

# Prospectus

## Legg Mason Singapore Bond Fund

Dated 28 June 2010  
Valid till 27 June 2011



# LEGG MASON

## SINGAPORE BOND FUND

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# LEGG MASON SINGAPORE BOND FUND Directory

## **Managers**

Legg Mason Asset Management Singapore Pte. Limited  
(formerly known as Legg Mason International Equities  
(Singapore) Pte. Limited)  
(Company Registration Number: 200007942R)

### Registered address:

50 Raffles Place, #32-01, Singapore Land Tower,  
Singapore 048623

### Business address:

1 George Street, #23-02, Singapore 049145

## **Directors of the Managers**

Tan Keng Sin Patrick (Executive)  
Yong Siew Hoon (Executive)  
Lim Hong Heng Lennie (Executive)  
Terence Andrew Johnson (Non-Executive)  
Thomas John Hirschmann (Non-Executive)  
Joseph Patrick LaRocque (Non-Executive)

## **Trustee / Custodian**

HSBC Institutional Trust Services (Singapore) Limited  
(Company Registration Number: 194900022R)  
21 Collyer Quay, #14-01 HSBC Building, Singapore 049320

## **Auditor**

PricewaterhouseCoopers LLP  
8 Cross Street, #17-00 PWC Building, Singapore 048424

## **Solicitors to the Managers**

Allen & Gledhill LLP  
One Marina Boulevard, #28-00, Singapore 018989

## **Solicitors to the Trustee**

Shook Lin & Bok LLP  
1 Robinson Road, #18-00 AIA Tower, Singapore 048542

# LEGG MASON SINGAPORE BOND FUND

## 1. BASIC INFORMATION

### 1.1 Name of collective investment scheme

The collective investment scheme offered in this Prospectus is known as the Legg Mason Singapore Bond Fund (the "**Scheme**"). The Scheme is constituted in Singapore.

### 1.2 Date of registration and expiry of the Prospectus

This Prospectus is registered with the Authority on 28 June 2010 and is valid for a period of 12 months after the date of registration (i.e., up to and including 27 June 2011) and shall expire on 28 June 2011.

### 1.3 The trust deed

- (a) The original trust deed relating to the scheme is dated 1 October 1997 (the "**Original Deed**"). The manager of the Scheme is Legg Mason Asset Management Singapore Pte. Limited (formerly known as Legg Mason International Equities (Singapore) Pte. Limited) (the "**Managers**") and the trustee to the Scheme is HSBC Institutional Trust Services (Singapore) Limited (the "**Trustee**").
- (b) The management of the Scheme has been transferred from Legg Mason Asset Management (Asia) Pte Ltd to the Managers with effect from 1 October 2006. The Trustee was appointed as trustee to the Scheme in place of British and Malayan Trustees Limited with effect from 1 July 2007.
- (c) The Original Deed has been amended by the following deeds:

<b>Deed</b>	<b>Dated</b>
First Supplemental Deed	1 April 1998
Second Supplemental Deed	1 October 1998
Third Supplemental Deed	24 May 1999
Fourth Supplemental Deed	29 May 2000
Fifth Supplemental Deed	27 November 2000
Sixth Supplemental Deed	29 May 2001
Seventh Supplemental Deed	28 May 2002
Amended and Restated Deed	27 May 2003
Second Amending and Restating Deed	24 June 2004

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Third Amending and Restating Deed	24 June 2005
Supplemental Deed of Retirement and Appointment of Managers	28 November 2005
Second Supplemental Deed of Appointment and Retirement of Managers	1 October 2006
Supplemental Deed of Appointment and Retirement of Trustee	30 June 2007
Fourth Amending and Restating Deed	2 July 2007
Fifth Amending and Restating Deed	31 January 2008
Sixth Amending and Restating Deed	1 July 2008
Seventh Amending and Restating Deed	30 June 2009
Eighth Amending and Restating Deed	28 June 2010

(collectively, the “**Supplemental Deeds**”).

The Original Deed as amended by the Supplemental Deeds shall hereafter be referred to as the “**Deed**”.

- (d) The Deed is binding on the Managers, the Trustee and all Holders (including all persons claiming through the Holders as if they had each been a party to the Deed).
- (e) Copies of the Original Deed and the Supplemental Deeds may be inspected at the business office of the Managers at 1 George Street, #23-02, Singapore 049145, during usual business hours.

**1.4 Reports and accounts**

A copy of the latest annual and semi-annual accounts, the auditors’ report on the annual accounts and the annual and semi-annual reports in respect of the Scheme may be obtained from the business office of the Managers upon request.

**1.5 Disclaimers and other important information**

- (a) The Scheme is an authorised scheme under the Securities and Futures Act (Chapter 289) (the “**Securities and Futures Act**”). A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act or any other legal or regulatory requirements have been complied with. The Authority has not, in any way, considered the investment merits of the Scheme.

- (b) The Managers accepts full responsibility for the accuracy of the information set out in this Prospectus and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no facts the omission of which would make any statement in this Prospectus misleading. Unless otherwise stated, all terms not defined in this Prospectus have the same meanings as used in the Deed.
- (c) This Prospectus does not constitute an offer or solicitation for the purchase of Units to anyone in any jurisdiction in which an offer or solicitation is not authorised or to any person to whom it is unlawful to make an offer or solicitation, and may be used only in connection with this offering of Units by the Managers, or through the Managers' approved distributors.

As the Units are not registered under the United States Securities Act of 1933 (the "**Securities Act**") or under the securities laws of any state of the United States of America ("**US**"), the Units may not be offered or sold to or for the account of any US Person (as defined in Rule 902 of Regulation S under the Securities Act).

Rule 902 of Regulation S under the Securities Act defines a US Person to include, inter alia, any natural person resident in the US and with regards to investors other than individuals (i) a corporation or partnership organised or incorporated under the laws of the US or any state thereof; (ii) a trust of which any trustee is a US Person except if such trustee is a professional fiduciary and a co-trustee who is not a US Person has sole or shared investment discretion with regard to trust assets and no beneficiary of the trust (and no settlor if the trust is revocable) is a US Person; (iii) an estate: (a) which is subject to US tax on its worldwide income from all sources or (b) for which any US Person is executor or administrator except if an executor or administrator of the estate who is not a US Person has sole or shared investment discretion with regard to the assets of the estate and the estate is governed by foreign law; (iv) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; and (v) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the US.

The term "US Person" also means any entity organised principally for passive investment (such as a commodity pool, investment company or other similar entity) that was formed: (a) for the purpose of facilitating investment by a US Person in a commodity pool with respect to which the operator is exempt from certain requirements of Part 4 of the regulations promulgated by the United States Commodity Futures Trading Commission by virtue of its participants being non-US Persons or (b) by US Persons

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principally for the purpose of investing in securities not registered under the Securities Act, unless it is formed and owned by “accredited investors” (as defined in Rule 501 (a) under the Securities Act) who are not natural persons, estates or trusts.

- (d) Investment in the Scheme requires consideration of the normal risks involved in investment and participation in securities. Further details of the other risks relating to investments in the Scheme are set out in Paragraph 9 of this Prospectus. Investors should consider these risks carefully before making an investment decision.
- (e) Investors should seek professional advice to ascertain:
  - (i) the possible tax consequences;
  - (ii) the legal requirements; and
  - (iii) any foreign exchange restrictions or exchange control requirements

which they may encounter under the laws of the countries of their citizenship, residence or domicile and any restrictions or requirements under the CPF Regulations, and which may be relevant to the subscription, holding or disposal of Units and should inform themselves of and observe all such laws and regulations in any relevant jurisdiction that may be applicable to them.

- (f) No application has been made for the Scheme to be listed on any stock exchange. Investors may purchase or realise Units through the Managers’ approved distributors in accordance with the provisions of this Prospectus and the Deed.
- (g) Some of the information in this Prospectus is a summary of corresponding provisions in the Deed. Investors should read the full text of the Deed for further details and information that is not contained in this Prospectus.
- (h) The meaning of some of the terms and abbreviations used in this Prospectus can be found in the Glossary of Terms at the end of this Prospectus.
- (i) Units may be purchased and realised by individuals or other legal persons (the “**investors**”) only through the Managers’ approved distributors.

When an investor applies through an approved distributor to purchase a number of Units, or makes a request to realise Units, the approved distributor will in turn forward the application for the subscription or the request for realisation to the Managers on the investor’s behalf.

Where an application to purchase Units is made and the Managers accepts the application, Units are issued:

- (i) in the case of subscriptions using cash – to the approved distributor or its nominee, whose name is entered into the Register as the legal unitholder. The distributor or its nominee will hold those Units on behalf of the investor who has applied for the Units; and
- (ii) in the case of subscriptions using monies from the investor's CPF Ordinary Account, CPF Special Account or SRS Account – in the name of the investor who has applied for the Units.

Where a realisation request is made:

- (i) in the case of subscriptions using cash – realisation proceeds are paid by the Managers to the approved distributor or its nominee in whose name the Units were registered, and these proceeds are paid by the approved distributor to the relevant investor;
- (ii) in the case of subscriptions using monies from the investor's CPF Ordinary Account – realisation proceeds are paid by the Managers to the relevant Agent Bank, for the credit of the investor's CPF Investment Account;
- (iii) in the case of subscriptions using monies from the investor's CPF Special Account – realisation proceeds are paid by the Managers to the CPF Board for the credit of the investor's CPF Special Account; and
- (iv) in the case of subscriptions using SRS monies – realisation proceeds are paid by the Managers to the relevant SRS Operator for the credit of the investor's SRS Account.

For the purposes of this Prospectus, unless the context otherwise requires, references to a "**Holder**" are references to:

- (i) in the case of subscriptions using cash – the relevant approved distributor or its nominee, who holds the Units on behalf of the investor; and
- (ii) in the case of subscriptions using SRS monies, monies from the investor's CPF Ordinary Account and/or CPF Special Account – the relevant investor.

For the purposes of this Prospectus, references to an "**investor**" are references to a person applying for or investing in Units of the Scheme, whether through an approved distributor or its nominee, or in his or her own name.

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Investors should approach their approved distributors in relation to any transactions concerning their Units.

All provisions in this Prospectus relating to deadlines and cut-off times apply to the times by which the approved distributors must comply. These distributors may have deadlines and cut-off times earlier than those stated in this Prospectus. Therefore investors should consult the relevant distributor to confirm the applicable deadlines and cut-off times by which investors are required to comply.

All provisions in this Prospectus relating to timing of payments apply to the investors. All provisions in this Prospectus relating to delivery of notices or documents apply to approved distributors, save for trade confirmations, which will be sent to Holders.

