

Legg Mason Brandywine Global Income Optimiser Fund Product Disclosure Statement



Issued by Legg Mason Asset Management Australia Limited ("Legg Mason Australia") ABN 76 004 835 849 AFSL No. 240 827

Legg Mason Brandywine Global Income Optimiser Fund

ARSN 618 213 488

APIR Class A: SSB0515AU

Class X: SSB4078AU

mFund: LMA10 (Class A units only)

Information in this PDS was correct at the date of printing and is subject to change, including changes to the Fund's investment guidelines, processes, fees, expenses and other material matters. **Information in this PDS is subject to change from time to time. Where the change is not considered materially adverse to investors, the information may be updated on the Legg Mason website (www.leggmason.com.au) or contact us.** A paper copy of updated information will be provided to Unit holders on request for no charge. For material changes, a new or supplementary PDS may be issued and Unit holders notified as required by the Corporations Act. Updates should be read in conjunction with the latest PDS. A copy of the Constitution of the Fund is also available on request.

1 April 2019

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1 Important Information

Legg Mason Asset Management Australia Limited (ABN 76 004 835 849, AFSL 240827) (“Legg Mason Australia”), the “Responsible Entity” for the Legg Mason Brandywine Global Income Optimiser Fund (ARSN 618 213 488) (the “Fund”), has prepared this Product Disclosure Statement (“PDS”).

The information contained in this PDS is general information only and does not take into account your individual financial objectives, situation or needs. Investments are subject to risks, some of which are outlined in this PDS. Legg Mason Australia does not guarantee any profit or recovery of capital from an investment in the Fund. Investors should note that an investment in the Fund should not constitute a substantial portion of an investment portfolio and may not be appropriate for all investors. The Fund could be a suitable investment for investors seeking total return over the long term through income and capital appreciation and who are willing to accept fluctuations (sometimes significant) in the “**Net Asset Value**” per Unit of the Fund during the short term. It is important that you understand and accept the risks before you invest, and you should seek professional financial advice prior to making an investment decision. To obtain advice or more information about the products offered in this PDS you should speak to an Australian financial services licensee or an authorised representative.

Legg Mason Australia issues Units in the Fund on the terms and conditions described in this PDS, the Constitution of the Fund and the “**Corporations Act**”. Unit holders are bound by the Constitution of the Fund. Units in the Fund are only available to investors that receive this PDS (electronically or otherwise) in Australia. Investors should not rely on information about the Fund that is not contained in this PDS or the Constitution of the Fund.

In this PDS, all fees and costs are expressed in Australian dollars inclusive of GST less any reduced input tax credits (“RITCs”). A reference to a “Business Day” refers to a day on which banks are open for business in Melbourne, Australia. References to “you” or “your” refers to you as the reader of the PDS and “we” and “our” refers to Legg Mason Australia.

The Class A units of the Fund are admitted as an “**mFund**” product under the ASX Operating Rules. Investors are able to buy and sell Class A units in the Fund through the mFund settlement service. mFund uses CHESS, the ASX’s electronic settlement system, allowing automated application and redemption of Class A units in the Fund through an authorised ASX broker, or financial adviser who uses a stockbroking service on your behalf.

All terms in “**bold**” are defined terms in the glossary.

Use of this PDS

The investments offered in this PDS are available only to persons receiving this PDS (electronically or in hard copy) within Australia. Applications from outside Australia will not be accepted. Nothing in this PDS should be taken to mean that Legg Mason Australia or any of its related parties is bound to accept an application for membership.

This PDS is available for those investors wishing to access the Fund via an Investor Directed Portfolio Service (“**IDPS**”) or Master Trust. When investing in the Fund via an IDPS or Master Trust, the operator of the IDPS or the trustee of the Master Trust acquires the rights of a Unit holder in the Fund. In this case, your rights and liabilities will be governed by the terms and conditions of the relevant IDPS offer document or Master Trust PDS, which you must read carefully prior to directing the relevant operator or trustee to invest in the Fund. For more information, please refer to Section 12.10.

2 Fund at a glance

Further detail about the Fund can be found in Sections 4, 5 and 6. You should read the whole PDS and seek any advice you need before deciding to invest.

Fund details	
Name of the Fund	Legg Mason Brandywine Global Income Optimiser Fund
ARSN	618 213 488
APIR	
Class A	SSB0515AU
Class X	SSB4078AU
mFund	LMA10 (Class A units only)
Investment objective	The Fund's investment objective is to seek to generate a high and consistent level of income in all market conditions over a full market cycle with a secondary objective of capital preservation.
Comparative index	The Fund is managed in a "benchmark-agnostic" manner. The Bloomberg AusBond Bank Bill Index 0+ years is used for comparative purposes only.
Currency	The Fund aims to be at least 75% hedged to Australian Dollars.
Recommended investment timeframe	The minimum suggested timeframe for investment is five years.
Minimum initial investment	
Class A	\$30,000
Class X	\$20,000,000
Risk of the Fund	The Responsible Entity considers the risk level of the Fund to be medium to high.
Minimum additional investments	\$5,000
Pricing frequency	Daily
Liquidity	Daily
Management Costs	
Class A	0.75% p.a.
Class X	Class X units do not reflect the deduction of the Management Fee in the unit price. Management Fees are agreed by negotiation and charged separately.
Distribution frequency	The Fund may distribute income at 31 March, 30 September, 31 December and 30 June each year.

3 About us

Legg Mason

Legg Mason Australia is part of Legg Mason, Inc. (“Legg Mason”), one of the world’s largest investment management groups. Listed on the New York Stock Exchange, Legg Mason comprises a group of independent global investment managers with differentiated expertise across the full spectrum of asset classes. Operating from Sydney and Melbourne, Legg Mason Australia has had an established presence in Australia since 1954. Clients include corporate funds, industry funds, charities, endowments, universities, retail banks, private banks, insurance companies, SMSFs and private investors.

Awarded Fund Manager of the Year in 2015, 2017 and 2018*, Legg Mason Australia has earned a reputation as one of the country’s most highly acclaimed investment managers. Accolades include industry awards for several funds, many of which have received high ratings from independent research specialists.



Brandywine Global Investment Management

Brandywine Global Investment Management, LLC (“Brandywine Global”), is an active specialist manager in fixed income, equity and alternative investments headquartered in Philadelphia, USA. Founded in 1986 by a group of highly experienced portfolio managers, the firm has been a part of Legg Mason group since 1998.

Value investing is core to Brandywine Global’s investment approach. Through a value-driven process, they focus on assets in countries and currencies that meet their definition of value, and advances this with a “**Benchmark Agnostic**” investment style. Brandywine Global is not afraid to uncover investment potential where others see risk with a central objective to maximise risk-adjusted returns over an investment cycle.

How to contact Legg Mason Australia

Please contact Legg Mason Australia if you require further information or if you have any questions regarding this PDS.

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4 ASIC Benchmarks and Disclosure Principles

The Australian and Securities & Investments Commission (“ASIC”) has developed a number of benchmarks and disclosure principles designed to assist investors in making a decision to invest in the Fund.

The table below summarises the operation of the Fund in light of recommended benchmarks provided in ASIC’s Regulatory Guide 240. A copy of ASIC Regulatory Guide 240 dated October 2013 (as may be amended, supplemented or replaced from time to time) is available from www.asic.gov.au.

4.1 Valuation of assets

ASIC Regulatory Guide 240—Benchmarks		
Benchmark	Description	For additional information please refer to:
Valuation and Custody of assets	This benchmark addresses whether valuations of the Fund’s non-exchange traded assets are provided by an independent administrator or an independent valuation service provider.	Section 5.2 of this PDS
<p>The Fund meets the ASIC benchmark on valuation and custody of assets.</p> <p>RBC Investor & Treasury Services (“RBC”), in its capacity as the administrator of the Fund is responsible for pricing the assets of the Fund on a daily basis. RBC acts as the custodian of the Fund and provides safekeeping, oversight and verification services in respect of the Fund.</p>		

4.2 Periodic reporting

ASIC Regulatory Guide 240—Benchmarks		
Benchmark	Description	For additional information please refer to:
Periodic reporting	This benchmark addresses whether the Responsible Entity of the Fund provides periodic disclosure of certain key information on an annual and monthly basis.	Section 9.6 of this PDS
<p>The Fund meets the ASIC benchmark on periodic reporting.</p> <p>Annual Reporting</p> <p>The following Fund information is reported on an annual basis. Where required, information will also be provided with regards to the investment vehicle into which the Fund invests:</p> <ul style="list-style-type: none"> • The actual allocation to each asset type held by the Fund; • The liquidity profile of the Fund’s assets; • The maturity profile of the Fund’s liabilities; • “Derivative” counterparties engaged; • Annual investment returns; and • Changes to key service providers and their related party status. <p>This information will be available free of charge at Legg Mason Australia’s web-site: www.leggmason.com.au or upon request from our Client Services Centre (refer to Section 9.11 - Complaints of this PDS, for contact details).</p>		

ASIC Regulatory Guide 240—Benchmarks

Benchmark	Description	For additional information please refer to:
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Monthly Reporting

On a monthly basis the following Fund information will also be made available free of charge from our website at www.leggmason.com.au:

- The current Net Asset Value of the Fund and the redemption value of a Unit of the Fund as at the date of the total Net Asset Value was calculated;
- Changes to key service providers and their related party status;
- The net return on the Fund’s assets after fees, costs and taxes;
- Any material change in the Fund’s risk profile;
- Any material change in the Fund’s strategy; and
- Any change in the individuals playing a key role in investment decisions for the Fund.

4.3 Key Fund features

Each disclosure principle identifies a key area that ASIC considers investors should understand before making a decision to invest in the Fund. Additional key fund features have also been included. The “summary” indicates the kind of information you can find in the PDS, but is not intended to be a complete summary. Further information can be found within the referenced sections of this PDS. You should read the whole PDS and seek any advice you need before deciding to invest.

Words in “**bold**” are defined in Section 13.0 - Glossary of Important Terms.

