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

19 June 2018

Legg Mason Western Asset Global Bond Trust

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

Statement by the Manager

For the financial year ended 31 March 2018

In the opinion of Western Asset Management Company Pte. Ltd. (the “Manager”), the accompanying financial statements set out on pages 68 to 90, 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 Western Asset Global Bond Trust (the “Fund”) as at 31 March 2018, and the financial performance and movements in unitholders’ funds for the financial year 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

WESTERN ASSET MANAGEMENT COMPANY PTE. LTD.

Director

19 June 2018

Independent Auditor’s Report to the Unitholders of Legg Mason Western Asset Global Bond Trust

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

Our Opinion

In our opinion, the accompanying financial statements of the Legg Mason Western Asset Global Bond 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 31 March 2018, and of the financial performance and movements of unitholders’ funds for the financial year ended on that date.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial year ended 31 March 2018;
- the Statement of Financial Position as at 31 March 2018;
- the Statement of Movements of Unitholders’ Funds for the financial year ended 31 March 2018;
- the Statement of Portfolio as at 31 March 2018; 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.

Other Information

The Fund’s Manager (the “Manager”) is responsible for the other information. The other information comprises all sections of the annual report, but does not include 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.

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.

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

Independent Auditor's Report to the Unitholders of Legg Mason Western Asset Global Bond Trust

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

Manager'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, 19 June 2018

Statement of Total Return

For the financial year ended 31 March 2018

	Notes	2018 \$	2017 \$
Income			
Interest income		20,752	1,150
Less: Expenses			
Audit fee		25,645	22,779
Commission fee		62,310	60,286
Custody fee	11	54,934	55,492
Management fee	11	2,776,684	2,754,846
Trustee fee	11	187,612	186,156
Registration fee	11	24,613	24,800
Printing fee		5,000	9,569
Professional fee		17,771	20,565
Valuation fee	11	98,806	98,078
Goods & services tax		10,376	45,998
Transaction cost		842	2,532
Other expenses		17,663	15,701
		3,282,256	3,296,802
Net losses		(3,261,504)	(3,295,652)
Net gains or losses on value of investments and financial derivatives			
Net gains/(losses) on investments		9,482,953	(3,282,295)
Net gains on forward foreign exchange contracts		1,771,485	333,819
Net losses on future contracts		(1,762,946)	(5,143,968)
Net foreign exchange gains		198,443	2,194,702
		9,689,935	(5,897,742)
Total return/(deficit) for the year before income tax		6,428,431	(9,193,394)
Less: Income tax	3	(33,417)	(244,775)
Total return/(deficit) for the year		6,395,014	(9,438,169)

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

Statement of Financial Position

As at 31 March 2018

	Notes	2018 \$	2017 \$
ASSETS			
Portfolio of investments		368,966,964	337,283,770
Cash and bank balances	5	11,713,663	8,725,250
Margin accounts	6	3,463,998	6,942,753
Receivables	7	1,041,547	1,145,487
Fair value of financial derivatives	8	4,730,719	4,642,206
Total assets		389,916,891	358,739,466
LIABILITIES			
Payables	9	806,534	1,066,958
Fair value of financial derivatives	8	2,228,986	2,299,679
Total liabilities		3,035,520	3,366,637
EQUITY			
Net assets attributable to unitholders	10	386,881,371	355,372,829

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

Statement of Movements of Unitholders' Funds

For the financial year ended 31 March 2018

	Notes	2018 \$	2017 \$
Net assets attributable to unitholders at the beginning of the financial year		355,372,829	365,526,219
Operations			
Change in net assets attributable to unitholders resulting from operations		6,395,014	(9,438,169)
Unitholders' contributions/(withdrawals)			
Creation of units		90,967,024	67,623,443
Cancellation of units		(65,853,496)	(68,338,664)
Change in net assets attributable to unitholders resulting from net creation or cancellation of units		25,113,528	(715,221)
Total increase/(decrease) in net assets attributable to unitholders		31,508,542	(10,153,390)
Net assets attributable to unitholders at the end of the financial year	10	386,881,371	355,372,829

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %
<u>By Geography (Primary)</u>			
Quoted Bonds			
Australia			
Government of Australia 5.75% 15/07/2022	1,380,000	1,587,151	0.41
Belgium			
Kingdom of Belgium Government Bond 0.8% 22/06/2027	5,860,000	9,588,884	2.48
Canada			
Government of Canada 2.25% 01/06/2025	6,820,000	7,024,806	1.82
Government of Canada 4.25% 01/06/2018	4,210,000	4,303,542	1.11
Government of Canada Series WL43 5.75% 01/06/2029	500,000	689,687	0.18
		12,018,035	3.11
France			
Government of France OAT (BR) 4.00% 25/04/2055	1,650,000	4,411,337	1.14
Government of France OAT 0.25% 25/11/2026	13,570,000	21,402,914	5.53
		25,814,251	6.67
Germany			
Bundesrepublik Deutschland (BR) 0.5% 15/02/2026	640,000	1,052,055	0.27
Bundesrepublik Deutschland (BR) 2.50% 15/08/2046	1,540,000	3,323,539	0.86
Bundesrepublik Deutschland Series 05 (BR) 4.00% 04/01/2037	2,390,000	5,903,952	1.53
		10,279,546	2.66
Great Britain			
UK Treasury 4.25% 07/06/2032	540,000	1,328,921	0.34
UK Treasury 4.25% 07/12/2040	4,800,000	13,063,334	3.38
		14,392,255	3.72
Ireland			
Irish Treasury 3.40% 18/03/2024	1,840,000	3,523,161	0.91
Italy			
Buoni Poliennali Del Tes 1.45% 15/09/2022	13,010,000	21,857,991	5.65
Buoni Poliennali Del Tes 2% 01/12/2025	2,620,000	4,411,112	1.14
Buoni Poliennali Del Tes 4.75% 01/09/2044	1,070,000	2,359,034	0.61
Buoni Poliennali Del Tes 5.00% 01/09/2040	1,574,000	3,522,890	0.91
Buoni Poliennali Del Tesoro 0.45% 01/06/2021	5,750,000	9,395,586	2.43
Republic of Italy 3.25% 01/09/2046	290,000	513,546	0.13
		42,060,159	10.87

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %
By Geography (Primary) (continued)			
Quoted Bonds (continued)			
Japan			
Government of Japan CPI Linked Series 16 1.40% 10/06/2018	1,203,100,000	14,876,328	3.85
Japanese Government CPI Linked Bond Series 21 0.1% 10/03/2026	714,000,000	9,320,908	2.40
		24,197,236	6.25
Mexico			
Mex Bonds De Desarrollo Series M 8.00% 11/06/2020	79,737,100	5,823,378	1.50
Mex Bonds Desarr Fix RT Series M 7.75% 13/11/2042	183,241,400	13,367,718	3.46
		19,191,096	4.96
Poland			
Poland Government Bond Series 726 2.5% 25/07/2026	37,640,000	13,877,921	3.59
Spain			
Bonos Y Oblig Del Estado 1.15% 30/07/2020	4,400,000	7,336,246	1.90
Bonos Y Oblig Del Estado 5.15% 31/10/2044	1,070,000	2,794,835	0.72
Spain Government Bond 1.3% 31/10/2026	5,280,000	8,772,687	2.27
		18,903,768	4.89
Supra-National			
Inter-Amer Development Bank 3.875% 14/02/2020	2,460,000	3,311,861	0.86
United States of America			
United States Treasury N/B 1.875% 31/01/2022	5,040,000	6,460,107	1.67
United States Treasury N/B 3% 15/02/2047	4,600,000	6,065,485	1.57
US Treasury N/B 1.375% 15/01/2020	8,280,000	10,690,548	2.76
US Treasury Bond 2.875% 15/05/2043	9,830,000	12,711,631	3.28
US Treasury Bond 4.50% 15/08/2039	10,840,000	17,882,434	4.62
US Treasury N/B 0.625% 30/06/2018	2,330,000	3,046,773	0.79
US Treasury N/B 1.50% 31/12/2018	25,530,000	33,332,254	8.62
US Treasury N/B 1.625% 15/11/2022	20,990,000	26,430,433	6.83
US Treasury N/B 1.625% 30/04/2019	4,180,000	5,449,835	1.41
US Treasury N/B 1.625% 31/12/2019	100,000	129,727	0.03
US Treasury N/B 1.75% 30/06/2022	8,160,000	10,370,222	2.68
US Treasury N/B 1.750% 31/03/2022	7,770,000	9,903,188	2.56
US Treasury N/B 2% 15/02/2025	1,220,000	1,531,039	0.40
US Treasury N/B 2% 31/10/2022	1,350,000	1,728,952	0.45

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %
By Geography (Primary) (continued)			
Quoted Bonds (continued)			
United States of America (continued)			
US Treasury N/B 2.125% 29/02/2024	11,320,000	14,430,737	3.73
US Treasury N/B 2.250% 15/11/2024	90,000	114,973	0.03
US Treasury N/B 3% 15/05/2045	3,030,000	3,999,618	1.03
US Treasury N/B 3% 15/05/2047	353,000	465,316	0.12
US Treasury Strip Princ 0.00% 15/05/2043	4,990,000	3,101,463	0.80
		167,844,735	43.38
Total quoted bonds		366,590,059	94.76
Accrued interest on quoted bonds		2,376,905	0.61
		368,966,964	95.37
Portfolio of investments		368,966,964	95.37
Other net assets		17,914,407	4.63
Net assets attributable to unitholders		386,881,371	100.00

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

Statement of Portfolio

As at 31 March 2018

	Percentage of total net assets attributable to unitholders at 31/3/2018 %	Percentage of total net assets attributable to unitholders at 31/3/2017 %
By Geography (Summary)		
Quoted Bonds		
Australia	0.41	0.89
Belgium	2.48	2.45
Canada	3.11	3.63
France	6.67	5.74
Germany	2.66	3.41
Great Britain	3.72	3.87
Ireland	0.91	0.93
Italy	10.87	13.41
Japan	6.25	7.14
Mexico	4.96	6.27
Poland	3.59	5.55
Spain	4.89	4.73
Supra-National	0.86	1.03
United States of America	43.38	35.19
	94.76	94.24
Accrued interest on quoted bonds	0.61	0.67
Portfolio of investments	95.37	94.91
Other net assets	4.63	5.09
Net assets attributable to unitholders	100.00	100.00

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

Statement of Portfolio

As at 31 March 2018

	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %	Percentage of total net assets attributable to unitholders at 31/3/2017 %
By Industry (Secondary)			
Banks	3,311,861	0.86	1.43
Government	363,278,198	93.90	92.81
	366,590,059	94.76	94.24
Accrued interest on quoted bonds	2,376,905	0.61	0.67
Portfolio of investments	368,966,964	95.37	94.91
Other net assets	17,914,407	4.63	5.09
Net assets attributable to unitholders	386,881,371	100.00	100.00

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

Notes to the Financial Statements

For the financial year ended 31 March 2018

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

1. General

Legg Mason Western Asset Global Bond Trust (the "Fund") is an open-ended unit trust constituted pursuant to the Trust Deed dated 14 August 1998, 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"). The Manager of the Fund is Western Asset Management Company Pte. Ltd. (the "Manager").

The principal objective of the Fund relates to holding of certain authorised investments for long-term capital appreciation.

The Fund is included under the Central Provident Fund Investment Scheme.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The Fund has adopted the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in March 2017 for the financial year beginning on or after 1 July 2016.

The Fund have adopted the following Singapore Financial Reporting Standards ("FRS") and related amendments in accordance with the recommendations of the RAP7:

(i) Consolidation and disclosure of interests in other entities

FRS 110 "*Consolidated financial statements*"

FRS 112 "*Disclosure of interests in other entities*"

Amendments to FRS 110, FRS 112 and FRS 27 "*Investment entities*"

FRS 110 and the amendments define an investment entity and introduce an exception from the consolidation requirements for investment entities.

FRS 112 and the amendments require entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some interests in other entities. Entities are also required to provide disclosure around certain "structured entities". The amendments to FRS 112 introduce new disclosure requirements related to investment entities.

(ii) Offsetting financial assets and liabilities disclosures

Amendments to FRS 32 "*Financial instruments: Presentation - Offsetting financial assets and financial liabilities*"

Amendments to FRS 107 "*Disclosures - Offsetting financial assets and financial liabilities*"

The amendments to FRS 32 provide clarification on the offsetting criteria in FRS 32 and address inconsistencies in their application.

The amendments to FRS 107 require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The adoption of these new or amended FRS impacted the Fund's level of disclosures in certain of the above noted areas, but did not result in substantial changes to the accounting policies of the Fund and had no material effect on the amounts reported for the current or prior financial years.

Notes to the Financial Statements

For the financial year ended 31 March 2018

2. Significant accounting policies (continued)

(b) Income recognition

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 year 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.

(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 fixed income securities held by the Fund is the mid-market price for both financial assets and financial liabilities. Accrued interest or discount or premium on fixed income securities at the reporting date are included in the fair value of fixed income securities. Interest income on fixed income securities is presented within net gains or losses on investments on the Statement of Total Return.

Notes to the Financial Statements

For the financial year ended 31 March 2018

2. Significant accounting policies (continued)

(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 at the end of the financial year 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 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.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

3. Income tax

	2018	2017
	\$	\$
Overseas income tax	33,417	244,775

- (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 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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

3. Income tax (continued)

- (b) The overseas income tax represents tax deducted at source on income 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 31 March 2018 and 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 Managers' 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 year ended 31 March 2018 (2017: \$Nil).

