

Annual Report

Legg Mason Alternative Funds ICAV

An Irish collective asset-management vehicle with variable capital having registration number C139549 and established as an umbrella fund with segregated liability between sub-funds

For the year ended 30 June 2018

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General Information

Board of Directors*

Brian Collins (Ireland) (Independent)
 Fionnuala Doris (Ireland) (Independent)
 Joseph Keane (Ireland) (Independent)
 Joseph Carrier (U.S.)
 Joseph LaRocque (U.S.)
 Jane Trust (U.S.)

Registered Office of the ICAV

Arthur Cox
 Ten Earlsfort Terrace
 Dublin 2, Ireland

Promoter and Investment Manager

Legg Mason Investments (Europe) Limited
 201 Bishopsgate,
 London EC2M 3AB
 United Kingdom

Sub-Investment Manager

EnTrustPermal Ltd.
 12 St. James's Square
 London SW1Y 4LB
 United Kingdom

Independent Auditors

PricewaterhouseCoopers
 Chartered Accountants & Registered Auditors
 One Spencer Dock
 North Wall Quay
 Dublin 1, Ireland

Distributors and Shareholder Servicing Agents

Legg Mason Investor Services, LLC
 100 International Drive
 Baltimore, Maryland 21202
 U.S.A.

Legg Mason Investments (Europe) Limited
 201 Bishopsgate
 London EC2M 3AB
 United Kingdom

Legg Mason Asset Management Hong Kong Limited
 12/F, York House
 15 Queen's Road Central
 Hong Kong

Legg Mason Asset Management Singapore Pte. Limited
 1 George Street, # 23-02
 Singapore 049145

Administrator

State Street Fund Services (Ireland)
 Limited
 78 Sir John Rogerson's Quay
 Dublin 2, Ireland

Secretary

Bradwell Limited
 Arthur Cox Building
 Earlsfort Terrace
 Dublin 2, Ireland

Irish Legal Adviser

Arthur Cox
 Ten Earlsfort Terrace
 D02 T380
 Dublin 2, Ireland

Depositary

State Street Custodial Services (Ireland)
 Limited
 78 Sir John Rogerson's Quay
 Dublin 2, Ireland

Swiss Representative**

First Independent Fund Services Ltd
 Klausstrasse 33
 CH-8008 Zurich
 Switzerland

Swiss Paying Agent

NPB New Private Bank Ltd
 Limmatquai 1/am Bellevue
 CH-8024 Zurich
 Switzerland

* All of the Directors are non-executive Directors.

** The Prospectus, the instrument of incorporation, the KIID, the annual and semi-annual reports of the Fund may be obtained free of charge from the Swiss Representative. In respect of the Shares distributed in and from Switzerland to Qualified Investors, the place of performance and the place of jurisdiction is at the registered office of the Swiss Representative.

Directors' Report

The Directors submit their report together with the audited financial statements for the financial year ended 30 June 2018.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the ICAV's financial statements in accordance with Reporting Standard FRS 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102"), with the Irish Collective-Asset Management Vehicle Act 2015 ("the ICAV Act 2015") and The Central Bank (Supervision And Enforcement) Act 2013 (Section 48(1) the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations, 2011 (as amended), and under The Central Bank (Supervision And Enforcement) Act 2013 (Section 48(1) (Undertakings For Collective Investment in Transferable Securities) Regulations 2015) (together the "UCITS Regulations")

The ICAV Act requires the Directors to prepare financial statements for each financial period which give a true and fair view of the assets and liabilities and financial position of the ICAV and of the profit or loss of the ICAV for that period and otherwise comply with the ICAV Act. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with FRS 102 and ensure that they contain the additional information required by the ICAV Act; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the ICAV will continue in business.

The Directors are responsible for ensuring the maintenance of adequate accounting records which correctly explain and record the transactions of the ICAV, enable at any time the assets, liabilities, financial position and profit or loss of the ICAV to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors report comply with the ICAV Act and enable the financial statements to be audited in accordance with FRS 102, the ICAV Act and the UCITS Regulations. The Directors believe that they have complied with the requirement with regard to adequate accounting records by employing an experienced Administrator with appropriate expertise and adequate resources to prepare the financial statements. The Directors are responsible for safeguarding the assets of the ICAV. In this regard they have entrusted the assets of the ICAV to the Depositary who has been appointed as Depositary to the ICAV pursuant to the terms of a Depositary Agreement in accordance with the requirements of the UCITS Regulations. The Directors have a general responsibility for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

The Directors ensure compliance with the ICAV's obligation to maintain adequate accounting records by appointing competent persons to be responsible for them. The accounting records are kept by State Street Fund Services (Ireland) Limited, at 78 Sir John Rogerson's Quay, Dublin 2, Ireland.

The Directors are responsible for the maintenance and integrity of the corporate and financial information of the ICAV included on the website of Legg Mason affiliates that distribute the Fund. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Relevant Audit Information

So far as the Directors are aware, there is no relevant audit information of which the ICAV's auditors are unaware and the Directors have taken all the steps that should have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the ICAV's auditors are aware of that information.

Corporate Governance Code

The Board has adopted the voluntary Irish Funds ("IF") Corporate Governance Code (the "Code") for Irish Domiciled Collective Investment Schemes and Management Companies. The Board has reviewed and assessed the measures included in the Code and considers its corporate governance practices and procedures since the adoption of the Code as consistent therewith.

Employees

The ICAV had no employees during the financial year ended 30 June 2018 or 30 June 2017.

Directors

The Directors appointed on formation and who held office at any time during the year are detailed below:

Brian Collins*
Fionnuala Doris*
Joseph Keane*
Joseph Carrier
Joseph LaRocque
Jane Trust

Nationality
Irish
Irish
Irish
American
American
American

As the day to day management and running of the ICAV has been delegated to the Investment Manager, Depositary and Administrator, all of the Directors of the ICAV are non-executive.

* Independent Directors

Directors' and Secretary's Interests in Shares and Contracts

All Directors and the ICAV secretary who held office at 30 June 2018 had no interest in the share capital of the ICAV or associated group companies. The Directors are not aware of any contracts or arrangements of any significance in relation to the business of the ICAV in which the Directors had any interest.

Investment Objective and Investment Policy for EnTrustPermal Alternative Income Strategy (the "Fund")

The Fund's investment objective is to seek total return comprised of capital appreciation and income. The Fund is a multi-manager, multi-strategy fund that seeks to achieve its investment objective by allocating its assets to a select group of discretionary sub-investment advisers ("Sub-Advisers") that employ a variety of investment strategies. In seeking to meet its investment goal, the Fund implements a tactical asset allocation program by investing in a number of alternative investment strategies (each an "Investment Strategy" and collectively the "Investment Strategies") which is overseen by the Fund's Sub-Investment Manager, EnTrustPermal Ltd. ("PIMSL"). PIMSL is responsible for selecting the Investment Strategies in which the Fund invests, identifying and retaining Sub-Advisers with expertise in the selected Investment Strategies, determining the proportion of the Fund's assets to allocate to each Sub-Adviser and Investment Strategy and monitoring the services provided by the Sub-Advisers. PIMSL seeks to reduce risk and volatility in the Fund through diversification of the Fund's exposure to multiple Sub-Advisers and Investment Strategies. Based on PIMSL's on-going evaluation of the Sub-Advisers and the macroeconomic environment, PIMSL may adjust allocations to Investment Strategies and/or Sub-Advisers accordingly or make decisions with respect to the termination or replacement of Sub-Advisers. In certain limited circumstances PIMSL may manage a portion of the assets themselves. In pursuing the Investment Strategies, the Fund may invest only in the investment techniques and instruments, including financial derivative instruments ("FDI") and currency hedging strategies, and securities.

Key Performance Indicators

Key performance indicators monitored for the Fund include: the month to month movement in the Net Asset Value ("NAV") per share; the share capital movements; and the log of any errors, or breaches in investment restrictions.

Distributions to Holders of Redeemable Participating Shares

The distributions to holders of Redeemable Participating Shares for the year ended 30 June 2018 are set out in the Statement of Comprehensive Income.

Connected Party Transactions

Regulation 41(1) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferrable Securities) Regulations 2015 ("Central Bank Regulations") states that "a responsible person shall ensure that any transaction between the UCITS Regulations and a connected person is conducted (a) at arm's length; and (b) in the best interest of the unit-holders of the UCITS".

As required under UCITS Regulation 78(4) of the Central Bank Regulations, the Directors are satisfied that there are in place arrangements, evidenced by written procedures, to ensure that the obligations that are prescribed by Regulation 41(1) are applied to all transactions with a connected party; and all transactions with connected parties that were entered into during the period to which the report relates complied with the obligations that are prescribed by Regulation 41(1).

Review of Business and Future Development

The business of the ICAV is reviewed in detail in the Investment Manager's Report on page 6. The ICAV intends to continue promoting and generating interest in its business in the future.

The NAV per share of the Fund is set out in the Statement of Financial Position on page 16. The Fund commenced operations on 25 August 2015.

Principal Risk and Uncertainties

The information required in relation to the use by the Fund of financial instruments and the financial risk management objectives and policies of the Fund and the exposure of the Fund to market risk, liquidity risk and credit risk are outlined in Note 14 to these financial statements.

Directors Fees

The Director fees during the year ended 30 June 2018 amounted to US\$28,269 (year ended 30 June 2017: US\$10,723).

Soft Commissions

The total value of soft commission arrangements entered into on behalf of the Fund for the year ended 30 June 2018 is US\$23,125 (year ended 30 June 2017: US\$33,188). Subsequent to year end US\$13,792.11 was reimbursed to the LMAF ICAV to cover the portion of soft commissions that occurred during the 1 January 2018 through 30 June 2018 period.

Directors' Report – *(continued)*

Risk Management Objectives and Policies

The main risks arising from the ICAV's financial instruments are market price, interest rate, foreign currency, liquidity and credit risk. For further information on risk management objectives and policies, please see Note 14 of these financial statements and the Prospectus and Supplements of the ICAV.

Significant Events

The significant events during the financial year are detailed in Note 16.

Subsequent Events

Significant events subsequent to the financial year end are detailed in Note 18.

Independent auditors

PricewaterhouseCoopers have expressed their willingness to continue in office in accordance with Section 125(1) of the ICAV Act 2015.

On behalf of the Directors of the ICAV

Fionnuala Doris
Director
Date: 12 October 2018

Joseph Keane
Director

Depository's Report

We have enquired into the conduct of Legg Mason Alternative Funds ICAV (the "ICAV") for the year ended 30 June 2018, in our capacity as Depository to the ICAV.

This report including the opinion has been prepared for and solely for the shareholders in the ICAV as a body, in accordance with Part 5 of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended, ('the UCITS Regulations'), and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Responsibilities of the Depository

Our duties and responsibilities are outlined in Part 5 of the UCITS Regulations. One of those duties is to enquire into the conduct of the ICAV in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the ICAV has been managed in that period in accordance with the provisions of the ICAV's Instrument of Incorporation and the UCITS Regulations. It is the overall responsibility of the ICAV to comply with these provisions. If the ICAV has not so complied, we as Depository must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Depository Opinion

The Depository conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in Part 5 of the UCITS Regulations and to ensure that, in all material respects, the ICAV has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the ICAV's constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the ICAV has been managed during the period, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the ICAV by the Instrument of Incorporation, the UCITS Regulations and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 ('the Central Bank UCITS Regulations'); and

(ii) otherwise in accordance with the provisions of the Instrument of Incorporation, the UCITS Regulations and the Central Bank UCITS Regulations.

State Street Custodial Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin 2
Ireland
Date: 12 October 2018

Investment Manager's Report

Market review for EnTrustPermal Alternative Income Strategy

Global Economic Review

The global economy continued to expand during the twelve months ended 30 June 2018. In its April 2018 *World Economic Outlook Update*, the International Monetary Fund ("IMF")ⁱ said, "World growth strengthened in 2017 to 3.8 percent, with a notable rebound in global trade. It was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters. Global growth is expected to tick up to 3.9 percent this year and next, supported by strong momentum, favorable market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States." From a regional perspective, the IMF projects 2018 growth in the U.S. will improve from 2.3% in 2017 to 2.9% in 2018. Growth in the eurozone is forecasted to be 2.4% in 2018, versus 2.3% in 2017. Japan's economy is expected to expand 1.2% in 2018, compared to 1.7% in 2017. Elsewhere, the IMF projects that overall growth in emerging market countries will accelerate to 4.9% in 2018, versus 4.8% in 2017.

Market Review – Fixed Incomeⁱⁱ

Global fixed income markets generated weak results overall during the reporting period. In the U.S., short-term Treasury yields moved higher as the U.S. Federal Reserve Board (the "Fed")ⁱⁱⁱ raised interest rates^{iv} in December 2017, March 2018 and June 2018. The Fed currently anticipates raising rates two additional times before the end of 2018. Longer-term Treasury yields also moved higher, albeit to a lesser extent. Longer-term sovereign yields in Europe fluctuated, but remained relatively low over the reporting period. Meanwhile, investment-grade^v corporate bonds^{vi} modestly declined, whereas lower-rated corporate bonds posted small gains. Elsewhere, emerging market^{vii} debt performed poorly given concerns over a global trade war and signs that global economic growth was moderating. The asset^{viii} class was also negatively impacted by a strengthening U.S. dollar during the second half of the reporting period.