## 2. THE MANAGERS

### 2.1 Name and address of the Managers

The Managers of the Scheme are Legg Mason Asset Management Singapore Pte. Limited (formerly known as Legg Mason International Equities (Singapore) Pte. Limited). The registered office of the Managers is at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

### 2.2 Track record of the Managers

The Managers are an ultimately wholly-owned subsidiary of Legg Mason, Inc. ("**Legg Mason**"), a U.S. financial services holding company that provides asset management services through its subsidiaries including the Managers. Legg Mason was founded in 1899 and is listed on the New York Stock Exchange, Inc. under the symbol "LM". As of 31 March 2010, Legg Mason was responsible for US\$684.5 billion of assets under management invested in a broad range of financial instruments including global equities, fixed interest securities, and currencies.

The Managers advise and manage an extensive range of investments on behalf of institutions and individuals. Through unit trusts and separate account management, the Managers provide investors with access to global equity, fixed interest and currency investment opportunities that seek to add value and control risk.

The Managers house two divisions, namely, the Legg Mason International Equities ("**LMIE**") division and the Legg Mason Investments ("**LMI**") division. The LMIE division has been rebranded and renamed as Congruix Investment Management. Congruix Investment Management is focused on managing Asian equities and mandates for a broad spectrum of clients, both retail and institutional. The LMI division has also been renamed as Legg Mason International Distribution division and is focused on the distribution of Legg Mason's Singapore domiciled unit trusts and Legg Mason's Luxembourg and Ireland domiciled mutual fund

ranges. Congruix Investment Management (through the former LMIE division) has been managing collective investment schemes in Singapore since 1995.

## **2.3 The Sub-Manager**

Western Asset Management Company Pte Ltd (formerly known as Legg Mason Asset Management (Asia) Pte Ltd) (the “**Sub-Manager**”) has been appointed as the sub-manager of the Scheme.

The Sub-Manager is, like the Managers, a subsidiary of Legg Mason.

The Sub-Manager’s strategic goal is to provide above average returns over the long term by managing diversified, risk controlled, value oriented portfolios across a range of investment products in major and emerging markets. Portfolios employ a long-term value orientation that utilises multiple investment strategies to achieve above market returns while approximating market risk.

The Sub-Manager advises and manages an extensive range of investments on behalf of institutions and individuals. Through unit trusts and separate account management, the Sub-Manager provides investors with access to fixed interest and currency investment opportunities that seek to add value and control risk.

The Sub-Manager has been managing collective investment schemes in Singapore since 2003. As at 31 March 2010, the Sub-Manager managed approximately US\$2.420 billion of assets on behalf of Asian based institutions, retail clients and other clients and is overseen by Western Asset Management Company, a subsidiary of Legg Mason organised as a corporation under the laws of California, USA.

***Past performance of the Managers and Sub-Manager is not necessarily indicative of their future performance.***

## **3. THE TRUSTEE**

**3.1** The Trustee for the Scheme is HSBC Institutional Trust Services (Singapore) Limited whose address is at 21, Collyer Quay, #14-01 HSBC Building, Singapore 049320.

## **4. OTHER PARTIES**

### **4.1 The Registrar**

The registrar of the Scheme is the Trustee.

The Register can be inspected at 60 Alexandra Terrace, #10-12/13, The Comtech, Singapore 118502 during usual business hours, subject to reasonable closure of the Register in accordance with the provisions of the Deed and also subject to any reasonable restrictions that the Managers and/or Trustee may impose.

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The Register is conclusive evidence of the number of Units held by each Holder and the details in the Register shall prevail in the event of any discrepancy between the entries in the Register and the details appearing on any statement of holding, unless the Holder proves to the satisfaction of the Managers and the Trustee that the Register is incorrect. However, in the case of Holders who are holding Units on behalf of investors, the Register will not contain details of Units held by that Holder for each investor.

### 4.2 The Auditor

The auditors of the accounts relating to the Scheme (the "**Auditor**") are PricewaterhouseCoopers whose registered address is at 8 Cross Street, #17-00 PWC Building, Singapore 048424.

## 5. STRUCTURE OF THE SCHEME

**5.1** The Scheme is a standalone unit trust. Units (denominated in Singapore Dollars) are currently being offered on the terms described in this Prospectus.

### 5.2 Classes of Units

The Scheme currently offers two Classes of Units, "**Class A**" and "**Class B**".

The Value of Class B Units is greater than the Value of Class A Units as the Management Fee payable in respect of Class B Units is less than that payable in respect of Class A Units.

Class B Units also have different minimum initial subscription, minimum subsequent subscription and minimum holding amounts as compared to Class A Units.

Please refer to the sections headed "**Fees and Charges**" in Paragraph 8, "**Minimum initial subscription and minimum subsequent subscription amount**" in Paragraph 10.4 and "**Minimum holding and minimum realisation amount**" in Paragraph 12.2 for details.

The Managers may establish other Classes of Units within the Scheme. When a new Class is established, the Managers may at its discretion re-designate any existing Class as long as there is no prejudice to existing Holders of such Class.

## 6. INVESTMENT OBJECTIVE, FOCUS AND APPROACH

### 6.1 Investment objective

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

## 6.2 Investment focus and approach

The Scheme seeks to achieve its investment objective through investments primarily in domestic fixed income securities and money market instruments, with provision for limited diversification into foreign government bonds rated AAA by Standard & Poor's or AAA by Moody's. There is no emphasis or restriction on the kind of debt securities or rating of debt securities (save as disclosed in Paragraph 6.3 below) which the Scheme will invest in. The investments are to be made after analysing historic and expected interest rate movements, amongst other factors, and when necessary, engaging in foreign exchange transactions for purposes of hedging foreign exchange exposure on foreign currency bonds.

## 6.3 Investment restrictions

When selecting Authorised Investments (as defined in the Glossary of Terms), the Managers and (where applicable) the Sub-Manager will adhere to the following restrictions when the aggregate number of Units in issue or deemed to be in issue exceeds 10 million:

- (a) For Singapore Dollar assets, Authorised Investments shall be restricted to Singapore government and government agencies' bills, notes and bonds, bank certificate of deposits, fixed deposits, fixed or floating rate corporate bonds and loan stocks. For corporate debt, not more than 10% of the Scheme or S\$1,000,000 nominal value, whichever is higher, shall be invested in the debt of any single issuer;
- (b) For foreign currency assets, the Authorised Investments shall be restricted to foreign government bills, notes and bonds that are rated A by Standard and Poor's and A by Moody's where not more than twenty per cent. (20%) of the Scheme shall be invested in foreign currency bonds and not more than ten per cent. (10%) of the Scheme shall be invested in bonds of any single foreign currency to reflect net hedged exposure.

In addition, the Scheme is subject to (i) the investment guidelines for Non-Specialised Funds issued by the Authority in Appendix 1 and Annex 1a of the Code (read with Annex 1b of the Code), as the same may be modified, amended, re-enacted or reconstituted from time to time by the Authority (the "**Non-Specialised Funds Investment Guidelines**") and (ii) the investment guidelines for schemes included under the CPFIS issued by the CPF Board, as the same may be modified, amended, re-enacted or reconstituted from time to time by the CPF Board (the "**CPF Investment Guidelines**").

The Scheme may engage in securities lending transactions and, for the purpose of hedging and efficient portfolio management, invest in derivatives and accordingly, are subject to the provisions

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on securities lending and derivatives as set out in the Non-Specialised Funds Investment Guidelines and CPF Investment Guidelines.

### 7. CPFIS INCLUDED SCHEME

- 7.1 The Scheme is included under the CPFIS – Ordinary Account and CPFIS – Special Account and has been classified by the CPF Board under the Low to Medium Risk (Broadly Diversified) category.
- 7.2 The benchmark against which the performance of the Scheme is measured is UOB Singapore Government Bond Index All (S\$).
- 7.3 The CPF interest rate for the CPF Ordinary Account is based on the 12-month fixed deposit and month-end savings rates of the major local banks. Under the Central Provident Fund Act, Chapter 36 of Singapore (“**CPF Act**”), the CPF Board pays a minimum interest of 2.5% per annum when this interest formula yields a lower rate.

The interest rate for the Special and Medisave Accounts (SMA) is pegged to the 12-month average yield of 10-year Singapore government securities (10YSGS) plus 1%. From 1 January 2010, the interest rate to be credited to the Retirement Account (RA) will be the weighted average interest of the entire portfolio of Special Government Securities (SSGS) the RA savings are invested in which earn a fixed coupon equal to the 12-month average yield of the 10YSGS plus 1% of the point of issuance. For the year 2010, the minimum interest rate for the SMA and RA is 4.0% per annum. After 31 December 2010, the 2.5% per annum minimum interest rate, as prescribed by the CPF Act, will apply to the SMA and RA.

In addition, the CPF Board will pay an extra interest rate of 1% per annum on the first S\$60,000 of a CPF member's combined balances, including up to S\$20,000 in the CPF Ordinary Account. The first S\$20,000 in the CPF Ordinary Account and the first S\$30,000 in the CPF Special Account may not be invested under the CPFIS. With effect from 1 July 2010, the first S\$40,000 in the CPF Special Account will not be allowed to be invested under the CPFIS.

Investors should note that the applicable interest rates for each of the CPF accounts may be varied by the CPF Board from time to time.

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.

## 8. FEES AND CHARGES

- 8.1 The fees and charges payable in relation to the Scheme are set out below:

Payable by investors	Current Fee	Max Fee in the Deed
Preliminary Charge	Up to a maximum of 1.5%	1.5%
Realisation Charge	Nil	1.0%
Conversion Fee	Nil	1.0%

Payable to the Managers and the Trustee	Current Fee	Max Fee in the Deed
Annual Management Fee	Up to 0.75% p.a. for Class A Units 0.5% p.a. for Class B Units	1.25% p.a. for Class A Units 0.5% p.a. for Class B Units
Annual Trustee's Fee	0.06% p.a. subject to a minimum of S\$15,000 p.a.	0.125% p.a. subject to a minimum of S\$15,000 p.a.

- 8.2 The Managers' approved distributors or agents may differentiate between investors as to the amount of the Preliminary Charge or Realisation Charge payable (subject to the maximum permitted), or allow discounts on the basis or scale that the approved distributors or agents think fit.
- 8.3 The Sub-Manager's fees will be payable by the Managers and will not be payable by the Scheme.
- 8.4 Other charges and expenses are payable out of the Scheme in accordance with the provisions of the Deed.

## 9. RISKS

### 9.1 General risks of investing in the Scheme

- (a) Investors should note that investment in the Scheme, which is a collective investment scheme, will be subject to different degrees of interest rate risk, currency risk, liquidity risk, sovereign risk, credit risk, exchange control risk and derivatives risk. The foregoing list of risks does not purport to be an exhaustive or complete list of the risks involved in investing in the Scheme. Investors may wish to consult their own financial advisers before deciding to subscribe for Units.