ASIC Regulatory Guide 240—Disclosure Principles

Key Fund Features	Summary	For additional information please refer to:
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Investment strategy	<p>Brandywine Global has been appointed as the sub-advisor to the Fund. The investment strategy of the Fund is summarised as follows:</p> <ul style="list-style-type: none"> • Brandywine Global seeks to achieve the investment objective by investing in the most attractive, risk-adjusted, high real yielding sectors throughout the “Business Cycle”, and by using financial derivative instruments to protect capital and mitigate credit, currency and “duration” risks. • Brandywine Global’s investment approach combines a top-down analysis of macroeconomic conditions with a bottom-up fundamental analysis to identify what Brandywine Global considers the most attractive valuations during a Business Cycle. • By using a value-oriented, global investing approach, Brandywine Global seeks to maximise the Fund’s income through country, currency, sector, quality and security selection. <p>The Fund aims to be at least 75% hedged to Australian dollars.</p>	Section 6 of this PDS
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Investment objective	<p>The Fund’s investment objective is to seek to generate a high and consistent level of income in all market conditions over a full market cycle with a secondary objective of capital preservation.</p>	Section 6 of this PDS
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ASIC Regulatory Guide 240—Disclosure Principles

Key Fund Features	Summary	For additional information please refer to:
Use of derivatives	<p>The Fund may invest extensively in certain types of financial derivative instruments whether for investment purposes or the purposes of efficient portfolio management.</p> <p>The Fund may also use derivatives to leverage the Fund's Net Asset Value.</p> <p>Also see "Use of Leverage" below.</p>	Section 6.6 of this PDS
Short selling	<p>The Fund can hold short positions on individual debt securities, indices, currencies and/or interest rates. The Fund will not directly short securities, but instead will hold any short positions exclusively through financial derivative instruments of the types described above.</p> <p>In relation to currency shorting, refer to the Currency denomination section below.</p> <p>Unlike "long only" investments, which have just one source of return - that is buying securities that are expected to rise in value - long/short strategies have two sources of potential return. A fund that employs a long/short investment strategy can generate returns by owning securities that the manager expects will rise in value (long). At the same time the fund can sell (short) securities that are expected to decrease in value. This latter process is known as "short selling". In taking short positions, the Fund bears the risk of an increase in price of the underlying investment over which the short position is taken. Such an increase could lead to a substantial loss.</p>	Section 6.6 of this PDS
Use of leverage	<p>The Fund will not be exposed to "financial leverage" (borrowing to purchase assets), however the Fund may be exposed to a form of "economic leverage" via the use of derivatives.</p> <p>Brandywine Global anticipates that under normal market conditions, the Fund may be leveraged up to 200 per cent of the Fund's Net Asset Value in normal market conditions, with potentially all or a significant portion of such exposure being generated by short positions.</p>	Section 6.6 of this PDS
Liquidity	<p>As at the date of this PDS, Legg Mason Australia reasonably expects, should the need arise, to be able to realise at least 80% of the assets of the Fund, at the value ascribed to those assets in calculating the Fund's Net Asset Value, within 10 days, under normal market conditions.</p>	Section 6.6 of this PDS

ASIC Regulatory Guide 240—Disclosure Principles

Key Fund Features	Summary	For additional information please refer to:
<p>Currency denomination</p>	<p>The Fund will have exposure to investments denominated in currencies other than Australian dollars (with a base currency in US dollars).</p> <p>The Fund employs an active currency strategy, and forms a significant part of the overall investment strategy.</p> <p>Net long or net short any currency is permitted, by using forward currency exchange contracts or other eligible currency financial derivative instruments, provided that the aggregate net short exposure to currencies other than the US dollar will not exceed 100% of the Net Asset Value, and the aggregate net long exposure to all currencies will not exceed 200% of the Net Asset Value. Leverage is calculated using the sum of the notionals of the derivatives held by the Fund.</p> <p>In order to reduce currency risk for Australian investors the Fund will typically be at least 75% hedged to the Australian Dollar.</p>	<p>Section 6.6 of this PDS</p>
<p>How risks are managed</p>	<p>Risk at the Fund level is monitored by Legg Mason Australia. In addition to risk management being part of the daily investment functions, Brandywine Global has a dedicated Risk Management Department with independent reporting lines and responsibilities.</p>	<p>Section 6.6 of this PDS</p>
<p>The Investment Manager and the Sub-Investment Manager</p>	<p>Legg Mason Australia (“Investment Manager”) has delegated the investment management responsibilities of the assets of the Fund to Brandywine Global. (“Sub-Investment Manager”).</p>	<p>Section 5 of this PDS</p>
<p>Fund structure</p>	<p>The Fund is a registered managed investment scheme that is an unlisted unit trust. The Fund comprises assets which are acquired by the Responsible Entity in accordance with the investment strategy for the Fund. The Fund is governed by a Constitution. The terms and conditions of the Constitution are binding on each Unit holder (and all persons claiming through them).</p>	<p>Section 5 of this PDS</p>

ASIC Regulatory Guide 240—Disclosure Principles

Key Fund Features	Summary	For additional information please refer to:
Application and Redemptions (Withdrawals) from the Fund	The Fund is generally available for transactions on each Business Day. The deadline for receipt of an application or redemption request is 11.00am (Australian Eastern Standard Time) on each Business Day.	
Minimum initial investment		
Class A	\$30,000	Section 9 of this PDS
Class X	\$20,000,000	
Minimum additional investment	\$5,000	
Minimum withdrawal	\$5,000	
Minimum investment time frame	A minimum time frame for investment of 3-5 years is suggested.	
Fund Fees		
Management Costs		
Class A	0.75% p.a.	
Class X	Class X units do not reflect the deduction of the Management Fee in the unit price. Management Fees are agreed by negotiation and charged separately.	
Buy/sell spread estimate	+0.13% for applications, and -0.13% for redemptions	
Withdrawal Fee	Nil	Section 8 of this PDS
Exit Fee	Nil	
Investment Switching Fee	Nil	
Performance Fee	Nil	
Distribution frequency	The Fund may distribute income quarterly as at 31 March, 30 September, 31 December and 30 June each year.	

5 How the Fund works

5.1 Fund structure

As Responsible Entity, Legg Mason Australia is solely responsible for the management of the Fund, which includes the day-to-day administration of the Fund and making investment decisions on behalf of the Fund. Legg Mason Australia has delegated the management of the assets of the Fund to Brandywine Global.

5.2 Location, valuation and custody of assets

The Fund is domiciled in Australia and regulated by ASIC.

There are no geographical restrictions on the locations of the Fund's investments. The Fund has exposure to global bond markets, including developed countries and emerging market countries.

RBC is the custodian of the Fund. RBC also provides administration services for the Fund pursuant to an Administrative Services Agreement. RBC does not oversee Legg Mason Australia's management of the Fund and is not responsible for protecting the rights and interests of Unit holders. Legg Mason Australia can terminate RBC's appointment as the Fund's custodian and/or administrator in the circumstances specified under respective agreements governing these relationships. These agreements include provisions that govern liability, termination, scope of the appointment and service level standards. These agreements were negotiated on an arm's length basis.

Legg Mason Australia maintains due diligence and monitoring processes in place to ensure the service providers of the Fund meet their service level obligations. This includes regular formal and informal meetings, service provider certifications and applicable regular reporting.

5.3 Classes of Units

The Responsible Entity may offer or withdraw classes of Units. Currently under this PDS two classes of Units are offered: Class "A" and Class "X". Investors will usually be issued Class A Units. Class X Units are only issued to a Wholesale Eligible Investor where the management fee arrangements are separately negotiated between the Responsible Entity and the Wholesale Eligible Investor and charged separately. Accordingly, the unit prices of Class X units do not include a deduction of the negotiated management fee. The unit prices of Class A reflect the deduction of management fees. The Responsible Entity has the ability to issue further classes of Units under separate PDSs or other offer documents from time to time.

5.3 Investment management and key people

Legg Mason Australia has appointed Brandywine Global as the investment manager of the Fund. See Section 3 for more information. The rights and obligations of Legg Mason Australia and the Investment Manager are set out in the terms of an investment management agreement ("IMA"). Legg Mason Australia believes that from an investor's perspective there are no unusual or materially onerous terms in this IMA. Some of the key provisions of the IMA that are relevant to investors include the term and scope of the appointment, restrictions on the Investment Manager, ability for the Investment Manager to charge fees and details the Investment Manager's liability. The IMA may be terminated on either party giving the other 90 days' notice or 10 days by Legg Mason Australia in certain circumstances such as a material breach by the Investment Manager. The IMA has been negotiated on an arm's length basis.

Overall, Brandywine Global's total Global Fixed Income research effort is comprised of eight portfolio managers, 13 analysts, one director of global macro research, and six traders. Firm-wide research has been organised by generalist coverage, a structure that distinguishes Brandywine Global from its competitors. It places a macroeconomic focus on identifying and concentrating investments in significantly undervalued countries and currencies.

The Global Fixed Income team is supported by the Enterprise Risk Management team functions as a separate department. The Enterprise Risk Management department interacts with the investment and trading functions on a frequent and often daily basis in supporting the efforts around market and credit risk. Enterprise Risk Management furnishes position, currency and counterparty reports and information utilised by the investment team in an effort to monitor exposures relative to limitations in the investment mandate or on a firm-wide basis. Additionally, Enterprise Risk Management works with the portfolio management teams on an ongoing basis to manage Operational Risk by working to implement independent controls, segregating responsibilities, and implementing proper policies and procedures.

The Global Credit team fits within the Global Fixed Income team. Each member of the Fund's investment team is involved in the research process. The flow of investment ideas into and out of the portfolio is multi-lateral and revolves around a "team research concept" where decisions are made by consensus amongst the Fund's three portfolio managers.

The key decision makers in relation to the Fund are:

Gerhardt (Gary) P Herbert, CFA, Portfolio Manager and Head of Global Credit

Gary joined Brandywine Global in March 2010 and has 18 years of Fixed Income experience. Previously, Gary was Managing Director, Portfolio Manager with Guggenheim Partners, LLC (2009-2010); Managing Director, Portfolio Manager with Dreman Value Management, LLC (2007-2009); Executive Director, Portfolio Manager (1999-2007) and Associate (1994-1998) with Morgan Stanley Investment Management; Analyst with Aronson + Fogler Investments (1994), and Senior Analyst with SEI Investments (1992-1994).

Brian L Kloss, JD, CPA, Portfolio Manager and Head of High Yield

Brian joined Brandywine Global in December 2009 and has 17 years of Fixed Income and distressed debt experience. Previously, Brian was co-portfolio manager at Dreman Value Management, LLC (2007-2009); High Yield analyst/trader at Gartmore Global Investments (2002-2007); High Yield and equity portfolio manager and general analyst at Penn Capital Management, Ltd. (2000-2002); an analyst with The Concord Advisory Group, Ltd. (1998-2000); and an international tax consultant with Deloitte & Touche LLP (1995-1998).

Jack P. McIntyre, CFA, Portfolio Manager

Jack is a portfolio manager for the Firm's Global Fixed Income and related strategies. He joined the Firm in 1998. Previously, he held positions as market strategist with McCarthy, Crisanti & Maffei, Inc. (1995-1998); senior fixed income analyst with Technical Data, a division of Thomson Financial Services (1992-1995); quantitative associate with Brown Brothers Harriman & Co. (1990), and investment analyst with the Public Employee Retirement Administration of Massachusetts (1987-1989). Jack is a CFA® charterholder and earned an M.B.A. in Finance from the Leonard N. Stern Graduate School of Business at New York University and a B.B.A. in Finance from the University of Massachusetts, Amherst.