Market Review – Global Equities^{ix}

After a strong start to the twelve months ended 30 June 2018, global equities gave back a portion of their gains as the period progressed. Equities initially rallied given signs of synchronized global growth, corporate profits that often-exceeded expectations and overall accommodative monetary policy. In the U.S., there were also hopes that the December 2017 tax reform bill would lead to improving growth and rising corporate profits. Against this backdrop, investor demand was generally robust. However, global equities later weakened amid fears of a global trade war, signs of slowing growth and a number of geopolitical issues. From a regional perspective, U.S. equities were the performance leaders – posting a double-digit gain – while non-U.S. developed and emerging market equities generated more modest returns.

Yours sincerely,

Legg Mason Investments (Europe) Limited

It should be noted that the value of investments and the income from them may go down as well as up. Investment involves risks, including the possible loss of the amount invested. Past performance is not a reliable indicator of future results.

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- ⁱ International Monetary Fund ("IMF") – is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.
- ⁱⁱ Fixed income – bonds.
- ⁱⁱⁱ Federal Reserve Board (the "Fed") – is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- ^{iv} Interest rates – rates charged or paid for the use of money.
- ^v Investment grade – a credit rating that means a government or corporate bond has a relatively low risk of default.
- ^{vi} Corporate bond – a bond issued by a corporation to raise money effectively in order to expand its business.
- ^{vii} Emerging markets – in investment terms, countries whose financial markets are less developed and where investor protection and market infrastructure is often weaker than in developed markets such as the UK.
- ^{viii} Asset – a financial instrument that is typically held in stocks, share or bond form. An owner of an asset usually holds it with an intention of receiving future returns.
- ^{ix} Equity – ownership interest in a corporation in the form of common stock or preferred stock.

Independent Auditors' Report

Independent auditors' report to the shareholders of Legg Mason Alternative Funds ICAV

Report on the audit of the financial statements

Opinion

In our opinion, Legg Mason Alternative Funds ICAV's financial statements:

- give a true and fair view of the ICAV's assets, liabilities and financial position as at 30 June 2018 and of its results for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- have been properly prepared in accordance with the requirements of the Irish Collective Asset-management Vehicles Act 2015 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

We have audited the financial statements, included within the Annual Report, which comprise:

- the Statement of Financial Position as at 30 June 2018;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares for the year then ended;
- the Portfolio of Investments as at 30 June 2018; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the ICAV in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the ICAV's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the ICAV's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other

information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Irish Collective Asset-management Vehicles Act 2015 requires us to also report the opinion as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 June 2018 is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ICAV's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the ICAV or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the ICAV's shareholders as a body in accordance with section 120 of the Irish Collective Asset-management Vehicles Act 2015 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Irish Collective Asset-management Vehicles Act 2015 exception reporting

Directors' remuneration

Under the Irish Collective Asset-management Vehicles Act 2015 we are required to report to you if, in our opinion, the disclosures of directors' remuneration specified by section 117 of that Act have not been made. We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
12 October 2018

EnTrustPermal Alternative Income Strategy

Portfolio of Investments

| Face Value | Value (000's) US\$ | % of NAV |
|---|--------------------|----------|
| Transferable Securities — 73.35% | | |
| Bonds — 63.23% | | |
| Argentina — 2.21% (2017: 1.47%) | | |
| 525 Argentine Republic Government International Bond 5.625% due 26/01/22 | 491 | 0.09 |
| 1,125 Argentine Republic Government International Bond 7.625% due 22/04/46 | 908 | 0.17 |
| 1,900 Capex SA 6.875% due 15/05/24 | 1,694 | 0.32 |
| 2,625 Cia Latinoamericana de Infraestructura & Servicios SA 9.500% due 20/07/23 | 2,130 | 0.41 |
| 2,200 Mastellone Hermanos SA 12.625% due 03/07/21 | 2,333 | 0.44 |
| 1,700 Rio Energy SA 6.875% due 01/02/25 | 1,411 | 0.27 |
| 350 Transportadora de Gas del Sur SA 6.750% due 02/05/25 | 320 | 0.06 |
| 1,175 YPF SA 7.000% due 15/12/47 | 887 | 0.17 |
| 1,500 YPF SA 8.750% due 04/04/24 | 1,478 | 0.28 |
| | 11,652 | 2.21 |
| Austria — 0.08% (2017: 0.57%) | | |
| 400 Raiffeisen Bank International AG 4.500% due 31/12/99^ | 398 | 0.08 |
| Belgium — 0.15% (2017: Nil) | | |
| 800 Belfius Bank SA 3.625% due 31/12/99^ | 798 | 0.15 |
| Belize — 0.19% (2017: Nil) | | |
| 1,650 Belize Government International Bond 4.938% due 20/02/34 | 978 | 0.19 |
| Bermuda — 1.17% (2017: 0.36%) | | |
| 1,700 Cosan Ltd 5.950% due 20/09/24 | 1,586 | 0.30 |
| 1,925 Digicel Group Ltd 7.125% due 01/04/22 | 1,266 | 0.24 |
| 1,775 Digicel Group Ltd 8.250% due 30/09/20 | 1,340 | 0.25 |
| 2,070 Geopark Ltd 6.500% due 21/09/24 | 1,986 | 0.38 |
| | 6,178 | 1.17 |
| Brazil — 0.93% (2017: Nil) | | |
| 450 Banco do Brasil SA 4.875% due 19/04/23 | 431 | 0.08 |
| 725 Cemig Geracao e Transmissao SA 9.250% due 05/12/24 | 737 | 0.14 |
| 3,750 Itau Unibanco Holding SA Island 6.125% due 31/12/99^ | 3,506 | 0.67 |
| 225 Light Servicos de Eletricidade SA 7.250% due 03/05/23 | 212 | 0.04 |
| | 4,886 | 0.93 |
| Canada — 4.00% (2017: 1.18%) | | |
| 1,230 Canacol Energy Ltd 7.250% due 03/05/25 | 1,187 | 0.23 |
| 1,561 Entertainment One Ltd 6.875% due 15/12/22 | 2,153 | 0.41 |
| 1,250 First Quantum Minerals Ltd 6.875% due 01/03/26 | 1,197 | 0.23 |
| 4,340 First Quantum Minerals Ltd 7.500% due 01/04/25 | 4,283 | 0.81 |
| 725 Frontera Energy Corp 9.700% due 25/06/23 | 719 | 0.14 |
| 1,925 St Marys Cement Inc Canada 5.750% due 28/01/27 | 1,855 | 0.35 |
| 3,198 Teck Resources Ltd 5.200% due 01/03/42 | 2,802 | 0.53 |
| 2,922 Teck Resources Ltd 5.400% due 01/02/43 | 2,615 | 0.50 |
| 1,000 Valeant Pharmaceuticals International Inc 6.125% due 15/04/25 | 921 | 0.18 |
| 3,160 Valeant Pharmaceuticals International Inc 9.000% due 15/12/25 | 3,279 | 0.62 |
| | 21,011 | 4.00 |
| Cayman Islands — 3.04% (2017: 3.60%) | | |
| 4,287 Ambac LSNI LLC 7.337% due 12/02/23 | 4,352 | 0.83 |
| 3,456 Arbor Realty 4.959% due 15/06/28^ | 3,460 | 0.66 |
| 1,500 Carlyle Global Market Strategies CLO 2016-1 Ltd 9.959% due 20/04/27 | 1,496 | 0.28 |
| 525 China Overseas Finance Cayman VI Ltd 5.950% due 08/05/24 | 564 | 0.11 |
| 550 Gran Tierra Energy International Holdings Ltd 6.250% due 15/02/25 | 516 | 0.10 |
| 1,600 Grupo Aval Ltd 4.750% due 26/09/22 | 1,586 | 0.30 |
| 500 Octagon Investment Partners 24 Ltd 6.921% due 21/05/27 | 491 | 0.09 |
| 10 Odebrecht Finance Ltd 4.375% due 25/04/25 | 3 | — |
| 218 Odebrecht Finance Ltd 5.250% due 27/06/29 | 74 | 0.01 |
| 10 Odebrecht Finance Ltd 7.125% due 26/06/42 | 4 | — |
| 250 Transocean Guardian Ltd 5.875% due 15/01/24 | 248 | 0.05 |
| 3,019 Transocean Phoenix 2 Ltd 7.750% due 15/10/24 | 3,234 | 0.61 |
| | 16,028 | 3.04 |
| Chile — Nil (2017: 0.14%) | | |
| Dominican Republic — Nil (2017: 0.28%) | | |
| El Salvador — 0.02% (2017: 0.02%) | | |
| 85 El Salvador Government International Bond 8.625% due 28/02/29 | 91 | 0.02 |
| France — 0.96% (2017: 0.91%) | | |
| 2,355 BPCE SA 12.500% due 29/08/49^ | 2,579 | 0.49 |
| 2,200 Tikehau Capital SCA 3.000% due 27/11/23 | 2,485 | 0.47 |
| | 5,064 | 0.96 |

Investments are categorised by country of incorporation.
The accompanying notes are an integral part of the Financial Statements.

EnTrustPermal Alternative Income Strategy

Portfolio of Investments – (continued)

| Face Value | Value (000's) US\$ | % of NAV |
|---|--------------------|----------|
| Germany — 0.17% (2017: Nil) | | |
| 829 Tele Columbus AG 3.875% due 02/05/25 | 919 | 0.17 |
| Guatemala — Nil (2017: 0.18%) | | |
| Guernsey — 1.58% (2017: 0.79%) | | |
| 2,504 Globalworth Real Estate Investments Ltd 2.875% due 20/06/22 | 2,998 | 0.57 |
| 5,322 Pershing Square Holdings Ltd 5.500% due 15/07/22 | 5,328 | 1.01 |
| | 8,326 | 1.58 |
| Hungary — Nil (2017: 0.27%) | | |
| India — Nil (2017: 0.09%) | | |
| Ireland — 0.32% (2017: 0.33%) | | |
| 1,700 Koks OAO Via Koks Finance DAC 7.500% due 04/05/22 | 1,691 | 0.32 |
| Italy — 1.22% (2017: 1.06%) | | |
| 840 Intesa Sanpaolo SpA 6.250% due 31/12/99^ | 966 | 0.18 |
| 3,129 Nexi Capital SpA 4.125% due 01/11/23 | 3,580 | 0.68 |
| 1,599 UniCredit SpA 6.750% due 29/12/49^ | 1,881 | 0.36 |
| | 6,427 | 1.22 |
| Jersey — 1.34% (2017: 2.08%) | | |
| 743 Aston Martin Capital Holdings Ltd 6.500% due 15/04/22 | 758 | 0.14 |
| 4,714 Mercury Bondco Plc 7.125% due 30/05/21 | 5,700 | 1.08 |
| 725 Petropavlovsk 2016 Ltd 8.125% due 14/11/22 | 617 | 0.12 |
| | 7,075 | 1.34 |
| Kazakhstan — 0.06% (2017: Nil) | | |
| 300 KazMunayGas National Co JSC 6.375% due 24/10/48 | 303 | 0.06 |
| Luxembourg — 5.02% (2017: 3.77%) | | |
| 1,600 Altice Financing SA 6.625% due 15/02/23 | 1,577 | 0.3 |
| 602 Altice Finco SA 4.750% due 15/01/28 | 598 | 0.11 |
| 3,122 Altice Finco SA 8.125% due 15/01/24 | 3,106 | 0.59 |
| 750 Altice Finco SA 9.000% due 15/06/23 | 913 | 0.17 |
| 1,381 Altice Luxembourg SA 7.250% due 15/05/22 | 1,621 | 0.31 |
| 1,628 Altice Luxembourg SA 7.750% due 15/05/22 | 1,575 | 0.3 |
| 1,600 Cosan Luxembourg SA 7.000% due 20/01/27 | 1,552 | 0.30 |
| 1,750 Gazprom OAO Via Gaz Capital SA 4.950% due 23/03/27 | 1,687 | 0.32 |
| 1,704 Hercule Debtco Sarl 6.750% due 30/06/24 | 1,942 | 0.37 |
| 1,750 Intelsat Luxembourg SA 7.750% due 01/06/21 | 1,628 | 0.31 |
| 1,250 Mallinkrodt International Finance SA 5.625% due 15/10/23 | 1,042 | 0.20 |
| 4,157 Matterhorn Telecom Holding SA 4.875% due 01/05/23 | 4,855 | 0.92 |
| 675 MHP Lux SA 6.950% due 03/04/26 | 632 | 0.12 |
| 1,730 Millicom International Cellular SA 5.125% due 15/01/28 | 1,589 | 0.3 |
| 511 Millicom International Cellular SA 6.000% due 15/03/25 | 514 | 0.10 |
| 1,400 Puma International Financing SA 5.125% due 06/10/24 | 1,251 | 0.24 |
| 325 TMK OAO Via TMK Capital SA 6.750% due 03/04/20 | 328 | 0.06 |
| | 26,410 | 5.02 |
| Mexico — 1.13% (2017: 1.80%) | | |
| 780 Axtel SAB de CV 6.375% due 14/11/24 | 739 | 0.14 |
| 625 Credito Real SAB de CV SOFOM ER 7.250% due 20/07/23 | 613 | 0.12 |
| 1,625 Grupo KUO SAB De CV 5.750% due 07/07/27 | 1,487 | 0.28 |
| 1,875 Mexichem SAB de CV 5.875% due 17/09/44 | 1,730 | 0.33 |
| 700 Sixsigma Networks Mexico SA de CV 7.500% due 02/05/25 | 672 | 0.13 |
| 750 Unifin Financiera SAB de CV SOFOM ENR 7.375% due 12/02/26 | 692 | 0.13 |
| | 5,933 | 1.13 |
| Netherlands — 3.38% (2017: 3.11%) | | |
| 1,525 AES Andres BV 7.950% due 11/05/26 | 1,571 | 0.30 |
| 1,445 ASR Nederland NV 10.000% due 29/08/49^ | 1,861 | 0.35 |
| 21,042 Exmar Netherlands BV 9.020% due 07/07/19 | 2,681 | 0.51 |
| 1,450 IHS Netherlands Holdco BV 9.500% due 27/10/21 | 1,387 | 0.26 |
| 2,450 Lukoil International Finance BV 4.563% due 24/04/23 | 2,468 | 0.47 |
| 1,950 Myriad International Holdings BV 5.500% due 21/07/25 | 2,006 | 0.38 |
| 905 NatWest Markets NV 7.750% due 15/05/23 | 999 | 0.19 |
| 650 Petrobras Global Finance BV 5.999% due 27/01/28 | 588 | 0.11 |
| 1,425 Petrobras Global Finance BV 7.375% due 17/01/27 | 1,423 | 0.27 |
| 1,960 Sigma Holdco BV 5.750% due 15/05/26 | 2,141 | 0.41 |
| 675 VTR Finance BV 6.875% due 15/01/24 | 678 | 0.13 |
| | 17,803 | 3.38 |
| Nigeria — 0.04% (2017: Nil) | | |
| 205 Nigeria Government International Bond 7.696% due 23/02/38 | 194 | 0.04 |

Investments are categorised by country of incorporation.
The accompanying notes are an integral part of the Financial Statements.