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- (b) Investors should be aware that the value of Units and the income from them may rise as well as fall and there is the possible loss of the principal amount invested. Past performance figures are not necessarily indicative of the future performance.
- (c) Investment in the Scheme is designed to produce returns over the long-term and is not suitable for short-term speculation. Investors should not expect to obtain short-term gains from such investment.

### 9.2 Risks specific to the Scheme

Investors in the Scheme should recognise that the following risks are associated with investing in the Scheme and that the capital or returns may be influenced by these risk factors.

- (a) Interest rate risk – Shifts in economic trends affect the direction of overall interest rates. As bond prices and bond yields are mostly a function of interest rates, any change in interest rates influence returns on bond investments. A rise in interest rates therefore can lead to a decline in bond prices and conversely, lower interest rates can lead to an appreciation in bond prices.
- (b) Currency risk – Fluctuations in foreign exchange rates impact the capital value of, and income derived from, the non-Singapore Dollar portion of the Scheme. Depreciation in the currency of the underlying security lowers the value of that security while appreciation of the currency increases the value of the bond. The Managers intend to manage the foreign currency exposure and will do so by adopting an active hedging policy.
- (c) Liquidity risk – Bond instruments traded in this portfolio are generally liquid issues. However, under certain market conditions, liquidity may restrict the ease by which bonds are bought or sold.
- (d) Sovereign risk – Sovereign risk is associated with the countries issuing the bonds i.e. the risk that a foreign central bank will alter its foreign-exchange regulations thereby significantly reducing or completely nulling the value of foreign-exchange contracts.
- (e) Credit risk – Credit risk associated with investment in corporate or non-government bonds relative to those of government bonds i.e. corporations issuing the bonds may not make payments on the bonds or may suffer adverse changes in their financial condition that could lower the credit quality of a security, leading to greater volatility in the price of security and the value of the Sub-Fund.
- (f) Exchange control risk – Repatriation of investments in foreign countries, and particularly in less-developed markets, may be subject to exchange control restrictions imposed by

foreign governments. As the Scheme's investment in foreign countries would be restricted to debt securities rated A by Standard and Poor's and A by Moody's, the Managers believe the Scheme's exposure to exchange control risk is minimal under normal market conditions.

- (g) Derivatives risk – The Scheme may use derivative instruments such as futures and options, forward commitments, swaps and when-issued securities for efficient portfolio management purposes (including for hedging against market movements, currency exchange or interest rate risks or otherwise). While the judicious use of derivatives by professional investment managers can be beneficial, derivative instruments involves risks different from, and, in some cases, greater than, the risks presented by more traditional securities investments. Some of the risks associated with derivatives are market risks, management risks, credit risks, liquidity risks and leverage risks. The Managers' and the Sub-Manager's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including (i) dependence on the Managers' and the Sub-Manager's ability to predict movements in the price of securities and movements in the interest rates; (ii) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the Scheme; (iii) the absence of a liquid market; (iv) while the Scheme may not be leveraged or geared in any way through the use of derivatives, the degree of leverage inherent in futures trading normally required in futures trading, which means that futures trading may be highly leveraged and accordingly a relatively small price movement in a futures contract may result in an immediate and substantial loss to the Scheme; and (v) possible impediments to effective portfolio management or the ability to meet repurchase requests or other short-term obligations because of the percentage of the Scheme's assets segregated to cover its obligations. The risk that the Scheme will be unable to close out a forward position or related options contract will be minimized by only entering into forward contracts and related options transactions for which there appears to the Managers and (as the case may be) the Sub-Manager to be a liquid secondary market or where the relevant broker-dealer makes liquidity by making a market in the relevant instrument. Please refer to Paragraph 23.4 for a description of the risk management and compliance procedures and controls adopted by the Managers and Sub-Managers to control and manage the risks relating to the use of financial derivatives.

**The above should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in the Scheme.**

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### 10. SUBSCRIPTION, ISSUE AND CANCELLATION OF UNITS

#### 10.1 Pricing and dealing deadline

- (a) As Units are issued on a forward pricing basis, the Issue Price (as summarised in Paragraph 10.2 below) will not be available at the time of application.

The Managers' dealing deadline is 5.00 p.m. Singapore time.

If an investor's application for subscription is received before the dealing deadline on a Dealing Day, the application will be deemed to have been received on that Dealing Day and the investor will buy Units at that Dealing Day's Issue Price. If the application is received after the dealing deadline on a Dealing Day or on a day which is not a Dealing Day, the application will be deemed to have been received on the next Dealing Day and the investor will buy Units at the next Dealing Day's Issue Price.

- (b) The Managers' approved distributors may have their own dealing deadlines that are earlier than the Managers' dealing deadlines for the receipt of applications and subscription monies. Investors should confirm the applicable dealing deadline with the relevant distributor.

#### 10.2 Calculation of Issue Price

The Issue Price per Unit of a Class on each Dealing Day shall be ascertained by:

- (a) calculating the Net Asset Value per Unit of the relevant Class as at the Valuation Point in relation to the relevant Dealing Day;
- (b) adding the appropriate Fiscal Charges; and
- (c) determining the resultant total to four decimal places and adjusting such figure to the nearest three decimal places (or such other number of decimal places that the Managers may from time to time determine with the approval of the Trustee).

A Preliminary Charge will be deducted from the investment sum upon the issue of Units. The preliminary charge will be retained by the Managers' approved agents or distributors and the amount of the aforesaid adjustment shall be credited to the Scheme.

#### 10.3 Issue of Units

- (a) The Managers will have the exclusive right to effect the creation and issue of Units and the acceptance or non-acceptance of applications for purchase of Units will be at the absolute discretion of the Managers acting in consultation with the Trustee and in the best interests of the Scheme.

- (b) If any application is rejected by the Managers, the subscription monies will be refunded (without interest) to the relevant distributor, Agent Bank, CPF Board or SRS Operator (as the case may be) within a reasonable period of time in the manner that the Managers determine.
- (c) If payment in cleared funds of the investment sum in relation to any application for Units has not been received by the Managers on application (or by such time or date as the Managers and the Trustee may agree), and Units have been issued, such Units may be cancelled by the Managers by giving notice to that effect to the Trustee and the relevant approved distributor, and such Units shall be deemed never to have been issued. In that event, the applicant shall have no claims against the Managers or the Trustee in respect of such application or cancelled Units.
- (d) No certificates will be issued by the Managers or the Trustee in respect of Units issued.
- (e) Fractional Units will be issued to two decimal places.

#### **10.4 Minimum initial subscription and minimum subsequent subscription amount**

The minimum initial subscription amount is S\$1,000 (for Class A Units) and S\$1,000,000 (for Class B Units) or such other amount as the Managers may determine by prior notice to the Trustee.

The minimum subsequent subscription amount is S\$100 (for Class A Units) and S\$1,000 (for Class B Units) or such other amount as the Managers may determine by prior notice to the Trustee.

The Managers' approved distributors may have higher minimum requirements. Investors should confirm the applicable minimum requirements with the relevant distributor.

#### **10.5 How Units may be purchased and paid for**

Investors may subscribe for Units by completing an application that may be obtained from an approved distributor. Completed applications should be sent to an approved distributor together with:

- (a) any additional documents required by that distributor; and
- (b) payment in full for the Units in the manner stipulated by that distributor.

In the case of an investor who wishes to subscribe for Units with monies from his CPF Ordinary Account, the investor will have to authorise the relevant Agent Bank to request for monies to be withdrawn from his CPF Ordinary Account and deposited into his CPF Investment Account, and to withdraw monies from his CPF Investment Account to pay for the subscription of Units.

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In the case of an investor who wishes to subscribe for Units with monies from his CPF Special Account, the investor will have to authorise the CPF Board to withdraw monies from his CPF Special Account to pay for the subscription of Units.

In the case of an investor who wishes to subscribe for Units with his SRS monies, the investor will have to authorise the relevant SRS Operator for monies to be withdrawn from his SRS Account to pay for the subscription of Units.

### 10.6 Applications by internet

Some approved distributors may allow applications to be made through an electronic online application on or through the distributor's web-site or by submitting a completed application form printed from that web-site. When an investor applies for Units through a distributor's website, the making of the application will be treated as the investor's confirmation that:

- (a) he has read a copy of this Prospectus;
- (b) he agrees with the terms and conditions set out in this Prospectus;
- (c) he is not a U.S. Person or is not applying on behalf of any U.S. Persons;
- (d) his application for the subscription of Units is made while being present in Singapore; and
- (e) he has given his permission to the relevant distributor to disclose relevant particulars of his account to the Relevant Parties.

During any period when the issue of Units is suspended, the application for Units through the Internet will also be suspended.

Any charges to be imposed by the distributor in connection with the application will be borne by the investor.

### 10.7 Calculation of number of Units allotted

The following is an illustration of the number of Units that the Managers will issue based on a gross investment of S\$1,000 and a notional Issue Price of S\$1.000. The notional Issue Price of S\$1.000 is used for illustration purposes only. The actual Issue Price will fluctuate according to the Value of the Deposited Property.

<b>Gross investment</b>		<b>Preliminary Charge (1.5%)</b>		<b>Net investment sum</b>
S\$1,000	-	S\$15	=	S\$985
<b>Net investment</b>		<b>Notional Issue Price</b>	<b>=</b>	<b>Number of Units</b>
S\$985	/	S\$1.000		985 Units

## 10.8 Confirmation of purchase

Upon acceptance of an application made to the Managers by or on behalf of an investor and the issue of Units pursuant to those applications, the Managers will send a trade confirmation to the relevant Holder within fourteen (14) Business Days of the Managers' acceptance of the application. Trade confirmations for Units held by Holders on behalf of investors should be sent by the Holders to the relevant investors following receipt by the Holders of the corresponding trade confirmation from the Managers.

## 10.9 Cancellation of subscriptions by new subscribers

- (a) A new subscriber (as defined in Paragraph 10.9(b) below) will have the right to cancel his subscription of Units within seven (7) calendar days of the date on which he signed the subscription agreement or such other longer period as the Managers or its approved distributors (as the case may be) may allow or the Authority may prescribe (the "**Cancellation Period**"). Investors subscribing for Units using cash may obtain a cancellation request form from the Managers' approved distributors at their respective offices during usual business hours. A cancellation request form is included with the subscription application form for Units subscribed for using CPF or SRS monies.
- (b) A "**new subscriber**" is an investor who:
- (i) is an individual;
  - (ii) is not an existing Holder who is purporting to cancel a second or subsequent subscription of Units made after the Cancellation Period applicable to his initial subscription of Units; and
  - (iii) is not an existing Holder participating in a regular saving plan ("**RSP**") and effecting a second or subsequent payment towards the RSP.
- (c) The new subscriber must exercise his right to cancel his subscription of Units within the applicable Cancellation Period, by submitting a cancellation request to the Managers' approved distributors by hand or post. The relevant date for determining whether a cancellation has been exercised within the Cancellation Period is the date on which the cancellation request was delivered by hand or was posted (as determined by its postmark). Where the last

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day of the Cancellation Period falls on a Sunday or a public holiday, the Cancellation Period is deemed to be extended to the next calendar day, not being a Sunday or public holiday.