5. Cash and bank balances

	2018 \$	2017 \$
Held with a related company of the Trustee:		
- Cash and bank balances	11,713,663	8,725,250

6. Margin accounts

	2018 \$	2017 \$
Margin deposits with brokers	3,463,998	6,942,753

Margin account represents margin deposits held in respect of exchange-traded futures contract with a financial institution which is a non-related company.

7. Receivables

	2018 \$	2017 \$
Amount due from unitholders on subscriptions	869,463	1,100,905
Interest receivable	74	54
Other receivables	172,010	44,528
	1,041,547	1,145,487

Notes to the Financial Statements

For the financial year ended 31 March 2018

8. Fair value of financial derivatives

The tables below sets out the notional contract amounts and fair value of forward foreign exchange and futures contracts entered into with third parties.

As at financial year ended 31 March 2018 and 2017, commitments under forward foreign exchange and futures contracts due for settlement within 3 months (2017: 3 months) are as follows:

	Notional amount \$	Fair value assets \$	Fair value liabilities \$
2018			
Forward foreign exchange contracts	352,665,659	3,394,745	(882,013)
Futures contracts	305,693,845	1,335,974	(1,346,973)
		<u>4,730,719</u>	<u>(2,228,986)</u>
2017			
Forward foreign exchange contracts	387,373,004	4,220,499	(1,546,662)
Futures contracts	666,332,586	421,707	(753,017)
		<u>4,642,206</u>	<u>(2,299,679)</u>

The forward foreign exchange and futures contracts were undertaken for purpose of efficient portfolio management.

All financial derivatives are stated at their fair values on the Statement of Financial Position.

9. Payables

	2018 \$	2017 \$
Amount due to unitholders on redemptions	489,662	777,166
Accrued management fee	244,565	224,554
Accrued trustee fee	16,517	15,183
Other payables and accruals	55,790	50,055
	<u>806,534</u>	<u>1,066,958</u>

10. Units in issue

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

	2018	2017
Units at beginning of the financial year	254,890,756	255,446,865
Units created	64,439,144	47,469,591
Units cancelled	(46,586,911)	(48,025,700)
Units at end of the financial year	<u>272,742,989</u>	<u>254,890,756</u>
Net assets attributable to unitholders (\$)	<u>386,881,371</u>	355,372,829
Net asset value per unit (\$)	<u>1.418</u>	1.394

There is no difference between the net assets attributable to unitholders per unit per financial statements and the net assets attributable to unitholders per unit for issuing/redeeming of units.

Notes to the Financial Statements

For the financial year ended 31 March 2018

11. Related party transactions

The Manager of the Fund is Western Asset Management Company Pte. Ltd., 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 year between the Fund and related parties.

12. 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 bonds, money market 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 the 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 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 does not hold any equities as of 31 March 2018 (2017: Nil), and therefore is not exposed to significant amount of risk arising from changes in equity prices.

(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.

It affects the value of fixed income securities more than equities. As interest rates rise, prices of fixed income securities may fall and vice versa. The rationale is that as interest rate increases, the opportunity cost of holding a bond increases since investors are able to realise greater yields by switching to other investments that reflect the higher interest rate. The Manager regularly assesses the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk.

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

As the Fund invests primarily in fixed income securities, the values of which are driven significantly by changes in interest rates, the Fund is mainly subject to interest rate risk. When interest rates rise, the value of previously acquired fixed income securities will normally fall because new fixed income securities acquired will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously acquired fixed income securities will normally rise. The Manager regularly assesses the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk. In a rising interest rate environment, the Fund will acquire debts with a shorter maturity profile to minimise the negative impact to the portfolio. The Fund's policy requires the Manager to manage the risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed income securities. The average effective duration of the Fund's portfolio is a measure of the sensitivity of the fair value of the Fund's fixed interest securities to changes in market interest rates.

The tables below summarise the Fund's exposure to interest rate risks. They include the Fund's financial assets and financial liabilities at fair value, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 March 2018

	Variable rates \$	Up to 1 year \$	Fixed rates 1 - 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets						
Portfolio of investments	-	55,558,897	120,475,225	190,555,937	2,376,905	368,966,964
Cash and bank balances	11,713,663	-	-	-	-	11,713,663
Margin accounts	3,463,998	-	-	-	-	3,463,998
Receivables	-	-	-	-	1,041,547	1,041,547
Fair value of financial derivatives	-	-	-	-	4,730,719	4,730,719
Total assets	15,177,661	55,558,897	120,475,225	190,555,937	8,149,171	389,916,891
Liabilities						
Payables	-	-	-	-	806,534	806,534
Fair value of financial derivatives	-	-	-	-	2,228,986	2,228,986
Total liabilities	-	-	-	-	3,035,520	3,035,520

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

As at 31 March 2017

	Variable rates \$	Up to 1 year \$	Fixed rates 1 - 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets						
Portfolio of investments	-	6,637,149	102,874,030	225,398,716	2,373,875	337,283,770
Cash and bank balances	8,725,250	-	-	-	-	8,725,250
Margin accounts	6,942,753	-	-	-	-	6,942,753
Receivables	-	-	-	-	1,145,487	1,145,487
Fair value of financial derivatives	-	-	-	-	4,642,206	4,642,206
Total assets	15,668,003	6,637,149	102,874,030	225,398,716	8,161,568	358,739,466
Liabilities						
Payables	-	-	-	-	1,066,958	1,066,958
Fair value of financial derivatives	-	-	-	-	2,299,679	2,299,679
Total liabilities	-	-	-	-	3,366,637	3,366,637

As at 31 March 2018, should interest rates have lowered or risen by 50 basis points ("bps") (2017: 50 bps) with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders for the financial year would be as follows:

	2018		2017	
	+ 50 bps \$'000	- 50 bps \$'000	+ 50 bps \$'000	- 50 bps \$'000
Effect on net assets attributable to unitholders	(13,620)	13,620	(11,800)	11,800

(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 year ended 31 March 2018

12. 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 31 March 2018

	MXN \$	JPY \$	EUR \$	GBP \$	SGD \$	USD \$	Others \$	Total \$
Assets								
Portfolio of investments	19,634,629	24,261,493	110,639,731	14,524,149	-	172,038,426	27,868,536	368,966,964
Cash and bank balances	-	390,784	191,432	446,785	8,126,288	1,939,840	618,534	11,713,663
Margin accounts	-	157,505	1,465,516	189,213	-	1,591,987	59,777	3,463,998
Receivables	-	-	-	1	1,041,473	73	-	1,041,547
Total assets	19,634,629	24,809,782	112,296,679	15,160,148	9,167,761	175,570,326	28,546,847	385,186,172
Liabilities								
Payables	-	-	527	-	805,889	118	-	806,534
Total liabilities	-	-	527	-	805,889	118	-	806,534
Net financial assets	19,634,629	24,809,782	112,296,152	15,160,148	8,361,872	175,570,208	28,546,847	384,379,638
Notional amount of currency forwards and financial derivatives	(8,538,645)	(25,157,492)	(108,972,183)	(14,775,631)	344,098,432	(171,358,820)	(15,306,660)	
Net currency exposure	11,095,984	(347,710)	3,323,969	384,517	352,460,304	4,211,388	13,240,187	

As at 31 March 2017

	MXN \$	JPY \$	EUR \$	GBP \$	SGD \$	USD \$	Others \$	Total \$
Assets								
Portfolio of investments	22,794,332	25,430,432	109,493,796	13,862,207	-	129,402,285	36,300,718	337,283,770
Cash and bank balances	480,913	346,734	341,586	178,084	4,528,985	1,767,347	1,081,601	8,725,250
Margin accounts	-	244,721	2,033,151	258,018	-	4,340,899	65,964	6,942,753
Receivables	-	-	-	-	1,145,433	-	54	1,145,487
Total assets	23,275,245	26,021,887	111,868,533	14,298,309	5,674,418	135,510,531	37,448,337	354,097,260
Liabilities								
Payables	-	-	-	-	1,066,734	224	-	1,066,958
Total liabilities	-	-	-	-	1,066,734	224	-	1,066,958
Net financial assets	23,275,245	26,021,887	111,868,533	14,298,309	4,607,684	135,510,307	37,448,337	353,030,302
Notional amount of currency forwards and financial derivatives	(15,797,350)	(26,371,171)	(113,605,188)	(13,269,274)	337,365,340	(134,587,935)	(34,065,732)	
Net currency exposure	7,477,895	(349,284)	(1,736,655)	1,029,035	341,973,024	922,372	3,382,605	

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

The following table analyses the Fund's sensitivity to foreign currency exposure should those currencies increase or decrease by 5% with all other variables held constant.

Currency	Currency risen / lowered by 5% Increase / (decrease) in net assets attributable to unitholders	
	2018 \$	2017 \$
EUR	166,198	(438)
GBP	19,226	57,629
USD	210,569	119,989
MXN	554,799	311,731

(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 31 March 2018, there are no investments in unlisted or unquoted securities (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 13.

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 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.

As at 31 March 2018	Less than 3 months \$
Liabilities	
Payables	806,534
Financial derivatives	
- inflows	37,914,416
- outflows	(40,143,402)
As at 31 March 2017	
Liabilities	
Payables	1,066,958
Financial derivatives	
- inflows	48,422,296
- outflows	(50,721,975)

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(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.

The Fund invests mostly in financial assets, which have an investment grade as rated by Standard and Poor's or Moody's or Fitch. The credit ratings are reviewed regularly.

The table below analyses the Fund's investments by credit ratings.

	2018	2017
	%	%
Aaa	49.62	42.87
AA	-	3.87
Aa2	10.39	5.74
AA-	2.48	0.40
A	6.25	7.14
A2	0.91	-
Aa3	-	2.45
A3	-	0.93
A-	3.59	5.55
BBB+	4.96	6.27
Baa2	15.76	18.15
Unrated	0.80	0.87
Accrued interest on quoted bonds	0.61	0.67
Total	95.37	94.91

All investment transactions 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 exposure 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 event of any default by the parties concerned. The Manager minimise the Fund's credit risk by undertaking transactions with banks that are part of banking groups with good credit-ratings assigned by international credit rating agencies.

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(c) Credit risk (continued)

The tables below summarise the credit rating of banks and custodian in which the Fund's assets are held as at 31 March 2018 and 2017.

As at 31 March 2018	Credit Rating ##	Source of Credit Rating
<u>Custodian</u>		
The Hongkong and Shanghai Banking Corporation Limited	Aa3	Moody's
<u>Bank</u>		
Citibank, N.A.	A1	Moody's
Deutsche Bank AG	Baa2	Moody's
Goldman Sachs Bank	A1	Moody's
JPMorgan Chase Bank, N.A.	Aa3	Moody's
Morgan Stanley	A3	Moody's
The Hongkong and Shanghai Banking Corporation Limited	Aa3	Moody's
UBS AG	A1	Moody's
<hr/>		
As at 31 March 2017		
<u>Custodian</u>		
The Hongkong and Shanghai Banking Corporation Limited	Aa2	Moody's
<u>Bank</u>		
Barclays Bank PLC	A1	Moody's
Citibank, N.A.	A1	Moody's
Deutsche Bank AG	A3	Moody's
Goldman Sachs Bank	A1	Moody's
JPMorgan Chase Bank, N.A.	Aa2	Moody's
Morgan Stanley	A3	Moody's
The Hongkong and Shanghai Banking Corporation Limited	Aa2	Moody's
UBS AG	Aa3	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 Trustees, as discussed in Note 12(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).

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(e) Fair value estimation (continued)

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 2018 and 2017:

As at 31 March 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Financial assets designated at fair value through profit or loss at inception				
- Quoted bonds	-	368,966,964	-	368,966,964
- Fair value of financial derivatives	-	4,730,719	-	4,730,719
Total	-	373,697,683	-	373,697,683
Liabilities				
Financial liabilities designated at fair value through profit or loss at inception				
- Fair value of financial derivatives	-	2,228,986	-	2,228,986
<hr/>				
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 bonds	-	337,283,770	-	337,283,770
- Fair value of financial derivatives	-	4,642,206	-	4,642,206
Total	-	341,925,976	-	341,925,976
Liabilities				
Financial liabilities designated at fair value through profit or loss at inception				
- Fair value of financial derivatives	-	2,299,679	-	2,299,679

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 investment-grade corporate and government bonds and over-the-counter derivatives.

Except for cash and cash balances which are classified as Level 1, the Fund's financial assets and liabilities not measured at fair value at 31 March 2018 and 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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

12 Financial risk management (continued)

(f) Offsetting financial assets and financial liabilities

The following tables present the Fund's financial assets and liabilities subject to offsetting, enforceable master netting arrangements or similar agreements.

The gross and net positions of financial assets and liabilities that have been offset in the Statement of Financial Position are disclosed in the first three columns of the tables below.