EnTrustPermal Alternative Income Strategy

Portfolio of Investments – (continued)

| Face Value | Value (000's) US\$ | % of NAV |
|--|--------------------|----------|
| Panama — 0.32% (2017: 0.19%) | | |
| 1,825 AES El Salvador Trust II 6.750% due 28/03/23 | 1,688 | 0.32 |
| Paraguay — Nil (2017: 0.27%) | | |
| Peru — 0.06% (2017: Nil) | | |
| 285 Hunt Oil Co of Peru LLC Sucursal Del Peru 6.375% due 01/06/28 | 290 | 0.06 |
| Saudi Arabia — 0.12% (2017: Nil) | | |
| 625 Saudi Government International Bond 5.000% due 17/04/49 | 608 | 0.12 |
| Spain — 1.09% (2017: 1.31%) | | |
| 1,000 Banco Santander SA 5.250% due 31/12/99^ | 1,153 | 0.22 |
| 1,400 Bankia SA 6.000% due 31/12/99^ | 1,632 | 0.31 |
| 1,200 CaixaBank SA 5.250% due 31/12/99^ | 1,282 | 0.24 |
| 1,434 Naviera Armas SA 6.500% due 31/07/23 | 1,677 | 0.32 |
| | 5,744 | 1.09 |
| Sweden — Nil (2017: 0.59%) | | |
| Turkey — Nil (2017: 0.38%) | | |
| United Kingdom — 1.62% (2017: 1.29%) | | |
| 1,550 Liquid Telecommunications Financing Plc 8.500% due 13/07/22 | 1,544 | 0.29 |
| 1,225 MARB BondCo Plc 6.875% due 19/01/25 | 1,164 | 0.22 |
| 2,468 McLaren Finance Plc 5.000% due 01/08/22 | 3,180 | 0.6 |
| 2,497 Neptune Energy Bondco Plc 6.625% due 15/05/25 | 2,431 | 0.46 |
| 250 Tullow Oil Plc 7.000% due 01/03/25 | 237 | 0.05 |
| | 8,556 | 1.62 |
| United States — 32.94% (2017: 31.45%) | | |
| 926 Alternative Loan Trust 2006-6CB 2.441% due 25/05/36 | 503 | 0.10 |
| 480 Ambac Assurance Corp 5.100% due 07/06/20 | 643 | 0.12 |
| 2,197 American Home Mortgage Investment Trust 2005-2 5.328% due 25/09/35 | 1,858 | 0.35 |
| 23,180 American Home Mortgage Investment Trust 2007-1 2.078% due 25/05/47 | 3,380 | 0.64 |
| 5,582 Ashland LLC 6.875% due 15/05/43 | 5,665 | 1.08 |
| 3,398 Atrium Hotel Portfolio Trust 2017-ATRM 6.273% due 15/12/36 | 3,401 | 0.65 |
| 1,680 Avantor Inc 9.000% due 01/10/25 | 1,693 | 0.32 |
| 4,220 Aveta Inc Escrow 7.000% due 01/04/19 | – | – |
| 1,000 AXA Equitable Holdings Inc 5.000% due 20/04/48 | 921 | 0.18 |
| 5,000 Ball Corp 4.875% due 15/03/26 | 4,981 | 0.95 |
| 2,672 Banc of America Funding 2005-B Trust 3.134% due 20/04/35 | 2,031 | 0.39 |
| 1,033 Banc of America Funding 2006-7 Trust 2.141% due 25/10/36 | 799 | 0.15 |
| 1,499 Banc of America Funding 2015-R8 Trust 3.968% due 26/08/35^ | 1,195 | 0.23 |
| 3,750 Bank of America Corp 2.650% due 01/04/19 | 3,746 | 0.71 |
| 1,810 Bristow Group Inc 8.750% due 01/03/23 | 1,769 | 0.34 |
| 3,401 Carnow Auto Receivables Trust 2017-1 5.750% due 16/10/23 | 3,385 | 0.64 |
| 1,344 Carrington Mortgage Loan Trust Series 2005-NC4 2.841% due 25/09/35 | 896 | 0.17 |
| 698 Carrington Mortgage Loan Trust Series 2006-NC2 2.361% due 25/06/36 | 517 | 0.10 |
| 3,560 CFG Investments 2017-1 Ltd 7.870% due 15/11/26 | 3,683 | 0.70 |
| 3,750 Citigroup Inc 2.050% due 07/06/19 | 3,721 | 0.71 |
| 9,850 CNX Resources Corp 5.875% due 15/04/22 | 9,900 | 1.89 |
| 11 CNX Resources Corp 8.000% due 01/04/23 | 12 | – |
| 1,005 College Ave Student Loans 2018-A LLC 5.500% due 26/12/47 | 970 | 0.18 |
| 2,788 CommScope Technologies LLC 5.000% due 15/03/27 | 2,624 | 0.50 |
| 3,090 CONSOL Energy Inc 11.000% due 15/11/25 | 3,399 | 0.65 |
| 1,668 Credit Suisse ABS Trust 2018-LD1 6.300% due 25/07/24 | 1,668 | 0.32 |
| 3,050 CSMC Trust 2017-PFHP 6.563% due 15/12/30 | 3,054 | 0.58 |
| 1,014 Deephaven Residential Mortgage Trust 2017-1 6.250% due 26/12/46^ | 1,029 | 0.20 |
| 695 Deephaven Residential Mortgage Trust 2017-3 6.250% due 25/10/47^ | 694 | 0.13 |
| 2,435 Deephaven Residential Mortgage Trust 2018-2 6.042% due 25/04/58^ | 2,435 | 0.46 |
| 6,715 Denbury Resources Inc 4.625% due 15/07/23 | 5,860 | 1.11 |
| 2,000 Elevation CLO 2016-5 Ltd 9.298% due 15/07/28 | 1,996 | 0.38 |
| 2,635 Era Group Inc 7.750% due 15/12/22 | 2,572 | 0.49 |
| 319 First Horizon Alternative Mortgage Securities Trust 2005-FA7 2.621% due 25/10/35 | 242 | 0.05 |
| 293 First Horizon Alternative Mortgage Securities Trust 2006-FA8 2.461% due 25/02/37 | 175 | 0.03 |
| 1,820 Foursight Capital Automobile Receivables Trust 2018-1 6.820% due 15/04/25 | 1,850 | 0.35 |
| 2,755 FREMF 2013-KF02 Mortgage Trust 6.001% due 25/12/45 | 2,758 | 0.52 |
| 2,750 GLS Auto Receivables Trust 2015-1 9.790% due 15/10/25 | 2,773 | 0.53 |
| 328 HarborView Mortgage Loan Trust 2005-15 2.454% due 20/10/45 | 244 | 0.05 |
| 4,724 HarborView Mortgage Loan Trust 2007-7 3.091% due 25/10/37 | 3,703 | 0.70 |
| 4,516 Home Equity Asset Trust 2006-3 2.491% due 25/07/36 | 4,105 | 0.78 |
| 5,012 Hyatt Hotel Portfolio Trust 2017-HYT2 6.221% due 09/08/32 | 5,034 | 0.96 |
| 1,000 JC Penney Corp Inc 8.625% due 15/03/25 | 848 | 0.16 |
| 60 JP Morgan Chase Commercial Mortgage Securities Trust 2007-C1 6.113% due 15/02/51^ | 60 | 0.01 |
| 6,419 L Brands Inc 7.600% due 15/07/37 | 5,841 | 1.11 |

Investments are categorised by country of incorporation. The accompanying notes are an integral part of the Financial Statements.

EnTrustPermal Alternative Income Strategy

Portfolio of Investments – (continued)

| Face Value | Value (000's) US\$ | % of NAV |
|---|--------------------|----------|
| United States — (2017: 31.45%) (continued) | | |
| 593 LB Commercial Mortgage Trust 2007-C3 2.423% due 15/07/44 | 582 | 0.11 |
| 997 Lehman Mortgage Trust 2006-4 2.491% due 25/08/36 | 318 | 0.06 |
| 2,846 LoanCore 2018-CRE1 Issuer Ltd 5.023% due 15/05/28 | 2,851 | 0.54 |
| 426 MASTR Alternative Loan Trust 2002-3 6.067% due 25/12/32 | 389 | 0.07 |
| 1,668 MASTR Alternative Loan Trust 2005-6 2.541% due 25/12/35 | 811 | 0.15 |
| 3,436 Morgan Stanley ABS Capital I Inc Trust 2005-HE7 2.561% due 25/11/35 | 2,643 | 0.50 |
| 2,027 Newcastle Mortgage Securities Trust 2006-1 2.571% due 25/03/36 | 1,803 | 0.34 |
| 4,148 Parsley Energy LLC 5.375% due 15/01/25 | 4,117 | 0.78 |
| 935 Peabody Energy Corp 6.000% due 31/03/22 | 947 | 0.18 |
| 765 Peabody Energy Corp 6.375% due 31/03/25 | 786 | 0.15 |
| 4,850 Peabody Energy Corp 10.000% due 15/03/22 | – | – |
| 2,861 Prosper Marketplace Issuance Trust Series 2018-1 5.700% due 17/06/24 | 2,860 | 0.54 |
| 2,708 RALI Series 2006-QS18 Trust 2.541% due 25/12/36 | 1,985 | 0.38 |
| 3,996 RALI Series 2007-QS4 Trust 2.431% due 25/03/37 | 1,324 | 0.25 |
| 2,356 RAMP Series 2005-EFC1 Trust 2.801% due 25/05/35 | 2,213 | 0.42 |
| 2,910 RAMP Series 2005-EFC6 Trust 2.976% due 25/11/35 | 2,659 | 0.51 |
| 1,627 RAMP Series 2006-EFC1 Trust 2.521% due 25/02/36 | 1,559 | 0.30 |
| 1,155 RASC Series 2005-KS11 Trust 2.681% due 25/12/35 | 1,065 | 0.20 |
| 313 Southwestern Energy Co 7.500% due 01/04/26 | 324 | 0.06 |
| 6,423 Southwestern Energy Co 7.750% due 01/10/27 | 6,647 | 1.27 |
| 2,350 Stillwater Mining Co 7.125% due 27/06/25 | 2,060 | 0.39 |
| 778 Structured Asset Securities Corp Mortgage Loan Trust 2007-BC1 2.321% due 25/02/37 | 573 | 0.11 |
| 1,000 THL Credit Wind River 2016-1 CLO Ltd 9.848% due 15/07/28 | 997 | 0.19 |
| 15,000 United States Treasury Bill 0.000% due 16/08/18 | 14,965 | 2.86 |
| 500 Valeant Pharmaceuticals International 9.250% due 01/04/26 | 519 | 0.10 |
| 1,143 Vivint Solar Financing V LLC 7.370% due 30/04/48 | 1,145 | 0.22 |
| 5,170 Westlake Automobile Receivables Trust 2018-1 5.600% due 15/07/24 | 5,161 | 0.98 |
| 3,173 Westlake Automobile Receivables Trust 2018-2 6.040% due 15/01/25 | 3,189 | 0.61 |
| | 173,125 | 32.94 |
| Virgin Islands — 0.07% (2017: 0.08%) | | |
| 350 Gold Fields Orogen Holdings BVI Ltd 4.875% due 07/10/20 | 349 | 0.07 |
| Total Bonds (Cost: US\$335,819) (2017: 57.57%) | 332,525 | 63.23 |
| Common Stock — 6.61% | | |
| Germany — 0.03% (2017: 0.04%) | | |
| 5 McKesson Europe AG | 154 | 0.03 |
| Netherlands — 2.01% (2017: 1.48%) | | |
| 90 NXP Semiconductors NV | 9,826 | 1.87 |
| 68 Playa Hotels & Resorts NV | 737 | 0.14 |
| | 10,563 | 2.01 |
| Switzerland — Nil (2017: 0.02%) | | |
| United States — 4.55% (2017: 3.87%) | | |
| 55 Aetna Inc | 10,127 | 1.93 |
| 220 Akorn Inc | 3,657 | 0.70 |
| 7 Ambac Financial Group Inc | 131 | 0.02 |
| 10 American Assets Trust Inc | 383 | 0.07 |
| 52 Ares Capital Corp | 862 | 0.16 |
| 3 Ares Commercial Real Estate Corp | 41 | 0.01 |
| 22 AT&T Inc | 700 | 0.13 |
| 93 Avaya Holdings Corp | 1,865 | 0.35 |
| 16 Chimera Investment Corp | 285 | 0.05 |
| 10 Essential Properties Realty Trust Inc | 135 | 0.03 |
| 136 Granite Point Mortgage Trust Inc | 2,500 | 0.48 |
| 6 Invesco Mortgage Capital Inc | 95 | 0.02 |
| 46 Ladder Capital Corp | 719 | 0.14 |
| 142 Oaktree Specialty Lending Corp | 679 | 0.13 |
| 4 Peabody Energy Corp | 166 | 0.03 |
| 43 Platform Specialty Products Corp | 498 | 0.09 |
| 22 Twenty-First Century Fox Inc | 1,092 | 0.21 |
| | 23,935 | 4.55 |
| Virgin Islands — 0.02% (2017: Nil) | | |
| 10 J2 Acquisition Ltd | 98 | 0.02 |
| Total Common Stock (Cost: US\$38,941) (2017: 5.41%) | 34,750 | 6.61 |
| Preferred Stock — Nil (2017: 0.15%) | | |
| Warrant — 0.00% | | |
| 10 J2 Acquisition Ltd | 5 | – |
| Total Warrant (Cost: US\$-) (2017: 0.00%) | 5 | – |

Investments are categorised by country of incorporation.
The accompanying notes are an integral part of the Financial Statements.