- (d) A cancellation request received by the Managers from its approved distributors on or before the dealing deadline (as set out in Paragraph 10.1(a) above) on a Dealing Day will be deemed to have been received on that Dealing Day. A cancellation request received after the dealing deadline on a Dealing Day, or on a day which is not a Dealing Day, will be deemed to have been received on the next Dealing Day. Investors should confirm the applicable cut-off time with the relevant approved distributor.
- (e) The proceeds arising from the cancellation of a subscription of Units under this Paragraph 10.9 (the "**cancellation proceeds**") will be paid within four Business Days (or such other period as the Authority may require or permit) after the Dealing Day on which the cancellation request is received by the Managers, unless the determination of the amount of cancellation proceeds has been suspended pursuant to the provisions of the Deed. In such event, the payment of the cancellation proceeds will be deferred until after the end of the suspension.
- (f) The cancellation proceeds payable in relation to the cancellation of a subscription of Units under this Paragraph 10.9 will be determined as the lower of:
  - (i) the Market Value (as defined below): or
  - (ii) the Original Subscription Amount (as defined below),

or calculated according to such other method of calculation as the Authority may prescribe pursuant to the Notice on Cancellation Period. Any excess in the Market Value over the Original Subscription Amount, or in the Original Subscription Amount over the Market Value (as the case may be), will be retained by the Scheme.

The Managers are also entitled to deduct from the cancellation proceeds any expenses incurred in cancelling the subscription so long as such expenses are reasonably related to the original subscription and its subsequent cancellation.

**"Market Value"** in relation to Units the subscription of which is being cancelled by a new subscriber, means the value of such Units on the relevant Dealing Day calculated as the aggregate of (a) the total value of such Units based on the Realisation Price on such Dealing Day, and (b) the total Preliminary Charge paid for such Units.

**“Original Subscription Amount”** in relation to Units the subscription of which is being cancelled by a new subscriber, means the total amount (including the Preliminary Charge) paid by the new subscriber for the subscription of those Units.

Investors should note that the published Realisation Price is indicative in nature and can change during the period between the submission and processing of the cancellation request.

- (g) In the case where a new subscriber has more than one subscription and chooses to cancel one or more (but not all) of his subscriptions in respect of which he has a right to cancel, the cancellation of the new subscriber's subscription(s) must not result in the new subscriber holding fewer Units than the minimum holding amount for the Scheme.
- (h) Any distributions declared but not paid to the new subscriber, who has cancelled his subscription of Units, will be due to the new subscriber in accordance with the provisions of the Deed (whether or not an election for such distributions to be reinvested has been made by the new subscriber).
- (i) A new subscriber may choose to realise his Units under Paragraph 12 instead of cancelling his subscription of Units but should note that he will not be able to enjoy the benefits of cancellation under this Paragraph 10.9 (i.e. there will be no refund of the Preliminary Charge and the realisation proceeds may be lower than the cancellation proceeds if the appreciation in the Value of the Units is less than the Preliminary Charge).
- (j) A new subscriber may choose to convert his Units of a Class (the **“Original Units”**) to Units of another Class (the **“New Units”**) under Paragraph 14 during the Cancellation Period applicable to the subscription of the Original Units but should note that:
  - he will not receive any refund of the Preliminary Charge;
  - it is not certain whether he would be in a better or worse position if he converts his Units from one Class to another Class; and
  - the conversion will be subject to any conversion fee that is stated in Paragraph 8.

He will also be entitled to cancel his New Units within the applicable Cancellation Period in accordance with this Paragraph 10.9.

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- (k) Paragraph 12.1(d) shall apply mutatis mutandis to the cancellation of a subscription of Units under this Paragraph 10.9.
- (l) Further information on the terms and conditions applicable to the Cancellation Period and the steps which a new subscriber must take to effect such a cancellation are contained in the Deed and the cancellation request form which may be obtained from the Managers' approved distributors at their respective offices during business hours. **New subscribers should read this information carefully before subscribing for Units.**

## 11. REGULAR SAVINGS PLAN (RSP)

The Managers do not currently offer an RSP for subscription of Units. The Singapore agents or distributors of the Scheme may, at their own discretion, offer regular savings arrangements for the benefit of investors in Singapore. Information on such regular savings arrangements, such as the minimum periodic contributions, timing of the investment deduction and Unit allocation, may be obtained from such Singapore agents or distributors. The terms of such regular savings arrangements will provide that Holders may cease participation in such arrangements without suffering any penalty by providing not less than 30 days' notice in writing to the relevant Singapore agent or distributor.

## 12. REALISATION OF UNITS

### 12.1 How Units may be realised or sold

- (a) Subject to Paragraphs 12.1(b) and 12.2, investors may request a distributor to realise any or all of the Units held by that distributor on behalf of that investor on any Dealing Day by submitting the relevant realisation request form to the relevant distributor through whom the Units were purchased.
- (b) The Managers' approved distributors may have a dealing deadline which is earlier than the Managers' dealing deadline for the receipt of realisation requests from investors. Investors should confirm the applicable dealing deadline with the relevant distributor.
- (c) Realisation requests made through the Internet should be submitted in accordance with the instructions for a realisation request on the website of the relevant distributor.
- (d) The Managers may, with the approval of the Trustee, in certain circumstances stipulated in the Deed, limit the total number of Units which Holders may realise on any Dealing Day to 10% of the total number of Units then in issue. If so, requests for realisation of Units on that Dealing Day will be reduced rateably and be treated as if made in respect of each subsequent Dealing Day until all Units to which the original request related have been realised.

## 12.2 Minimum holding and minimum realisation amount

A Holder will not be entitled to realise only part of his holding of Units without the approval of the Managers and the Trustee if the realisation is less than the minimum realisation amount or if due to that realisation, his holding would be reduced to less than the minimum holding of the relevant Class of Units.

The minimum realisation amount in relation to the Scheme is 1,000 Units and the minimum holding amount is the lower of 1,000 Units or the number of Units which at the current Issue Price may be purchased for S\$1,000 (for Class A Units) and the lower of 1,000,000 Units or the number of Units which at the current Issue Price may be purchased for S\$1,000,000 (for Class B Units).

## 12.3 Pricing and dealing deadline

As Units are priced on a forward pricing basis, the Realisation Price (as summarised in Paragraph 12.4 below) will not be available at the time of submission of a realisation request.

The Managers' dealing deadline is 5.00 p.m. Singapore time.

- (a) If a realisation request is received by the Managers by the dealing deadline on a Dealing Day, the realisation request will be taken to have been received on that Dealing Day and will be processed at that Dealing Day's Realisation Price.
- (b) If a realisation request is received by the Managers after the dealing deadline on a Dealing Day or on a day which is not a Dealing Day, the realisation request will be taken to have been received on the next Dealing Day and will be processed at the next Dealing Day's Realisation Price.
- (c) The Managers' approved distributors may have a dealing deadline which is earlier than the Managers' dealing deadline for the receipt of realisation requests. Investors should confirm the applicable dealing deadline with the relevant distributor.

## 12.4 Calculation of Realisation Price

The Realisation Price per Unit of a Class on each Dealing Day shall be ascertained by:

- (a) calculating the Net Asset Value per Unit of the relevant Class as at the Valuation Point in relation to the relevant Dealing Day;
- (b) deducting the appropriate Fiscal Charges; and
- (c) determining the resultant total to four decimal places and adjusting that figure to the nearest three decimal places (or such other number of decimal places that the Managers may from time to time determine with the approval of the Trustee).

**Prospectus****12.5 Calculation of realisation proceeds**

The realisation proceeds payable to a Holder will be calculated once the Realisation Price has been ascertained.

The following is an illustration of the realisation proceeds that a Holder will receive based on a realisation of 1,000 Units and a notional Realisation Price of S\$1.100. The notional Realisation Price of S\$1.100 is used for illustration purposes only. The actual Realisation Price will fluctuate according to the Value of the Deposited Property. There is currently no Realisation Charge payable for Units realised.

<b>Units held</b>		<b>Notional</b>		<b>Gross realisation</b>
1,000	<b>x</b>	<b>Realisation Price</b>	<b>=</b>	<b>amount</b>
		S\$1.100		S\$1,100
<i>N.B. There is currently no Realisation Charge imposed.</i>				

**12.6 Payment of realisation proceeds**

- (a) Realisation proceeds will be paid to investors within four (4) Business Days of receipt of their realisation requests by the Managers (or within such other period (if any) permitted by the relevant authorities) unless the realisation of Units has been suspended as provided in Paragraph 16.
- (b) In the case of an investor who has purchased Units with cash, any realisation proceeds payable to him under the provisions of the Deed will be paid by the Managers to the distributor or its nominee in whose name the Units are registered, and these proceeds will be paid by the approved distributor to the relevant investor.
- (c) In the case of an investor who has purchased Units with monies from his CPF Investment Account, any realisation proceeds payable to him under the provisions of the Deed will be paid by transferring the proceeds to the relevant Agent Bank for credit of the investor's CPF Investment Account or otherwise in accordance with the provisions of any applicable laws, regulations or guidelines. Where his CPF Investment Account has been closed, the proceeds will be paid by transferring the proceeds into the investor's CPF Ordinary Account or otherwise in accordance with the provisions of any applicable laws, regulations or guidelines. Where both his CPF Investment Account and CPF Ordinary Account have been closed, the proceeds will be paid to the investor in accordance with Paragraph 12.6(b) or otherwise in accordance with any applicable laws, regulations or guidelines.
- (d) In the case of an investor who has purchased Units with monies from his CPF Special Account, any realisation proceeds payable to him under the provisions of the Deed will be paid by transferring the proceeds to the CPF Board for

the credit of the investor's CPF Special Account or otherwise in accordance with the provisions of any applicable laws, regulations or guidelines. Where his CPF Special Account has been closed, the proceeds will be paid to the investor in accordance with Paragraph 12.6(b) or otherwise in accordance with any applicable laws, regulations or guidelines.