<u>As at 31 March 2018</u>	A	B	C = A-B	D	E = C-D	
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
				D(i) and D(ii) Financial Instruments	D(ii) Cash Collaterals	Net amount
	\$	\$	\$	\$	\$	\$
Forward foreign exchange	3,394,745	-	3,394,745	(704,738)	-	2,690,007
Futures	1,335,974	-	1,335,974	(1,335,974)	-	-

	A	B	C = A-B	D	E = C-D	
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set-off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
				D(i) and D(ii) Financial Instruments	D(ii) Cash Collaterals	Net amount
	\$	\$	\$	\$	\$	\$
Forward foreign exchange	882,013	-	882,013	(704,738)	-	177,275
Futures	1,346,973	-	1,346,973	(1,335,974)	(10,999)	-

<u>As at 31 March 2017</u>	A	B	C = A-B	D	E = C-D	
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
				D(i) and D(ii) Financial Instruments	D(ii) Cash Collaterals	Net amount
	\$	\$	\$	\$	\$	\$
Forward foreign exchange	4,220,499	-	4,220,499	(932,079)	-	3,288,420
Futures	421,707	-	421,707	(421,707)	-	-

	A	B	C = A-B	D	E = C-D	
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set-off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
				D(i) and D(ii) Financial Instruments	D(ii) Cash Collaterals	Net amount
	\$	\$	\$	\$	\$	\$
Forward foreign exchange	1,546,662	-	1,546,662	(932,079)	-	614,583
Futures	753,017	-	753,017	(421,707)	(331,310)	-

Notes to the Financial Statements

For the financial year ended 31 March 2018

13. Credit facility

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

	2018 \$	2017 \$
<u>Facility</u>		
Overdraft	20 million	20 million

The above credit facility is unsecured and is not utilised at year end.

14. Financial ratios

	2018 %	2017 %
Expense ratio ¹	0.87	0.88
Portfolio turnover ratio ²	27.69	50.25

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 31 March 2018 was based on total operating expenses of \$3,217,840 (2017: \$3,233,984) divided by the average net asset value of \$370,229,015 (2017: \$367,208,824) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, commission fee, 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 sales of \$102,515,359 (2017: sales of \$184,507,378) divided by the average daily net asset value of \$370,229,015 (2017: \$367,208,824).

Report to Unitholders

For the financial year ended 31 March 2018

Investment Allocation as at 31 March 2018

By Country	Market Value in SGD	% of NAV
Australia	1,587,151	0.41
Belgium	9,588,884	2.48
Canada	12,018,035	3.11
France	25,814,251	6.67
Germany	10,279,546	2.66
Great Britain	14,392,255	3.72
Ireland	3,523,161	0.91
Italy	42,060,159	10.87
Japan	24,197,236	6.25
Mexico	19,191,096	4.96
Poland	13,877,921	3.59
Spain	18,903,768	4.89
Supra-National	3,311,861	0.86
United States of America	167,844,735	43.38
	366,590,059	94.76
Accrued interest on quoted bonds	2,376,905	0.61
Portfolio of investments	368,966,964	95.37
Other net assets	17,914,407	4.63
Total	386,881,371	100.00

By Industry	Market Value in SGD	% of NAV
Banks	3,311,861	0.86
Government	363,278,198	93.90
	366,590,059	94.76
Accrued interest on quoted bonds	2,376,905	0.61
Portfolio of investments	368,966,964	95.37
Other net assets	17,914,407	4.63
Total	386,881,371	100.00

By Asset Class	Market Value in SGD	% of NAV
Fixed Income securities	366,590,059	94.76
	366,590,059	94.76
Accrued interest on quoted bonds	2,376,905	0.61
Portfolio of investments	368,966,964	95.37
Other net assets	17,914,407	4.63
Total	386,881,371	100.00

Report to Unitholders

For the financial year ended 31 March 2018

By Credit Rating *	Market Value in SGD	% of NAV
Aaa	191,939,865	49.62
Aa2	40,206,506	10.39
AA-	9,588,884	2.48
A	24,197,236	6.25
A2	3,523,161	0.91
A-	13,877,921	3.59
BBB+	19,191,096	4.96
Baa2	60,963,927	15.76
Unrated	3,101,463	0.80
	366,590,059	94.76
Accrued interest on quoted bonds	2,376,905	0.61
Portfolio of investments	368,966,964	95.37
Other net assets	17,914,407	4.63
Total	386,881,371	100.00

*By Standard & Poor's /Moody's/Fitch

Top 10 Holdings

Holdings as at 31 March 2018	Market Value in SGD	% of NAV
US Treasury N/B 1.50% 31/12/2018	33,332,254	8.62
US Treasury N/B 1.625% 15/11/2022	26,430,433	6.83
Buoni Poliennali Del Tes 1.45% 15/09/2022	21,857,991	5.65
Government of France OAT 0.25% 25/11/2026	21,402,914	5.53
US Treasury Bond 4.50% 15/08/2039	17,882,434	4.62
Government of Japan CPI Linked Series 16 1.40% 10/06/2018	14,876,328	3.85
US Treasury N/B 2.125% 29/02/2024	14,430,737	3.73
Poland Government Bond Series 726 2.5% 25/07/2026	13,877,921	3.59
Mex Bonds Desarr Fix RT Series M 7.75% 13/11/2042	13,367,718	3.46
UK Treasury 4.25% 07/12/2040	13,063,334	3.38

Holdings as at 31 March 2017	Market Value in SGD	% of NAV
US Treasury N/B 1.50% 31/12/2018	34,818,465	9.80
Poland Government Bond Series 726 2.5% 25/07/2026	19,733,495	5.55
Buoni Poliennali Del Tes 1.45% 15/09/2022	19,722,532	5.55
US Treasury Bond 4.50% 15/08/2039	19,128,720	5.38
Government of France OAT 0.25% 25/11/2026	16,737,094	4.71
United States Treasury N/B 2.750% 15/11/2023	16,696,772	4.70
Mex Bonds Desarr Fix RT Series M 7.75% 13/11/2042	16,185,020	4.56
Government of Japan CPI Linked Series 16 1.40% 10/06/2018	15,920,056	4.48
US Treasury Bond 2.875% 15/05/2043	13,373,645	3.76
Buoni Poliennali Del Tes 2% 01/12/2025	12,523,188	3.52

Report to Unitholders

For the financial year ended 31 March 2018

Exposure to Derivatives

	Market Value in SGD	% of NAV
Forward foreign exchange and futures contracts as at 31 March 2018	2,501,733	0.65
Net loss on contracts realised for the period 1 April 2017 at 31 March 2018	(2,493,194)	
Net gain on outstanding contracts marked to market as at at 31 March 2018	2,501,733	

Global Exposure

The global exposure relating to derivative instruments is calculated using the commitment approach by converting the derivative positions into equivalent positions in the underlying assets embedded in those derivatives.

The global exposure of the Fund to financial derivative instruments or embedded financial derivative instruments will not exceed 100% of the net asset value of the Fund at any time.

Collateral

Refer to Note 6 of the "Notes to the Financial Statements".

Securities Lending or Repurchase Transactions

Nil as at 31 March 2018.

Investment in Other Unit Trust, Mutual Funds and Collective Investment Schemes

Nil as at 31 March 2018.

Borrowings

Nil as at 31 March 2018.

Amount of Redemptions and Subscriptions

For the period 1 April 2017 to 31 March 2018

	SGD
Redemptions	65,853,496
Subscriptions	90,967,024

Related Party Transactions

For the period 1 April 2017 to 31 March 2018

Refer to Note 11 of the "Notes to the Financial Statements".

Report to Unitholders

For the financial year ended 31 March 2018

Performance

	Legg Mason Western Asset Global Bond Trust Class A (SGD) Accumulating*	Benchmark
3-month	-0.07%	+0.36%
6-month	-0.07%	+0.99%
1-year	+1.72%	+2.28%
3-year	+0.24%	+1.67%
5-year	+2.20%	+3.30%
10-year	+1.91%	+2.40%
Since inception	+1.97%	+3.58%

* NAV-NAV basis, with net income and dividends reinvested, if any (SGD terms). Annualised for periods over one year.
Benchmark : FTSE World Government Bond Index (S\$) ex Japan, hedged to S\$. From 3 January 2005 to 31 March 2011, the benchmark was FTSE World Government Bond Index (S\$) ex Japan. Prior to that, the benchmark was FTSE World Government Bond Index (S\$).

The inception date was 2 November 1998

Source : Legg Mason Asset Management Singapore Pte. Limited

Expense Ratio

For the period 1 April 2017 to 31 March 2018	0.87%
For the period 1 April 2016 to 31 March 2017	0.88%

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 31 March 2018 was based on total operating expenses of \$3,217,840 (2017: \$3,233,984) divided by the average net asset value of \$370,229,015 (2017: \$367,208,824) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, commission fee, 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.

Turnover Ratio

For the period 1 April 2017 to 31 March 2018	27.69%
For the period 1 April 2016 to 31 March 2017	50.25%

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 sales of \$102,515,359 (2017: sales of \$184,507,378) divided by the average daily net asset value of \$370,229,015 (2017: \$367,208,824).

Other Material Information

There are no other material information that will adversely impact the valuation of the Fund.

Soft Dollar Commissions/Arrangements

The Managers and, as the case may be, the Sub-Managers currently do not but shall be entitled to receive or enter into soft-dollar commissions/arrangements in respect of the Trust.

Detail of Underlying Funds

The Fund does not invest more than 30% of its NAV in another scheme.

Legg Mason Martin Currie Southeast Asia Trust

Legg Mason Funds

- Legg Mason Western Asset Singapore Dollar Fund

Legg Mason Western Asset Global Bond Trust

Legg Mason Western Asset Asian Bond Trust

Legg Mason Western Asset Singapore Bond Fund

Legg Mason Western Asset Asian Bond Trust

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

Report of the Trustee

For the financial year ended 31 March 2018

The Trustee is under a duty to take into custody and hold the assets of Legg Mason Western Asset Asian Bond 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 financial year covered by these financial statements, set out on pages 100 to 121, 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

19 June 2018

Legg Mason Western Asset Asian Bond Trust

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

Statement by the Manager

For the financial year ended 31 March 2018

In the opinion of Legg Mason Asset Management Singapore Pte. Limited (the “Manager”), the accompanying financial statements set out on pages 100 to 121, 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 of Legg Mason Western Asset Asian Bond Trust (the “Fund”) as at 31 March 2018, and the financial performance and movements of unitholders’ funds for the financial year 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

19 June 2018

Independent Auditor's Report to the Unitholders of Legg Mason Western Asset Asian Bond Trust

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

Our Opinion

In our opinion, the accompanying financial statements of the Legg Mason Western Asset Asian Bond 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 31 March 2018, and of the financial performance and movements of unitholders' funds for the financial year ended on that date.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial year ended 31 March 2018;
- the Statement of Financial Position as at 31 March 2018;
- the Statement of Movements of Unitholders' Funds for the financial year ended 31 March 2018;
- the Statement of Portfolio as at 31 March 2018; 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.

Other Information

The Fund's Manager (the "Manager") is responsible for the other information. The other information comprises all of the annual report, but does not include 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.

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.

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

Independent Auditor's Report to the Unitholders of Legg Mason Western Asset Asian Bond Trust

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

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, 19 June 2018

Statement of Total Return

For the financial year ended 31 March 2018

	Notes	2018 \$	2017 \$
Income			
Interest income		833	45
Sundry income		6,884	-
		7,717	45
Less: Expenses			
Audit fee		12,265	10,138
Commission fee		-	367
Custody fee	11	10,558	10,289
Management fee	11	429,468	429,457
Trustee fee	11	23,973	23,973
Registration fee	11	15,198	15,230
Printing fee		2,000	2,000
Professional fee		20,856	19,055
Valuation fee	11	16,987	16,986
Goods & services tax		1,041	7,992
Transaction cost		1,276	905
Other expense		3,533	3,651
		537,155	540,043
Net losses		(529,438)	(539,998)
Net gains or losses on value of investments and financial derivatives			
Net (losses)/gains on investments		(202,858)	2,988,323
Net gains/(losses) on forward foreign exchange contracts		1,146,240	(735,978)
Net loss on future contracts		-	(83,001)
Net foreign exchange (losses)/gains		(58,764)	33,050
		884,618	2,202,394
Total return for the financial year before income tax		355,180	1,662,396
Less: Income tax	3	(78,459)	(66,316)
Total return for the financial year		276,721	1,596,080

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

Statement of Financial Position

As at 31 March 2018

	Notes	2018 \$	2017 \$
ASSETS			
Portfolio of investments		40,591,011	43,202,796
Cash and bank balances	5	569,025	437,689
Margin accounts	6	78,151	79,542
Receivables	7	1,320	29,937
Fair value of financial derivatives	9	32,540	127,496
Total assets		41,272,047	43,877,460
LIABILITIES			
Payables	8	126,954	137,896
Fair value of financial derivatives	9	69,587	-
Total liabilities		196,541	137,896
EQUITY			
Net assets attributable to unitholders	10	41,075,506	43,739,564

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

Statement of Movements of Unitholders' Funds

For the financial year ended 31 March 2018

	Notes	2018 \$	2017 \$
Net assets attributable to unitholders at the beginning of the financial year		43,739,564	42,599,603
Operations			
Change in net assets attributable to unitholders resulting from operations		276,721	1,596,080
Unitholders' contributions/(withdrawals)			
Creation of units		4,030,106	5,191,829
Cancellation of units		(6,970,885)	(5,647,948)
Change in net assets attributable to unitholders resulting from net cancellation of units		(2,940,779)	(456,119)
Total (decrease)/increase in net assets attributable to unitholders		(2,664,058)	1,139,961
Net assets attributable to unitholders at the end of the financial year	10	41,075,506	43,739,564