EnTrustPermal Alternative Income Strategy

Portfolio of Investments – (continued)

| Face Value | Value ('000's) US\$ | % of NAV |
|--|---------------------|---------------|
| Exchange Traded Fund — 3.51% | | |
| Ireland — 0.62% (2017: Nil) | | |
| 2,699 Institutional Cash Series plc — Institutional US Dollar Liquidity Fund | 2,699 | 0.52 |
| 5 iShares USD High Yield Corp Bond UCITS ETF | 506 | 0.10 |
| | 3,205 | 0.62 |
| Luxembourg — 0.66% (2017: Nil) | | |
| 3,495 JPMorgan Liquidity Funds — US Dollar Liquidity Fund | 3,495 | 0.66 |
| United States — 2.23% (2017: 1.88%) | | |
| 55 Altaba Inc | 4,056 | 0.77 |
| 170 BlackRock Debt Strategies Fund Inc | 1,896 | 0.36 |
| 25 SPDR Blackstone | 1,174 | 0.22 |
| 160 SPDR Bloomberg Barclays Short Term High Yield Bond ETF | 4,377 | 0.83 |
| 5 Xtrackers USD High Yield Corporate Bond ETF | 250 | 0.05 |
| | 11,753 | 2.23 |
| Total Exchange Traded Fund (Cost: US\$17,483) (2017: 1.88%) | 18,453 | 3.51 |
| Total Investments (Cost: US\$392,243) (2017: 65.01%) | 385,733 | 73.35 |
| Other Assets in Excess of Liabilities (2017: 34.99%) | 140,182 | 26.65 |
| Total Net Assets | 525,915 | 100.00 |

* Amounts shown as “–” are less than US\$500 or 500 shares.

^ Variable rate security. The interest rate shown reflects the rate in effect at June 30, 2018.

| Analysis of Total Assets Classifications | % of Total Assets |
|---|-------------------|
| Transferable securities admitted to an official stock exchange listing | 32.23 |
| Transferable securities traded on a regulated market | 16.62 |
| Other transferable securities of the type referred to in Regulations 68 (1)(a), (b) and (c) | 15.72 |
| Exchange Traded Fund | 3.24 |
| OTC financial derivative instruments | 1.61 |
| Exchange traded financial derivative instruments | 0.09 |
| Other Assets | 30.49 |
| | 100.00 |

| Options Contracts (2017: 0.03%) | Counterparty | Value ('000's) US\$ | % of NAV |
|--|----------------|---------------------|---------------|
| Purchased Options — 0.07% (2017: 0.04%) | | | |
| Akorn Inc September 2018 Call 20 | Morgan Stanley | 258 | 0.05 |
| Euro Stoxx 50 PR September 2018 Put 2,600 | Credit Suisse | 8 | – |
| NXP Semiconductors NV August 2018 Call 110 | Morgan Stanley | 10 | – |
| NXP Semiconductors NV August 2018 Call 115 | Morgan Stanley | 2 | – |
| NXP Semiconductors NV August 2018 Put 110 | Morgan Stanley | 52 | 0.01 |
| NXP Semiconductors NV July 2018 Call 110 | Morgan Stanley | 32 | 0.01 |
| NXP Semiconductors NV July 2018 Call 115 | Morgan Stanley | 2 | – |
| Total Purchased Options (Cost: \$263) | | 364 | 0.07 |
| Written Options — (0.02)% (2017: (0.01)%) | | | |
| Akorn Inc September 2018 Call 30 | Morgan Stanley | (69) | (0.01) |
| Akorn Inc September 2018 Call 32.5 | Morgan Stanley | (2) | – |
| Akorn Inc September 2018 Call 35 | Morgan Stanley | – | – |
| NXP Semiconductors NV August 2018 Put 100 | Morgan Stanley | (51) | (0.01) |
| Total Written Options (Cost: \$(90)) | | (122) | (0.02) |
| Total Options (Cost: \$173) | | 242 | 0.05 |

Investments are categorised by country of incorporation.
The accompanying notes are an integral part of the Financial Statements.

EnTrustPermal Alternative Income Strategy

Portfolio of Investments – (continued)

Open Futures Contracts (2017: (0.20)%)

| Schedule of Futures Contracts | Counterparty | Nominal Value | Notional Value (000's) | Unrealised Appreciation/ (Depreciation) of Contracts (000's) | % of NAV |
|--|---------------|---------------|------------------------|--|----------|
| 90 Day Euro Future September 2019 | Barclays | (191) | US\$ (46,356) | US\$ (18) | – |
| 90 Day Euro Future March 2020 | Barclays | (136) | (32,987) | (22) | (0.01) |
| US 10 Year Note CBT September 2018 | Barclays | (125) | (15,023) | 58 | 0.01 |
| Nikkei 225 Mini September 2018 | Credit Suisse | (75) | (167,175) | 3 | – |
| US 10 Year Note CBT September 2018 | Barclays | (57) | (6,851) | (41) | (0.01) |
| US Long Bond CBT September 2018 | Barclays | (44) | (6,380) | (72) | (0.01) |
| Euro-BTP Future September 2018 | Barclays | (18) | (2,290) | (7) | – |
| Nikkei 225 CME September 2018 | Credit Suisse | (10) | (1,113) | 7 | – |
| US 2 Year Note CBT September 2018 | Barclays | (8) | (1,695) | (2) | – |
| 90 Day Euro Future September 2020 | Barclays | (6) | (1,455) | (1) | – |
| Topix Index Future September 2018 | Credit Suisse | (5) | (86,525) | (1) | – |
| S&P/TSX 60 IX Future September 2018 | Credit Suisse | 2 | 385 | 1 | – |
| US Ultra Bond CBT September 2018 | Barclays | 2 | 319 | – | – |
| DAX Index Future September 2018 | Credit Suisse | 3 | 923 | (21) | – |
| MSCI Taiwan Index July 2018 | Credit Suisse | 3 | 116 | 1 | – |
| Australia 10 Year Bond Future September 2018 | Barclays | 5 | 647 | (1) | – |
| S&P 500 Emini Future September 2018 | Credit Suisse | 8 | 1,089 | (12) | – |
| US Long Bond CBT September 2018 | Barclays | 8 | 1,160 | 5 | – |
| Hang Seng Index Future July 2018 | Credit Suisse | 9 | 12,927 | 4 | – |
| HSCFI Future July 2018 | Credit Suisse | 9 | 4,891 | – | – |
| Australia 3 Year Bond Future September 2018 | Barclays | 13 | 1,447 | 1 | – |
| 90 Day Euro Future September 2021 | Barclays | 15 | 3,639 | (1) | – |
| MSCI Emerging Markets September 2018 | Credit Suisse | 16 | 851 | (2) | – |
| FTSE/JSE Top 40 September 2018 | Credit Suisse | 17 | 8,787 | 18 | 0.01 |
| Amsterdam Index Future July 2018 | Credit Suisse | 19 | 2,096 | (8) | – |
| US 5 Year Note CBT September 2018 | Barclays | 19 | 2,159 | – | – |
| Canadian 10 Year Bond Future September 2018 | Barclays | 20 | 2,734 | (3) | – |
| FTSE 100 Index Future September 2018 | Credit Suisse | 22 | 1,672 | 23 | 0.01 |
| Long Gilt Future September 2018 | Barclays | 22 | 2,707 | 7 | – |
| Euro Buxl 30 Year Bond September 2018 | Barclays | 23 | 4,087 | 58 | 0.01 |
| OMXS 30 Index Future July 2018 | Credit Suisse | 23 | 3,590 | 4 | – |
| US 10 Year Note CBT September 2018 | Barclays | 23 | 2,764 | 3 | – |
| Euro Stoxx 50 September 2018 | Credit Suisse | 29 | 983 | (1) | – |
| Bank Accepted Future December 2018 | Barclays | 31 | 7,586 | (3) | – |
| NASDAQ 100 E-Mini September 2018 | Credit Suisse | 31 | 4,381 | (47) | (0.01) |
| Euro-OAT Future September 2018 | Barclays | 37 | 5,718 | 43 | 0.01 |
| Bank Accepted Future March 2019 | Barclays | 43 | 10,507 | (3) | – |
| FTSE China A50 July 2018 | Credit Suisse | 47 | 542 | 13 | – |
| 90 Day Sterling Future June 2019 | Barclays | 57 | 7,054 | (4) | – |
| Spi 200 Future September 2018 | Credit Suisse | 63 | 9,683 | (32) | (0.01) |
| MSCI Sing IX ETS July 2018 | Credit Suisse | 64 | 2,342 | 11 | – |
| 90 Day Sterling Future June 2020 | Barclays | 65 | 8,026 | – | – |
| SGX NIFTYr 50 July 2018 | Credit Suisse | 67 | 1,433 | (13) | – |
| 90 Day Sterling Future December 2018 | Barclays | 70 | 8,674 | (7) | – |
| 90 Day Sterling Future December 2019 | Barclays | 71 | 8,775 | (1) | – |
| 3 Month Euro Euribor September 2020 | Barclays | 76 | 18,977 | 5 | – |
| Cac40 10 Euro Future July 2018 | Credit Suisse | 76 | 4,044 | (102) | (0.03) |
| E-Mini Russ 2000 September 2018 | Credit Suisse | 76 | 6,261 | (87) | (0.02) |
| Euro-Bund Future September 2018 | Barclays | 93 | 15,117 | 124 | 0.02 |
| Euro-Bobl Future September 2018 | Barclays | 153 | 20,222 | 95 | 0.02 |
| Euro-Schatz Future September 2018 | Barclays | 164 | 18,382 | 17 | 0.01 |
| 3 Month Euro Euribor March 2019 | Barclays | 167 | 41,867 | 6 | – |
| 3 Month Euro Euribor September 2019 | Barclays | 211 | 52,856 | 10 | – |
| Unrealised Appreciation on futures contracts | | | | 517 | 0.10 |
| Unrealised Depreciation on futures contracts | | | | (512) | (0.10) |
| Net Appreciation on futures contracts | | | | US\$ 5 | – |

Schedule of Credit Default Swaps (2017: (0.03)%)

| Counterparty | Reference Entity | Buy/Sell Protection | Expiration Date | Notional Amount (000's) | Value (000's) | % of NAV |
|--------------------------------|--|---------------------|-----------------|-------------------------|---------------|----------|
| Barclays | Advanced Micro Devices Inc 7.500% due 15/08/22 | Buy | 21/12/22 | 1,950 | US\$ (298) | (0.06) |
| Barclays | AK Steel Corp 7.000% due 15/03/27 | Buy | 21/12/22 | 4,000 | (151) | (0.03) |
| JPMorgan Chase Bank N.A.London | Altice France SA 5.375% due 15/05/22 | Sell | 21/12/19 | 1,412 | 94 | 0.02 |
| Barclays | Avon Products Inc 6.500% due 01/03/19 | Buy | 21/06/20 | 15,000 | – | – |
| Barclays | Avon Products Inc 6.500% due 01/03/19 | Sell | 21/06/22 | 5,000 | (637) | (0.12) |

The accompanying notes are an integral part of the Financial Statements.