Anujeet Sareen, CFA, Portfolio Manager

Anujeet is a portfolio manager for the Firm's Global Fixed Income and related strategies. Prior to joining the Firm in 2016, Anujeet was a managing director of global fixed income and a global macro strategist, as well as chair of the Currency Strategy Group at Wellington Management in Boston. Over his 22-year career at Wellington (1994-2016), he held a variety of roles while cultivating extensive fixed income and currency management experience. Anujeet is a CFA® charterholder and earned a B.A. in Computer Science from Brown University.

6 How we invest your money

6.1 What is the investment objective of the Fund?

The Fund's investment objective is to seek to generate a high and consistent level of income in all market conditions over a full market cycle with a secondary objective of capital preservation.

6.2 What is the investment philosophy of the Fund?

The Fund takes a flexible, rotational approach to global fixed income investing that targets high total return, while protecting against downside risk via duration (on a cash bond and synthetic basis), credit, and currency hedges. Brandywine Global's approach to achieving these goals is to tactically allocate across fixed income sectors globally that, in our view, offer the best combination of value and durable fundamentals. Active macroeconomic themes guide the strategy's top-down valuation framework. Once we identify attractive market segments, including country, currency, and sector, that are congruent with our macro-themes, our team then conducts rigorous bottom-up, proprietary research to inform security selection. By expanding the opportunity set and employing prudent sector and quality rotation, Brandywine Global believes the portfolio can be best positioned to navigate fluctuating market environments.

Brandywine Global's holistic and relatively concentrated approach to managing the multi-sector framework distinguishes Brandywine Global from their peers. Brandywine Global take a global, top-down, value-oriented approach to multi-sector fixed income investing. Brandywine Global also take a concentrated approach to portfolio construction, investing in select securities with what we believe to be a high margin of safety rather than replicating an index-like distribution.

6.3 What is the investment strategy of the Fund?

The Fund seeks to generate returns by investing and rotating through spread sectors that traditionally derive a large portion of their returns through coupons or income. The Fund aims to generate attractive income and preserve client capital by utilising all the levers available in a truly multi-sector approach, investing in income-generating opportunities across sectors and countries that offer attractive risk-adjusted return and provide meaningful diversification. While spread sectors are often emphasised, the fund will look to opportunities in high yielding sectors such as local currency emerging market sovereigns. Hedging tools are used to limit market risks including interest rate risk, credit risk and currency risk.

6.4 Environmental, Social and Governance Policy Statement

The Fund's first and foremost mission is to provide clients with investment strategies that meet the Fund's objective, delivering strong risk-adjusted performance, but also includes an integrated evaluation of environmental, social, and governance (ESG) factors. Brandywine Global recognise that relevant and material ESG issues can meaningfully affect investment performance, and these factors are critical components of their integrated research analysis, decision-making, and ongoing monitoring. Rather than an adjunct consideration, ESG factors are fully integrated into the investment teams' decision-making and are a central part of their research. Brandywine Global believe this holistic approach to assessing risk and opportunity enhances their investment approach.

6.5 Key assumptions and dependencies of the investment strategy

A key dependency in the Fund meeting its investment strategy is the performance of capital markets and the investment decisions of the Brandywine Global investment team.

6.6 What are the investment guidelines of the Fund?

The key investment guidelines implemented in order to control the overall risk of the Underlying Fund are as follows:

- The Fund invests at least 70 per cent of its Net Asset Value in debt securities and financial derivative instruments providing exposure to debt securities.
- The Fund employs in an actively managed strategy to invest in a combination of "Investment Grade" and High Yield Bonds. High yields are generally available from securities rated BB+ or lower by S&P or its equivalent as rated by another nationally recognised statistical rating organisation.
- The Fund may be leveraged up to 200 per cent of the Fund's Net Asset Value, with potentially all or a significant portion of such exposure being generated by short positions.

- Exceptional circumstances may include periods characterised by: (i) lack of liquidity, such that Brandywine Global alternatively seeks exposure in derivative markets; (ii) volatility whereby Brandywine Global seeks to hedge or be opportunistic while respecting the investment policies and restrictions applicable to the Fund; (iii) imperfect “**correlations**” and unanticipated market conditions.
- The Fund may invest up to 10% of its Net Asset Value in Units or shares of open-ended collective investment schemes, provided they comply with the minimum rating requirements above.
- The aggregate net short exposure to currencies other than the US dollar will not exceed 100% of the Net Asset Value, and the aggregate net long exposure to all currencies will not exceed 200% of the Net Asset Value.
- The average duration of the Fund’s investments will range between 0 and +10 years.

The Fund will not invest in securities issued by companies involved in:

- the production or distribution of cluster munitions
- the manufacture of tobacco products.

In addition to the above restrictions above, the following investment parameters will apply as follows:

Diversification:

- The Fund will generally have a maximum of 75% of the Fund in U.S. “**high yield debt**”.
- The Fund will generally have a maximum of 75% of the Fund in “Non-U.S. High Yield debt”.
- The Fund will generally have a maximum of 50% of the Fund in “**emerging market debt**”.
- Investment Grade debt may range from 0 -100% of the Fund.

In addition, the following limits will apply at time of purchase:

- Asset backed and mortgage backed securities will not exceed 25% of the Fund in aggregate.
- Convertible securities will not exceed 15% of the Fund.
- No more than 5% of the Fund shall be invested in any one non-sovereign issue at time of purchase.
- Securities of companies of any one industry will not exceed 35% of the Fund.
- No more than 15% of the Fund will be invested in Bank Loans
- The Fund may employ economic leverage via the use of derivatives. The Fund may be leveraged by the use of derivatives up to 200% of the Fund’s net asset value.

Legg Mason Australia may change the investment strategy and guidelines of the Fund at any time. If Legg Mason changes the investment strategy or guidelines it will advise Unit holders of the change.

Example of leverage on investment returns and losses

Leverage trading is often relative value in nature which involves taking long and short positions in asset markets. Relative value trading involves holding a long position in a particular stock or bond, or derivative, and hedging this position by holding a short position in another stock or bond, or derivative. Investment gains can be made where the long position rises in value more than the short position. Gains can also be made where both assets decline in value so long as the long position declines less than the short position. However, the use of leverage resulting from taking long/short positions can also generate losses.

In the simplified example provided (which excludes transaction costs, and assumes no change in the AUD/USD exchange rate), we show how the use of leverage can magnify both gains and losses using the following scenarios:

- Australian bond futures appreciate 1% relative to US bond futures; or
- Australian bond futures depreciate 1% relative to US bond futures.

First, we review the gain/loss of a \$1,000 starting investment position without leverage trading and compare the gain/losses if each bond future position is leveraged 3.5 times (350%) for gross leverage of 7 times (700%).

No leverage		
Bond futures position BEFORE appreciation/depreciation	Starting position	
Australian bond futures purchased and held long e.g. a long position in Australian 10 year government bond futures	\$1,000	
US bond futures is sold short e.g. a short position in US government 10 year bond futures	-\$1,000	
Bond futures position AFTER appreciation/depreciation	If Australian bond future appreciates 1% relative to US bond future	If Australian bond future depreciates 1% relative to US bond future
Australian bond future (long)	\$1,010	\$990
US bond future (short)	-\$1,000	-\$1,000
Gain/Loss	\$10 (gain)	-\$10 (loss)

Each bond futures position leveraged one times for gross leverage of two times		
Bond futures position BEFORE appreciation/depreciation	Starting position	
Australian bond futures purchased and held long e.g. a long position in Australian 10 year government bond futures	\$2,000	
US bond futures is sold short e.g. a short position in US government 10 year bond futures	-\$2,000	
Bond futures position AFTER appreciation/depreciation	If Australian bond future appreciates 1% relative to US bond future	If Australian bond future depreciates 1% relative to US bond future
Australian bond future (long)	\$2,020	\$1,980
US bond future (short)	-\$2,000	-\$2,000
Gain/Loss	\$20 (gain)	-\$20 (loss)

7 Risks you should consider

It is important that you understand and accept the risks before you invest. We recommend you talk to an adviser about the risks involved in investing in the Fund and how it might impact on your individual financial circumstances.

General Risks

Investment in any fund carries risks, including volatility of returns. Volatility refers to the degree to which returns may fluctuate around their long-term average. Each asset class, whether it is cash, fixed interest, property, Australian or international shares, has associated investment risks and the return achieved by each will vary accordingly. You should be aware that an investment in the Fund contains risk and neither the performance of the Fund nor the security of your investment is guaranteed by Brandywine Global or Legg Mason.

Investments in the Fund are generally subject to risks, including possible delays in the payment of withdrawal proceeds, and loss of income and capital. The following discussion of certain risk factors does not purport to be an exhaustive list or a complete explanation of all the risks involved in an investment in the Fund.

The Responsible Entity considers the risk level of the Fund to be medium to high.

7.1 What are the risks of investing in the Fund?

Investment Risk

There can be no assurance that the Fund's investment objective will be attained. Neither Brandywine Global nor Legg Mason guarantees the performance of the Fund.

The value of shares in the Fund may rise or fall, as the capital value of the securities in which the Fund invests may fluctuate. The investment income of the Fund is based on the income earned on the securities it holds, less expenses incurred. Therefore, the Fund's investment income may be expected to fluctuate in response to changes in such expenses or income. Due to their investment policies, the Fund may have highly volatile performance.

Investment Strategy Risk

This is the risk that the investment strategy of the Fund will sustain losses due to the poor performance of capital markets or poor decisions by Brandywine Global within the confines of the investment strategy. For example, the Fund may take significant, long-term positions that Brandywine Global believes are undervalued by the market. Companies in which the Fund invests may remain out of favour with the market for extended periods of time. The Fund may continue to hold, and in some cases add to, a declining position so long as Brandywine Global continues to view the market as incorrectly valuing the security. As a result, the Fund faces the risk of miss-estimation in Brandywine Global's fundamental analysis regarding the companies in which the Fund invests. The performance of the Fund may not closely correlate to specific market indices over time and may include extended periods of underperformance as compared to the broader market.

Derivatives Risk

Derivatives are financial contracts that offer access to the performance of an underlying asset and are used to implement investment strategies in the most risk efficient manner possible. The use of derivatives to hedge the risk of physical securities will involve 'basis risk', which refers to the possibility that derivatives may not move exactly in line with the physical security. Fluctuations in the price of derivatives will be reflective of movements in the underlying assets, reference rate or index to which the derivatives relate. Consequently, the derivatives should not be expected to fully hedge the risk of the physical security. Derivatives are also used as substitutes for physical securities. In doing so there is the risk that a derivative may not be a perfect substitute for the underlying security it aims to replace, and may not mirror its movements completely. Other risks associated with derivatives may include:

- Loss of value because of a sudden price move or because of the passage of time;
- Potential illiquidity of the derivative;
- The Fund being unable to meet payment obligations as they arise;
- Significant volatility in prices of the underlying asset;
- Some derivatives are leveraged and therefore may magnify or otherwise increase investment losses to the Fund;
- Legal risk which may result in loss due to the unexpected application of a law or regulation or because contracts are not legally enforceable or documented correctly; and
- Counterparty risk which is the risk that parties to derivatives contracts and other investment instruments may not perform their contractual obligations and may default when settlement is due.