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %
<u>By Geography (Primary)</u>			
Quoted Bonds			
Australia			
AusNet Services Holdings Pty Ltd Var 17/03/2076	500,000	685,154	1.67
China			
Bank of China Limited VAR PERP	2,000,000	430,827	1.05
Bank of China Sydney Series FRN 02/03/2020	700,000	704,138	1.71
Bank of China/Macau Series EMTN 2.875% 20/04/2022	4,000,000	835,068	2.03
Beijing Capital Polaris 4.25% 26/03/2021	300,000	394,143	0.96
Charming Light Investments Limited Series EMTN 4.375% 21/12/2027	400,000	503,038	1.22
China Aoyuan Property Group 6.35% 11/01/2020	400,000	530,421	1.29
China Life Insurance Overs/HK VAR 27/07/2027	200,000	254,555	0.62
China Minmetals Corporation VAR PERP	500,000	657,289	1.60
Chinalco Capital Holdings Limited 4% 25/08/2021	200,000	256,687	0.62
Chinalco Capital Holdings 4.25% 21/04/2022	200,000	256,359	0.62
CNAC HK Finbridge Co Limited 4.625% 14/03/2023	600,000	794,243	1.93
Country Garden Holdings Co Limited 5.8% 12/03/2021	1,000,000	208,689	0.51
Far East Horizon Limited Series EMTN 4.375% 27/02/2023	200,000	261,113	0.64
Gansu Provincial Highway Aviation 3% 18/11/2019	200,000	257,201	0.63
Guangxi Communications Investment Group 3% 04/11/2019	200,000	257,516	0.63
Hesteel Hong Kong Co Limited 4.25% 07/04/2020	400,000	519,290	1.26
Huaneng Hong Kong Capital Limited VAR PERP	500,000	616,767	1.50
Hubei Sci Tech Hk 4.375% 05/03/2021	500,000	654,984	1.59
Industrial & Commercial Bank of China Limited Series EMTN 3.2% 19/09/2018	4,120,000	854,300	2.08
Longfor Properties 4.5% 16/01/2028	200,000	251,114	0.61
Poly Real Estate Finance Ltd 3.95% 05/02/2023	300,000	391,342	0.95
Shimao Property Holdings Limited 5.75% 15/03/2021	1,000,000	208,793	0.51
Tsinghua Unigroup Limited 4.75% 31/01/2021	600,000	778,027	1.89
Vanke Real Estate Hong Kong Co Ltd Series EMTN 3.975% 09/11/2027	300,000	376,262	0.92
Yuzhou Properties Co Limited 6.375% 06/03/2021	200,000	262,588	0.64
		11,514,754	28.01
Great Britain			
HSBC Holdings Plc Series EMTN VAR PERP	750,000	754,905	1.84

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %
By Geography (Primary) (continued)			
Quoted Bonds (continued)			
Hong Kong			
Bank of East Asia Limited	500,000	649,867	1.58
Bank of East Asia Limited (Reg s) VAR 03/11/2026	400,000	516,107	1.26
China Cinda Finance 2017 I Series Limited 3.875% 08/02/2023	200,000	261,173	0.64
Dah Sing Bank Limited Series EMTN VAR 30/11/2026	200,000	262,841	0.64
FWD Limited 6.25% PERP 29/12/2049	200,000	266,522	0.65
Leader Goal Intl Limited VAR PERP	250,000	325,776	0.79
Radiant Access Limited 4.6% 18/11/2065	200,000	234,067	0.57
Sun Hung Kai Properties 4.45% PERP	300,000	359,460	0.88
		2,875,813	7.01
India			
Housing Development Finance Corporation Limited Series EMTN 6.875% 30/04/2020	20,000,000	397,737	0.97
NTPC Limited Series EMTN 4.375% 26/11/2024	400,000	533,135	1.30
UPL Corporation Limited Series 3.25% 13/10/2021	400,000	513,408	1.25
		1,444,280	3.52
Indonesia			
Indonesia Eximbank Series OB 7.6% 15/08/2020	13,000,000,000	1,243,399	3.03
Indonesia Government Series FR69 (Reg) 7.875% 15/04/2019	36,620,000,000	3,583,653	8.72
Perusahaan Listrik Negar 4.125% 15/05/2027	250,000	315,122	0.77
PT Pelabuhan Indonesia II 5.375% 05/05/2045	200,000	257,015	0.63
Sarana Multigriya Finans Series Ob 6.25% 23/10/2018	2,550,000,000	242,890	0.59
		5,642,079	13.74
Malaysia			
GOHL Capital Limited 4.25% 24/01/2027	500,000	646,648	1.57
Malaysia Sovereign Sukuk 3.043% 22/04/2025	250,000	321,361	0.78
SSG Resources Limited 4.25% 04/10/2022	200,000	269,999	0.66
		1,238,008	3.01
Netherlands			
Minejasa Capital BV Series 4.625% 10/08/2030	300,000	381,763	0.93

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %
By Geography (Primary) (continued)			
Quoted Bonds (continued)			
Singapore			
AACI REIT MTN Pte Limited Series MTN 3.6% 22/03/2022	250,000	245,810	0.60
AACI REIT MTN Pte Limited Series MTN 3.8% 21/05/2019	750,000	751,192	1.83
Ascendas Real Estate Investment VAR PERP	1,000,000	1,042,050	2.54
Ascott Residence Trust VAR PERP (Issue date: 27/10/2014)	750,000	764,415	1.86
Ascott Residence Trust VAR PERP (Issue date: 30/06/2015)	500,000	506,575	1.23
First Real Estate Invest Series MTN VAR PERP	1,250,000	1,259,425	3.07
Jurong Shipyard Pte Limited Series EMTN 2.95% 10/09/2021	500,000	469,100	1.14
Lippo Malls Indonesia Retail Series EMTN VAR PERP	750,000	760,650	1.85
Mapletree Treasury Services EMTN VAR PERP	250,000	246,265	0.60
QUE CT Treasury Pte Limited 3.03% 05/09/2020	1,000,000	996,680	2.43
Sembcorp Industries Limited MTN VAR PERP	1,000,000	1,011,810	2.46
Sembcorp Industries Limited Series MTN VAR PERP	1,000,000	990,570	2.41
United Overseas Bank Limited 4% 29/12/2049	500,000	508,715	1.24
		9,553,257	23.26
South Korea			
Daegu Bank Limited 3.75% 13/08/2023	250,000	328,623	0.80
Export-Import Bank of Korea Series EMTN 3.6% 10/06/2018	5,000,000	1,040,054	2.53
Hankook Tire Co Limited 3.5% 30/01/2023	300,000	390,121	0.95
Harvest Operations Corporation Series 3% 21/09/2022	300,000	381,695	0.93
Hyundai Capital Services Series 3% 29/08/2022	300,000	382,898	0.93
Industrial Bank of Korea VAR PERP	200,000	251,956	0.61
Korea Development Bank Series 625 4.2% 15/12/2018	6,000,000	1,249,091	3.04
Korea Exchange Bank 4.25% 14/10/2024	400,000	528,719	1.29
Korea Southern Power Series 3% 29/01/2021	200,000	261,366	0.64
		4,814,523	11.72
Sri Lanka			
Republic of Sri Lanka Series 6.2% 11/05/2027	200,000	259,637	0.63
Sri Lanka Government International Bond 6.825% 18/07/2026	360,000	488,590	1.19
		748,227	1.82
Vietnam			
Socialist Republic of Vietnam 4.80% 19/11/2024	299,000	401,881	0.98
		40,054,644	97.51
Total quoted bonds			
Accrued interest on quoted bonds		536,367	1.31
Portfolio of investments		40,591,011	98.82
Other net assets		484,495	1.18
Net assets attributable to unitholders		41,075,506	100.00

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

Statement of Portfolio

As at 31 March 2018

	Percentage of total net assets attributable to unitholders at 31/3/2018 %	Percentage of total net assets attributable to unitholders at 31/3/2017 %
By Geography (Summary)		
Quoted Bonds		
Australia	1.67	1.72
Cayman Islands	-	0.63
China	28.01	14.41
Great Britain	1.84	-
Hong Kong	7.01	9.90
India	3.52	10.67
Indonesia	13.74	12.76
Malaysia	3.01	3.89
Netherlands	0.93	0.60
Philippines	-	2.96
Singapore	23.26	30.34
South Korea	11.72	5.84
Sri Lanka	1.82	1.19
Thailand	-	1.55
Vietnam	0.98	0.98
	97.51	97.44
Accrued interest on quoted bonds	1.31	1.33
	98.82	98.77
Portfolio of investments	98.82	98.77
Other net assets	1.18	1.23
Net assets attributable to unitholders	100.00	100.00

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

Statement of Portfolio

As at 31 March 2018

	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %	Percentage of total net assets attributable to unitholders at 31/3/2017 %
By Industry (Secondary)			
Automotives and Trucks	390,121	0.95	-
Bank	9,323,542	22.70	34.90
Chemical	513,408	1.25	2.85
Commercial Services	-	-	0.63
Consumer	646,648	1.57	-
Diversified resource	242,890	0.59	0.92
Electrical and Electronic	576,488	1.41	1.24
Energy	533,135	1.30	4.18
Engineering and Construction	325,776	0.79	0.63
Finance	2,653,300	6.47	2.30
Government	5,055,122	12.30	13.51
Hotel	-	-	3.45
Insurance	521,077	1.27	0.67
Investment	1,388,582	3.38	1.21
Iron and Steel	519,290	1.26	-
Manufacturing	-	-	0.96
Metals	913,648	2.22	-
Mining	256,687	0.62	0.64
Miscellaneous	1,051,444	2.56	0.63
Oil and gas	381,695	0.93	0.63
Real estate	4,582,351	11.17	7.41
Real estate investment trust	4,333,115	10.55	9.95
Semiconductor	1,433,011	3.48	-
Telecommunication	685,154	1.67	4.46
Transport	3,111,393	7.57	6.27
Utilities	616,767	1.50	-
	40,054,644	97.51	97.44
Accrued interest on quoted bonds	536,367	1.31	1.33
Portfolio of investments	40,591,011	98.82	98.77
Other net assets	484,495	1.18	1.23
Net assets attributable to unitholders	41,075,506	100.00	100.00

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

Notes to the Financial Statements

For the financial year ended 31 March 2018

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

1. General

Legg Mason Western Asset Asian Bond Trust (the "Fund") is an open-ended unit trust constituted pursuant to the Trust Deed dated 26 November 1996, 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 are Legg Mason Asset Management Singapore Pte. Limited (the "Manager"), and Western Asset Management Company Pte. Ltd. (the "Sub-Manager"), respectively.

The principal objective of the Fund relates to holding of certain authorised investments for long-term capital appreciation.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The Fund has adopted the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in March 2017 for the financial year beginning on or after 1 July 2016.

The Fund has adopted the following Singapore Financial Reporting Standards ("FRS") and related amendments in accordance with the recommendations of the RAP7:

(i) Consolidation and disclosure of interests in other entities

FRS 110 "Consolidated financial statements"
FRS 112 "Disclosure of interests in other entities"
Amendments to FRS 110, FRS 112 and FRS 27 "Investment entities"

FRS 110 and the amendments define an investment entity and introduce an exception from the consolidation requirements for investment entities.

FRS 112 and the amendments require entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some interests in other entities. Entities are also required to provide disclosure around certain "structured entities". The amendments to FRS 112 introduce new disclosure requirements related to investment entities.

(ii) Offsetting financial assets and liabilities disclosures

Amendments to FRS 32 "Financial instruments: Presentation - Offsetting financial assets and financial liabilities"
Amendments to FRS 107 "Disclosures - Offsetting financial assets and financial liabilities"

The amendments to FRS 32 provide clarification on the offsetting criteria in FRS 32 and address inconsistencies in their application.

The amendments to FRS 107 require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The adoption of these new or amended FRS impacted the Fund's level of disclosures in certain of the above noted areas, but did not result in substantial changes to the accounting policies of the Fund and had no material effect on the amounts reported for the current or prior financial years.

Notes to the Financial Statements

For the financial year ended 31 March 2018

2. Significant accounting policies (continued)

(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 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 year 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.

(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 fixed income securities held by the Fund is the mid-market price for both financial assets and financial liabilities. Accrued interest or discount or premium on fixed income securities at the reporting date are included in the fair value of fixed income securities. Interest income on fixed income securities is presented within net gains or losses on investments on the Statement of Total Return.

Notes to the Financial Statements

For the financial year ended 31 March 2018

2. Significant accounting policies (continued)

(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 year 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 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.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

3. Income tax

	2018	2017
	\$	\$
Singapore income tax	1,937	843
Overseas income tax	76,522	65,473
	78,459	66,316

- (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;

Notes to the Financial Statements

For the financial year ended 31 March 2018

3. Income tax (continued)

- (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 income.

The overseas income tax represents tax deducted at source on income 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 31 March 2018 and 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 year ended 31 March 2018 (2017: \$Nil).

5. Cash and bank balances

	2018 \$	2017 \$
Held with a related company of the Trustee:		
- Cash and bank balances	<u>569,025</u>	<u>437,689</u>

6. Margin accounts

	2018 \$	2017 \$
Margin deposits with brokers	<u>78,151</u>	<u>79,542</u>

Margin account represents margin deposits held in respect of exchange-traded futures contract with a financial institution which is a non-related company.