EnTrustPermal Alternative Income Strategy

Portfolio of Investments – (continued)

Schedule of Credit Default Swaps (2017: (0.03)%) – (continued)

| Counterparty | Reference Entity | Buy/Sell Protection | Expiration Date | Notional Amount (000's) | Value (000's) | % of NAV |
|---|--|---------------------|-----------------|-------------------------|---------------|----------|
| Barclays | Brazilian Government International Bond 4.250% due 07/01/25 | Buy | 21/12/22 | 10,000 | US\$ 604 | 0.11 |
| Barclays | Brazilian Government International Bond 4.250% due 07/01/25 | Buy | 21/06/23 | 11,625 | 859 | 0.16 |
| Barclays | Cardinal Health Inc 4.625% due 15/12/20 | Buy | 21/06/23 | 6,000 | (17) | – |
| Barclays | Carrefour SA 1.750% due 22/05/19 | Buy | 21/12/22 | 5,000 | (45) | (0.01) |
| Barclays | CCO Holdings LLC 5.750% due 15/01/24 | Buy | 21/12/22 | 5,000 | (607) | (0.12) |
| Barclays | CDX.EM 1.000% due 21/06/23 | Buy | 21/06/23 | 7,250 | 288 | 0.05 |
| Barclays | CDX.EM 1.000% due 21/06/23 | Buy | 21/06/23 | 15,800 | 627 | 0.12 |
| Morgan Stanley | CDX.NA.HY.27 1.000% due 20/12/22 | Buy | 20/12/21 | 5,000 | (455) | (0.09) |
| Barclays | China Government International Bond 7.500% due 28/10/27 | Buy | 21/06/23 | 11,900 | (168) | (0.03) |
| Barclays | Domtar Corp 10.750% due 21/06/21 | Buy | 21/06/21 | 350 | (7) | – |
| Barclays | Domtar Corp 4.400% due 01/04/22 | Buy | 21/06/21 | 3,400 | (70) | (0.01) |
| Barclays | Eskom Holdings SOC Ltd 5.750% due 26/01/21 | Buy | 23/12/22 | 2,000 | 257 | 0.05 |
| Barclays | Hertz Corp 5.875% due 15/10/20 | Buy | 21/06/20 | 14,000 | (4) | – |
| Barclays | Hertz Corp 5.875% due 15/10/20 | Sell | 21/06/22 | 10,000 | (1,291) | (0.25) |
| Barclays | Hess Corp 8.125% due 15/02/19 | Buy | 21/12/22 | 10,000 | (76) | (0.01) |
| Credit Suisse | iTraxx Europe Crossover 5.000% due 20/06/23 | Buy | 21/06/23 | 9,100 | (851) | (0.16) |
| Barclays | JC Penney Corp Inc 6.375% due 15/10/36 | Buy | 21/06/21 | 538 | 50 | 0.01 |
| Barclays | Kobe Steel Ltd 2.070% due 21/06/21 | Buy | 21/06/21 | 100,000 | 2 | – |
| Barclays | Kobe Steel Ltd 2.070% due 21/12/20 | Buy | 21/12/20 | 35,000 | – | – |
| Barclays | Kohl's Corp 4.000% due 01/11/21 | Buy | 21/12/20 | 300 | (5) | – |
| Barclays | Kohl's Corp 4.000% due 01/11/21 | Buy | 21/06/21 | 3,400 | (53) | (0.01) |
| Barclays | Kohl's Corp 4.000% due 01/11/21 | Buy | 21/06/21 | 50 | (1) | – |
| Barclays | L Brands Inc 5.625% due 15/10/23 | Buy | 21/06/22 | 1,500 | 48 | 0.01 |
| Barclays | L Brands Inc 8.500% due 15/06/19 | Buy | 21/12/22 | 1,200 | 64 | 0.01 |
| Credit Suisse | Louis Dreyfus Co BV 4.000% due 04/12/20 | Buy | 21/06/23 | 1,700 | (253) | (0.05) |
| Barclays | McClatchy Co 6.875% due 15/03/29 | Buy | 21/06/20 | 700 | (18) | – |
| Barclays | Mexico Government International Bond 4.150% due 28/03/27 | Buy | 21/06/23 | 13,450 | 206 | 0.04 |
| Barclays | Motorola Solutions Inc 7.500% due 15/05/25 | Buy | 21/12/22 | 5,000 | (79) | (0.02) |
| Barclays | Republic of South Africa Government International Bond 5.500% due 09/03/20 | Buy | 21/06/23 | 7,875 | 402 | 0.08 |
| Barclays | Russian Foreign Bond-Eurobond 7.500% due 31/03/30 | Buy | 21/06/23 | 15,350 | 290 | 0.06 |
| Barclays | Ryder System Inc 2.550% due 01/06/19 | Buy | 21/06/21 | 3,450 | (59) | (0.01) |
| Barclays | Ryder System Inc 2.550% due 01/06/19 | Buy | 21/12/20 | 300 | (5) | – |
| Credit Suisse | Sudzucker International Finance BV 1.250% due 29/11/23 | Buy | 21/06/23 | 766 | (2) | – |
| Barclays | Transocean Inc 7.375% due 21/06/20 | Buy | 21/06/20 | 10,000 | 29 | 0.01 |
| Barclays | Transocean Inc 7.375% due 21/06/22 | Sell | 21/06/22 | 10,000 | (604) | (0.11) |
| Barclays | Turkey Government International Bond 11.875% due 15/01/30 | Buy | 21/12/22 | 9,000 | 651 | 0.12 |
| Barclays | Weatherford International Ltd 4.500% due 15/04/22 | Buy | 21/12/21 | 960 | 109 | 0.02 |
| Unrealised Appreciation on Credit Default Swaps | | | | | 4,580 | 0.87 |
| Unrealised Depreciation on Credit Default Swaps | | | | | (5,756) | (1.09) |
| Net Depreciation on Credit Default Swaps | | | | | US\$(1,176) | (0.22) |

Schedule of Equity Swaps (2017: 0.02%)

| Shares (000's) | Reference Entity | Counterparty | Value (000's) | % of NAV |
|---|----------------------------------|----------------|---------------|----------|
| 19 | Alibaba Group Holding Ltd | Morgan Stanley | US\$312 | 0.06 |
| 5 | Cigna Corp | Morgan Stanley | 11 | – |
| 45 | CVS Health Corp | Morgan Stanley | 306 | 0.06 |
| 20 | Express Scripts Holding Co | Morgan Stanley | (25) | – |
| 5 | Fresenius SE & Co KGaA | Morgan Stanley | 4 | – |
| 13 | VanEck Vectors Semiconductor ETF | Morgan Stanley | 56 | 0.01 |
| | | | US\$664 | 0.13 |
| Unrealised Appreciation on Equity Swaps | | | 689 | 0.13 |
| Unrealised Depreciation on Equity Swaps | | | (25) | – |
| Net Appreciation on Equity Swaps | | | US\$664 | 0.13 |

The accompanying notes are an integral part of the Financial Statements.

EnTrustPermal Alternative Income Strategy

Portfolio of Investments – (continued)

Schedule of Forward Foreign Currency Exchange Contracts (2017: 3.53%)

| Expiration Date | Counterparty | Buy Currency (000's) | Sell Currency (000's) | Unrealised Appreciation/ (Depreciation) of Contracts (000's) | % of NAV | |
|---|-------------------|-------------------------|--------------------------|--|----------------------|---------------|
| 02/07/2018 | State Street Bank | EUR | 2,126 | USD 2,456 | US\$ 26 | – |
| 02/07/2018 | State Street Bank | USD | 906 | EUR 784 | (10) | – |
| 03/07/2018 | State Street Bank | EUR | 521 | USD 602 | 6 | – |
| 03/07/2018 | State Street Bank | USD | 1,308 | EUR 1,131 | (13) | – |
| 06/07/2018 | JPMorgan Chase | AUD | 380 | JPY 30,941 | 1 | – |
| 06/07/2018 | JPMorgan Chase | AUD | 630 | USD 467 | – | – |
| 06/07/2018 | JPMorgan Chase | CAD | 300 | USD 226 | 3 | – |
| 06/07/2018 | JPMorgan Chase | CHF | 1,560 | USD 1,577 | (1) | – |
| 06/07/2018 | JPMorgan Chase | EUR | 10,536 | PLN 45,480 | 82 | 0.02 |
| 06/07/2018 | JPMorgan Chase | EUR | 5,260 | TRY 29,075 | (87) | (0.02) |
| 06/07/2018 | JPMorgan Chase | EUR | 1,180 | USD 1,378 | – | – |
| 06/07/2018 | JPMorgan Chase | GBP | 250 | USD 331 | (1) | – |
| 06/07/2018 | JPMorgan Chase | HUF | 27,490 | USD 98 | (1) | – |
| 06/07/2018 | JPMorgan Chase | ILS | 430 | USD 119 | (1) | – |
| 06/07/2018 | JPMorgan Chase | JPY | 938,259 | AUD 11,540 | (32) | (0.01) |
| 06/07/2018 | JPMorgan Chase | JPY | 304,740 | USD 2,780 | (27) | (0.01) |
| 06/07/2018 | JPMorgan Chase | MXN | 46,340 | USD 2,317 | 15 | – |
| 06/07/2018 | JPMorgan Chase | NOK | 730 | USD 90 | – | – |
| 06/07/2018 | JPMorgan Chase | NZD | 210 | USD 144 | (2) | – |
| 06/07/2018 | JPMorgan Chase | PLN | 260 | EUR 60 | – | – |
| 06/07/2018 | JPMorgan Chase | PLN | 4,280 | USD 1,150 | (7) | – |
| 06/07/2018 | JPMorgan Chase | SEK | 660 | USD 74 | (1) | – |
| 06/07/2018 | JPMorgan Chase | SGD | 430 | USD 314 | 2 | – |
| 06/07/2018 | JPMorgan Chase | THB | 4,740 | USD 144 | (1) | – |
| 06/07/2018 | JPMorgan Chase | TRY | 7,059 | EUR 1,300 | 8 | – |
| 06/07/2018 | JPMorgan Chase | TRY | 1,900 | USD 406 | 7 | – |
| 06/07/2018 | JPMorgan Chase | TRY | 16,920 | ZAR 49,348 | 40 | 0.01 |
| 06/07/2018 | JPMorgan Chase | USD | 9,188 | AUD 12,350 | 49 | 0.01 |
| 06/07/2018 | JPMorgan Chase | USD | 9,161 | CAD 12,100 | (44) | (0.01) |
| 06/07/2018 | JPMorgan Chase | USD | 8,663 | CHF 8,610 | (34) | (0.01) |
| 06/07/2018 | JPMorgan Chase | USD | 8,103 | EUR 6,980 | (50) | (0.01) |
| 06/07/2018 | JPMorgan Chase | USD | 5,017 | GBP 3,800 | 1 | – |
| 06/07/2018 | JPMorgan Chase | USD | 2,420 | HUF 672,000 | 36 | 0.01 |
| 06/07/2018 | JPMorgan Chase | USD | 2,680 | ILS 9,710 | 26 | – |
| 06/07/2018 | JPMorgan Chase | USD | 5,776 | JPY 637,280 | 19 | – |
| 06/07/2018 | JPMorgan Chase | USD | 4,924 | MXN 101,590 | (189) | (0.04) |
| 06/07/2018 | JPMorgan Chase | USD | 1,435 | NOK 11,680 | – | – |
| 06/07/2018 | JPMorgan Chase | USD | 5,157 | NZD 7,460 | 104 | 0.02 |
| 06/07/2018 | JPMorgan Chase | USD | 4,341 | PLN 16,030 | 62 | 0.01 |
| 06/07/2018 | JPMorgan Chase | USD | 3,687 | SEK 32,500 | 57 | 0.01 |
| 06/07/2018 | JPMorgan Chase | USD | 4,032 | SGD 5,450 | 32 | 0.01 |
| 06/07/2018 | JPMorgan Chase | USD | 783 | THB 25,600 | 10 | – |
| 06/07/2018 | JPMorgan Chase | USD | 2,477 | TRY 11,770 | (80) | (0.02) |
| 06/07/2018 | JPMorgan Chase | USD | 2,207 | ZAR 30,000 | 21 | – |
| 06/07/2018 | JPMorgan Chase | ZAR | 50,147 | TRY 17,640 | (90) | (0.02) |
| 06/07/2018 | JPMorgan Chase | ZAR | 2,550 | USD 187 | (2) | – |
| 18/07/2018 | Morgan Stanley | USD | 42,036 | EUR 35,548 | 477 | 0.10 |
| 18/07/2018 | Morgan Stanley | USD | 5,596 | GBP 4,171 | 88 | 0.02 |
| 18/07/2018 | Morgan Stanley | USD | 2,775 | NOK 22,258 | 41 | 0.01 |
| 31/07/2018 | State Street Bank | CHF | 384 | USD 393 | (5) | – |
| 31/07/2018 | State Street Bank | EUR | 481,216 | USD 589,330 | (26,228) | (4.98) |
| 31/07/2018 | State Street Bank | GBP | 5,316 | USD 7,408 | (383) | (0.07) |
| 31/07/2018 | State Street Bank | USD | 27 | CHF 27 | US\$ – | – |
| 31/07/2018 | State Street Bank | USD | 88,833 | EUR 74,138 | 2,079 | 0.41 |
| 31/07/2018 | State Street Bank | USD | 239 | GBP 174 | 9 | – |
| 16/08/2018 | Morgan Stanley | USD | 176 | EUR 140 | 12 | – |
| 19/09/2018 | JPMorgan Chase | BRL | 1,440 | USD 380 | (11) | – |
| 19/09/2018 | JPMorgan Chase | INR | 78,010 | USD 1,135 | (7) | – |
| 19/09/2018 | JPMorgan Chase | KRW | 40,110 | USD 37 | (1) | – |
| 19/09/2018 | JPMorgan Chase | PHP | 11,710 | USD 217 | 1 | – |
| 19/09/2018 | JPMorgan Chase | USD | 3,224 | BRL 12,130 | 119 | 0.02 |
| 19/09/2018 | JPMorgan Chase | USD | 7,989 | INR 548,350 | 59 | 0.01 |
| 19/09/2018 | JPMorgan Chase | USD | 1,029 | KRW 1,132,000 | 11 | – |
| 19/09/2018 | JPMorgan Chase | USD | 3,432 | PHP 184,780 | (18) | – |
| 20/09/2018 | JPMorgan Chase | CLP | 34,510 | USD 55 | (2) | – |
| 20/09/2018 | JPMorgan Chase | USD | 1,125 | CLP 716,110 | 29 | 0.01 |
| Unrealised Appreciation on Forward Foreign Currency Contracts | | | | | 3,532 | 0.68 |
| Unrealised Depreciation on Forward Foreign Currency Contracts | | | | | (27,328) | (5.20) |
| Net Depreciation on Forward Foreign Currency Contracts | | | | | US\$ (23,796) | (4.52) |

The accompanying notes are an integral part of the Financial Statements.