- (e) In the case of an investor who has purchased Units with monies from his SRS Account, any realisation proceeds payable to him under the provisions of the Deed in respect of his Units will be paid by transferring the proceeds to the relevant SRS Operator for credit of the investor's SRS Account or otherwise in accordance with the provisions of any applicable laws, regulations or guidelines. Where the SRS Account has been closed, the proceeds will be paid to his SRS Operator or otherwise in accordance with any applicable laws, regulations or guidelines.

### **13. TRANSFER OF UNITS**

**13.1** Subject to Paragraph 13.2 below, every Holder shall be entitled to transfer all or any of the Units held by him by an instrument in writing in such form as the Managers may from time to time approve provided that (i) no transfer of part of a holding of Units shall be allowed if in consequence of the transfer, either the transferor or the transferee would hold Units less than the minimum holding amount, and (ii) unless otherwise permitted by law, and notwithstanding the foregoing or any other provisions of the Deed, a Holder's title to or interest in any Units shall not be transferred until he has attained the age of 21 years (or as may be provided by the Deed from time to time).

**13.2** Transfer of ownership of Units is not permitted in respect of Units purchased with CPF or SRS monies.

**13.3** Transfer of ownership of Units purchased with cash is permitted.

### **14. CONVERSION OF UNITS**

**14.1** Where Units of more than one Class are in issue, Holders of Units of any Class (except for such Classes as may be agreed between the Managers and the Trustee) (the "**original Class**") may convert all or any of the Units of the original Class to Units of another Class (the "**new Class**") provided that no conversion of Units may be made which would result in a Holder holding less than the minimum holding amount of either the original Class or the new Class.

**14.2** The conversion will be effected according to the provisions of the Deed and Units in the new Class will be issued based on the formula provided in the Deed.

**14.3** Where the Holder makes a conversion of a Unit, the Managers shall not deduct the amount of the Realisation Charge for Units in the new Class but may be entitled to charge a Conversion Fee, which shall

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not exceed 1% of the Realisation Price for Units in the original Class. The Managers may offer a discount on the Conversion Fee at such percentage as the Managers may time determine and the Managers may on any day differentiate between Holders who make a conversion of a Unit as to the Conversion Fee payable.

- 14.4** Holders will have to give the Managers a conversion notice in such form as the Managers may require. No Units will be converted during any period when realisation of Units is limited as set out in Paragraph 12.1(d) or suspended as set out in Paragraph 16.

## 15. OBTAINING PRICES OF UNITS

The indicative Net Asset Value per Unit will be published on the Managers' website at <http://www.leggmason.com.sg>, in the Straits Times (only CPFIS Included Schemes are listed), the Business Times, Teletext and Bloomberg. The actual Net Asset Value per Unit will generally be published two (2) Business Days after the relevant Dealing Day. The Issue Price and Realisation Price will be calculated in accordance with Paragraphs 10.2 and 12.4 respectively.

*Investors should note that the frequency of the publication of the Net Asset Value is dependent on the publication policies of the newspaper publisher concerned. The Managers does not accept any responsibility for any errors on the part of the publisher concerned relating to the Net Asset Value published in the newspapers or for any non-publication or late publication of prices and shall incur no liability in respect of any action taken or loss suffered by investors in reliance upon such erroneous publication.*

## 16. SUSPENSION OF DEALINGS

- 16.1** The terms of the Deed provide that the Managers may, upon consultation with the Trustee, suspend the issue of Units:
- (a) during any period when any Recognised Stock Exchange or OTC Market on which any Authorised Investments forming part of the Deposited Property for the time being are listed or dealt in is closed (otherwise than for ordinary holidays) or during which dealings are restricted or suspended;
  - (b) during the existence of any state of affairs which, in the opinion of the Managers and the Trustee, might seriously prejudice the interests of the Holders as a whole or of the Deposited Property;
  - (c) during any breakdown in the means of communication normally employed in determining the price of any of such Authorised Investments or the current price thereof on any Recognised Stock Exchange or OTC Market or when for any reason the prices of any of such Authorised Investments cannot in the opinion of the Managers and the Trustee be promptly and accurately ascertained (including any period when the fair value of a material portion of the Authorised Investments cannot be determined);

- (d) during any period when remittance of monies which will or may be involved in the realisation of such Authorised Investments or in the payment for such Authorised Investments cannot, in the opinion of the Managers and the Trustee, be carried out at normal rates of exchange;
- (e) for 48 hours (or any longer period that the Managers and the Trustee agree) prior to the date of any meeting (or adjourned meeting) of Holders convened in accordance with the provisions of the Deed;
- (f) during any period when the business operations of the Managers or the Trustee in relation to the operation of the Scheme are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (g) for any period pursuant to an order or direction by the Authority.

A suspension shall take effect immediately upon the declaration in writing to such effect to the Trustee by the Managers and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension shall have ceased to exist and no other condition under which suspension is authorised under the Deed shall exist.

**16.2** The terms of the Deed provide that the Trustee may suspend the right of Holders to realise Units in circumstances including, but not limited to, the following:

- (a) during any period of consultation or adjustment of the Realisation Price arising from the provisions of the Deed;
- (b) during any breakdown in the means of communication which affects the process of valuation of the Deposited Property;
- (c) during any turmoil in the financial markets which causes unnaturally large movements in the prices of the Authorised Investments forming part of the Deposited Property;
- (d) during the absence of any trading on the relevant Recognised Stock Exchanges or OTC Markets of the Authorised Investments forming part of the Deposited Property which in turn causes the market value of these Authorised Investments to be not reflective of their true value;
- (e) for 48 hours (or any longer period that the Managers and the Trustee agree) prior to the date of any meeting (or adjourned meeting) of Holders convened in accordance with the provisions of the Deed;

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- (f) during any period when the business operations of the Managers or the Trustee in relation to the operation of the Scheme are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God;
- (g) during any period when the fair value of a material portion of the Authorised Investments cannot be determined; or
- (h) for any period pursuant to an order or direction by the Authority.

A suspension shall take effect immediately upon the declaration in writing to such effect to the Managers by the Trustee and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension shall have ceased to exist and no other condition under which suspension is authorised under the Deed shall exist. The Trustee may from time to time suspend the issue of Units pursuant to Clause 13(F)(ii) of the Deed as reproduced in this paragraph for such period or periods as it deems fit.

**16.3** Payment for any Units of the Scheme realised before the commencement of any suspension but for which payment has not been made before the commencement thereof may, if the Managers and the Trustee so agree, be deferred until immediately after the end of the suspension.

**17. PERFORMANCE OF THE SCHEME****17.1 Past Performance of the Scheme and its benchmark**

The performance of the Scheme and its benchmark, UOB Singapore Government Bond Index All (S\$), (as of 30 April 2010) are shown in the table below

	One year	Three years	Five years	Ten years	Since inception
	(average annual compounded return)				
Class A Units <sup>1</sup>	2.29%	2.56%	2.58%	2.72%	3.11%
UOB Singapore Government Bond Index All (S\$) <sup>2</sup>	0.73%	3.58%	3.73%	2.96%	2.99%
Class B Units <sup>1</sup>	2.62%	2.88%	3.00%	3.19%	3.54%
UOB Singapore Government Bond Index All (S\$) <sup>2</sup>	0.73%	3.58%	3.73%	2.96%	2.94%

Notes:

1. Source: Legg Mason. Performance calculation of the Scheme is based on NAV to NAV (single pricing basis taking into account Preliminary Charge and Realisation Charge) with net dividends and distributions reinvested, Singapore Dollars. Return presented for a period exceeding one year is on an average annual compounded basis. "Since Inception" figures are calculated from the first full month of investment.

The inception dates of the Class A Units and the Class B Units are 15 November 1997 and 21 April 1998 respectively.

2. Source: Legg Mason. Performance calculation of the benchmark is based on NAV to NAV with dividends reinvested, in Singapore Dollars.

The benchmark was changed from 70% 3-month SIBID and 30% UOB SGS Index to the UOB Singapore Government Bond Index All (S\$) on 1 October 2006 to better reflect the investment objective of the Scheme, which was changed on 1 October 2006.

**The past performance of the Scheme is not necessarily indicative of its future performance.**

## 17.2 Expense ratios

The expense ratios of the Classes of the Scheme (calculated in accordance with the guidelines issued by the Investment Management Association of Singapore ("IMAS") on the disclosure of expense ratios and based on figures in the Scheme's latest audited accounts) are as follows:

Class of Units	Period	Expense ratio
Class A Units	Financial year ended 31 March 2010	0.96%
Class B Units	Financial year ended 31 March 2010	0.71%

The following expenses (where applicable) are excluded from the calculation of the expense ratios:

- (a) interest expense;
- (b) brokerage and other transaction costs associated with the purchase and sales of investments (such as registrar charges and remittance fees);
- (c) foreign exchange gains and losses of the Scheme, whether realised or unrealised;

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- (d) front end loads, back end loads and other costs arising on the purchase or sale of a foreign unit trust or mutual fund; and
- (e) tax deducted at source or arising on income received, including withholding tax; and
- (f) dividends and other distributions paid to Holders.

### 17.3 Turnover Ratio

The turnover ratio of the Scheme (calculated based on the lesser of purchases or sales expressed as a percentage over average net asset value, i.e. average daily net asset value) for the financial year ended 31 March 2010 is 106.16%.

## 18. SOFT DOLLAR COMMISSIONS / ARRANGEMENTS

**18.1** The Managers and, as the case may be, the Sub-Manager (and the reference to "Managers" in this paragraph 18 shall include reference to the "Sub-Manager" as applicable) currently do not but shall be entitled to receive and enter into soft-dollar commissions/arrangements in respect of the Scheme. The Managers will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions which the Managers 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.

**18.2** 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.

**18.3** The Managers will not accept or enter into soft dollar commissions/arrangements unless such soft-dollar commissions/arrangements would, in the opinion of the Managers, assist the Managers in their management of the Scheme, provided that the Managers shall ensure at all times that transactions are executed on the best available terms taking into account the relevant market at the time for transactions of the kind and size concerned, and that no unnecessary trades are entered into in order to qualify for such soft-dollar commissions/arrangements.