Notes to the Financial Statements

For the financial year ended 31 March 2018

7. Receivables

	2018 \$	2017 \$
Amount due from unitholders on subscriptions	1,304	22,818
Other receivables	16	7,119
	<u>1,320</u>	<u>29,937</u>

8. Payables

	2018 \$	2017 \$
Amount due to unitholders on redemptions	39,882	52,988
Accrued management fee	34,977	37,055
Accrued trustee fee	1,961	2,065
Other payables and accruals	50,134	45,788
	<u>126,954</u>	<u>137,896</u>

9. Fair value of financial derivatives

The tables below set out the notional contract amounts and fair value of forward foreign exchange entered into with third parties.

As at financial year ended 31 March 2018 and 2017, commitments under forward foreign exchange contracts are due for settlement within 2 months (2017: 5 month).

	Notional amount \$	Fair value assets \$	Fair value liabilities \$
2018			
Forward foreign exchange contracts	28,436,835	32,540	(69,587)
2017			
Forward foreign exchange contracts	18,000,000	127,496	-

The forward foreign exchange contracts and futures contracts were undertaken for purpose of efficient portfolio management.

All financial derivatives are stated at their fair values on the Statement of Financial Position.

10. Units in issue

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

	2018	2017
Units at beginning of the financial year	27,028,658	27,328,811
Units created	2,457,399	3,253,862
Units cancelled	(4,247,433)	(3,554,015)
Units at end of the financial year	<u>25,238,624</u>	<u>27,028,658</u>
Net assets attributable to unitholders (\$)	41,075,506	43,739,564
Net asset value per unit (\$)	<u>1.627</u>	1.618

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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

11. Related party transactions

The Manager of the Fund is Legg Mason Asset Management Singapore Pte. Limited (2017: Western Asset Management Company Pte. Ltd.), 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 year between the Fund and related parties.

12. 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 security and certain industries 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 fixed income, money market 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 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 does not hold equity securities as of 31 March 2018 and 2017, and therefore is not exposed to significant amount of risk arising from changes in equity prices.

(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.

It affects the value of fixed income securities more than equities. As interest rates rise, prices of fixed income securities may fall and vice versa. The rationale is that as interest rate increases, the opportunity cost of holding a bond increases since investors are able to realise greater yields by switching to other investments that reflect the higher interest rate. The Manager regularly assesses the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk.

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

As the Fund primarily invests in fixed income securities, the values of which are driven significantly by changes in interest rates, the Fund is mainly subject to interest rate risk. When interest rates rise, the value of previously acquired fixed income securities will normally fall because new fixed income securities acquired will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously acquired fixed income securities will normally rise. The Manager regularly assesses the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk. In a rising interest rate environment, the Fund will acquire debts with a shorter maturity profile to minimise the negative impact to the portfolio. The Fund's policy requires the Manager to manage the risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities. The average effective duration of the Fund's portfolio is a measure of the sensitivity of the fair value of the Fund's fixed interest securities to changes in market interest rates.

The tables below summarise the Fund's exposure to interest rate risks. They include the Fund's financial assets and financial liabilities at fair value, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 March 2018

	Variable rates \$	Up to 1 year \$	Fixed rates 1 - 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets						
Portfolio of investments	12,763,041	4,221,403	16,883,765	6,186,435	536,367	40,591,011
Cash and bank balances	569,025	-	-	-	-	569,025
Margin accounts	78,151	-	-	-	-	78,151
Receivables	-	-	-	-	1,320	1,320
Fair value of financial derivatives	-	-	-	-	32,540	32,540
Total assets	13,410,217	4,221,403	16,883,765	6,186,435	570,227	41,272,047
Liabilities						
Payables	-	-	-	-	126,954	126,954
Fair value of financial derivatives	-	-	-	-	69,587	69,587
Total liabilities	-	-	-	-	196,541	196,541

As at 31 March 2017

	Variable rates \$	Up to 1 year \$	Fixed rates 1 - 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets						
Portfolio of investments	15,132,012	2,612,002	14,885,133	9,992,840	580,809	43,202,796
Cash and bank balances	437,689	-	-	-	-	437,689
Margin accounts	79,542	-	-	-	-	79,542
Receivables	-	-	-	-	29,937	29,937
Fair value of financial derivatives	-	-	-	-	127,496	127,496
Total assets	15,649,243	2,612,002	14,885,133	9,992,840	738,242	43,877,460
Liabilities						
Payables	-	-	-	-	137,896	137,896
Total liabilities	-	-	-	-	137,896	137,896

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

As at 31 March 2018, should interest rates have lowered or risen by 50 basis points ("bps") (2017: 50 bps) with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders for the financial year would be as follows:

	2018		2017	
	+ 50 bps \$'000	- 50 bps \$'000	+ 50 bps \$'000	- 50 bps \$'000
Effect on net assets attributable to unitholders	(630)	630	(740)	740

(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.

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

As at 31 March 2018

	CNH \$	IDR \$	SGD \$	USD \$	Others \$	Total \$
Assets						
Portfolio of investments	4,870,948	5,212,027	10,445,255	18,947,694	1,115,087	40,591,011
Cash and bank balances	22,013	40,677	58,860	421,529	25,946	569,025
Margin accounts	-	-	-	3,345	74,806	78,151
Receivables	-	-	1,304	16	-	1,320
Total assets	4,892,961	5,252,704	10,505,419	19,372,584	1,215,839	41,239,507
Liabilities						
Payables	-	-	110,677	16,277	-	126,954
Total liabilities	-	-	110,677	16,277	-	126,954
Net financial assets	4,892,961	5,252,704	10,394,742	19,356,307	1,215,839	41,112,553
Notional amount of currency forwards and financial derivatives	-	-	(24,319,776)	(180,224)	24,500,000	
Net currency exposure	4,892,961	5,252,704	(13,925,034)	19,176,083	25,715,839	

As at 31 March 2017

	CNH \$	IDR \$	SGD \$	USD \$	Others \$	Total \$
Assets						
Portfolio of investments	3,358,990	4,414,782	12,387,483	21,862,541	1,179,000	43,202,796
Cash and bank balances	69,292	-	333,577	28,680	6,140	437,689
Margin accounts	-	-	-	3,564	75,978	79,542
Receivables	2	-	29,932	3	-	29,937
Total assets	3,428,284	4,414,782	12,750,992	21,894,788	1,261,118	43,749,964
Liabilities						
Payables	-	-	120,733	17,163	-	137,896
Total liabilities	-	-	120,733	17,163	-	137,896
Net financial assets	3,428,284	4,414,782	12,630,259	21,877,625	1,261,118	43,612,068
Notional amount of currency forwards and financial derivatives	-	-	18,000,000	(18,000,000)	-	
Net currency exposure	3,428,284	4,414,782	30,630,259	3,877,625	1,261,118	

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

The following table analyses the Fund's sensitivity to foreign currency exposure should those currencies increase or decrease by 5% with all other variables held constant.

Currency	Currency risen / lowered by 5% Increase / (decrease) in net assets attributable to unitholders	
	2018 \$	2017 \$
CNH	244,648	171,414
IDR	262,635	220,739
USD	958,804	200,256

(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).

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 13.

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 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.

As at 31 March 2018	Less than 3 months \$	Less than 6 months \$
Liabilities		
Payables	126,954	-
Fair value of financial derivatives		
- inflows	19,000,000	-
- outflows	(19,069,587)	-
As at 31 March 2017		
Liabilities		
Payables	137,896	-

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(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.

The Fund invests mostly in financial assets, which have an investment grade as rated by Standard and Poor's or Moody's or Fitch. The credit ratings are reviewed regularly.

The table below analyse the Fund's investments by credit ratings.

	2018	2017
	%	%
Aa2	0.93	-
AA-	6.21	2.29
A+	-	1.24
A1	2.96	7.95
A	3.74	2.36
A2	0.57	-
A-	1.42	-
A3	1.44	2.09
Baa1	6.75	3.79
Baa2	9.60	17.41
BBB	3.17	4.06
BBB-	3.59	6.25
Baa3	17.29	18.20
BB+	-	2.21
Ba1	1.26	1.94
Ba2	3.89	2.56
B+	0.64	-
B1	2.80	2.82
B2	1.29	-
B-	-	1.32
Unrated	29.96	20.95
Accrued interest on quoted bonds	1.31	1.33
Total	98.82	98.77

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 also arises from cash and cash equivalents held with financial institutions. The 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 Fund is also exposed to the risk that its derivatives held with

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(c) Credit risk (continued)

counterparties may not be recoverable in the event of any default by the parties concerned. The Manager minimise the Fund's credit risk by undertaking transactions with banks that are part of banking groups with good credit-ratings assigned by international credit rating agencies. The tables below summarise the credit rating of banks and custodian in which the Funds' assets are held as at 31 March 2018 and 2017.

As at 31 March 2018	Credit Rating ##	Source of Credit Rating
<u>Custodian</u>		
The Hongkong and Shanghai Banking Corporation Limited	Aa3	Moody's
<u>Bank</u>		
JPMorgan Chase Bank, N.A.	Aa3	Moody's
The Hongkong and Shanghai Banking Corporation Limited	Aa3	Moody's
State Street Bank & Trust Company	Aa3	Moody's
UBS AG	A1	Moody's
<hr/>		
As at 31 March 2017		
<u>Custodian</u>		
The Hongkong and Shanghai Banking Corporation Limited	Aa2	Moody's
<u>Bank</u>		
Bank of New York Mellon	Aa2	Moody's
The Hongkong and Shanghai Banking Corporation Limited	Aa2	Moody's
UBS AG	A1	Moody's
<hr/>		

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 12(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).

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(e) Fair value estimation (continued)

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 2018 and 2017:

As at 31 March 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets at fair value through profit or loss				
- Quoted bonds	-	40,591,011	-	40,591,011
- Fair value of financial derivatives	-	32,540	-	32,540
Total	-	40,623,551	-	40,623,551
Liabilities				
Financial assets designated at fair value through profit or loss				
- Fair value of financial derivatives	-	69,587	-	69,587
As at 31 March 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets at fair value through profit or loss				
- Quoted bonds	-	43,202,796	-	43,202,796
- Fair value of financial derivatives	-	127,496	-	127,496
	-	43,330,292	-	43,330,292

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 investment-grade corporate bonds and over the counter derivatives.

Except for cash and cash balances which are classified as Level 1, the Fund's assets and liabilities not measured at fair value at 31 March 2018 and 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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

12. Financial risk management (continued)

(f) Offsetting Financial Instruments

The following tables present the Fund's financial assets subject to offsetting, enforceable master netting arrangements and similar agreements.

The gross and net positions of financial assets and liabilities that have been offset in the Statement of Financial Position are disclosed in the first three columns of the tables below.

<u>As at 31 March 2018</u>	A	B	C = A-B	D	E = C-D	
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
				D(i) and D(ii) Financial Instruments	D(ii) Cash Collaterals	Net amount
	\$	\$	\$	\$	\$	\$
Forward foreign exchange	32,540	-	32,540	16,389	-	16,151

<u>As at 31 March 2017</u>	A	B	C = A-B	D	E = C-D	
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set-off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
				D(i) and D(ii) Financial Instruments	D(ii) Cash Collaterals	Net amount
	\$	\$	\$	\$	\$	\$
Forward foreign exchange	69,587	-	69,587	16,389	-	53,198

<u>As at 31 March 2017</u>	A	B	C = A-B	D	E = C-D	
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
				D(i) and D(ii) Financial Instruments	D(ii) Cash Collaterals	Net amount
	\$	\$	\$	\$	\$	\$
Forward foreign exchange	127,496	-	127,496	-	-	127,496

<u>As at 31 March 2017</u>	A	B	C = A-B	D	E = C-D	
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set-off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
				D(i) and D(ii) Financial Instruments	D(ii) Cash Collaterals	Net amount
	\$	\$	\$	\$	\$	\$
Forward foreign exchange	-	-	-	-	-	-

13. Credit facility

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

	2018	2017
	\$	\$
<u>Facility</u>		
Overdraft	2 million	2 million

The above credit facility is unsecured and is not utilised at year end.

Notes to the Financial Statements

For the financial year ended 31 March 2018

14. Financial ratios

	2018	2017
	%	%
Expense ratio ¹	1.25	1.25
Portfolio turnover ratio ²	71.63	52.14

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 31 March 2018 was based on total operating expenses of \$535,879 (2017: \$538,771) divided by the average net asset value of \$42,943,084 (2017: \$42,951,861) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, commission fee 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 \$30,759,847 (2017: sales of \$22,393,290) divided by the average daily net asset value of \$42,943,084 (2017: \$42,951,861).