Statement of Financial Position

| | | EnTrustPermal Alternative Income Strategy | |
|--|----------|--|-----------------------|
| | | As at 30 June 2018 | As at 30 June 2017 |
| | | '000's US\$ | '000's US\$ |
| | Note | | |
| CURRENT ASSETS | | | |
| Cash | 9 | 66,965 | 76,793 |
| Cash collateral | 9 | 22,515 | 12,822 |
| Cash equivalent | 9 | 66,262 | 42,245 |
| Amounts due from broker | 9 | 10,903 | 7,192 |
| Financial assets at fair value through profit or loss: | 2 | | |
| Investments | | 385,733 | 278,232 |
| Options at fair value | | 364 | 179 |
| Unrealised appreciation on futures contracts | | 517 | 53 |
| Unrealised appreciation on forward foreign currency exchange contracts | | 3,532 | 15,917 |
| Unrealised appreciation on swap contracts | | 5,269 | 2,029 |
| Receivable from holders of redeemable participating shares | | 2,214 | 130 |
| Receivable for investment sold | | 1,891 | 14 |
| Interest receivable | | 4,421 | 2,721 |
| Dividend receivable | | 82 | 49 |
| Prepaid expenses | | 64 | 95 |
| Total Current Assets | | 570,732 | 438,471 |
| CURRENT LIABILITIES | | | |
| Financial liabilities at fair value through profit or loss: | 2 | | |
| Designated as held for trading | | | |
| Options at fair value | | (122) | (49) |
| Unrealised depreciation on futures contracts | | (512) | (926) |
| Unrealised depreciation on forward foreign currency exchange contracts | | (27,328) | (790) |
| Unrealised depreciation on swap contracts | | (5,781) | (2,075) |
| Due to broker | | (1,921) | - |
| Payable for fund shares redeemed | | (3,057) | (221) |
| Payable for investment purchased | | (3,553) | (4,050) |
| Payable for distributions | | (580) | (496) |
| Investment Manager fees payable | | (256) | (174) |
| Sub-Adviser fees payable | | (623) | (316) |
| Administrator and Depositary fees payable | | (79) | (62) |
| Shareholder service fees payable | | (11) | (6) |
| Audit fees payable | | (26) | (27) |
| Directors fees payable | | (14) | - |
| Legal fees payable | | (57) | (43) |
| Performance fees payable | | (631) | (909) |
| Accrued expenses and other liabilities | | (267) | (325) |
| Total Liabilities (excluding net assets attributable to holders of redeemable participating shares) | | (44,818) | (10,469) |
| Net assets attributable to holders of redeemable participating shares | 2 | 525,915 | 428,002 |

| | Total NAV (000's) | No. Shares (000's)* | NAV/Share |
|---|------------------------------|--------------------------------|------------------|
| EnTrustPermal Alternative Income Strategy | | | |
| As at 30 June 2018 | | | |
| Class A US\$ Accumulating | 12,312 | 118 | 104.50 |
| Class A US\$ Distributing Plus (Q) | 680 | 7 | 97.38 |
| Class A Accumulating Euro (Hedged) | 35,812 | 359 | 99.36 |
| Class A Euro Distributing Plus (Q) (Hedged) | 9,017 | 97 | 92.73 |
| Class Euro Accumulating (Hedged)** | 1 | - | 97.78 |
| Class F US\$ Accumulating**** | 1 | - | 97.96 |
| Class R US\$ Accumulating | 929 | 9 | 108.43 |
| Class R US\$ Distributing Plus (Q) | 495 | 5 | 101.13 |
| Class R Euro Accumulating (Hedged) | 210,974 | 2,030 | 103.94 |
| Class R Euro Distributing Plus (Q) (Hedged) | 33,090 | 341 | 97.03 |
| Class R GBP Distributing Plus (Q) (Hedged) | 4,131 | 43 | 96.25 |
| Class S US\$ Accumulating | 2,296 | 21 | 107.09 |
| Class S Euro Accumulating (Hedged) | 1,289 | 13 | 102.65 |
| Class X Euro Accumulating (Hedged) | 16,247 | 161 | 103.61 |
| Premier Class US\$ Accumulating | 27,587 | 259 | 106.55 |
| Premier Class US\$ Distributing Plus (Q) | 12 | - | 99.40 |
| Premier Class Accumulating Euro (Hedged) | 98,539 | 972 | 101.50 |
| Premier Class Euro Distributing Plus (Q) (Hedged) | 1,350 | 14 | 95.09 |
| Premier Class CHF Accumulating (Hedged) | 356 | 3 | 99.80 |
| Premier Class GBP Accumulating (Hedged)***** | 978 | 10 | 97.77 |
| | Total NAV (000's) | No. Shares (000's)* | NAV/Share |

| | Total NAV (000's) | No. Shares (000's)* | NAV/Share |
|---|----------------------|------------------------|-----------|
| EnTrustPermal Alternative Income Strategy | | | |
| As at 30 June 2017 | | | |
| Class A US\$ Accumulating | 10,161 | 98 | 103.70 |
| Class A US\$ Distributing Plus (Q) | 1,158 | 12 | 100.62 |
| Class A Accumulating Euro (Hedged) | 21,945 | 217 | 101.05 |
| Class A Euro Distributing Plus (e) (M)**** | 30 | - | 100.81 |
| Class A Euro Distributing Plus (Q) (Hedged) | 9,445 | 96 | 98.13 |
| Class E US\$ Accumulating*** | 47 | - | 104.34 |
| Class R US\$ Accumulating | 1,592 | 15 | 106.53 |
| Class R US\$ Distributing Plus (Q) | 282 | 3 | 103.40 |
| Class R Euro Accumulating (Hedged) | 234,322 | 2,240 | 104.61 |
| Class R Euro Distributing Plus (Q) (Hedged) | 27,446 | 270 | 101.64 |
| Class R GBP Distributing Plus (Q) (Hedged) | 3,045 | 30 | 99.93 |
| Class S US\$ Accumulating | 2,257 | 21 | 105.29 |
| Class S Euro Accumulating (Hedged) | 1,299 | 13 | 103.44 |
| Class X Euro Accumulating (Hedged) | 10,259 | 98 | 104.76 |
| Premier Class US\$ Accumulating | 12,506 | 119 | 104.95 |
| Premier Class US\$ Distributing Plus (Q) | 11 | - | 101.87 |
| Premier Class Accumulating Euro (Hedged) | 40,454 | 395 | 102.42 |
| Premier Class Euro Distributing Plus (Q) (Hedged) | 1,305 | 13 | 99.84 |
| Premier Class CHF Accumulating (Hedged) | 252 | 2 | 101.09 |

The accompanying notes are an integral part of the Financial Statements.

Statement of Financial Position – (continued)

| | Total NAV (000's) | No. Shares (000's)* | NAV/Share |
|---|----------------------|------------------------|-----------|
| EnTrustPermal Alternative Income Strategy | | | |
| As at 30 June 2016 | | | |
| Class A US\$ Accumulating | 5,059 | 51 | 98.81 |
| Class A US\$ Distributing Plus (Q) | 2,391 | 24 | 98.81 |
| Class A Accumulating Euro (Hedged) | 7,566 | 77 | 98.16 |
| Class A Euro Distributing Plus (e) (M) | 696 | 7 | 102.05 |
| Class A Euro Distributing Plus (Q) (Hedged) | 12,023 | 123 | 98.03 |
| Class E US\$ Accumulating | 90 | 1 | 99.72 |
| Class R US\$ Accumulating | 1,270 | 13 | 100.85 |
| Class R US\$ Distributing Plus (Q) | 1 | – | 100.73 |
| Class R Euro Accumulating (Hedged) | 260,142 | 2,590 | 100.43 |
| Class R Euro Distributing Plus (Q) (Hedged) | 1,221 | 12 | 100.66 |
| Class S US\$ Accumulating | 2,420 | 24 | 99.66 |
| Class S US\$ Distributing Plus (Q) | 11 | – | 100.07 |
| Class S Euro Accumulating (Hedged) | 1,298 | 13 | 99.34 |
| Class S Euro Distributing Plus Q (Hedged) | 11 | – | 97.59 |
| Class X Euro Accumulating (Hedged) | 202 | 2 | 101.1 |
| Premier Class US\$ Accumulating | 11 | – | 99.44 |
| Premier Class US\$ Distributing Plus (Q) | 11 | – | 99.44 |
| Premier Class Accumulating Euro (Hedged) | 2,561 | 26 | 98.77 |
| Premier Class Euro Distributing Plus (Q) (Hedged) | 1,798 | 19 | 98.78 |

* If a class has less than 500 shares, they are shown as “–”.

** Class launched on 28th August 2017.

*** Class terminated on 16th August 2017.

**** Class terminated on 14th November 2017.

***** Class launched on 17 January 2018.

***** Class launched on 5th February 2018.

Fionnuala Doris
Date: 12 October 2018

Joseph Keane

Statement of Comprehensive Income

| | Note | EnTrustPermal Alternative Income Strategy | |
|---|------|---|---|
| | | For the year ended 30 June 2018 '000's | For the year ended 30 June 2017 '000's |
| INVESTMENT INCOME | | | |
| Gross dividend income | 2 | 973 | 623 |
| Interest income | 2 | 18,216 | 9,237 |
| Other Income | 2 | 1 | 236 |
| Equalisation | 2 | (287) | (1,362) |
| Net (loss)/gain on financial assets and liabilities at fair value through profit or loss: | | | |
| Net realised gain/(loss) on financial instruments held for trading | | 42,692 | (2,031) |
| Net unrealised (loss)/gain on financial instruments held for trading | | (48,723) | 26,610 |
| Total Investment Income/(Loss) | | 12,871 | 33,313 |
| EXPENSES | | | |
| Investment Management fees | 5 | (3,192) | (1,763) |
| Sub-Adviser fees | 5 | (5,427) | (3,440) |
| Administrator and Depositary fees | 5 | (962) | (663) |
| Shareholder service fees | 5 | (133) | (55) |
| Audit fees | 5 | (27) | (27) |
| Directors fees and expenses | 5 | (28) | (11) |
| Legal fees | | (245) | (241) |
| Performance fees | 5 | (631) | (907) |
| Other expenses | | (367) | (691) |
| Total Expenses | | (11,012) | (7,798) |
| Expense waivers and reimbursements | 5 | 1 | —* |
| Total Net Expenses | | (11,011) | (7,798) |
| Net Profit before finance costs | | 1,860 | 25,515 |
| FINANCE COSTS: | | | |
| Distribution paid | 6 | (2,321) | (1,426) |
| (Loss)/Profit for the financial year/period | | (461) | 24,089 |
| Withholding tax on dividends and other taxation | | (240) | (187) |
| (Decrease)/Increase in Net Assets attributable to Holders of Redeemable Participating Shares | | (701) | 23,902 |

* Amounts shown as "—" are less than US\$500.