## **19. CONFLICTS OF INTEREST**

- 19.1** The Managers and, as the case may be, the Sub-Manager (and the reference to “Managers” in this paragraph 19 shall include reference to the “Sub-Manager” as applicable) may from time to time have to deal with competing or conflicting interests of the Scheme with other funds managed by the Managers. For example, the Managers may make a purchase or sale decision on behalf of some or all of the other funds managed by them without making the same decision on behalf of the Scheme, as a decision whether or not to make the same investment or sale for the Scheme depends on factors such as the cash availability and portfolio balance of the Scheme. However, the Managers will use reasonable endeavours at all times to act fairly and in the interests of the Scheme. In particular, after taking into account the availability of cash and relevant investment guidelines of the other funds managed by the Managers, the Managers will endeavour to ensure that securities bought and sold will be allocated proportionately as far as possible among the Scheme and the other funds managed by the Managers.
- 19.2** The factors which the Managers will take into account when determining if there are any conflicts of interest as described in paragraph 19.1 above include the assets and, where applicable, the debt securities of the Scheme. To the extent that another fund managed by the Managers intends to purchase substantially similar assets, the Managers will ensure that the assets are allocated fairly and proportionately and that the interests of all investors are treated equally between the Scheme and the other funds.
- 19.3** The Managers may from time to time act as investment manager or investment adviser in relation to, or be otherwise involved in, other funds which have similar investment objectives to those of the Scheme. It is, therefore, possible that it may, in the course of business, have potential conflicts of interests with the Scheme. The Managers will, at all times, have regard in such event to their obligations to the Scheme and will ensure that such conflicts are resolved fairly. In addition, the Managers and each of their affiliated entities will, at all times, have regard to their obligations to the Scheme and shall ensure that in any transaction carried out with the Scheme, such transaction will be carried out as if effected on normal commercial terms negotiated at arm’s length.
- 19.4** The Managers or the Trustee may own, hold, dispose or otherwise deal with Units as though they were not a party to the Deed. In the event of any conflict of interest arising as a result of that dealing, the Managers and the Trustee, following consultation, will resolve the conflict in a just and equitable manner as they deem fit.
- 19.5** Associates of the Trustee may be engaged to provide financial, banking or brokerage services to the Scheme. Such services, where provided, will be on an arm’s length basis.

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### 20. REPORTS

#### 20.1 Financial year-end

The financial year-end of the Scheme is 31 March<sup>1</sup>.

#### 20.2 Reports

Holders will be sent the annual accounts, report of the Auditor on the annual accounts and annual report within three months after the financial year-end of 31 March and the semi-annual report and semi-annual accounts within two months of the financial half-year end of 30 September (or such other periods as the Authority may require or permit).

### 21. QUERIES AND COMPLAINTS

Investors should contact the relevant distributor, or may contact the Managers at telephone number (65) 6536 8000 to raise any queries regarding the Scheme.

### 22. EXEMPTIONS AND INDEMNITIES

Investors should take note of the exemptions and indemnities in favour of the Managers and/or the Trustee as stated in the Deed and in particular the following:

- 22.1** The Trustee and the Managers shall incur no liability in respect of any action taken or thing suffered by them in reliance upon any notice, resolution, direction, consent, certificate, affidavit, statement, certificate of stock, plan of reorganisation or other paper or document believed to be genuine and to have been passed, sealed or signed by the proper parties.
- 22.2** The Trustee and the Managers shall incur no liability to the Holders for doing or (as the case may be) failing to do any act or thing which by reason of any provision of any present or future law or regulation made pursuant thereto, or of any decree, order or judgment of any court, or by reason of any request, announcement or similar action (whether of binding legal effect or not) which may be taken or made by any person or body acting with or purporting to exercise the authority of any government (whether legally or otherwise) either they or any of them shall be directed or requested to do or perform or to forbear from doing or performing. If for any reason it becomes impossible or impracticable to carry out any of the provisions of the Deed neither the Trustee nor the Managers shall be under any liability therefor or thereby.
- 22.3** Neither the Trustee nor the Managers shall be responsible for any authenticity of any signature or of any seal affixed to any transfer or form of application, endorsement or other document (sent by mail, facsimile, electronic means or otherwise) affecting the title to or transmission of Units or be in any way liable for any forged or unauthorised signature on or any seal affixed to such

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<sup>1</sup> Changed from 31 December to 31 March with effect from 1 July 2007.

endorsement, transfer or other document or for acting upon or giving effect to any such forged or unauthorised signature or seal. The Trustee and the Managers respectively shall nevertheless be entitled but not bound to require that the signature of any Holder or Joint Holder to on any document required to be signed by him under or in connection with the Deed shall be verified to its reasonable satisfaction.

- 22.4** Neither the Trustee nor the Managers shall be responsible to any person for any losses or damages resulting from reasons or causes beyond its control, or the control of any of its respective employees, including without limitation pestilence, nationalisation, expropriation, currency restrictions, acts of war, terrorism, insurrection, revolution, civil unrest, riots or strikes, nuclear fusion or fission or acts of God.
- 22.5** Any indemnity expressly given to the Trustee or the Managers in the Deed is in addition to and without prejudice to any indemnity allowed by law Provided Nevertheless That any provision of the Deed shall be void insofar as it would have the effect of exempting the Trustee or the Managers from or indemnifying them against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of duty or trust of which they may be guilty in relation to their duties where they fail to show the degrees of diligence and care required of them having regard to the provisions of the Deed.
- 22.6** Nothing contained in the Deed shall be construed so as to prevent the Managers and the Trustee in conjunction or the Managers or the Trustee separately from acting as manager or trustee of trusts separate and distinct from the Scheme and neither of them shall in any way be liable to account to the Scheme or any other person for any profit or benefit made or derived thereby or in connection therewith.
- 22.7** Neither the Trustee nor the Managers shall be responsible for acting upon any resolution purporting to have been passed at any meeting of the Holders in respect whereof minutes shall have been made and signed even though it may be subsequently found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not binding upon all the Holders.
- 22.8** Save for any negligence, fraud or wilful default by the Trustee, the Trustee shall not be under any liability on account of anything done or suffered by the Trustee in good faith in accordance with or in pursuance of any request or advice of the Managers (or the delegates or distributors appointed by the Managers). Whenever pursuant to any provision of the Deed any certificate, notice, instruction or other communication is to be given by the Managers (or the delegates or distributors appointed by the Managers) to the Trustee, the Trustee may accept as sufficient evidence thereof a document signed or purporting to be signed on behalf of the Managers (or the delegates or distributors appointed by the Managers) by any two persons whose signature the Trustee is for

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the time being authorised by the Managers (or the delegates or distributors appointed by the Managers) under its common seal to accept and may act on verbal, electronic mail and facsimile instructions given by authorised officers of the Managers (or the delegates or distributors appointed by the Managers) specified in writing by the Managers (or the delegates or distributors appointed by the Managers) to the Trustee.

**22.9** The Trustee may act upon any advice of or information obtained from the Managers or any bankers, accountants, brokers, computer experts, lawyers, agents or other persons acting as agents or advisers of the Trustee and the Managers, and the Trustee shall not be liable for anything done or omitted or suffered in reliance upon such advice or information. The Trustee shall not be responsible for any misconduct, mistake, oversight, error of judgment, forgetfulness or want of prudence on the part of any such banker, accountant, broker, computer expert, lawyer, agent or other person as aforesaid or of the Managers except where the Managers or agents are acting on behalf of the Trustee with its authority in relation to the keeping of the Register. Any such advice or information may be obtained or sent by facsimile, letter or electronic mail and the Trustee shall not be liable for acting on any advice or information purported to be conveyed by any such facsimile, letter or electronic mail although the same contains some error or shall not be authentic. The foregoing shall apply provided that the Trustee will be entitled to rely on the parties as aforesaid only if it has acted without negligence in the employment of such persons.

**22.10** In the absence of fraud or negligence by the Managers, it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith hereunder.

**22.11** The Managers shall not be under any liability except such liability as may be assumed by it under the Deed, nor shall the Managers (save as herein otherwise appears) be liable for any act or omission of the Trustee.

## **23. OTHER MATERIAL INFORMATION**

Investors should read the Deed for further details relating to the Scheme.

The Deed is a legal document which sets out the rights, responsibilities and obligations of the Managers, Trustee and Holders. The provisions of the Deed are binding on each Holder and all persons claiming through Holders, as if each of them were a party to the Deed.

The Deed includes (among others) provisions relating to the following matters:

### **23.1 Holders' Right to Vote**

A meeting of Holders duly convened and held in accordance with the provisions of the Schedule to the Deed shall be competent by Extraordinary Resolution:

- (i) to sanction any modification, alteration or addition to the provisions of the Deed which shall be agreed by the Trustee and the Managers as provided in Clause 37 of the Deed;
- (ii) to sanction a supplemental deed increasing the maximum permitted percentage of the Management Fee and/or remuneration of the Trustee as provided in Clause 23(B) of the Deed;
- (iii) to terminate the Scheme as provided in Clause 34(E) of the Deed or Section 295 of the Securities and Futures Act or to terminate a Class as provided in Clause 34A(F) of the Deed;
- (iv) to remove the Auditor, the Trustee and the Managers or any of them as provided in Clauses 30(D), 31(C)(iii) and 32(A)(iii) of the Deed respectively;
- (v) to sanction any change in the investment objectives of the Scheme proposed by the Managers and approved by the Trustee; and
- (vi) to sanction such other matters as may be proposed by the Managers or the Trustee,

and by ordinary resolution to give directions to the Trustee pursuant to the provisions in Clause 28(A)(vii) of the Deed but shall not have any further or other powers.

### **23.2 Valuation**

The Net Asset Value of a Unit of a Class shall be calculated by:

- (i) valuing the assets of the Scheme in accordance with Paragraph 23.2.1;
- (ii) deducting from such amount the liabilities of the Scheme in accordance with Paragraph 23.2.3;
- (iii) dividing the resultant sum by the total number of Units in issue or deemed to be in issue immediately prior to the relevant Dealing Day; and
- (iv) deducting the relevant Management Fee per Unit for that Class accrued but remaining unpaid.

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**23.2.1** For the purpose of determining the Value of the assets of the Scheme, Authorised Investments which are:

- (i) deposits placed with banks or other financial institutions in Singapore or bank bills, shall be determined by reference to the face value of such Authorised Investments and the accrued interest thereon for the relevant period;
- (ii) not quoted on any Recognised Stock Exchange or OTC Market, shall be calculated by reference to the (a) last available price (if any); or (b) prices quoted by such persons, firms or institutions determined by the Managers to be making a market in that investment at the close of trading in the relevant market on which the particular Authorised Investment is traded (and if there shall be more than one such market maker, then such market maker as the Managers may determine); and
- (iii) quoted on any Recognised Stock Exchange or OTC Market, shall be calculated by reference to the official closing price, the last transacted price, the last available price or quoted price on such Recognised Stock Exchange or OTC Market,

Provided That if the quotations referred to in (ii) or (iii) above are not available, or if the Value of Authorised Investments determined in the manner described in (i), (ii) or (iii) above, in the opinion of the Managers, does not represent a fair value of such Authorised Investments, then the Value shall be such value as the Managers may with due care and in good faith consider in the circumstances to be fair and with the prior approval of the Trustee. In determining such "fair value", the Managers shall rely on such person approved by the Trustee as qualified to value the Authorised Investments and may rely on quotations for quoted Authorised Investments on another Recognised Stock Exchange or in an OTC Market, and the Managers shall notify the Holders of such determination if so required by the Trustee.