Note that neither Legg Mason nor Brandywine Global guarantee that the Fund's derivatives strategy will be successful.

Investment in options, futures and swap contracts

For the purpose of hedging, efficient portfolio management, duration management, leverage and risk management the Fund may seek to protect or enhance the returns from their underlying assets by using options, futures and swap contracts.

The ability to use these techniques and instruments may be limited by market conditions and regulatory limits and there can be no assurance that the objective sought to be attained from the use of these techniques and instruments will be achieved. Participation in the options or futures markets, in swap contracts and in foreign exchange transactions involves investment risks and transaction costs to which the Fund would not be subject if they did not use these techniques and instruments. If the Investment Manager's predications of movement in the directions of the securities, foreign currency and interest rate markets are inaccurate, the adverse consequences to the Fund may leave the Fund in a less favourable position than if such techniques and instruments were not used.

Fund Risk

As with all managed funds, there are risks particular to the Fund, including that it could terminate, the fees and expenses could change, Legg Mason is replaced as the Responsible Entity or Brandywine Global is replaced as the Investment Manager. There is also a risk that investing in the Fund may give different results than investing in directly in securities because of income or capital gain accrued in the Fund and the consequence of withdrawal or investment by other investors.

Investment Selection Risk

The Investment Manager uses an investment selection process to identify investment opportunities which it believes are most likely to outperform over the medium to long term. There is a risk that these investments will not perform in line with the Investment Manager's expectations however this risk is mitigated to some extent by the knowledge, experience and processes of the Investment Manager.

Market and Interest Rate Risk

The market prices of the Fund's securities may go up or down, sometimes rapidly or unpredictably, due to market conditions, such as real or perceived adverse economic or political conditions, inflation, changes in interest rates, lack of liquidity in the bond markets or adverse investor sentiment. When market prices fall, the value of your investment will go down.

The value of fixed income securities held by the Fund will generally vary inversely with changes in interest rates and such variation may affect the value of the Fund accordingly. A rise in rates tends to have a greater impact on the prices of longer term or duration securities. While changes in interest rates may affect the value of the Fund's interest income, such changes may also positively or negatively affect the Net Asset Value of the Fund and the Fund on a daily basis.

Currency

Investors should note that the hedging strategy between the currency of the Fund and the currency exposure of the assets held is designed to reduce, but not eliminate, exchange-rate risk. There is no guarantee that the exposure of the currency in which the Fund is denominated can be fully hedged against the exposure of the asset held. The successful implementation of the hedging strategy may reduce the benefit of decreases in the value of currency of investment in relation to the base currency of the Fund.

Leverage

The Fund may be exposed to a form of economic leverage via the use of derivatives. The exposure of a leveraged portfolio to movements in the instruments and markets in which it invests can be greater than the value of the assets within a portfolio. Therefore, if a leveraged portfolio generates a positive return, the returns will be greater than the returns generated by an equivalent unleveraged portfolio. Similarly, if the investments generate a negative return, the losses will be greater than losses generated by an equivalent unleveraged portfolio.

Short Selling

In taking short positions, the Fund bears the risk of an increase in the price of an investment over which the short position is taken. Such an increase could lead to a substantial loss.

Investment in Fixed Income or Other Debt Securities

All fixed income or other debt securities have the fundamental risk that the issuer may be unable to make interest payments or repay the capital. Generally, government securities offer the lowest credit risk, which is reflected in their lower yield. Corporate debt offers a higher yield due to its higher risk. However, changes in economic and political outlook affect the value of such securities.

Asset-Backed Securities

The principal of asset-backed securities may be prepaid at any time. As a result, if such securities were purchased at a premium, a prepayment rate that is faster than expected will reduce yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect. Conversely, if the securities are purchased at a discount, prepayments faster than expected will increase yield to maturity and prepayments slower than expected will decrease it. Accelerated prepayments also reduce the certainty of the yield because the Funds must reinvest the assets at the then-current rates. Accelerated prepayments on securities purchased at a premium also impose a risk of loss of principle because the premium may not have been fully amortised at the time the principle is repaid in full.

Mortgage-backed securities

Mortgage-backed securities provide a monthly payment consisting of interest and principal payments. Additional payments may be made out of unscheduled repayments of principal resulting from the sale of the underlying property, refinancing or foreclosure, net of fees or costs that may be incurred. When market interest rates increase, the market values of mortgage-backed securities decline. At the same time, however, mortgage refinancing slows, which lengthens the effective maturities of these securities. As a result, the negative effect of the rate increase on the market value of mortgage-backed securities is usually more pronounced than it is for other types of fixed-income securities.

Investment In high yielding debt securities

Due to the volatile nature of sub-Investment Grade assets and the corresponding risk of default, there may be significant temporary capital losses and the possibility of fluctuations in the income return level of the Fund.

When economic conditions appear to be deteriorating, medium or low-rated securities may decline in value due to heightened concern over credit quality, regardless of the prevailing interest rates. Adverse economic developments can disrupt the market for low-rated securities, and severely affect the ability of issuers, to service their debt obligations or to repay their obligations upon maturity, which may lead to a higher incidence of default on such securities.

Low-rated securities also present risks based on payment expectations. If the Fund experiences unexpected net redemptions, it may be forced to sell its higher-rated securities, resulting in a decline in the overall credit quality of the Fund's investment portfolio and increasing the exposure of the Fund to the risks of low-rated securities.

Investors should carefully consider the relative risks of investing in high yield securities and understand that such securities are not generally meant for short-term investing.

Investment In emerging markets

Investments in *emerging markets* carry risks additional to those inherent in other investment, some of which are set out below.

Economic & political factors: Investments in securities of issuers located in Emerging Market Countries involve special considerations and risks, including the risks associated with high rates of inflation and interest with respect to the various economies, the limited liquidity and relatively small market capitalisation of the securities markets in Emerging Market Countries, relatively higher price volatility, large amounts of external debt and political, economic and social uncertainties, including the possible imposition of exchange controls or other foreign governmental laws or restrictions which may affect investment opportunities. In addition, with respect to certain Emerging Market Countries, there is the possibility of expropriation of assets, confiscatory taxation, political or social instability or diplomatic developments that could affect investments in those countries. Moreover, individual emerging market economies may differ favorably or unfavorably from the economies of developed nations in such respects as growth of gross national

product, rates of inflation, capital investment, resources, self-sufficiency and the balance of payments position. Certain emerging market investments may also be subject to foreign withholding taxes.

Market liquidity and volatility: The securities markets in Emerging Market Countries are substantially smaller, less liquid and more volatile than the major securities markets in the United States, Europe and Australia. A limited number of issuers in most, if not all, securities markets in Emerging Market Countries may represent a disproportionately large percentage of market capitalisation and trading volume. The combination of price volatility and the less liquid nature of securities markets in Emerging Market Countries may, in certain cases, affect the Fund's ability to acquire or dispose of securities at the price and time it wishes to do so, and consequently may have an adverse impact on the investment performance of the Fund.

Information standards: In addition to their smaller size, lesser liquidity and greater volatility, securities markets in Emerging Market Countries are less developed than the securities markets in the US and Europe with respect to disclosure, reporting and regulatory standards. There is less publicly available information about the issuers of securities in these markets than is regularly published by issuers in the United States, Europe and in Australia. Further, corporate laws regarding fiduciary responsibility and protection of stockholders may be considerably less developed than those in the United States, Europe and Australia. Emerging market issuers may not be subject to the same accounting, auditing and financial reporting standards as United States, European and Australian companies. Inflation accounting rules in some Emerging Market Countries require, for companies that keep accounting records in the local currency for both tax and accounting purposes, that certain assets and liabilities be restated on the company's balance sheet in order to reflect the high rates of inflation to which those companies are subject. Inflation accounting may indirectly generate losses or profits for certain companies in Emerging Market Countries. Thus, statements and reported earnings may differ from those of companies in other countries.

Custodial risks: As the Fund may invest in markets where custodial and/or settlement systems are not fully developed, the assets of the Fund which are traded in such markets and which have been entrusted to sub-custodians may be exposed to greater risk compared to countries with developed custodial and/or settlement systems.

Liquidity risk

Debt securities may become less liquid or illiquid after purchase, particularly during periods of market turmoil. When a fund holds illiquid investments, the fund's portfolio may become harder to value, and if the fund is forced to sell these investments to meet redemption requests or for other cash needs, the fund may suffer a loss. Neither the Responsible Entity nor the Sub-Investment Manager guarantees the liquidity of the Fund's investments.

Rated and unrated securities

Ratings of securities represent the opinions of Nationally Recognised Statistical Rating Organisations ("NRSRO") which are relative and subjective and are not absolute standards of quality. Unrated debt securities are not necessarily of lower quality than rated securities, but they may not be attractive to as many buyers. The NRSROs may change, without prior notice, their ratings on particular debt securities held by a fund, and downgrades in ratings are likely to adversely affect the price of the relevant debt securities.

Investment Grade securities may be subject to the risk of being downgraded to below Investment Grade. Lower credit quality rated securities would generally be considered to have a higher credit risk and a greater possibility of default than more highly rated securities. If the issuer defaults, or such securities cannot be realised, or perform badly, the Fund and its shareholders may suffer substantial losses. In addition, the market for securities which are rated below Investment Grade and/or have a lower credit rating generally is of lower liquidity and less active than that for higher rated securities and the Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

Operational risk

Operational risk addresses the risks of trading and back office errors that may result in a loss to the Fund. This could be the result of negligence or ineffective securities processing procedures, computer systems problems or human error.

Legal risk

This is an international investment and it is subject to the risk that laws may change in any jurisdiction where the Fund is invested or operates. There is also a risk that taxation or other applicable laws may change in Australia that may affect the operation of the Fund.

Cyber security risks

With the increased use of technologies such as the internet and other electronic media and technology to conduct business, the Responsible Entity, the Fund, as well as the Responsible Entity's service providers and their respective operations can be susceptible to operational, information security and related risks including cyber security attacks or incidents.

In general, cyber incidents can result from deliberate attacks or unintentional events, and include unauthorised access to digital systems, networks or devices (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or

sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). In addition to intentional cyber-events, unintentional cyber-events can occur, such as, for example, the inadvertent release of confidential information.

Cyber security breaches may cause disruptions and impact a business, potentially resulting in financial loss. This may impact the Fund's ability to calculate its Net Asset Value, trading and the ability of Unit holders to transact business. Cyber-attacks may violate privacy and other laws, resulting in regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs, and the loss of proprietary information. Among other potentially harmful effects, cyber-events may also result in theft, unauthorised monitoring and failures in the physical infrastructure or operating systems that support the Responsible Entity and the Responsible Entity's service providers.