The accompanying notes are an integral part of the Financial Statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares

| | EnTrustPermal Alternative Income Strategy | |
|---|---|---|
| | For the year ended 30 June 2018 (‘000’s) US\$ | For the year ended 30 June 2017 (‘000’s) US\$ |
| | Net (Decrease)/Increase in net assets attributable to holders of redeemable participating shares | (701) |
| REDEEMABLE PARTICIPATING SHARE TRANSACTIONS | | |
| Net proceeds from sales of shares | 325,293 | 139,253 |
| Net proceeds from reinvested distributions | 49 | 4 |
| Cost of shares reacquired | (226,728) | (65,495) |
| Increase in Net Assets from Redeemable Participating Share transactions | 98,614 | 73,762 |
| Increase in net assets attributable to holders of redeemable participating shares | 97,913 | 97,664 |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES | | |
| Beginning of year | 428,002 | 330,338 |
| End of year | 525,915 | 428,002 |

| | EnTrustPermal Alternative Income Strategy | |
|--|---|--|
| | For the year ended 30 June 2018 (‘000’s)* | |
| Class A US\$ Accumulating | | |
| Sold | 33 | |
| Redeemed | (13) | |
| Net Increase | 20 | |
| Class A US\$ Distributing Plus (Q) | | |
| Sold | 5 | |
| Redeemed | (9) | |
| Net Decrease | (4) | |
| Class A Accumulating Euro (Hedged) | | |
| Sold | 299 | |
| Redeemed | (157) | |
| Net Increase | 142 | |
| Class A Euro Distributing Plus (e) (M) | | |
| Sold | – | |
| Redeemed | – | |
| Net Decrease | – | |
| Class A Euro Distributing Plus (Q) (Hedged) | | |
| Sold | 16 | |
| Redeemed | (15) | |
| Net Decrease | 1 | |
| Class E US\$ Accumulating | | |
| Sold | – | |
| Redeemed | – | |
| Net Decrease | – | |
| Class E Euro Accumulating (Hedged) | | |
| Sold | – | |
| Redeemed | – | |
| Net Decrease | – | |
| Class F US\$ Accumulating | | |
| Sold | – | |
| Redeemed | – | |
| Net Increase | – | |
| Class R US\$ Accumulating | | |
| Sold | 3 | |
| Redeemed | (10) | |
| Net Increase | (7) | |
| Class R US\$ Distributing Plus (Q) | | |
| Sold | 2 | |
| Redeemed | – | |
| Net Increase | 2 | |
| Class R Euro Accumulating (Hedged) | | |
| Sold | 138 | |
| Redeemed | (349) | |
| Net Decrease | (211) | |
| Class R Euro Distributing Plus (Q) (Hedged) | | |
| Sold | 104 | |
| Redeemed | (33) | |
| Net Increase | 71 | |

* If there are less than 500 shares, they are shown as “–”.

| | EnTrustPermal Alternative Income Strategy | |
|--|---|--|
| | For the year ended 30 June 2018 (‘000’s)* | |
| Class R GBP Distributing Plus (Q) (Hedged) | | |
| Sold | 17 | |
| Redeemed | (4) | |
| Net Increase | 13 | |
| Class S US\$ Accumulating | | |
| Sold | 495 | |
| Redeemed | (495) | |
| Net Decrease | – | |
| Class S US\$ Distributing Plus (Q) | | |
| Sold | – | |
| Redeemed | – | |
| Net Increase | – | |
| Class S Euro Accumulating (Hedged) | | |
| Sold | 154 | |
| Redeemed | (154) | |
| Net Decrease | – | |
| Class S Euro Distributing Plus Q (Hedged) | | |
| Sold | – | |
| Redeemed | – | |
| Net Decrease | – | |
| Class X Euro Accumulating (Hedged) | | |
| Sold | 412 | |
| Redeemed | (350) | |
| Net Increase | 62 | |
| Premier Class US\$ Accumulating | | |
| Sold | 194 | |
| Redeemed | (54) | |
| Net Increase | 140 | |
| Premier Class US\$ Distributing Plus (Q) | | |
| Sold | – | |
| Redeemed | – | |
| Net Increase | – | |
| Premier Class Accumulating Euro (Hedged) | | |
| Sold | 839 | |
| Redeemed | (262) | |
| Net Increase | 577 | |
| Premier Class Euro Distributing Plus (Q) (Hedged) | | |
| Sold | 2 | |
| Redeemed | (1) | |
| Net Decrease | 1 | |
| Premier Class CHF Accumulating (Hedged) | | |
| Sold | 1 | |
| Redeemed | – | |
| Net Increase | 1 | |
| Premier Class GBP Accumulating (Hedged) | | |
| Sold | 10 | |
| Redeemed | – | |
| Net Increase | 10 | |

The accompanying notes are an integral part of the Financial Statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares –
(continued)

| | EnTrustPermal Alternative Income Strategy | | EnTrustPermal Alternative Income Strategy |
|--|--|--|--|
| | For the year ended 30 June 2017 | | For the year ended 30 June 2017 |
| | ('000's)* | | ('000's)* |
| Class A US\$ Accumulating | | Class S US\$ Accumulating | |
| Sold | 49 | Sold | – |
| Redeemed | (2) | Redeemed | (3) |
| Net Increase | 47 | Net Increase | (3) |
| Class A US\$ Distributing Plus (Q) | | Class S US\$ Distributing Plus (Q) | |
| Sold | 4 | Sold | – |
| Redeemed | (16) | Redeemed | – |
| Net Increase | (12) | Net Increase | – |
| Class A Accumulating Euro (Hedged) | | Class S Euro Accumulating (Hedged) | |
| Sold | 159 | Sold | – |
| Redeemed | (19) | Redeemed | – |
| Net Increase | 140 | Net Increase | – |
| Class A Euro Distributing Plus (e) (M) | | Class S Euro Distributing Plus Q (Hedged) | |
| Sold | – | Sold | – |
| Redeemed | (7) | Redeemed | – |
| Net Increase | (7) | Net Increase | – |
| Class A Euro Distributing Plus (Q) (Hedged) | | Class X Euro Accumulating (Hedged) | |
| Sold | 10 | Sold | 105 |
| Redeemed | (36) | Redeemed | (9) |
| Net Increase | (26) | Net Increase | 96 |
| Class E US\$ Accumulating | | Premier Class US\$ Accumulating | |
| Sold | – | Sold | 132 |
| Redeemed | – | Redeemed | (13) |
| Net Increase | – | Net Increase | 119 |
| Class R US\$ Accumulating | | Premier Class US\$ Distributing Plus (Q) | |
| Sold | 9 | Sold | – |
| Redeemed | (7) | Redeemed | – |
| Net Increase | 2 | Net Increase | – |
| Class R US\$ Distributing Plus (Q) | | Premier Class Accumulating Euro (Hedged) | |
| Sold | 4 | Sold | 406 |
| Redeemed | (1) | Redeemed | (37) |
| Net Increase | 3 | Net Increase | 369 |
| Class R Euro Accumulating (Hedged) | | Premier Class Euro Distributing Plus (Q) (Hedged) | |
| Sold | 55 | Sold | 14 |
| Redeemed | (405) | Redeemed | (20) |
| Net Increase | (350) | Net Increase | (6) |
| Class R Euro Distributing Plus (Q) (Hedged) | | Premier Class CHF Accumulating (Hedged) | |
| Sold | 270 | Sold | 2 |
| Redeemed | (12) | Redeemed | – |
| Net Increase | 258 | Net Increase | 2 |
| Class R GBP Distributing Plus (Q) (Hedged) | | | |
| Sold | 32 | | |
| Redeemed | (1) | | |
| Net Increase | 31 | | |

* If there are less than 500 shares, they are shown as "–".

The accompanying notes are an integral part of the Financial Statements.

Notes to Financial Statements

1. Background

Legg Mason Alternative Funds ICAV (the "ICAV") is an open-ended Irish Collective Asset-management Vehicle with variable capital formed under the laws of Ireland and pursuant to the ICAV Act. Its objective, as set out in the ICAV's Instrument of Incorporation, is the collective investment in transferable securities and other liquid financial assets of capital raised from the public. The ICAV is organised in the form of an umbrella fund. The Instrument of Incorporation provides for separate sub-funds, each representing interests in a defined portfolio of assets and liabilities, which may be established from time to time with the prior approval of the Central Bank. The Instrument of Incorporation of the ICAV also provides that the ICAV may offer separate classes of shares, each representing interests in a sub-fund comprising a distinct portfolio of investments. A separate portfolio of assets shall not be maintained for a class. Currently only one sub-fund, the EnTrustPermal Alternative Income Strategy ("the Fund") has been established by the ICAV. The Fund formed on 17 July 2015 and was launched on 25 August 2015.

The ICAV is authorised by the Central Bank of Ireland (the "Central Bank"), under the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations, 2011 (as amended), and under UCITS Regulations. It was formed on 17 July 2015 with registration number C139549.

Sub-Advisers

EnTrustPermal Ltd., under the Sub-Investment Management Agreement, relating to the Fund is authorised to engage one or more Sub-Advisers for the purpose of assisting it with carrying out its duties and responsibilities as Sub-Investment Manager by exercising investment discretion over a Portfolio, provided the appointment of each Sub-Adviser is in accordance with the requirements of the Central Bank of Ireland (the "Central Bank").

During the year covered by this report, the Investment Manager had engaged the following entities as Sub-Advisers to provide investment management services to the Fund:

- Axonic Capital LLC
- Brevan Howard Asset Management LLP
- Eiffel Investment Group
- Gracie Capital LP
- Gramercy LLC
- Twin Capital Management LLC

Certain information concerning the Sub-Advisers will be provided by the Sub-Investment Manager, free of charge, upon a Shareholder's request and shall be available at the internet address <http://www.entrustpermal.com>.

2. Significant Accounting Policies

The significant accounting policies and estimation techniques adopted by the ICAV in the preparation of these financial statements are set out below.

Statement of compliance

The ICAV's financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS102"), Irish statute comprising the ICAV Act and the UCITS Regulations. The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

Critical Accounting Estimates and Assumptions

In preparation of financial statements in conformity with FRS 102 the ICAV is required to make certain accounting estimates and assumptions. Actual results may differ from these estimates and assumptions. The Directors believe that any estimates used in preparing the financial statements are reasonable and prudent. Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the ICAV's business that typically require such estimates are determination of the fair value of financial assets and liabilities. The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of Preparation

The ICAV's financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS102"), Irish statute comprising the ICAV Act and the UCITS Regulations. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The ICAV has availed of the exemption available to open-ended investment funds under Section 7 "Statement of Cash Flows" of FRS 102, not to prepare a cash flow statement on the basis that substantially all of the ICAV's investments are highly liquid and carried at fair value and the ICAV provides a statement of changes in net assets attributable to holders of redeemable participating shares.

All references to net assets throughout this document refer to net assets attributable to holders of Redeemable Participating Shares unless otherwise stated. All the ICAV's assets and liabilities are held for the purposes of being traded or are expected to be realised within one period.

(b) Investments at Fair Value

The ICAV classified all financial instruments, including its investments in debt and equity securities, and related derivatives, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading at fair value through profit or loss. Financial assets or financial liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short term.

Regular-way purchases and sales of investments are recognised on trade date plus one – the date on which the ICAV commits to purchase or sell the asset. Investments are initially recognised at fair value and transaction costs for all financial assets carried at fair value through profit or loss are expensed as incurred. Investments cease to be recognised when the rights to receive cash flows from the investments have expired or the ICAV has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the Statement of Comprehensive Income in the period in which they arise.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for long positions including those held as financial derivative instruments by the ICAV is the current mid-price.

The ICAV may from time to time invest in financial instruments that are not traded in an active market (for example in over-the-counter derivatives). The fair value is determined by using valuation techniques. The ICAV uses a variety of methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. The values assigned to these instruments are based upon the best available information and because of the uncertainty of the valuation, these values may differ significantly from the values that would have been realised had a ready market for these instruments existed and the differences could be material. Entering into these agreements involves, to varying degrees, elements of credit, legal, market and documentation risk in excess of amounts recognised in the Statement of Comprehensive Income. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparties to the agreements may default on their obligations to perform or disagree as to the meaning of contractual terms in the agreements, or that there may be unfavourable changes in interest rates or the price of the index or security underlying these transactions.

Notes to Financial Statements – (continued)

2. Significant Accounting Policies – (continued)

(c) Single Broker Pricing

The prices used at year end which have been sourced from a single broker source are the best estimate of fair value as at the year end date. However, there is a degree of uncertainty in respect of these prices. It may not always be possible to close out the positions at the stated mark with the given counterparty. Value of securities which have been priced using single broker sources as at 30 June 2018 was US\$2,434,940 (30 June 2017: US\$2,998,389).

(d) Accounting for Investments

Security transactions are accounted for on trade date plus one. Investments are initially recognised at fair value and transaction costs for all “fair-valued-through profit or loss” securities are expensed as incurred. Gains or losses on the sale of securities are calculated by using the First-In-First-Out (“FIFO”) basis.

(e) Income from Investments

Interest income and expense are recognised in the Statement of Comprehensive Income for all debt instruments using the effective interest method.

Dividends are credited to the Statement of Comprehensive Income on the dates on which the relevant securities are listed as “ex-dividend”. Dividend income is shown gross of any non-recoverable withholding taxes, which is disclosed separately in the Statement of Comprehensive Income.

(f) Critical Accounting Estimates and Assumptions

The Sub-Investment Manager of the Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below.

Fair Value of Derivative Financial Instruments

The ICAV may, from time to time, hold financial instruments that are not quoted in active markets, such as over-the-counter derivatives. Fair values of such instruments are determined by using valuation techniques as discussed in Note 2(b). Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed and compared to the price provided by an independent pricing service provider, where available.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty); volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The values assigned to these instruments are based upon the best available information and because of the uncertainty of the valuation, these values may differ significantly from the values that would have been realised had a ready market for these instruments existed and the differences could be material. Entering into these agreements involves, to varying degrees, elements of credit, legal, market and documentation risk in excess of the amounts recognised in the Statement of Comprehensive Income. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparties to the agreements may default on their obligations to perform or disagree as to the meaning of contractual terms in the agreements, or that there may be unfavourable changes in interest rates or the price of the index or security underlying these transactions.

(g) Equalisation

An equalisation account is maintained so that the amount distributed is the same for all shares of the same type notwithstanding different dates of issue. Equalisation income and expense are recorded in the Statement of Comprehensive Income.

Equalisation Income

A sum equal to that part of the issued price of a share which reflects income (if any) accrued but undistributed up to the date of issue will be deemed to be an equalisation payment and treated as repaid by shareholders in the first dividend to which the shareholder was entitled in the same accounting period as that in which the shares are issued.