In exercising in good faith the discretion given by the proviso above, the Managers shall not, subject to the provisions of the Code, assume any liability towards the Scheme, and the Trustee shall not be under any liability, in accepting the opinion of the Managers or otherwise, notwithstanding that the facts may subsequently be shown to have been different from those assumed by the Managers.

**23.2.2** In calculating the Net Asset Value of the Scheme or any proportion thereof:

- (i) subject to Clause 11(H) of the Deed, every Unit agreed to be issued by the Managers shall be deemed to be in issue and the Deposited Property shall be deemed to include not only cash or other assets in the hands of the Trustee but also the value of any cash, accrued interest on bonds or other assets to be received in respect of Units agreed to be issued after deducting therefrom or providing thereout the Preliminary Charge and (in the case of Units issued against the vesting of Authorised Investments) any monies payable out of the Deposited Property pursuant to Clause 11 of the Deed;
- (ii) where Authorised Investments have been agreed to be purchased or sold but such purchase or sale has not been completed, such Authorised Investments shall be included or excluded and the gross purchase or net sale consideration excluded or included as the case may require as if such purchase or sale had been duly completed;
- (iii) where in consequence of any notice or request in writing given pursuant to Clauses 11A, 12 or 13 of the Deed, a reduction of the Scheme by the cancellation of Units is to be effected but such reduction has not been completed, the Units in question shall not be deemed to be in issue and any amount payable in cash and the value of any Authorised Investments to be transferred out of the Deposited Property in pursuance of such reduction shall be deducted from the Value of the Deposited Property;

**23.2.3** (i) In calculating the Net Asset Value of the Scheme, there shall be deducted any amounts not provided for above which are payable out of the Deposited Property in accordance with the Deed including but not limited to:

- (a) any amount of Trustee Fee accrued but remaining unpaid;
- (b) the amount of tax, if any, on net capital gains (including any provision made for unrealised capital gains) accrued up to the end of the last Accounting Period and remaining unpaid;
- (c) such sum in respect of tax, if any, on net capital gains realised during a current Accounting Period prior to the valuation being made as in the estimate of the Managers will become payable; and

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- (d) the aggregate amount for the time being outstanding of any borrowings effected under Clause 16(C) of the Deed together with the amount of any interest and expenses thereon accrued pursuant to Clause 16(C)(vii) of the Deed and remaining unpaid;
- (ii) there shall be taken into account such sum as in the estimate of the Managers will fall to be paid or reclaimed in respect of taxation related to income down to the relevant date;
- (iii) there shall be added such amount of any tax, if any, on capital gains estimated to be recoverable and not received;
- (iv) any Value (whether of an Authorised Investment or cash) otherwise than in Singapore Dollars and any non-Singapore Dollar borrowing shall be translated into Singapore Dollars at the rate (whether official or otherwise) which the Managers shall after consulting or in accordance with a method approved by the Trustee deem appropriate in the circumstances having regard *inter alia* to any premium or discount which may be relevant and to the costs of exchange; and
- (v) where the current price of an Authorised Investment is quoted "ex" dividend or interest but such dividend or interest to which the Scheme is beneficially entitled has not been received the amount of such dividend or interest shall be taken into account.

**23.3 Termination of the Scheme**

The Scheme is of indeterminate duration and may be terminated as provided in the Deed.

**23.3.1** Either the Trustee or the Managers may in their absolute discretion terminate the Scheme by not less than three months' notice in writing to the other given so as to expire at the end of the Accounting Period current at the end of the year 2011 or thereafter at the end of each fifteen year period. Either the Trustee or the Managers shall be entitled by notice in writing as aforesaid to make the continuation of the Scheme beyond any such date conditional on the revision to its satisfaction at least three months before the relevant date of its remuneration hereunder. In the event that the Scheme shall fail to be terminated or discontinued the Managers shall give notice of the continuation of the Scheme to all Holders not less than three months in advance. Subject as aforesaid the Scheme shall continue until terminated in the manner hereinafter provided.

**23.3.2** Subject to Section 295 of the Securities and Futures Act, the Scheme may be terminated by the Trustee by notice in writing as hereinafter provided in any of the following events, namely:

- (i) if the Managers shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver or judicial manager is appointed in respect of the Managers or any of its assets or if any encumbrancer shall take possession of any of its assets or if it shall cease business;
- (ii) if any law shall be passed or any direction is given by the Authority which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Scheme; and
- (iii) if the Managers shall have failed to appoint a new trustee within the terms of Clause 31 of the Deed within the period of three months from the date of the Trustee expressing in writing to the Managers its desire to retire.

The decision of the Trustee in any of the events specified in this Paragraph shall be final and binding upon all the parties concerned but the Trustee shall be under no liability on account of any failure to terminate the Scheme pursuant to Clause 34(B) of the Deed (as reproduced in this Paragraph) or otherwise. The Managers shall accept the decision of the Trustee and relieve the Trustee of any liability to it therefor and hold it harmless from any claims whatsoever on its part for damages or for any other relief.

**23.3.3** The Scheme may be terminated by the Managers in its absolute discretion by notice in writing in any of the following events:

- (i) in its absolute discretion on the third anniversary of the date of the Original Deed or on any date thereafter if on such date the aggregate Value of the Deposited Property shall be less than \$5,000,000; or
- (ii) in its absolute discretion if any law shall be passed or any direction is given by the relevant authority which renders it illegal or in the opinion of the Managers impracticable or inadvisable to continue the Scheme; or

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- (iii) in the event of:
  - (a) any change in governmental policies, laws, regulations, or market conditions affecting returns to be made from investments in domestic fixed income securities and money market instruments; and
  - (b) the Managers (in consultation with the Trustee) are of the opinion that such changes would make it impracticable or impossible to meet the Scheme's investment objective of achieving a return above the Singapore dollar deposits over time by investing in domestic fixed income securities and money market instruments; or
- (iv) with the approval of the Trustee if:
  - (a) the Managers are desirous of establishing, or becoming a manager of, another collective investment scheme with the same or similar investment objectives as the Scheme or another collective investment scheme with a sub-fund that has same or similar investment objectives as the Scheme; and
  - (b) the Managers are of the view that the termination of the Scheme would allow Holders to subscribe into the other scheme or sub-fund, as the case may be, without prejudice to the interests of such Holders; or
- (v) with effect from 30 June 2003, in the event of the amalgamation, reconstruction, reorganisation, dissolution, merger or consolidation of the Scheme or such other fund(s) managed by the Managers Provided That the resulting merged fund shall have substantially the same investment objectives as the Scheme.

**23.3.4** The party terminating the Scheme shall give notice thereof to the other party and all Holders in the manner provided in the Deed and by such notice fix the date at which such termination is to take effect, which date shall not be less than three months after the service of such notice Provided That in a termination pursuant to Clause 34(C)(iv) of the Deed no such notice shall be effective unless, prior to the giving of such notice, prior approval of the Trustee to such termination, the terms and conditions and any other matter in relation to such termination (including the termination date) has been obtained. The Managers shall give written notice of the termination of the Scheme to the Authority at least 7 days before termination (or such other period as the Authority may require).

**23.3.5** The Scheme may at any time after three years from the date of the Original Deed be terminated by Extraordinary Resolution of a meeting of the Holders duly convened and held in accordance with the provisions contained in the Schedule to the Deed and such termination shall take effect from the date on which the said Extraordinary Resolution is passed or such later date (if any) as the said Extraordinary Resolution may provide.

## **23.4 Termination of a Class**

**23.4.1** The provisions in this paragraph shall apply where more than one Class of Units is established within the Scheme.

**23.4.2** Each Class may be terminated as provided in Clause 34A of the Deed (as reproduced in this Paragraph).

**23.4.3** The Managers may in their absolute discretion terminate a Class by not less than one month's notice to the Trustee. If the Class is to be terminated under this Paragraph, the Managers shall give notice thereof in writing to the Holders of that Class not less than one month in advance of such termination.

**23.4.4** A Class may be terminated by the Trustee if any law is passed or any direction is given by the Authority which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Class or if any approval or authorisation of the Class is revoked or withdrawn. The decision of the Trustee in such event shall be final and binding upon the Managers and the Holders but the Trustee shall be under no liability on account of any failure to terminate the Class pursuant to this Paragraph or otherwise.

**23.4.5** A Class may be terminated by the Managers:

- (i) if the Units of that Class in issue fall below a number to be determined by the Managers;
- (ii) if the Managers are of the view that it is not in the best interest of Holders of Units in that Class to continue the Class; or
- (iii) if any law is passed or any direction given by the Authority which renders it illegal or in the opinion of the Managers impracticable or inadvisable to continue that Class or if any approval or authorisation of that Class is revoked or withdrawn;

The decision of the Managers in any of the events specified in this Paragraph shall be final and binding upon the Trustee and the Holders but the Managers shall be under no liability on account of any failure to terminate the Class pursuant to this Paragraph or otherwise.

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- 23.4.6** The party terminating a Class in accordance with this Paragraph shall give notice in writing of such termination to the Holders of that Class and by such notice fix the date at which such termination is to take effect which date shall not be less than one month after the giving of such notice (or such earlier date as may be necessary to comply with any law or direction given by the Authority).
- 23.4.7** A Class may at any time be terminated by the Holders of that Class by Extraordinary Resolution and such termination shall take effect on the date on which the Extraordinary Resolution is passed or on such later date (if any) as the Extraordinary Resolution may provide.
- 23.4.8** Upon a Class being terminated ("**Terminated Class**"), Holders of Units in the Terminated Class shall be issued Units in any other Class in exchange for their Units in the Terminated Class as if the Holder had submitted a Conversion Notice pursuant to Clause 11(L) of the Deed herein, on the date specified by the Managers and notified to the Holders. The Managers may at its discretion waive any Conversion Fee, Realisation Charge or Preliminary Charge which would otherwise be payable in respect of the conversion of Units. This is without prejudice to the right of the Holders to realise their Units prior to the specified date in accordance with the provisions of Clause 12 of the Deed.

## 23.5 Risk Management and Compliance Procedures and Controls

The Managers and (as the case may be) the Sub-Managers will attempt to minimise the risks relating to the use of financial derivatives through careful selection of reputable counterparties and constant monitoring of the Scheme's derivatives positions.