The above may affect issuers of securities in which the Fund invests, counterparties, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for Fund holders) and other parties. In addition, substantial costs may be incurred in order to try to prevent any cyber incidents in the future.

mFund risk

Investing through mFund involves certain additional risks. The ASX may suspend or revoke the admission of the Class A units of the Fund on mFund. Communication and system failure affecting the mFund system may also affect your investment, or the transactions processed via mFund have not been processed correctly. Should the Fund fail to comply with the mFund admission requirements, the Class A units of the Fund may lose its settlement status through the mFund service.

7.2 How are the risks managed?

Legg Mason Australia maintains disciplined management controls with robust and independent risk management processes and compliance systems and practices.

Legg Mason Australia monitors the risk in relation to the Fund.

Brandywine Global has a dedicated Risk Management Department with independent reporting lines and responsibilities. While risk management is also part of the daily investment function, this independent department provides impartial data analysis, pricing, analytics and risk oversight to support the investment team.

8 Fees and other costs

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To find out more

If you would like to find out more or see the impact of the fees based on your own circumstances, **the Australian Securities and Investment Commission (ASIC)** website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

8.1 Fees and other costs table

This document shows fees and other costs that you may be charged. These fees and other costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole.

Taxes are set out in another part of this document.

You should read all the information about fees and other costs because it is important to understand their impact on your investment.

Class A units

Type of fee or cost	Amount
Fees when your money moves in or out of the Fund	
Establishment fee	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Termination fee	Nil
Management Costs – Class A	
The fees and costs for managing your investment	0.75% ¹ per annum of the Net Asset Value of the Fund
Estimated administration and other costs	
Costs and expenses of the Fund	These costs are included in the Management Costs for Class A units
¹ The amount of this fee can be negotiated. This fee is inclusive of GST and net of RITCs.	

Class X units

Type of fee or cost	Amount
Fees when your money moves in or out of the Fund	
Establishment fee	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Termination fee	Nil
Management Costs – Class X	
The fees and costs for managing your investment	Class X units do not reflect the deduction of the Management Fee in the unit price. Management Fees are agreed by negotiation and charged separately.
Estimated administration and other costs¹	
Costs and expenses of the Fund	0.101% per annum of the net asset value of the Fund (inclusive of GST but less any expected RITCs).
¹ These costs are charged separately to the negotiated Management Fee for Class X	

8.2 Additional explanation of fees and costs

All fees and costs are inclusive of the goods and services tax (“GST”) and take into account any expected **RITCs**.

Where fees and costs have been quoted to two decimal places, the actual fee amount may have been rounded.

8.3 Management costs

The Management Costs include the management fees and Responsible Entity fees payable to us. Out of the Management Costs we will also pay certain other costs the Constitution of the Fund otherwise gives us, as the Responsible Entity, the right to recover. These other costs include custodian fees, administration fees, audit fees cost of interposed vehicles (if any) and other expenses and costs connected with the compliance committee and the compliance plan. The Management Costs is calculated and accrued daily based on the Net Asset Value of the Fund. The accrued fees are paid in arrears from the Fund at the end of each month. The Management Costs reduce the Fund’s NAV and are reflected in the Unit price. While we choose to pay these other costs out of the Management Costs, we reserve the right to recover some or all of the expenses from the Fund.

The Management Costs do not include certain transactional and operational costs.

8.4 Estimated administration and other costs

Estimated administration and other costs include the costs and/or expenses of the Fund (including those of the Responsible Entity, the Custodian and the Administrator). Administration and Other Fund costs may also include financial institution fees, costs of Unit holders’ meetings, costs incurred by interposed vehicles (if any), costs of amending the Constitution of each Fund, costs of engaging auditors and/or other advisers, costs of promoting the Fund, costs of compliance and administrative costs generally.

8.5 Right to negotiate fees

We may enter into individual fee arrangements with “wholesale clients” (as defined in the Corporations Act) in accordance with applicable ASIC class order relief.

8.6 Transactional and operational costs

In addition to the Management costs, the Fund may incur transactional and operational costs. Such costs include:

- i) explicit costs such as brokerage, settlement and clearing costs; and
- ii) Implicit costs being an assessment of the difference between the price for acquiring an asset and the price for disposing an asset.

Transactional and operational costs incurred as a result of Unit holders coming into and going out of the Fund may be accounted for in the Buy/ Sell Spread. Other transactional and operational costs are additional costs to Unit holders that are deducted from the assets of the Fund. Such costs are recovered as they are incurred and reflected in the Unit price.

The transactional and operation costs below are calculated based on administration and other costs charged to the Fund for the 12 months to 31 December 2018. Past costs (inclusive of GST and net of RITCs) are not a reliable indicator of future costs.

Total estimated transactional and operational Costs	0.65% p.a.
Less Buy/Sell spread recovery (see Section 8.7 below)	0.03% p.a.
Estimated transactional and operational costs affecting return	0.62% p.a.

The Transactional and operational costs shown above are based on information available as at the date of issue of this PDS. Where the Responsible Entity considers any change to this estimate is not materially adverse the information may be updated on the Responsible Entity's website, www.leggmason.com.au.

Warning: Additional fees may be paid to a financial adviser if an investor consulted a financial adviser. Where an investor receives financial advice, investors should refer to their Statement of Advice or their adviser's Financial Services Guide for full details of these fees.

8.7 Buy/sell spread estimate

The buy/sell spread is an estimate of the transaction costs that are incurred in buying and selling the underlying assets of the Fund as a result of applications and redemptions. The Application Price is adjusted up by a buy spread of 0.13% and the Redemption Price is adjusted down by a sell spread of 0.13%.

The actual buy/sell spread is subject to change from time to time depending on changes to the composition of the Fund's underlying assets and exposure to various investment managers. Where transaction costs are lower or higher than the estimated buy/sell spreads listed in this PDS, the actual costs may apply.

The buy/sell spread is retained in the Fund and no portion is paid to Legg Mason Australia.

8.8 Changes to the fees and expenses

We may vary the fees specified at any time at our absolute discretion, without Unit holder consent, subject to the maximum fee amounts specified in the Constitution. If the variation is an increase, we will give you 30 days advance written notice.

The above amount is inclusive of GST after allowing an estimate for RITCS which effectively reduces the impact of GST payable in relation to certain supplies.

At the date of the PDS we do not intend to charge a contribution fee, redemption fee or performance fee nor do we intend to increase the Management Costs we charge you (which is specified in the Management Costs section of the fee table).

We are entitled to recover out of the assets of the Fund all expenses which are properly incurred for operating the Fund, provided that such reimbursement is not prohibited by the Corporations Act. Fund expenses include, amounts payable in connection with custody, compliance, legal and tax consulting fees, banking, accounting and audit.

8.9 Rebates and related payments

Legg Mason Australia may also pay other alternative forms of remuneration. Alternative remuneration is at Legg Mason Australia's expense. Information regarding alternative forms of remuneration is maintained on a register maintained by Legg Mason Australia that is available for inspection.

8.10 Taxation

Taxation information is discussed in Section 11.

8.11 mFund Settlement Service

You must use an mFund accredited and licensed broker to facilitate your transactions on mFund. Your chosen broker may charge you additional fees which are not outlined in the "Fees and Costs" section of this PDS.

Information about the Fund's NAV will be published monthly at www.asx.com.au/mfund.

8.12 Example of annual fees and costs for this investment option

This table provides an example of how fees and costs for the Legg Mason Brandywine Global Income Optimiser Fund can affect your investment over a 1-year period. You should use this table to compare this product with other managed investment products.

Example - Legg Mason Brandywine Global Income Optimiser Fund – Class A		
Balance of \$50,000 with a contribution of \$5,000 during year		
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management Costs	0.75%	And, for every \$50,000 you have in Legg Mason Brandywine Global Income Optimiser Fund you will be charged \$375 each year. ¹
EQUALS	If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year you would be charged fees of: \$375. ²	
Cost of Legg Mason Brandywine Global Income Optimiser Fund	What it costs you will depend on the Unit class you choose and the fees you negotiate.	
<p>¹You should note that this example assumes a constant investment balance of \$50,000 in Class A Units throughout the year. Management Costs will also be charged in relation to any additional contributions you make during the year and the amount you pay will depend on the proportion of the year during which the additional contributions are invested.</p> <p>² Assumes the additional \$5,000 was invested at the end of the year. If it is assumed the additional \$5,000 was invested at the beginning of the year, the Management Costs would be \$413 (\$55,000 x 0.75%). Please note this is an example only as the actual investment balance of your holding will vary on a daily basis.</p> <p>Note: This is an example. In practice, the actual investment balance of an investor will vary daily and the actual fees and expenses we charge are based on the value of the Fund, which also fluctuates daily.</p>		

Example - Legg Mason Brandywine Global Income Optimiser Fund – Class X		
Balance of \$50,000 with a contribution of \$5,000 during year		
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Other Trust Costs	0.10%	And, for every \$50,000 you have in Legg Mason Brandywine Global Income Optimiser Fund you will be charged \$50.00 each year. ¹
EQUALS	If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year you would be charged fees of: \$50.00 ²	
Cost of Legg Mason Brandywine Global Income Optimiser Fund	What it costs you will depend on the Unit class you choose and the fees you negotiate.	
<p>¹You should note that this example assumes a constant investment balance of \$50,000 in Class X Units throughout the year. Management Costs will also be charged in relation to the investment balance and any additional contributions you make during the year and the amount you pay will depend on the proportion of the year during which the additional contributions are invested. Management Costs are agreed by negotiation and charged separately for Class X units and have been omitted from this example on this basis.² Assumes the additional \$5,000 was invested at the end of the year. If it is assumed the additional \$5,000 was invested at the beginning of the year, the Other Trust Costs would be \$55.00 (\$55,000 x 0.10%). Please note this is an example only as the actual investment balance of your holding will vary on a daily basis.</p> <p>Note: This is an example. In practice, the actual investment balance of an investor will vary daily and the actual fees and expenses we charge are based on the value of the Fund, which also fluctuates daily.</p>		

9 Other information

9.1 Valuation of assets and Unit pricing

“**Entry and Exit Prices**” are based on the Net Asset Value of the Fund, the number of Units on issue and the Buy/Sell Spread, where applicable. In normal circumstances, Entry and Exit Prices will be determined for each Business Day. Legg Mason Australia may declare Entry and/or Exit Prices more or less frequently or may delay calculation in certain circumstances.

For the Fund in certain (generally infrequent) circumstances where a valuation cannot be obtained from an independent administrator or an independent valuation service provider, Legg Mason Australia can value the asset on another basis in accordance with its valuation policy, which is available upon request.

Class X units do not reflect the deduction of the Management Fee in the unit price. Management Fee are agreed by negotiation and charged separately for Class X units.