Report to Unitholders

For the financial year ended 31 March 2018

Investment Allocation as at 31 March 2018

By Country	Market Value in SGD	% of NAV
Australia	685,154	1.67
China	11,514,754	28.01
Great Britain	754,905	1.84
Hong Kong	2,875,813	7.01
India	1,444,280	3.52
Indonesia	5,642,079	13.74
Malaysia	1,238,008	3.01
Netherlands	381,763	0.93
Singapore	9,553,257	23.26
South Korea	4,814,523	11.72
Sri Lanka	748,227	1.82
Vietnam	401,881	0.98
	40,054,644	97.51
Accrued interest on quoted bonds	536,367	1.31
Portfolio of investments	40,591,011	98.82
Other net assets	484,495	1.18
Total	41,075,506	100.00

By Industry	Market Value in SGD	% of NAV
Automotives and Trucks	390,121	0.95
Bank	9,323,542	22.70
Chemical	513,408	1.25
Consumer	646,648	1.57
Diversified resource	242,890	0.59
Electrical and Electronic	576,488	1.41
Energy	533,135	1.30
Engineering and Construction	325,776	0.79
Finance	2,653,300	6.47
Government	5,055,122	12.30
Insurance	521,077	1.27
Investment	1,388,582	3.38
Iron & Steel	519,290	1.26
Metals	913,648	2.22
Mining	256,687	0.62
Miscellaneous	1,051,444	2.56
Oil and Gas	381,695	0.93
Real Estate	4,582,351	11.17
Real estate investment trust	4,333,115	10.55
Semiconductor	1,433,011	3.48
Telecommunication	685,154	1.67
Transport	3,111,393	7.57
Utilities	616,767	1.50
	40,054,644	97.51
Accrued interest on quoted bonds	536,367	1.31
Portfolio of investments	40,591,011	98.82
Other net assets	484,495	1.18
Total	41,075,506	100.00

Report to Unitholders

For the financial year ended 31 March 2018

By Asset Class	Market Value in SGD	% of NAV
Fixed Income securities	40,054,644	97.51
	40,054,644	97.51
Accrued interest on quoted bonds	536,367	1.31
Portfolio of investments	40,591,011	98.82
Other net assets	484,495	1.18
Total	41,075,506	100.00

By Credit Rating *	Market Value in SGD	% of NAV
Aa2	381,695	0.93
AA-	2,550,511	6.21
A1	1,213,760	2.96
A	1,539,206	3.74
A2	234,067	0.57
A-	583,178	1.42
A3	591,360	1.44
Baa1	2,776,822	6.75
Baa2	3,940,131	9.60
Baa3	7,099,981	17.29
BBB	1,302,958	3.17
BBB-	1,468,931	3.59
Ba1	516,107	1.26
Ba2	1,599,172	3.89
B+	262,588	0.64
B1	1,150,108	2.80
B2	530,421	1.29
Unrated	12,313,648	29.96
	40,054,644	97.51
Accrued interest on quoted bonds	536,367	1.31
Portfolio of investments	40,591,011	98.82
Other net assets	484,495	1.18
Total	41,075,506	100.00

* By Standard & Poor's /Moody's/Fitch

Report to Unitholders

For the financial year ended 31 March 2018

Top 10 Holdings

Holdings as at 31 March 2018	Market Value in SGD	% of NAV
Indonesia Government Series FR69 (Reg) 7.875% 15/04/2019	3,583,653	8.72
First Real Estate Invest Series MTN VAR PERP	1,259,425	3.07
Korea Development Bank Series 625 4.2% 15/12/2018	1,249,091	3.04
Indonesia Eximbank Series OB 7.6% 15/08/2020	1,243,399	3.03
Ascendas Real Estate Investment VAR PERP	1,042,050	2.54
Export-Import Bank of Korea Series EMTN 3.6% 10/06/2018	1,040,054	2.53
Sembcorp Industries Limited MTN VAR PERP	1,011,810	2.46
OUE CT Treasury Pte Limited 3.03% 05/09/2020	996,680	2.43
Sembcorp Industries Limited Series MTN VAR PERP	990,570	2.41
Industrial & Commercial Bank of China Limited Series EMTN 3.2% 19/09/2018	854,300	2.08

Holdings as at 31 March 2017	Market Value in SGD	% of NAV
Indonesia Government Series FR69 (Reg) 7.875% 15/04/2019	4,263,781	9.75
Sembcorp Industries Limited MTN VAR PERP	2,056,500	4.70
Oversea-Chinese Banking Corporation Limited 3.15% 11/03/2023	1,549,518	3.54
Genting Singapore Plc PERP	1,508,700	3.45
Ascendas Real Estate Investment Var PERP	1,311,300	3.00
Oversea-Chinese Banking 4.00% PERP	1,265,313	2.89
Bank of East Asia Limited	1,255,119	2.87
UPL Corporation Limited Series 3.25% 13/10/2021	1,246,441	2.85
First Real Estate Invest Series MTN VAR PERP	1,245,538	2.85
NTPC Limited Series EMTN 4.375% 26/11/2024	1,087,044	2.49

Exposure to Derivatives

	Market Value in SGD	% of NAV
Forward foreign exchange contracts as at 31 March 2018	(37,047)	(0.09)
Net gain on contracts realised for the period 1 April 2017 to 31 March 2018	1,183,287	
Net loss on outstanding contracts marked to market as at 31 March 2018	(37,047)	

Global Exposure

The global exposure relating to derivative instruments is calculated using the commitment approach by converting the derivative positions into equivalent positions in the underlying assets embedded in those derivatives.

The global exposure of the Fund to financial derivative instruments or embedded financial derivative instruments will not exceed 100% of the net asset value of the Fund at any time.

Report to Unitholders

For the financial year ended 31 March 2018

Collateral

Refer to Note 6 of the "Notes to the Financial Statements".

Securities Lending or Repurchase Transactions

Nil as at 31 March 2018.

Investment in Other Unit Trust, Mutual Funds and Collective Investment Schemes

Nil as at 31 March 2018.

Borrowings

Nil as at 31 March 2018.

Amount of Redemptions and Subscriptions

For the period 1 April 2017 to 31 March 2018

	SGD
Redemptions	6,970,885
Subscriptions	4,030,106

Related Party Transactions

For the period 1 April 2017 to 31 March 2018

Refer to Note 11 of the "Notes to the Financial Statements".

Performance

	Legg Mason Western Asset Asian Bond Trust Class A (SGD) Accumulating*	Benchmark
3-month	-1.33%	+0.34%
6-month	-1.21%	+0.63%
1-year	+0.56%	+1.06%
3-year	+1.96%	+1.20%
5-year	+1.95%	+0.88%
10-year	+3.76%	+2.94%
Since inception	+2.46%	NA

* NAV-NAV basis, with net income and dividends reinvested, if any (SGD terms). Annualised for periods over one year.

Benchmark : US\$ 3-month LIBOR hedged to S\$. From November 2006 to March 2011, benchmark was Customised JP Morgan Asian Credit Index, Sovereign & Quasi Sovereign, fully hedged into SGD. From October 2002 to October 2006, benchmark was JP Morgan Asian Credit Index - Sovereign and Quasi Sovereign (Hedged in S\$). Since January 1999 to September 2002, benchmark was JP Morgan Asian Credit Index Sovereign (Hedged in S\$).

The inception date was 23 December 1996

Source : Legg Mason Asset Management Singapore Pte. Limited

Report to Unitholders

For the financial year ended 31 March 2018

Expense Ratio

For the period 1 April 2017 to 31 March 2018	1.25%
For the period 1 April 2016 to 31 March 2017	1.25%

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 31 March 2018 was based on total operating expenses of \$535,879 (2017: \$538,771) divided by the average net asset value of \$42,943,084 (2017: \$42,951,861) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, commission fee 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.

Turnover Ratio

For the period 1 April 2017 to 31 March 2018	71.63%
For the period 1 April 2016 to 31 March 2017	52.14%

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 \$30,759,847 (2017: sales of \$22,393,290) divided by the average daily net asset value of \$42,943,084 (2017: \$42,951,861).

Other Material Information

There are no other material information that will adversely impact the valuation of the Fund.

Soft Dollar Commissions/Arrangements

The Managers and sub-manager currently do not but shall be entitled to receive and enter into soft-dollar commissions/arrangements in respect of the Trust.

Detail of Underlying Funds

The Fund does not invest more than 30% of its NAV in another scheme.

Legg Mason Martin Currie Southeast Asia Trust

Legg Mason Funds

- Legg Mason Western Asset Singapore Dollar Fund

Legg Mason Western Asset Global Bond Trust

Legg Mason Western Asset Asian Bond Trust

Legg Mason Western Asset Singapore Bond Fund

Legg Mason Western Asset Singapore Bond Fund

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

Report of the Trustee

For the financial year ended 31 March 2018

The Trustee is under a duty to take into custody and hold the assets of Legg Mason Western Asset Singapore Bond Fund (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 financial year covered by these financial statements, set out on pages 132 to 149, 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

19 June 2018

Legg Mason Western Asset Singapore Bond Fund

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

Statement by the Manager

For the financial year ended 31 March 2018

In the opinion of Legg Mason Asset Management Singapore Pte. Limited (the “Manager”), the accompanying financial statements set out on pages 132 to 149, 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 Western Asset Singapore Bond Fund (the “Fund”) as at 31 March 2018, and the financial performance and movements in unitholders’ funds for the financial year 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

Director

19 June 2018

Independent Auditor's Report to the Unitholders of Legg Mason Western Asset Singapore Bond Fund

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

Our Opinion

In our opinion, the accompanying financial statements of the Legg Mason Western Asset Singapore Bond Fund (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 31 March 2018, and of the financial performance and movements of unitholders' funds for the financial year ended on that date.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial year ended 31 March 2018;
- the Statement of Financial Position as at 31 March 2018;
- the Statement of Movements of Unitholders' Funds for the financial year ended 31 March 2018;
- the Statement of Portfolio as at 31 March 2018; 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.

Other Information

The Fund's Manager (the "Manager") is responsible for the other information. The other information comprises all sections of the annual report, but does not include 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.

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.

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

Independent Auditor's Report to the Unitholders of Legg Mason Western Asset Singapore Bond Fund

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

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, 19 June 2018

Statement of Total Return

For the financial year ended 31 March 2018

	Notes	2018 \$	2017 \$
Income			
Dividend income		239,700	262,140
Other income		6,005	3
		245,705	262,143
Less: Expenses			
Audit fee		18,694	16,428
Custody fee	9	28,399	25,352
Management fee	9	581,855	552,626
Trustee fee	9	51,160	47,788
Registration fee	9	12,092	13,205
Printing fee		2,000	2,197
Professional fee		15,771	20,572
Valuation fee	9	31,830	30,144
Goods and services tax		2,305	10,914
Transaction cost		1,335	1,504
Other expenses		10,095	10,332
		755,536	731,062
Net losses		(509,831)	(468,919)
Net gains or losses on value of investments			
Net gains on investments		1,841,074	3,391,065
Net foreign exchange losses		(49)	(13)
		1,841,025	3,391,052
Total return for the financial year before income tax		1,331,194	2,922,133
Less: Income tax	3	-	-
Total return for the financial year		1,331,194	2,922,133

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

Statement of Financial Position

As at 31 March 2018

	Notes	2018 \$	2017 \$
ASSETS			
Portfolio of investments		103,206,289	102,920,966
Cash and bank balances	5	1,333,295	752,921
Receivables	6	325,396	12,568
Total assets		104,864,980	103,686,455
LIABILITY			
Payables	7	113,541	521,700
Total liability		113,541	521,700
EQUITY			
Net assets attributable to unitholders	8	104,751,439	103,164,755

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

Statement of Movements of Unitholders' Funds

For the financial year ended 31 March 2018

	Notes	2018 \$	2017 \$
Net assets attributable to unitholders at the beginning of the financial year		103,164,755	94,889,331
Operations			
Change in net assets attributable to unitholders resulting from operations		1,331,194	2,922,133
Unitholders' contributions/(withdrawals)			
Creation of units		19,662,632	23,064,983
Cancellation of units		(19,407,142)	(17,711,692)
Change in net assets attributable to unitholders resulting from net creation of units		255,490	5,353,291
Total increase in net assets attributable to unitholders		1,586,684	8,275,424
Net assets attributable to unitholders at the end of the financial year	8	104,751,439	103,164,755

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %
<u>By Geography (Primary)</u>			
Quoted Bonds			
China			
Huarong Finance 2017 Company Limited 3.20% 27/04/2021	3,000,000	2,993,070	2.86
Japan			
Mizuho Bank Limited Series EMTN 2.01% 28/10/2019	1,250,000	1,243,300	1.19
Netherlands			
ABN AMRO Bank NV Series EMTN VAR 01/04/2026	6,750,000	7,001,708	6.68
Singapore			
AACI REIT MTN Pte Limited Series MTN 3.6% 22/03/2022	3,500,000	3,441,340	3.29
Ascendas Real Estate Investment VAR PERP	1,000,000	1,042,050	0.99
CCT MTN Pte Ltd Series MTN 3.17% 05/03/2024	1,500,000	1,499,190	1.43
CCT MTN Pte Ltd Series MTN 3.327% 21/03/2025	1,500,000	1,502,422	1.43
City Developments Limited Series MTN (BR) 2.78% 21/09/2018	2,500,000	2,507,625	2.39
DBS Group Holdings Limited VAR PERP	7,250,000	7,403,628	7.07
Fcot Treasury Pte Ltd Series MTN 3.185% 28/02/2023	500,000	500,655	0.48
FCT MTN Private Limited Series MTN (BR) 3.00% 21/01/2020	500,000	503,590	0.48
FCT MTN Private Limited Series MTN 2.90% 10/04/2019	500,000	503,050	0.48
First Real Estate Investment Trust VAR PERP	500,000	503,770	0.48
Jurong Shipyard Pte Limited Series EMTN 2.95% 10/09/2021	2,250,000	2,110,950	2.02
Jurong Shipyard Pte Limited Series EMTN 3.85% 10/09/2029	750,000	676,500	0.65
Keppel Corporation Limited Series EMTN 4.00% 07/09/2042	2,000,000	2,009,920	1.92
Lippo Malls Indonesia Retail Trust EMTN VAR PERP (Issue date: 27 Sept 2016)	2,000,000	2,054,640	1.96
Lippo Malls Indonesia Retail Trust EMTN VAR PERP (Issue date: 19 Jun 2017)	750,000	760,650	0.73
Mapletree Commercial Trust MTN 2.795% 15/11/2023	3,000,000	2,962,470	2.83
Mapletree Logistics Trust EMTN VAR PERP	500,000	494,175	0.47
Mapletree Treasury Services EMTN 2.85% 29/08/2025	2,000,000	1,948,920	1.86
Mapletree Treasury Services EMTN VAR PERP (Issue date: 19 Jan 2017)	3,000,000	3,033,150	2.90
Mapletree Treasury Services EMTN VAR PERP (Issue date: 12 May 2017)	2,250,000	2,216,385	2.12
Mas Bill T-Bills Series 84 04/05/2018	1,000,000	998,510	0.95