The Managers' portfolio risk management philosophy encompasses the whole investment process from formulation to implementation. Risk management and performance analysis is an integral part of the Managers' investment process. The risks are quantified and broken down into its components through tools employed by the Managers and monitored closely. The results are disseminated to the portfolio manager of the Scheme and depending on deviation, escalated to the senior management of the Managers.

Additionally, all open positions/exposures in derivative instruments will be marked to market at a frequency at least equal to the frequency of the net asset value calculation of the Scheme. The exposure of the Scheme to financial derivatives shall not exceed 100% of the Deposited Property of the Scheme at any time (or such other percentage as may be allowed under the Code).

The Managers and (as the case may be) the Sub-Managers have the requisite expertise, experience and quantitative tools to control and manage such investment risks relating to the use of derivative instruments and will ensure that the risk management and compliance procedures and controls adopted are adequate.

## GLOSSARY OF TERMS

Agent Bank	any bank appointed by the CPF Board to be an agent bank for the purposes of the CPF Regulations.
Authorised Investments	<p>(a) currency deposits and short term money market and fixed income instruments including but not limited to convertible and non-convertible corporate debt securities including bonds, debentures, loan stock, notes, certificates of deposit, variable rate certificates of deposit, bankers' acceptances, commercial paper issued by corporation or government bodies including short term unsecured promissory notes, treasury bills, all other fixed or floating rate instruments, which may be selected by the Managers for the purpose of investment of the Deposited Property or which may for the time being form part thereof; and</p> <p>(b) any other corporate debt security not covered by paragraph (a) of this definition but approved by the Trustee</p> <p>Provided that the Authorised Investments shall not include any Investment not otherwise approved by the relevant authorities in Singapore for investment by a CPFIS Included Scheme.</p>
Authority	the Monetary Authority of Singapore.
Business Day	a day (other than Saturday, Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore or any other day as the Managers and the Trustee may agree in writing;.
Class	a class of Units in the Scheme established by the Managers, but each Class shall not constitute a separate trust from the Scheme within which it is established nor from other Classes within the Scheme.
Class A Units	Units designated as class A Units.
Class B Units	Units designated as class B Units.
Code	the Code on Collective Investment Schemes issued by the Authority pursuant to the Securities and Futures Act, as the same may be modified, re-enacted, amended, supplemented or reconstituted from time to time.
Conversion Fee	a charge upon the conversion of Units of the amount that the Managers may from time to time determine generally or in relation to any specific transaction for the Scheme, being a percentage of the Realisation Price and shall not exceed the maximum charge as stipulated in this Prospectus.

CPF	the Central Provident Fund.
CPF Board	the Central Provident Fund Board.
CPF Investment Account	an account opened by a CPF member with an Agent Bank in which monies withdrawn from his CPF Ordinary Account is deposited for the purpose of investment under the CPFIS.
CPFIS	the CPF Investment Scheme (as defined in the CPF Regulations) or such other scheme as shall replace or supersede it.
CPFIS Included Scheme	a unit trust that has been included by the CPF Board or other relevant authority in Singapore under the CPFIS for investment by members of the CPF.
CPFIS – Ordinary Account	the scheme referred to by the CPF Board as the Central Provident Fund Investment Scheme – Ordinary Account.
CPFIS – Special Account	the scheme referred to by the CPF Board as the Central Provident Fund Investment Scheme – Special Account.
CPF monies	monies withdrawn or to be withdrawn from the CPF Investment Account and/or the CPF Special Account of the investor.
CPF Regulations	the Central Provident Fund (Investment Schemes) Regulations and any terms, conditions or directions as may from time to time be lawfully imposed or given by the CPF Board or other relevant competent authority and shall include the terms and conditions of the CPFIS issued by the CPF Board thereunder, as the same may be modified, re-enacted, amended, supplemented or reconstituted from time to time.
Dealing Day	every Business Day, or such Business Day or Business Days at such intervals as the Managers may from time to time determine provided that reasonable notice of any such determination shall be given by the Managers to Holders at such time and in such manner as the Trustee may approve.
Deposited Property	all of the assets for the time being comprised in the Scheme or deemed to be held upon the trusts of the Deed for account of the Scheme.
Extraordinary Resolution	a resolution proposed and passed as such by a majority consisting of seventy-five per cent. (75%) or more of the total number of votes cast for and against such resolution.

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Fiscal Charges	all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees, registration fees and other duties and charges whether in connection with the constitution of the Deposited Property or the increase of the Deposited Property or the creation, issue, sale, exchange or purchase of Units or the sale or purchase of Authorised Investments or otherwise which may have become or may be payable in respect of or prior to or upon the occasion of the transaction or dealing in respect of which such duties and charges are payable but does not include commission payable to agents on sales and repurchases of Units.
Income	all interest, dividends and other receipts considered by the Managers to be in the nature of income.
Management Fee	the remuneration of the Managers, being a periodic charge of a percentage per annum of the Value of the Deposited Property, which shall not exceed the maximum fee stipulated in this Prospectus.
Net Asset Value and NAV	means the net asset value of the Scheme or, as the context may require, of a Unit, determined in accordance with the provisions of the Deed.
Non-Specialised Fund	a scheme that is not within the categories of specialised schemes of property funds, money market funds, hedge funds, futures and options funds or currency funds as set out in Appendices 2, 3, 4, 7 and 8 of the Code.
OTC Market	means any over-the-counter market or over-the-telephone market in any country in any part of the world, and in relation to any particular Authorised Investment shall be deemed to include any responsible firm, corporation or association in any country in any part of the world dealing in the Authorised Investment which the Managers may from time to time elect.
Preliminary Charge	a charge upon the issue of Units of the amount that the Managers may from time to time determine generally or in relation to any specific transaction for the Scheme, being a percentage of the investment sum and shall not exceed the maximum charge as stipulated in this Prospectus.
Realisation Charge	a charge upon the realisation of a Unit of such amount as the Managers may from time to time determine generally or in relation to any specific transaction for the Scheme, being a percentage of the Realisation Price per Unit, which shall not exceed the maximum stipulated in this Prospectus.

Recognised Stock Exchange	any stock exchange, futures exchange, organised securities exchange or other market of sufficient repute recognised by law in Singapore or in such other country as the Managers may select and in relation to any particular Authorised Investment shall be deemed to include any responsible firm, corporation or association dealing in the Authorised Investment and any responsible mutual fund or subsidiary thereof or unit trust scheme issuing and redeeming participations or units (as the case may be) so as to provide in the opinion of the Managers a satisfactory market for the Authorised Investment and in such a case the Authorised Investment shall be deemed to be the subject of an effective permission to deal or listing on the stock exchange deemed to be constituted by such firm, corporation, association, mutual fund or subsidiary thereof or unit trust scheme
Register	the register of Holders of the Scheme.
Relevant Parties	the Managers, the Trustee, the relevant authorities and any person to whom the Managers' approved distributors deem it necessary to give, divulge or reveal information about the investor's bank account for the purpose of an application for Units through the internet.
Singapore Dollar, Singapore Dollars and S\$	the lawful currency of the Republic of Singapore.
SRS	the scheme referred to by the Ministry of Finance as the Supplementary Retirement Scheme or any other scheme as shall replace or supersede it from time to time.
SRS Account	an account opened by an investor with a participating branch of a designated SRS Operator for the purpose of an investment under the SRS and "SRS Accounts" shall be construed accordingly.
SRS Operator	any of the designated banks as appointed by the Ministry of Finance from time to time to operate SRS Accounts.
Trustee's Fee	the remuneration of the Trustee, being a percentage of the Value of the Deposited Property, which shall not exceed the maximum fee stipulated in this Prospectus.
U.S.	United States of America, each state thereof, its territories and possessions and all areas subject to its jurisdiction.
U.S. Dollar, U.S. Dollars and US\$	the lawful currency of the U.S..

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U.S. Person in accordance with Regulation S of the U.S. Securities Act of 1933 as amended (the "**Act**"), means:

- (a) any natural person resident in the U.S.;
- (b) any partnership or corporation organised or incorporated under the laws of the U.S.;
- (c) any estate of which any executor or administrator is a U.S. person;
- (d) any trust of which any trustee is a U.S. person;
- (e) any agency or branch of a foreign entity located in the U.S.;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the U.S.; or
- (h) any partnership or corporation if:
  - (i) organised or incorporated under the laws of any non-U.S. jurisdiction; and
  - (ii) formed by a U.S. Person principally for the purpose of investing in securities not registered under the Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Act) who are not natural persons, estates or trusts.

Notwithstanding the provisions of the definition referred to above:

- (A) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. Person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the U.S. shall not be deemed a U.S. Person;
- (B) any estate of which any professional fiduciary acting as executor or administrator is a U.S. Person shall not be deemed a U.S. Person if:
  - (i) an executor or administrator of the estate who is not a U.S. Person has sole or shared investment discretion with respect to the assets of the estate; and

- (ii) the estate is governed by non-U.S. law;
- (C) any trust of which any professional fiduciary acting as trustee is a U.S. Person shall not be deemed a U.S. Person if a trustee who is not a U.S. Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person;
- (D) an employee benefit plan established and administered in accordance with the law of a country other than the U.S. and customary practices and documentation of that country shall not be deemed a U.S. Person; and
- (E) any agency or branch of a U.S. Person located outside the U.S. shall not be deemed a U.S. Person if:
  - (i) the agency or branch operates for valid business reasons; and
  - (ii) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located.
- (F) certain institutional organisations (and their agencies, affiliates and pension plans) as specified in Rule 902(k)(2)(vi) of Regulation S under the Act; or
- (G) an entity excluded or exempted from the definition of "US Person" in reliance on or with reference to interpretations or positions of the US Securities and Exchange Commission or its staff.

Unit	an undivided share in the Scheme; which includes a fraction of a Unit rounded to two decimal places (or such other number of decimal places that the Managers may determine from time to time with the approval of the Trustee).
Valuation Point	12 p.m. Singapore time one Business Day immediately following the relevant Dealing Day or such other time that the Managers may from time to time determine with the approval of the Trustee and the Managers shall notify the Holders of any change if so required by the Trustee.
Value	in relation to an Authorised Investment, means the value of such Authorised Investment as determined in accordance with the provisions of the Deed.

# LEGG MASON SINGAPORE BOND FUND PROSPECTUS

Signed:

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Tan Keng Sin Patrick  
Director (Executive)

Signed:

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Yong Siew Hoon  
Director (Executive)

Signed:

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Lim Hong Heng Lennie  
Director (Executive)

Signed:

---

Terence Andrew Johnson  
Director (Non-Executive)

Signed:

---

Thomas John Hirschmann  
Director (Non-Executive)

Signed:

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Joseph Patrick LaRocque  
Director (Non-Executive)

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**LEGG MASON**  
GLOBAL ASSET MANAGEMENT

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