9.2 Application for and redemption of Units

An investor can acquire Units by making an application for Units. An application for Units is made by submitting an “Application Form for New Investors” or an “Application Form for Existing Investors” (Application Forms) to the Responsible Entity or by making an application through mFund (Class A units only) by placing a buy order for Units with your licensed broker.

Application requests received before 11.00 am on a Business Day will generally receive the Entry Price for that Business Day. Application requests received after 11.00 am on a Business Day will generally receive the Entry Price for the next Business Day. Legg Mason Australia reserves the right not to accept an application request.

A Unit holder can dispose of Units by making a redemption from the Fund. A redemption is made by lodging a “Redemption Form” with the Responsible Entity or by making a redemption through mFund by placing a sell order for Units with your licensed broker.

Redemption requests need to be received by the administrator, RBC, before 11.00am on a Business Day and will generally receive the Exit Price for that Business Day. Redemption requests received after 11.00am on a Business Day will generally receive the Exit Price for the next Business Day.

Your Units may be compulsorily redeemed, or a redemption request refused where you hold less, or a redemption would cause you to hold less, than the minimum holding amount (unless the redemption request relates to the balance of your holding). Legg Mason Australia may compulsorily redeem your Units if you cease to be, or cannot prove that you are, an Eligible Investor.

Investments in, and withdrawals from the Fund are subject to the following minimum investment and withdrawal amounts:

9.3 Payment of redemptions

Application and Redemptions (Withdrawals) from the Fund	The Fund is generally available for transactions on each Business Day. The deadline for receipt of an application or redemption request is 11.00am (Australian Eastern Daylight Time) on each Business Day.
Minimum initial investment	
Class A	\$30,000
Class X	\$20,000,000
Minimum additional investment	\$5,000
Minimum withdrawal	\$5,000

Redemption proceeds are typically paid within six Business Days, although the Constitution of the Fund allows us up to 21 Business Days or longer in certain circumstances. Legg Mason Australia may deduct money owed by you to Legg Mason Australia from a redemption. Proceeds from redemption will be paid in accordance with the Unit holder’s instructions or as agreed with Legg Mason Australia.

Redemption requests of more than 5% of the Units on issue in the Fund (“significant redemption”) may be treated as five separate requests, each for 1/5 of the original request received on five successive Business Days. Redemption requests of more than 10% of the number of Units on issue in the Fund over five consecutive Business Days may have the excess paid within 45 Business Days of the original request.

In some circumstances, Unit holders may not be able to redeem their Units within the usual period upon request. If the Responsible Entity determines that the Fund is not liquid, for the purposes of the Corporations Act 2001 (Cth), then you may only redeem from the Fund in accordance with the terms of a redemption offer (if any) made by the Responsible Entity in accordance with the Corporations Act. The Responsible Entity will notify Unit holders if the Responsible Entity determines that redemption rights will be suspended.

The Responsible Entity reasonably expects that it will be able to realise at least 80% of its investment in the Fund within 10 Business Days.

There is no obligation on the Responsible Entity to make a redemption offer. The Responsible Entity anticipates that the Fund will generally be liquid.

Legg Mason Australia may at any time suspend consideration of redemption requests in the Fund, or defer its obligation to pay the redemption price in respect of a redemption request it has accepted, if it is not possible or not in the best interests of the members of the Fund, for it to process redemption requests or make the payment (as applicable) due to one or more circumstances outside its control such as restricted or suspended trading or extreme price fluctuation or uncertainty in the market for an asset of the Fund.

9.4 Distributions

The Fund may distribute income at 30 September, 31 December, 31 March and can determine to make an additional distribution from time to time. At present, the Fund intends to distribute all undistributed income at 30 June each year, but the Constitution for the Fund does allow us to accumulate income where the Fund is an Attribution Managed Investment Trust or AMIT for the relevant year. A Unit holder's entitlement to distributions of income is determined based on the number of Units held at the end of the relevant distribution period. Distributions will be paid within 60 days of the end of the relevant distribution period. Unit holders who redeem Units during a distribution period will not receive a distribution of income in respect of those Units for that distribution period. The Constitution for the Fund does provide us with the power to, where Units are redeemed during a year for which the Fund is an AMIT, attribute tax components to a redeeming Unit holder in certain circumstances where the redemption constitutes a "significant redemption". Income attributable to each Class may be impacted by the total level of fees charged to the Fund. You may use the "Application Form for New Investors" to elect a distribution preference. If you an existing investor, you can change your distribution preference using the "Change of Details Form", Reinvested distributions will be taken to be issued on the next day after the end of the relevant distribution period. The Application Price for Units issued on the reinvestment of distributions will be based on the NAV of the Fund used to calculate the last Application Price for the relevant distribution period adjusted for certain income amounts.

Distributions will be paid in cash unless otherwise directed by you.

Reinvested distributions will be taken to be issued on the next day after the distribution calculation date.

9.5 The Responsible Entity and the Constitution of the Fund

The Constitution of the Fund, the Corporations Act and general legal principles govern Legg Mason Australia's responsibilities and rights as the Responsible Entity and the rights and liability of Unit holders.

Legg Mason Australia's duties include:

- acting honestly and in the best interest of Unit holders;
- to exercise the degree of care, skill and diligence that a reasonable person would exercise if they were in Legg Mason Australia's position; and
- in relation to the Fund, to treat Unit holders of the same class equally and Unit holders of different classes fairly; and to exercise care and diligence.

The terms and conditions of the Constitution of the Fund are binding on Legg Mason Australia and on the Fund Unit holders respectively. Some of the key terms and conditions of the Constitution and the relevant law include:

- the nature and entitlements of Units in the Fund;
- amendments to the Constitution of the Fund and how meetings of Unit holders can be called and operated;
- termination of the Fund and the retirement and removal of Legg Mason Australia as Responsible Entity;
- remuneration of Legg Mason Australia as Responsible Entity;
- the powers of Legg Mason Australia to make investments on behalf of the Fund;
- the considerations and powers of Legg Mason Australia in accepting applications and paying redemptions;
- the processes and procedures when the Fund is not liquid;
- the indemnity which Legg Mason Australia is owed by the Fund; and

- details of the Compliance Committee and the Compliance Plan.

The Constitution contain provisions designed to limit the liability of Unit holders so that they are not, by reason only of being Unit holders, under any personal obligation to indemnify Legg Mason Australia, or any creditor of Legg Mason Australia in the event of there being any deficiency of assets of the Fund. The law, however, in relation to liability of Unit holders is complex and to date, limitations on the liability of Unit holders have not been tested by Australian courts. Therefore, it is not possible for Legg Mason Australia to give an absolute assurance that liability of Unit holders will be limited in all circumstances. Legg Mason Australia will provide investors with a free copy of the Constitution for the Fund upon request.

9.6 Reporting

Legg Mason Australia will confirm transactions to Unit holders in the Fund and provide quarterly reporting that documents the Units issued and/or redeemed over the quarter and the balance of Units held.

Monthly and quarterly reporting that includes performance and market commentary will be made available on our website at www.leggmason.com.au.

Unit holders will be sent the respective audited accounts of the Fund and other information as required under the Corporations Act at financial year's end.

9.7 Investing via an IDPS or a Master Trust

Investors accessing the Fund indirectly through an IDPS or a Master Trust do not acquire the rights of a Unit holder. Rather, the operator of the IDPS or Master Trust acquires the Units and the rights of a Unit holder, meaning the right to receive distributions, confirmations, reports, attend meetings and make complaints. The rights of IDPS or Master Trust investors, including the taxation implications of investing, should be set out in disclosure documents issued by the IDPS or Master Trust operator.

9.8 Related party dealings

Legg Mason Australia may transact business with related parties on "arms' length" terms, whether the related party acts as agent or principal. Legg Mason Australia may delegate its functions to related parties or other third parties. Legg Mason Australia may invest in other trusts for which we are the Responsible Entity.

Subject to the Corporations Act, we and our associates may hold Units in the Fund. We are also permitted by the Constitution (subject to the Corporations Act) to:

- to deal with ourself (as Responsible Entity of the Fund or in another capacity), an associate or any Unit holder;
- have an interest in any contract or transact with ourself (as Responsible Entity of the Fund or in another capacity), an associate or any Unit holder;
- retain for our own benefit any profits or benefits derived from such contract or transaction; and
- act in the same or similar capacity in relation to any other managed investment schemes.

Any such arrangement will be based on arm's lengths terms.

As described in Section 3 the Investment Manager of the Fund are associates of Legg Mason Australia.

9.9 Anti-money laundering

Anti-money laundering laws in Australia may require Legg Mason Australia to obtain additional information to verify the identity of an investor, any underlying beneficial owner of Units in the Fund and the source of any payment.

The processing of applications or redemptions may be delayed or suspended until the requested information is provided in a satisfactory form.

9.10 Consents to quote

ASIC Regulatory Guide 55— Consent to quote

<p>Brandywine Global Investment Management, LLC</p>	<p>Brandywine Global has consented to statements about it in the form and context in which they appear (and has not withdrawn their consent before the date of this PDS).</p>
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9.11 Complaints

We have established procedures for dealing with complaints.

If you have invested via a Master Trust or Wrap Service and have a concern, you should first contact the Operator of the Master Trust or Wrap Service through which you invested in the Fund. The Operator will handle your complaint in accordance with its complaint handling procedures and may, in accordance with those procedures, refer the complaint to us.

If you have an inquiry or complaint, you can either phone us on 1800 679 541 during business hours or write to:

Attention: Complaints Officer

Legg Mason Australia

GPO Box 24011

Melbourne VIC 3001

Your written complaint will be acknowledged within five business days and we will make every effort to resolve your issues within 30 days of being notified.

If any complaint remains unresolved after 45 days or the issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority, *(AFCA). AFCA provides a fair and independent financial complaint resolution service that is free to consumers.

Website: www.afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

10 Privacy

Protecting your privacy

Your right to privacy is important to us.

Our Privacy Policy contains important information in relation to our collection, storage, use and disclosure of your personal information.

As the RE, Legg Mason may collect and use personal information to ensure compliance with:

- The requirements of ASIC, the Australian Taxation Office, the Australian Transaction Reports and Analysis Centre, ASX and other regulatory bodies, the AML/CTF Act, FATCA, CRS and the Privacy Act 1988 (Cth).

We may also disclose your personal information to:

- our service providers, related bodies corporate or other third parties for the purpose of account maintenance and administration and the production and mailing of statements, amongst other operational activities; and
- to improve customer service, and/or allow our associated organisations and selected third parties to promote their products and services to customers.

All personal information collected by Legg Mason will be collected, used, disclosed and stored by us in accordance with our Privacy Policy, a copy of which will be made available on request.

11 Tax

11.1 Tax Considerations generally applicable to the Scheme

The information set out below is a broad overview of some of the tax consequences for Australian residents of investing in the Fund. It does not take into account the specific circumstances of each Unit holder that may invest in the Fund and should not be used as the basis upon which potential Unit holders make an investment decision.