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

Statement of Portfolio

As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 \$	Percentage of total net assets attributable to unitholders at 31/3/2018 %
By Geography (Primary) (continued)			
Quoted Bonds (continued)			
Singapore (continued)			
NTUC Income Insurance VAR 23/08/2027	500,000	515,055	0.49
OCBC Capital Corporation Preference	47,000	4,770,500	4.55
Sembcorp Industries Limited MTN VAR PERP (Issue date: 20 May 2015)	2,000,000	2,023,620	1.93
Sembcorp Industries Limited MTN VAR PERP (Issue date: 22 Jun 2017)	1,000,000	990,570	0.95
Singapore Government Bond 2.125% 01/06/2026	5,000,000	4,956,500	4.73
Singapore Government Bond 2.25% 01/08/2036	1,850,000	1,757,555	1.68
Singapore Government SIGB 2.75% 01/03/2046	4,000,000	3,993,400	3.81
Singapore Government SIGB 2.875% 01/09/2030	2,000,000	2,091,380	2.00
Singapore Government SIGB 3.00% 01/09/2024	11,000,000	11,533,390	11.01
Singapore Government SIGB 3.50% 01/03/2027	7,410,000	8,132,030	7.76
Singapore Post Limited (BR) 3.50% 30/03/2020	750,000	766,500	0.73
Singapore Republic 2.875% 01/07/2029	1,500,000	1,572,315	1.50
Starhub Limited MTN VAR PREP	750,000	745,275	0.71
United Overseas Bank Limited 4% 29/12/2049	4,750,000	4,832,793	4.61
United Overseas Bank Limited Series MTN VAR 27/02/2029	2,000,000	2,039,820	1.95
United Overseas Bank Limited VAR PERP	1,250,000	1,288,537	1.23
UOL Treasury Services Pte Ltd MTN 2.5% 20/04/2018	500,000	500,065	0.48
		91,182,895	87.05
Total quoted bonds		102,420,973	97.78
Accrued interest on quoted bonds		785,316	0.75
Portfolio of investments		103,206,289	98.53
Other net assets		1,545,150	1.47
Net assets attributable to unitholders		104,751,439	100.00

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

Statement of Portfolio

As at 31 March 2018

		Percentage of total net assets attributable to unitholders at 31/3/2018 %	Percentage of total net assets attributable to unitholders at 31/3/2017 %
By Geography (Summary)			
Quoted Bonds			
China		2.86	-
Hong Kong		-	3.67
Japan		1.19	1.21
Netherlands		6.68	6.82
Singapore		87.05	87.28
		97.78	98.98
Accrued interest on quoted bonds		0.75	0.78
Portfolio of investments		98.53	99.76
Other net assets		1.47	0.24
Net assets attributable to unitholders		100.00	100.00
		Percentage of total net assets attributable to unitholders at 31/3/2018 %	Percentage of total net assets attributable to unitholders at 31/3/2017 %
	Fair value as at 31/3/2018 \$		
By Industry (Secondary)			
Airlines	-	-	0.99
Bank	23,809,786	22.73	26.48
Diversified Resources	2,009,920	1.92	1.91
Finance	4,770,500	4.56	4.97
Government	35,035,080	33.45	37.49
Hotel	2,507,625	2.39	2.46
Insurance	515,055	0.49	0.51
Investment	10,191,525	9.73	6.94
Real estate	3,941,405	3.76	7.53
Real estate investment trust	12,326,662	11.77	4.98
Telecommunication	745,275	0.71	-
Transportation	6,568,140	6.27	4.72
	102,420,973	97.78	98.98
Accrued interest on quoted bonds	785,316	0.75	0.78
Portfolio of investments	103,206,289	98.53	99.76
Other net assets	1,545,150	1.47	0.24
Net assets attributable to unitholders	104,751,439	100.00	100.00

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

Notes to the Financial Statements

For the financial year ended 31 March 2018

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

1. General

Legg Mason Western Asset Singapore Bond Fund (the "Fund") is a unit trust constituted by a Trust Deed dated 1 October 1997 as amended by Supplementary and the Amending and Restating Deed. The Trust Deed, subsequent Supplementary Deed and Amending and Restating 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 Western Asset Management Company Pte. Ltd. (the "Sub-Manager") respectively.

The principal objective of the Fund is to achieve yield enhancement by aiming to outperform the benchmark in Singapore Dollar items via active but prudent management of a portfolio comprising primarily of Singapore bonds, cash and cash equivalent instruments.

The Fund has 2 classes of units in issue at reporting date. Class A and Class B unitholders currently pay management fees of 0.75% per annum and 0.5% per annum respectively.

The Fund is included under the Central Provident Fund Investment Scheme.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The Fund has adopted the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in March 2017 for the financial year beginning on or after 1 July 2016.

The Fund have adopted the following Singapore Financial Reporting Standards ("FRS") and related amendments in accordance with the recommendations of the RAP7:

(i) Consolidation and disclosure of interests in other entities

FRS 110 "*Consolidated financial statements*"
FRS 112 "*Disclosure of interests in other entities*"
Amendments to FRS 110, FRS 112 and FRS 27 "*Investment entities*"

FRS 110 and the amendments define an investment entity and introduce an exception from the consolidation requirements for investment entities.

FRS 112 and the amendments require entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some interests in other entities. Entities are also required to provide disclosure around certain "structured entities". The amendments to FRS 112 introduce new disclosure requirements related to investment entities.

(ii) Offsetting financial assets and liabilities disclosures

Amendments to FRS 32 "*Financial instruments: Presentation - Offsetting financial assets and financial liabilities*" Amendments to FRS 107 "*Disclosures - Offsetting financial assets and financial liabilities*"

The amendments to FRS 32 provide clarification on the offsetting criteria in FRS 32 and address inconsistencies in their application.

The amendments to FRS 107 require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Notes to the Financial Statements

For the financial year ended 31 March 2018

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Offsetting financial assets and liabilities disclosures (continued)

The adoption of these new or amended FRS impacted the Fund's level of disclosures in certain of the above noted areas, but did not result in substantial changes to the accounting policies of the Fund and had no material effect on the amounts reported for the current or prior financial years.

(b) Income recognition

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

Interest income is recognised on a time proportion basis using the effective interest 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 the Statement of Financial Position. Foreign currency transactions during the financial year 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.

(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 change in fair value on investments are included in the Statement of Total Return in the year in 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 are taken up in the Statement of Total Return.

Notes to the Financial Statements

For the financial year ended 31 March 2018

2. Significant accounting policies (continued)

(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 fixed income securities held by the Fund is the mid-market price for both financial assets and financial liabilities. Accrued interest or discount or premium on fixed income securities at the reporting date are included in the fair value of fixed income securities. Interest income on fixed income securities is presented within net gains or losses on investments on the Statement of Total Return.

(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 at the end of the financial year 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 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.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

3. Income tax

- (a) The Fund was granted the status of 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 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;

Notes to the Financial Statements

For the financial year ended 31 March 2018

3. Income tax (continued)

- (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) There was no income tax for the financial year ended 31 March 2018 (2017: \$Nil).

4. Distribution to unitholders

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

5. Cash and bank balances

	2018 \$	2017 \$
Cash and bank balances held with a related company of the Trustee	1,333,295	752,921

6. Receivables

	2018 \$	2017 \$
Amount due from unitholders on subscriptions	325,396	3,456
Interest receivable	-	2
Other receivable	-	9,110
	325,396	12,568

7. Payables

	2018 \$	2017 \$
Amount due to unitholders on redemptions	17,806	431,957
Accrued management fee	51,167	50,119
Accrued trustee fee	4,396	4,398
Other payables and accruals	40,172	35,226
	113,541	521,700

Notes to the Financial Statements

For the financial year ended 31 March 2018

8. Units in issue

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

	2018	2017
Class A		
Units at beginning of the financial year	15,503,569	19,441,679
Units created	2,548,041	3,258,531
Units cancelled	(3,657,285)	(7,196,641)
Units at end of the financial year	<u>14,394,325</u>	<u>15,503,569</u>
Net assets attributable to unitholders (\$)	<u>26,898,955</u>	<u>28,649,087</u>
Net asset value per unit (\$)	<u>1.869</u>	<u>1.848</u>
Class B		
Units at beginning of the financial year	37,469,565	31,093,908
Units created	7,378,153	8,752,791
Units cancelled	(6,232,105)	(2,377,134)
Units at end of the financial year	<u>38,615,613</u>	<u>37,469,565</u>
Net assets attributable to unitholders (\$)	<u>77,852,484</u>	<u>74,515,668</u>
Net asset value per unit (\$)	<u>2.016</u>	<u>1.989</u>

A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset as determined for the purpose of processing unit subscription and redemption is provided below:

	2018 \$	2017 \$
Class B		
Net assets attributable to unitholders per financial statements per unit	2.016	1.989
Effect for movement in the net asset value between the last dealing date and the end of the reporting date per unit	<u>0.001</u>	<u>-</u>
Net assets attributable to unitholders for issuing/redeeming per unit	<u>2.017</u>	<u>1.989</u>

There is no difference between the net assets attributable to unitholders per unit per financial statements and the net assets attributable to unitholders per unit for issuing/redeeming of units for Class A.

9. Related party transactions

The Manager of the Fund is Legg Mason Asset Management Singapore Pte. Limited (2017: Western Asset Management Company Pte. Ltd.), 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 year between the Fund and related parties.

Notes to the Financial Statements

For the financial year ended 31 March 2018

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 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 fixed income, money market 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 market risk is affected primary 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 does not hold any equity as of 31 March 2018 and 2017, and therefore is not exposed to significant amount of risk arising from changes in equity prices.

(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.

It affects the value of fixed income securities more directly than equities. As interest rates rise, prices of fixed income securities may fall and vice versa. The rationale is that as interest rates increase, the opportunity cost of holding a bond increases since investors are able to realise greater yields by switching to other investments that reflect the higher interest rate. The Manager regularly assesses the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk.

As the Fund invests primarily in fixed income securities, the values of which are driven significantly by changes in interest rates, the Fund is mainly subject to interest rate risk. When interest rates rise, the value of previously acquired fixed income securities will normally fall because new fixed income securities acquired will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously acquired fixed income securities will normally rise. The Manager regularly assesses the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk. In a rising interest rate environment, the Fund will acquire debts with a shorter maturity profile to minimise the negative impact to the portfolio. The Fund's policy requires the Manager to manage

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

the risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed income securities. The average effective duration of the Fund's portfolio is a measure of the sensitivity of the fair value of the Fund's fixed interest securities to changes in market interest rates.

The tables below summarise the Fund's exposure to interest rate risks. They include the Fund's assets and liabilities at fair value, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 March 2018

	Variable rates \$	Up to 1 year \$	Fixed rates 1 - 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets						
Portfolio of investments	41,716,326	4,006,200	12,062,455	44,635,992	785,316	103,206,289
Cash and bank balances	1,333,295	-	-	-	-	1,333,295
Receivables	-	-	-	-	325,396	325,396
Total assets	43,049,621	4,006,200	12,062,455	44,635,992	1,110,712	104,864,980
Liabilities						
Payables	-	-	-	-	113,541	113,541
Total liabilities	-	-	-	-	113,541	113,541

As at 31 March 2017

	Variable rates \$	Up to 1 year \$	Fixed rates 1 - 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets						
Portfolio of investments	50,352,959	3,995,440	11,117,222	36,648,154	807,191	102,920,966
Cash and bank balances	752,921	-	-	-	-	752,921
Receivables	-	-	-	-	12,568	12,568
Total assets	51,105,880	3,995,440	11,117,222	36,648,154	819,759	103,686,455
Liabilities						
Payables	-	-	-	-	521,700	521,700
Total liabilities	-	-	-	-	521,700	521,700

As at 31 March 2018, should interest rates have lowered or risen by 50 basis points ("bps") (2017: 50 bps) with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders for the year would be as follows:

	2018		2017	
	+ 50 bps \$'000	- 50 bps \$'000	+ 50 bps \$'000	- 50 bps \$'000
Effect on net assets attributable to unitholders	(2,660)	2,660	(2,650)	2,650

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Financial risk management (continued)

(a) Market risk (continued)

(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.