This information has been prepared based on Australian tax law and administrative and judicial interpretations of such as at the date of this PDS.

These summaries do not take into account the position of Unit holders who are assessed on their disposal of Units otherwise than under the Australian capital gains tax provisions, such as Unit holders who are in the business of trading or dealing in Units or securities.

Legg Mason Australia elected to opt into the new Attribution Managed Investment Trust (“AMIT”) tax regime, to apply from the year ended 30 June 2018. Set out below is a summary of how the AMIT regime will apply to the Fund. However, if the Fund ceases to satisfy the qualification requirements to be an AMIT, this material may not be relevant. We have also set out below some information that is relevant to the Funds irrespective of whether the AMIT regime applies or not.

The taxation implications of investing in a Fund are particular to each Unit holder’s circumstances. Legg Mason Australia recommends that you seek professional tax advice. Nothing contained in this PDS should be construed as the giving of, or be relied upon, as tax advice.

No Australian income tax should be payable by the Fund on the income of the Fund provided Unit holders become presently entitled to all of the taxable income of the Fund each financial year. Legg Mason Australia intends to take all reasonable steps to ensure that these requirements are satisfied.

11.2 Tax treatment of Schemes – AMIT

On the basis that the Fund is an AMIT for tax purposes, Australian resident Unit holders of the Fund should be taxed on the tax components of the Funds that are attributed to them each year.

The tax components of the Fund that are attributed to an Australian resident Unit holder will be disclosed in a statement, known as the “AMIT member annual statement” or “AMMA statement”, following the Funds’ financial year end of 30 June. Aside from the tax components of the Fund which are attributed to a Unit holder in respect of the relevant financial year, the AMMA statement will also state an estimate of the expected cost base adjustment to the Unit holder’s units for the relevant year.

The tax components which are attributed by the Fund to Unit holders should include the tax components of the Fund that are reflected in any distributions made by the Fund to Unit holders for the relevant year. Unit holders may also be attributed tax components where they undertake a significant redemption of units in the Fund, or where Legg Mason Australia determines that part of the taxable income of the Fund should be accumulated and not distributed. Legg Mason Australia does not currently have an intention to accumulate taxable income of the Fund.

Unit holders should be subject to the regime for cost base adjustments provided for interests in AMITs. Under this regime, Unit holders may experience an upward cost base adjustment to the extent that the taxable components attributed to them for the year exceed the amounts distributed to them for the year, or a downward cost base adjustment to the extent that the distributions made to them exceed the taxable components attributed to them. As outlined above, the AMMA statement that Unit holders are provided should provide details of Legg Mason Australia’s estimate of these cost base adjustments.

11.3 Taxable components from the Fund

We have set out below some of the tax consequences associated with certain components of the taxable income of the Funds which Unit holders may be attributed.

11.4 Capital gains

The disposal of certain investments by the Fund may give rise to capital gains for the Fund. Accordingly, the tax components that a Unit holder is attributed or distributed from the Fund may include a component of taxable capital gains, which should be included in the Unit holder’s taxable capital gains for the relevant year.

As previously discussed, the inclusion of non-assessable amounts in the distributions made by the Fund may have capital gains tax consequences for Unit holders, such as the potential for downward cost base adjustments (or even capital gains where there is insufficient cost base) for a Unit holders’ units in the Fund.

The amounts attributed to Unit holders may also include amounts that are referable to the discount capital gains concession. Irrespective of whether a Unit holder is assessed on these amounts, to the extent that these amounts are distributed by the Fund to Unit holders, no downward cost base adjustment should arise for the Unit holder in respect of these amounts.

11.5 Foreign income and tax credits

The Fund may realise assessable foreign-sourced income from their investments. Assessable foreign-sourced income components may be attributed or distributed by the Fund to Unit holders.

The Fund may also attribute or otherwise pass through foreign income tax offsets to Unit holders in respect of certain foreign taxes withheld from foreign-sourced income realised by the Fund. These should be disclosed in the AMMA statement that are provided to Unit holders following the end of the financial year (see discussed above).

11.6 Other gains

The Fund may realise other types of assessable income, for example, gains arising on certain derivatives which may be entered into by the Fund.

As the Fund's investments may be denominated in a currency other than Australian dollars, the Fund may realise foreign currency gains in certain circumstances. The tax components of the Fund that are attributed or distributed to Unit holders may include amounts that are referable to these foreign currency gains.

11.7 Foreign taxes

Foreign taxes may be imposed where a Fund's investments or dealings have some connection with a foreign jurisdiction.

For example, the United States of America has enacted rules known as the Foreign Account Tax Compliance Act (FATCA), which commenced on 1 July 2014. FATCA withholding tax at 30% may apply to certain payments of US sourced income (and certain other amounts) unless the recipient is FATCA compliant.

As Responsible Entity of the Fund, we are a Reporting Australian Financial Institution (AFI) and comply with our obligations under the FATCA Intergovernmental Agreement with the US (FATCA IGA) and Australian domestic laws. Under the FATCA Agreement, we do not report information directly to the IRS. Instead, we report to the Australian Taxation Office (ATO) and the information is made available to the IRS, in compliance with Australian privacy laws, under existing rules and safeguards in the Australia-U.S. Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income. We conduct appropriate due diligence procedures as set out in the FATCA IGA.

Provided we comply with registration, due diligence and reporting requirements in accordance with the FATCA IGA and associated Australian domestic law, and we comply with self-certification requests from other parties, the Funds will not be subject to FATCA withholding on payments made to them. We may request that you provide certain information about yourself and (where you are an entity) your controlling persons in order for the Funds to comply with their FATCA IGA obligations.

Subject to law, we may delay or refuse to accept an Application (and return any monies received with the Application without interest) where there is a delay or failure to produce the required information. Alternately we may be required to treat the Applicant, or Unit holder, as reportable to the ATO. By applying to invest in the Fund, you warrant that you, your agent, or your nominated representative will provide us with all additional information and assistance that may be requested in order to comply with our ongoing obligations under FATCA and the FATCA IGA.

In the event that we/the Fund incur any amount of withholding tax (including FATCA withholding tax) and/or penalties, neither we/the Fund will be required to compensate you for any such tax or penalties.

11.8 Disposal or redemption of Units by Unit holders

Under the capital gains tax provisions, Unit holders who redeem or otherwise dispose of their Units in the Fund may realise a capital gain or loss on the redemption or disposal. The amount of the capital gain or loss should broadly equal the excess of the consideration they receive in respect of the redemption or disposal over the cost base of their Unit.

As previously discussed, the application of the AMIT regime to the Fund means that the cost base of Units in the Fund may be adjusted for the relevant year based on the distributions received on the Units and the tax components attributed to the Unit holder in respect of the Units for the relevant year. Any such cost base adjustments that arise in respect of the financial year in which Units that are redeemed or disposed of should be taken into account in calculating the capital gain or loss which arises for Unit holders in respect of the redemption or disposal.

Unit holders may be able to claim a capital gains tax discount to reduce any net capital gain arising on the disposal or redemption of their Units if they have held their Units for 12 months or more prior to the disposal or redemption and relevant conditions are satisfied.

11.9 Tax File Number or Australian Business Number

Collection of tax file numbers (“TFN”) is authorised and the use and disclosure of TFNs are strictly regulated by the tax laws and the Privacy Act. Unit holders may, but are not required to, quote a TFN, a TFN exemption or, if your investment is made in the course or furtherance of an enterprise carried on by you, an ABN.

If a Unit holder does not provide a TFN or an ABN, withholding tax may be deducted from distributions made to the Unit holder.

11.10 GST

Unit holders should not be subject to GST on applications to or redemptions from the Fund. The Fund may incur GST in respect of various supplies that it acquires. However, a Reduced Input Tax Credit (RITC) may be available to the Fund on certain supplies.

11.11 Non-resident Investors

For any investor in a Fund who is an Australian non-resident for Australian tax purposes, Legg Mason Australia may be required to withhold Australian tax from any distributions. The applicable withholding tax rate will vary depending on the type of distribution, the non-resident investor’s country of residence and whether Australia has a double tax treaty with that country.

Under the AMIT regime, if the taxable components attributed to a foreign resident investor exceed the distributions made, then the trustee of the relevant Fund will be required to pay tax on behalf of the foreign resident investor on that excess. In this case, Legg Mason Australia may deduct amounts on account of such taxes from amounts payable to the non-resident investor, and may, if required, compulsorily redeem Units to meet these tax liabilities.

11.12 Common reporting standard

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (CRS) is a global standard for the collection, reporting and exchange of financial account information on foreign tax residents. The CRS tackles and deters cross-border tax evasion by establishing a common international standard for financial institutions to identify and report information about the financial accounts of foreign residents to their local tax authority and for tax authorities to exchange this information. Under Australian legislation implementing the CRS, banks and other financial institutions will collect and report to the ATO, financial account information of non-residents. The ATO will exchange this information with the participating foreign tax authorities of those non-residents.

The Australian CRS implementing legislation applies from 1 July 2017. The first exchange of information occurred 2018. This legislation requires certain Australian financial institutions to conduct due diligence and collect certain information from new and existing investors. We may request that you provide certain information about yourself and (where you are an entity) your controlling persons in order for us to comply with our CRS obligations.

Subject to law, we may delay or refuse to accept an Application (and return any monies received with the Application without interest) where there is a delay or failure to produce the required information. Alternately we may be required to treat the Applicant, or Unit holder, as reportable to the appropriate governmental agency(s). By applying to invest in the Fund, you warrant that you, your agent, or your nominated representative will provide us with all additional information and assistance that may be requested in order to comply with our ongoing obligations under any CRS laws.

12 How to transact

12.1 How to make an application

To invest in the Fund simply complete an “Application Form for New Investors” or an “Application for Existing Investors” (Application Forms) available on online at www.leggmason.com.au and send it to the address shown on the form. If you are not already an investor with Legg Mason Australia, you will be required to provide certain supporting documents detailed in Section 1 of the Application Form for New Investors.

Complete an Application Form and send it to:

Mail

RBC I & TS
 C/- Shareholder Services
 GPO Box 4471
 Sydney NSW 2001

Facsimile

+612 8262 5492

12.2 Non-resident investors

The Fund is only available to Australian residents receiving this PDS in Australia.

12.3 mFund applications

Please note, a buy or sell order (“order”) for settlement through mFund received prior to 11:00am on a Business Day by your licensed broker will likely be given the same date value, but this is not guaranteed.

Any order or instruction received prior to our cut-off times will generally be processed at the Unit price for that Business Day. Where an order or instruction is received after our cut-off times, it will generally be processed at the Unit price for the following Business Day.

Your confirmation statement will be sent when your instruction is processed or the transaction settles through CHESS. Please contact your broker or Legg Mason Australia if you have not received your statement.

If you invest via mFund, your broker will complete your identification requirements. Please contact your broker to effect any changes to these details.

The broker will transmit the updated information via CHESS or in certain situations to us, where necessary.

Your broker will complete any required Anti-Money Laundering and Counter-Terrorism Financing paperwork.

Funds on the mFund Settlement Service (“mFund”) are not traded on an exchange and investors will not trade Units with other investors on the market.

12.4 Application form

The Application Forms for both new and existing clients can be obtained by contacting Legg Mason Australia; and are also available online at www.leggmason.com.au

In the case of joint applications, all applicants must sign. Applications lodged by companies must be signed in accordance with their constitution. Applications by trustees must be made in the name of, and signed by, the trustees. If an applicant wishes to specify individuals who have authority to act on their behalf in relation to their investment, they may do so by completing the “Additional Authorised Signatories” section.

12.5 If application is made by cheque

Forward the cheque to:

Urgent Delivery Prior To 11.00 am
 RBC Investor & Treasury Services
 C/- Shareholder Services
 GPO Box 4471
 Sydney NSW 2001

Reference	Cheque payable to
Investor Name	“Legg Mason Asset Mgt Aust Ltd Application Account”

12.6 If application is made by Electronic Funds Transfer (Real Time Gross Settlement)

Applications made by Electronic Funds Transfer must be sent by Real Time Gross Settlement. Applications received through Electronic Funds Transfer are subject to confirmation (to Legg Mason Australia) of receipt of funds (from the Custodian), which is subject to a minimum 24 hour delay. Legg Mason Australia may exercise discretion to issue Units prior to receiving confirmation of funds from the Custodian.

Electronic Funds Transfer details via Real Time Gross Settlement are:

Bank name: ANZ Bank

Legg Mason Asset Mgt Aust Ltd Application Account

BIC No: ANZBAU3M

BSB 012 003

Account Number: 8366 25641

12.7 Sending instructions by facsimile

Applicants providing authorised instructions by facsimile are subject to the following terms and conditions:

- Legg Mason Australia will accept applications, redemptions or instructions to change the applicant's details (including Additional Authorised Signatories details, bank account details and reinvestment requests) by facsimile;
- Legg Mason Australia has absolute discretion in determining whether or not to follow instructions received by facsimile; and
- The applicant will release and indemnify Legg Mason Australia from any and all responsibility for any and all costs, claims, losses or liabilities of any nature (both Australia from any and all responsibility for any and all costs, claims, losses or liabilities of any nature (both direct and indirect) resulting from any act or omission of action relating to use of the facsimile facility.

12.8 Reporting

Legg Mason Australia will confirm transactions to Unit holders in the Fund and provide monthly and quarterly reporting that documents the Units issued and/or redeemed over the quarter and the balance of Units held. Monthly and quarterly reporting that includes performance and market commentary will be made available on our website. Audited accounts for the Fund will also be made available on our website at www.leggmason.com.au. Unit holders may also request to receive copies of the accounts by mail. Unit holders will receive other information as required under the Corporations Act for each financial year.

12.9 Applicant verification

Pursuant to the Australian Anti-Money Laundering and Counter Terrorism Financing Legislation, Legg Mason Australia must establish and enforce suitable risk control procedures and identification and verification procedures. These procedures require applicants to provide satisfactory proof of identity as detailed in Section 1 of the Application Form for New Investors. These documents must be verified by Legg Mason Australia before any application for Units can be processed. These procedures may require us from time to time to re-verify that information or request additional information. Legg Mason Australia accepts no liability for any loss an applicant may incur, of whatsoever nature that may arise in the application of these identification and verification procedures.

12.10 Investing via a Master Trust or Wrap Service

Investors accessing the Trusts indirectly through a Master Trust or Wrap Service do not acquire the rights of a Unit holder. Rather, the operator acquires the Units and the rights of a Unit holder, meaning that the right to receive distributions, confirmations, reports, attend meetings and make complaints. The rights of Master Trust or Wrap Service investors, including the taxation implications of investing, should be set out in disclosure documents issued by the Master Trust or Wrap Service operator.

12.11 Redemption Form

Complete the Redemption Form and send it to:

Mail

RBC I&TS
C-/ Shareholder Services
GPO Box 4471
Sydney NSW 2001

Facsimile

+612 8262 5492

The Redemption Form can be obtained by contacting Legg Mason Australia or online at www.leggmason.com.au.

In the case of joint redemptions, all Unit holders must sign. Redemptions lodged by companies must be signed in accordance with their constitution. Redemptions by trustees must be made in the name of, and signed by, the trustees. If a Unit holder wishes to specify individuals who have authority to act on their behalf in relation to their investment, they may do so by completing the "Additional Authorised Signatories" section.

12.12 Anti-money laundering

Anti-money laundering laws in Australia may require Legg Mason Australia to obtain additional information to verify the identity of an investor, any underlying beneficial owner of Units in the Fund and the source of any payment. The processing of applications or redemptions may be delayed or suspended until the requested information is provided in a satisfactory form.

12.13 Conflicts of interest and related party transactions

Subject to the Corporations Act, we and our associates may hold Units in the Fund. We are also permitted by the Constitution (subject to the Corporations Act), to deal with ourselves (as Responsible Entity / trustee of the Fund or in another capacity), an associate or any Unit holder; have an interest in any contract or transaction with ourselves (as Responsible Entity / trustee of the Fund or in another capacity), an associate or any Unit holder and retain for our own benefit any profits or benefits derived from such contract or transaction and act in the same or similar capacity in relation to any other managed investment schemes. Any such arrangement will be based on arms length terms.

From time to time Legg Mason Australia may encounter conflicts in respect of its duties to Unit holders and to its own interests. Legg Mason Australia recognises it has an overriding duty to act in the best interests of Unit holders and will resolve any conflicts fair and reasonably in accordance with the law, ASIC and Legg Mason Australia's own policies.

12.14 Cooling off rights

If you are a "retail investor" after you invest in the Fund you have a period of 14 days (the cooling-off period) during which you can cancel the investment and have your funds repaid to you. The entire value of your investment may not be repaid depending on the impact of market movements, taxes, management fees, transaction costs etc. during the time you are invested in the Fund. The right to cool off does not apply to you if you invest in a Master Trust or Wrap Service as you do not acquire the rights of a Unit holder in the Fund. If you have any questions about cooling off rights, please contact your financial planner or us on 1800 679 541.

12.15 Contact us

Please contact Legg Mason:

Freecall

1800 679 541

Mail

Legg Mason Australia
PO Box 24011
Melbourne VIC 3001

Website

www.leggmason.com.au

Email:

auclientadmin@leggmason.com

13 Glossary of important terms

Benchmark Agnostic

An investment style that does not require a fund or portfolio manager to adhere to a specific benchmark. That means they can access a wider and more diverse set of opportunities. By carefully choosing which risks to take and which risks to avoid, Brandywine Global focus on finding what they believe to be the best source of risk-adjusted return, regardless of how a benchmark is constructed.

Business Cycle

Business Cycle means the recurring and fluctuating levels of economic activity, including expansion and contraction, that an economy experiences over a long period of time. Business Cycles, and the phases within them, may be irregular, varying in frequency, magnitude and duration.

Corporations Act

The Corporations Act 2001 (Cth) (the principle legislation regulating companies in Australia at a federal and interstate level), as amended from time to time.

Correlation

A statistic that measures the degree to which two securities move in relation to each other.

Derivative

A financial contract that derives its value from an underlying security, liability or index. Derivatives come in many varieties, including futures, options and swaps.

Duration

Duration is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Bond prices are said to have an inverse relationship with interest rates. Therefore, rising interest rates indicate bond prices are likely to fall, while declining interest rates indicate bond prices are likely to rise.

Emerging Market Debt

Emerging markets are defined as markets with a local currency long-term debt rating below A- (or the equivalent) assigned by all NRSROs that provide such a rating. This calculation will include emerging market bonds as well as currency forwards that create long emerging market currency exposure.

Entry Price and Exit Price

The entry and exit price is determined in accordance with the Constitution. The entry price and the exit price on a business day are, in general terms, equal to the product of the Net Asset Value of the Fund divided by the number of Units on issue and:

- For the Entry Price, adjusted up for transaction costs (the buy spread); and
- For the Exit price, adjusted down for transaction costs (the sell spread).

Economic Leverage

Economic Leverage is the use of various financial instruments to increase the potential return of an investment. The exposure of a leveraged portfolio to movements in the instruments and markets in which it invests can be greater than the value of the assets within a portfolio. Therefore, if a leveraged portfolio generates a positive return, the returns will be greater than the returns generated by an equivalent unleveraged portfolio. Similarly, if the investments generate a negative return, the losses will be greater than losses generated by an equivalent unleveraged portfolio.

Financial Leverage

Financial Leverage is the use of borrowed capital to increase the potential return of an investment.

High Yield Debt

High Yield Debt consists of investments with below investment grade ratings (below BBB- or the equivalent) assigned by at least one NRSRO that provides such a rating, or if unrated, deemed to be of comparable quality. NRSRO means one of the following Nationally Recognised Statistical Rating Organisations: Standard & Poor's Ratings Services, Moody's Investor Service, Inc., and Fitch, Inc.

IDPS

Investor Directed Portfolio Services (IDPS) are custodial, transactional and consolidated reporting services, which are often referred to as master funds, master trusts or wrap services. An IDPS allows you to manage and retain control of your investment portfolio, plus have access to a range of different investments through one service provider, with the advantage of consolidated tax, transaction and performance reporting.

Investment Grade

Investment Grade in reference to a security means that the security has a rating of BBB- or higher from S&P or Baa3 or higher from Moody's or the equivalent or higher from another NRSRO.

mFund

mFund is an unlisted managed fund admitted for settlement under the ASX Operating Rules and available to investors through the mFund Settlement Service.

Net Asset Value

Net Asset Value is often abbreviated to NAV. It is calculated by subtracting the total value of a company's balance sheet liabilities (amounts it owes) from its assets. The Net Asset Value per Unit is calculated by dividing the Net Asset Value by the total number of Units in issue.

Notionals

Notional value is the total value of a leveraged position's assets. This term is commonly used in the options, futures and currency markets because of leverage, where in a small amount of invested money can control a large position in the markets.

Personal information

The nature of information collected and maintained by Legg Mason Australia generally comprises name, address, telephone number, other identifying information and certain personal financial details.

Responsible Entity

A licensed entity or body that operates a managed investment scheme.

Retail investor

A retail investor is an investor that does not satisfy one of the requirements to be classified as a wholesale investor, as defined under Sections 761G of the Corporations Act 2001, which can be found at <https://www.legislation.gov.au>.

Unit

When you invest in a managed fund, you are allocated a number of units in the Fund. Each unit represents an equal portion of the Fund's value. If the assets held by the fund go up, the unit price also rises. The value of each unit in the fund is determined by the Net Asset Value.