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

As at 31 March 2018	SGD \$	USD \$	Total \$
Assets			
Portfolio of investments	103,206,289	-	103,206,289
Cash and bank balances	1,333,295	-	1,333,295
Receivables	325,396	-	325,396
Total assets	104,864,980	-	104,864,980
Liabilities			
Payables	113,462	79	113,541
Total liabilities	113,462	79	113,541
Net currency exposure	104,751,518	(79)	
As at 31 March 2017			
	SGD \$	USD \$	Total \$
Assets			
Portfolio of investments	102,920,966	-	102,920,966
Cash and bank balances	752,921	-	752,921
Receivables	12,568	-	12,568
Total assets	103,686,455	-	103,686,455
Liabilities			
Payables	521,379	321	521,700
Total liabilities	521,379	321	521,700
Net currency exposure	103,165,076	(321)	

The Fund's monetary assets/liabilities are measured for their sensitivity to exchange rate movements based on the balance of the monetary assets/liabilities, forecasted exchange rate movements and the net asset value of the Fund.

As of 31 March 2018 and 2017, the Fund's exposure to foreign currency fluctuations with respect to the monetary assets/liabilities is not considered to be significant. Hence, no sensitivity analysis on foreign currency risk has been performed.

(b) Liquidity risk

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

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Financial risk management (continued)

(b) Liquidity risk (continued)

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 31 March 2018, there are no investments in unlisted or unquoted securities (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 31 March 2018	Less than 3 months \$
Liabilities	
Payables	<u>113,541</u>
As at 31 March 2017	
Liabilities	
Payables	<u>521,700</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.

The Fund invests mostly in financial assets, which have an investment grade as rated by Standard and Poor's, Moody's or Fitch's. The credit ratings are reviewed regularly.

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Financial risk management (continued)

(c) Credit risk (continued)

The table below analyses the Fund's investments by credit ratings expressed as a percentage of net assets attributable to unitholders.

	2018 %	2017 %
Aaa	32.49	19.32
A+	0.49	0.51
A1	1.19	1.69
A3	1.95	1.99
Baa1	5.68	-
Baa2	8.16	1.02
Baa3	-	3.67
BBB+	4.56	1.74
BBB	16.24	16.00
BBB-	1.23	8.09
Unrated (Singapore - incorporated debt securities) #	25.79	44.95
Accrued interest on quoted bonds	0.75	0.78
Total	98.53	99.76

0.95% (2017: 18.17%) relates to Singapore government-issued securities

All investment transactions 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 also arises from cash and cash equivalents held with financial institutions. The 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 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 Fund's credit risk by undertaking transactions with banks that are part of banking groups with good credit-ratings assigned by international credit rating agencies.

The tables below summarises the credit rating of banks and custodians in which the Fund's assets are held as at 31 March 2018 and 2017.

As at 31 March 2018	Credit Rating ##	Source of Credit Rating
<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
<hr/>		
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

Notes to the Financial Statements

For the financial year ended 31 March 2018

10. Financial risk management (continued)

(c) Credit risk (continued)

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 2018 and 2017:

As at 31 March 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets designated at fair value through profit or loss				
- Quoted bonds	-	103,206,289	-	103,206,289
Total	-	103,206,289	-	103,206,289
<hr/>				
As at 31 March 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets designated at fair value through profit or loss				
- Quoted bonds	-	102,920,966	-	102,920,966
Total	-	102,920,966	-	102,920,966

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 investment-grade corporate and government bonds.

Except for cash and cash balances which are classified as Level 1, the Fund's financial assets and liabilities not measured at fair value at 31 March 2018 and 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.

Notes to the Financial Statements

For the financial year ended 31 March 2018

11. Credit facility

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

	2018 \$	2017 \$
<u>Facility</u>		
Overdraft	3.5 million	3.5 million

The above credit facility is unsecured and is not utilised at year end.

12. Financial ratios

	2018 %	2017 %
Ratio of expenses to average net assets ¹		
Class A	0.92	0.94
Class B	0.67	0.69
Portfolio turnover rate ²	29.29	36.73

¹ The expense ratios have been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the Funds' expense ratios at 31 March 2018 were based on total operating expenses divided by the average net asset value respectively for the year. The total operating expenses do not include (where applicable) brokerage and other transaction costs, 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 do 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:

	2018 \$	2017 \$
Total operating expenses		
Class A	258,133	279,561
Class B	496,068	449,997
Average net asset value		
Class A	28,102,017	29,889,401
Class B	74,180,391	65,700,268

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 sales of \$29,962,916 (2017: sales of \$35,112,242) divided by the average daily net asset value of \$102,282,408 (2017: \$95,589,669).

Report to Unitholders

For the financial year ended 31 March 2018

Investment Allocation as at 31 March 2018

By Country	Market Value in SGD	% of NAV
China	2,993,070	2.86
Japan	1,243,300	1.19
Netherlands	7,001,708	6.68
Singapore	91,182,895	87.05
	102,420,973	97.78
Accrued interest on quoted bonds	785,316	0.75
Portfolio of investments	103,206,289	98.53
Other net assets	1,545,150	1.47
Total	104,751,439	100.00

By Industry	Market Value in SGD	% of NAV
Bank	23,809,786	22.73
Diversified Resources	2,009,920	1.92
Finance	4,770,500	4.56
Government	35,035,080	33.45
Hotel	2,507,625	2.39
Insurance	515,055	0.49
Investment	10,191,525	9.73
Real estate	3,941,405	3.76
Real estate investment trust	12,326,662	11.77
Telecommunication	745,275	0.71
Transportation	6,568,140	6.27
	102,420,973	97.78
Accrued interest on quoted bonds	785,316	0.75
Portfolio of investments	103,206,289	98.53
Other net assets	1,545,150	1.47
Total	104,751,439	100.00

By Asset Class	Market Value in SGD	% of NAV
Fixed Income securities	102,420,973	97.78
	102,420,973	97.78
Accrued interest on quoted bonds	785,316	0.75
Portfolio of investments	103,206,289	98.53
Other net assets	1,545,150	1.47
Total	104,751,439	100.00

Report to Unitholders

For the financial year ended 31 March 2018

By Credit Rating *	Market Value in SGD	% of NAV
Aaa	34,036,570	32.49
A+	515,055	0.49
A1	1,243,300	1.19
A3	2,039,820	1.95
Baa1	5,955,540	5.68
Baa2	8,544,413	8.16
BBB+	4,774,752	4.56
BBB	17,006,921	16.24
BBB-	1,288,537	1.23
Unrated#	27,016,065	25.79
	102,420,973	97.78
Accrued interest on quoted bonds	785,316	0.75
Portfolio of investments	103,206,289	98.53
Other net assets	1,545,150	1.47
Total	104,751,439	100.00

0.95% (2017: 18.17%) relates to Singapore government-issued securities

* By Standard & Poor's /Moody's/Fitch's

Top 10 Holdings

Holdings as at 31 March 2018	Market Value in SGD	% of NAV
Singapore Government SIGB 3.00% 01/09/2024	11,533,390	11.01
Singapore Government SIGB 3.50% 01/03/2027	8,132,030	7.76
DBS Group Holdings Limited VAR PERP	7,403,628	7.07
ABN AMRO Bank NV Series EMTN VAR 01/04/2026	7,001,708	6.68
Singapore Government Bond 2.125% 01/06/2026	4,956,500	4.73
United Overseas Bank Limited 4% 29/12/2049	4,832,793	4.61
OCBC Capital Corporation Preference	4,770,500	4.55
Singapore Government SIGB 2.75% 01/03/2046	3,993,400	3.81
AACI REIT MTN Pte Limited Series MTN 3.6% 22/03/2022	3,441,340	3.29
Mapletree Treasury Services EMTN VAR PERP (Issue date: 19 Jan 2017)	3,033,150	2.90
Holdings as at 31 March 2017	Market Value in SGD	% of NAV
Singapore Government SIGB 3.00% 01/09/2024	11,699,490	11.34
Singapore Government SIGB 3.50% 01/03/2027	8,235,919	7.98
DBS Group Holdings Limited VAR PERP	7,526,008	7.30
ABN AMRO Bank NV Series EMTN VAR 01/04/2026	7,039,946	6.82
OCBC Capital Corporation Preference	5,129,432	4.97
Singapore Government SIGB 2.125% 01/06/2026	5,000,250	4.85
Singapore Government SIGB 2.75% 01/03/2046	4,236,240	4.11
Mapletree Treasury Services EMTN VAR PERP	4,045,620	3.92
MAS Bills T-Bills Series 84 19/05/2017	3,995,440	3.87
Sembcorp Industries Limited MTN VAR PERP	3,855,938	3.74

Report to Unitholders

For the financial year ended 31 March 2018

Exposure to Derivatives

Nil as at 31 March 2018.

Global Exposure

The global exposure relating to derivative instruments is calculated using the commitment approach by converting the derivative positions into equivalent positions in the underlying assets embedded in those derivatives.

The global exposure of the Fund to financial derivative instruments or embedded financial derivative instruments will not exceed 100% of the net asset value of the Fund at any time.

Collateral

Nil as at 31 March 2018.

Securities Lending or Repurchase Transactions

Nil as at 31 March 2018.

Investment in Other Unit Trust, Mutual Funds and Collective Investment Schemes

	Market Value in SGD	% of NAV
AACI REIT MTN Pte Limited Series MTN 3.6% 22/03/2022	3,441,340	3.29
Mapletree Commercial Trust MTN 2.795% 15/11/2023	2,962,470	2.83
Lippo Malls Indonesia Retail Trust EMTN VAR PERP (Issue date: 27 Sept 2016)	2,054,640	1.96
CCT MTN Pte Ltd Series MTN 3.327% 21/03/2025	1,502,422	1.43
CCT MTN Pte Ltd Series MTN 3.17% 05/03/2024	1,499,190	1.43
Ascendas Real Estate Investment VAR PERP	1,042,050	0.99
Lippo Malls Indonesia Retail Trust EMTN VAR PERP (Issue date: 19 Jun 2017)	760,650	0.73
First Real Estate Investment Trust VAR PERP	503,770	0.48
FCT MTN Private Limited Series MTN (BR) 3.00% 21/01/2020	503,590	0.48
FCT MTN Private Limited Series MTN 2.90% 10/04/2019	503,050	0.48
Fcot Treasury Pte Ltd Series MTN 3.185% 28/02/2023	500,655	0.48
Mapletree Logistics Trust EMTN VAR PERP	494,175	0.47

Borrowings

Nil as at 31 March 2018.

Amount of Redemptions and Subscriptions

For the period 1 April 2017 to 31 March 2018

	SGD
Redemptions	19,407,142
Subscriptions	19,662,632

Report to Unitholders

For the financial year ended 31 March 2018

Related Party Transactions

For the period 1 April 2017 to 31 March 2018

Refer to Note 9 of the "Notes to the Financial Statements".

Performance

	Legg Mason Western Asset Singapore Bond Fund*		Benchmark
	Class A (SGD) Accumulating	Class B (SGD) Accumulating	
3-month	-1.06%	-0.98%	-1.23%
6-month	-0.53%	-0.40%	-0.55%
1-year	+1.14%	+1.41%	+0.57%
3-year	+2.37%	+2.65%	+2.25%
5-year	+2.42%	+2.68%	+1.55%
10-year	+2.98%	+3.24%	+2.47%
Since inception	+3.12%	+3.49%	+2.76%

* NAV-NAV basis, with net income and dividends reinvested, if any (SGD terms). Annualised for periods over one year. Benchmark : J.P Morgan Singapore Government Bond Index (S\$) . Prior to 3 April 2017, the benchmark was UOB Singapore Government Bond Index All (S\$) and prior to 1 October 2006, the benchmark was 70% 3-month SIBID and 30% UOB SGS Index.

The inception dates were 15 November 1997 and 21 April 1998 respectively for Class A and Class B.

Benchmark since inception performance is for Class A only.

Since inception figures are calculated from the first full month of investment.

Source : Legg Mason Asset Management Singapore Pte. Limited

Expense Ratio

Class A

For the period 1 April 2017 to 31 March 2018 0.92%

For the period 1 April 2016 to 31 March 2017 0.94%

Class B

For the period 1 April 2017 to 31 March 2018 0.67%

For the period 1 April 2016 to 31 March 2017 0.69%

The expense ratios have been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the Funds' expense ratios at 31 March 2018 were based on total operating expenses divided by the average net asset value respectively for the year. The total operating expenses do not include (where applicable) brokerage and other transaction costs, 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 do 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:

	2018 \$	2017 \$
Total operating expenses		
Class A	258,133	279,561
Class B	496,068	449,997
Average net asset value		
Class A	28,102,017	29,889,401
Class B	74,180,391	65,700,268

Report to Unitholders

For the financial year ended 31 March 2018

Turnover Ratio

For the period 1 April 2017 to 31 March 2018	29.29%
For the period 1 April 2016 to 31 March 2017	36.73%

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 sales of \$29,962,916 (2017: sales of \$35,112,242) divided by the average daily net asset value of \$102,282,408 (2017: \$95,589,669).

Other Material Information

There are no other material information that will adversely impact the valuation of the Fund.

Soft Dollar Commissions/Arrangements

The Managers and sub-manager currently do not but shall be entitled to receive and enter into soft-dollar commissions/arrangements in respect of the Scheme.

Detail of Underlying Funds

The Fund does not invest more than 30% of its NAV in another scheme.

Intentionally left blank

Intentionally left blank

LEGG MASON
GLOBAL ASSET MANAGEMENT

Issued by Legg Mason Asset Management Singapore Pte. Limited (Registration no.(UEN): 200007942R)

1 George Street, #23-02, Singapore 049145. Hotline +65 6536 8000 and Fax +65 6317 8947

Website : <http://www.leggmason.com.sg>