Equalisation Expense

A sum equal to that part of the issued price of a share which reflects expense (if any) accrued but undistributed up to the date of issue will be deemed to be an equalisation receipt and treated as repaid to shareholders to the first dividend to which the shareholder was entitled in the same accounting period as that in which the shares are issued.

(h) Expenses

Certain expenses are Share Class specific expenses and are charged directly to the Share Class. General Fund expenses are allocated to the various Share Classes on the basis of relative NAV. Expenses are accounted for on an accruals basis with the exception of transaction charges relating to the acquisition and realisation of investments which are charged as incurred. Legal fees as stated on page 18 include country registration fees of US\$222,878 (year ended 30 June 2017: US\$210,729).

(i) Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value through profit or loss with transaction costs for such instruments being recognised directly in the Statement of Comprehensive Income.

Transaction costs charged by the Depositary on the settlement of purchases and sales of investments are disclosed within administrator and depositary fees in the Statement of Comprehensive Income for the Fund. Transaction costs on purchases and sales of equities, exchange traded funds and futures contracts are disclosed in Note 5.

Transaction costs on the purchase and sale of bonds, swaps and forward foreign currency contracts are included in the purchase and sale price of the investment. These costs cannot be practically or reliably gathered as they are embedded in the cost of the investment and cannot be separately verified or disclosed.

(j) Foreign Exchange Translation

(a) Functional and presentation currency: Items included in the ICAV's financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). This is U.S. Dollars for the Fund which has adopted the functional currency as the presentation currency for these financial statements.

(b) Purchases and sales of securities, and income and expenses are translated at the rate of exchange quoted on the respective date that such transactions are recorded. Assets and liabilities are translated at the foreign exchange rate at the end of the year. Differences between income and expense amounts recorded and collected or paid are recorded as foreign exchange gains/losses in the Statement of Comprehensive Income.

(k) Forward Foreign Currency Exchange Contracts

A forward foreign currency exchange contract (“forward contract”) is a commitment to purchase or sell a foreign currency at a future date, at a negotiated rate. Forward contracts are used to seek to manage foreign currency risks and to tactically shift portfolio currency risk. Forward contracts are generally entered into as a hedge upon the purchase or sale of a security denominated in a foreign currency. The Fund will realise a gain or loss upon the closing or settlement of the forward transaction. Unrealised appreciation or depreciation on forward contracts is reported in the Statement of Financial Position and Statement of Comprehensive Income. Realised gains and losses are reported with all other foreign currency gains and losses in the Statement of Comprehensive Income. Risks relating to forward contracts include the potential inability of the

Notes to Financial Statements – (continued)

2. Significant Accounting Policies – (continued)

(k) Forward Foreign Currency Exchange Contracts – (continued)

counterparty to meet the terms of the contract and unanticipated movements in the value of a foreign currency relative to the base currency of the Fund. As at 30 June 2018, forward contracts held are disclosed in the Portfolio of Investments. Forward contracts are fair valued by an independent price source by reference to the price at which a new forward contract of the same size and maturity could be undertaken.

(l) Futures Contracts

Initial margin deposits are made upon entering into futures contracts and are generally made in cash. Futures contracts are fair valued based upon their quoted daily settlement prices. Changes in the value of open futures contracts are recognised as unrealised gains or losses on futures contracts until the contracts are terminated, at which time realised gains and losses are recognised as a realised gain or loss and included in net gain/(loss) on financial assets and financial liabilities at fair value through profit and loss in the Statement of Comprehensive Income. Unrealised gains or losses on futures contracts are shown in the Statement of Financial Position. Realised gains and losses not yet delivered are shown as amounts due to/from broker in the Statement of Financial Position. As at 30 June 2018, the futures contracts held are disclosed in the Portfolio of Investments.

(m) Option Contracts

The premium on purchased put options exercised is subtracted from the proceeds of the sale of the underlying security or foreign currency in determining the realised gain or loss. The premium on purchased call options exercised is added to the cost of the securities or foreign currency purchased. Premiums paid from the purchase of options, which expire unexercised, are treated as realised losses. The unrealised gain or loss on open option positions is calculated and recorded as the fair value of the option less the premium paid on that option. Unrealised gains or losses on open option positions are reflected as assets or liabilities in the Statement of Financial Position.

The premium on written call options exercised is added to the proceeds from the sale of the underlying security or foreign currency in determining the realised gain or loss. The premium on written put options exercised is subtracted from the cost of the securities or foreign currencies purchased. Premiums received from written options, which expire unexercised, are treated as realised gains. As at 30 June 2018, option contracts held are disclosed in the Portfolio of Investments.

(n) Swap Instruments

Swap Instruments are recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Movement in the fair value of the swap instruments are recognised in the Statement of Comprehensive Income under 'Net gain/(loss) on financial assets and liabilities at fair value through profit or loss'. Interest paid and earned from swap instruments are recognised in the Statement of Comprehensive Income under 'Interest'. As at 30 June 2018, swap instruments held are disclosed in the Portfolio of Investments.

Credit Default Swaps

The Fund may enter into credit default swap agreements, provided that (i) the credit default swap agreement must be subject to daily valuation by the Fund and independently verified at least weekly, and (ii) the risks attached to the credit default swap must be independently assessed on a semi-annual basis and the report must be submitted to the Directors for review. The Fund may be either the buyer or seller in a credit default swap transaction. The "buyer" in a credit default contract is obligated to pay the counterparty a periodic stream of payments over the term of the contract provided that no event of default on an underlying reference obligation has occurred. If the Fund is a buyer and no event of default occurs, the Fund will lose its investment and recover nothing. On the other hand, if the Fund is a buyer and an event of default does occur, the Fund (the buyer) will receive the full notional value of the reference obligation that may have little or no value. Conversely, if the Fund is a seller and an event of default occurs, the Fund (the seller) must pay the counterparty the full notional value, or "par value", of the reference obligation in exchange for the reference obligation. As a seller, a Fund receives a fixed rate of income throughout the term of the contract, which typically is between six months and three periods, provided that there is no default event. If an event of default occurs, the seller (the Fund) must pay the counterparty the full notional value of the reference obligation.

The Fund purchases credit default swap contracts in order to hedge against the risk of a fall in the capital price, or default, of debt securities they hold. The Fund sells credit default swap contracts in order to get exposure to the rise in the capital price, and the risk of default is transferred from the purchaser of credit default contracts to the Fund as a seller of the credit default swap contract. This involves the risk that the swap may expire worthless and the credit risk that the seller may fail to satisfy its payment obligations to the Fund in the event of a default. The Fund may only enter into such transactions with counterparties rated A- or higher.

Equity Swaps

Equity swaps are agreements between the ICAV and third parties, which allow the ICAV to acquire an exposure to the price movement of specific securities without actually purchasing the securities. The changes in contract values are recorded as unrealised gains or losses and the ICAV recognises a realised gain or loss when the contract is closed.

(o) Exchange Traded Funds

The Fund may invest in exchange traded funds ("ETFs"). ETFs are securities that track an index, a commodity or a basket of assets like an index fund, but trade like a stock on an exchange. These securities are subject to market fluctuations and their current value is determined in the same manner as for other securities. As at 30 June 2018, the Fund held eight ETF positions (30 June 2017: two).

3. Investment Objectives and Policies

Investment objectives and investment policies for the Fund are listed in the Directors' Report.

4. Efficient Portfolio Management

Subject to the conditions and within the limits from time to time laid down by the Central Bank, and except as otherwise stated in the investment objective and policies of a Fund, the Investment Managers and/or Sub-Investment Manager(s) may employ investment techniques and instruments such as futures, forward foreign currency contracts and other derivatives for investment purposes or for efficient portfolio management purposes. Furthermore, new techniques and instruments may be developed which may be suitable for use by the Fund in the future and a Fund may employ such techniques and instruments subject to the prior approval of, and any restrictions imposed by, the Central Bank.

For UCITS which have engaged in efficient portfolio management techniques, under UCITS Notice 8.5, a UCITS is required to disclose the revenues arising from repurchase agreements and stocklending transactions for the entire reporting period together with the direct and indirect operational costs and fees incurred. There were no such techniques employed for the year end 30 June 2018 (year ended 30 June 2017: None).

There was no repurchase agreements or security lending contracts entered into during the year ended 30 June 2018 (year ended 30 June 2017: None).

Notes to Financial Statements – (continued)

5. Operating Expenses and Other Related Party Transactions

Pursuant to the Investment Management Agreement between the ICAV and Legg Mason Investments (Europe) Limited (the "Investment Manager"), the Investment Manager is entitled to receive an investment management fee out of the assets of the Fund for its services as the Investment Manager, which accrues on each Dealing Day and is payable monthly in arrears. Pursuant to the Sub-Investment Management Agreement, the Investment Manager shall pay the Sub-Investment Manager a Sub-Investment Management Fee and out-of-pocket expenses of the Sub-Investment Manager out of its own Investment Management Fee. The maximum investment management fee for each launched class, at 30 June 2018 (expressed as a percentage of the Fund's NAV attributable to such class) is as follows:

| EnTrustPermal Alternative Income Strategy | Maximum Investment Management Fee* |
|---|------------------------------------|
| Class A US\$ Accumulating | 2.25% |
| Class A US\$ Distributing Plus (Q) | 2.25% |
| Class A Accumulating Euro (Hedged) | 2.25% |
| Class A Euro Distributing Plus (Q) (Hedged) | 2.25% |
| Class E Euro Accumulating (Hedged) | 2.50% |
| Class F US\$ Accumulating | 1.90% |
| Class R US\$ Accumulating | 1.65% |
| Class R US\$ Distributing Plus (Q) | 1.65% |
| Class R Euro Accumulating (Hedged) | 1.65% |
| Class R Euro Distributing Plus (Q) (Hedged) | 1.65% |
| Class R GBP Distributing Plus (Q) (Hedged) | 1.65% |
| Class S US\$ Accumulating | 1.50% |
| Class S Euro Accumulating (Hedged) | 1.50% |
| Class X Euro Accumulating (Hedged) | 1.65% |
| Premier Class US\$ Accumulating | 1.65% |
| Premier Class US\$ Distributing Plus (Q) | 1.65% |
| Premier Class Accumulating Euro (Hedged) | 1.65% |
| Premier Class Euro Distributing Plus (Q) (Hedged) | 1.65% |
| Premier Class CHF Accumulating (Hedged) | 1.65% |
| Premier Class GBP Accumulating (Hedged) | 1.65% |

* The maximum Management Fee includes a combination of the Investment Management Fee and Distribution Fee payable by the ICAV to the Investment Manager and the Distributor on each Share Class of the Fund.

Expense Waivers

The Investment Manager may voluntarily undertake to reduce or waive its investment management fee or to make other arrangements to reduce the expenses of the Fund to the extent that such expenses exceed such lower expense limitation as the Investment Manager may, by notice to the Shareholders, voluntarily declare to be effective. The Investment Manager has currently undertaken to reimburse the Fund so that "Specified Expenses" (as described below) of each Class in the Fund's financial year do not exceed the percentage of the average daily NAV of such Class listed above. "Specified Expenses" is defined to include all expenses incurred in the business of the Fund, which include offering costs, administration fees, investment management fees, investor servicing fees and custody fees. "Specified Expenses" does not include the following: (i) establishment expenses relating to the Fund; (ii) Performance Fees or Additional Performance Fees; (iii) distributor fees; (iv) Eligible Collective Investment Scheme fees and expenses; (v) brokerage and trading costs; (vi) interest payments; (vii) taxes; or (viii) extraordinary expenses. The Investment Manager may terminate or modify this arrangement at any time at its sole discretion upon 30 days' notice in writing to the Fund's Shareholders.

During the year ended 30 June 2018 the total amount reimbursed on the Fund was US\$671 (year ended 30 June 2017: US\$472), which included Investment Manager fees waived of US\$654 (year ended 30 June 2017: US\$461).

Shareholder service fees are payable on all classes except: Class R Share Classes, Class S Share Classes and Premier Share Classes (each as defined in the Prospectus). During the year ended 30 June 2018 the shareholder services fees waived on the EnTrustPermal Alternative Income Strategy Fund were US\$17 (year ended 30 June 2017: US\$11).

Administrator and Depositary Fees

State Street Custodial Services (Ireland) Limited acts as Depositary and State Street Fund Services (Ireland) Limited acts as Administrator to the ICAV. For administration, accounting, shareholder, trustee and custodial services, they collectively receive from the Fund a fee of up to 0.20% per annum of the NAV of the Fund.

Performance Fees

The Sub-Investment Manager and each of the Sub-Advisers may be entitled to receive a fee (a "Performance Fee") depending on the performance of the share classes of the Fund. For the purposes of calculating such performance fees, the term "Performance Period" means the period beginning on 1 July and ending on 30 June of each year, with the exception of the first Performance Period for a Share Class, which will begin upon the initial issue of Shares in that Share Class and end on the following 30 June and the first Performance Period for a Portfolio, which will begin upon the appointment of such Sub-Adviser to manage said Portfolio and will end on the following 30 June.

Sub-Investment Manager Performance Fee: Under the terms of the Sub-Investment Management Agreement, the ICAV will pay to the Sub-Investment Manager out of the assets of the Fund a Performance Fee on each Share Class; provided that the Performance Fee on a Share Class is payable only if the NAV of such Share Class (before any accruals of Performance Fees or Additional Performance Fees, as defined below) has increased by at least 4 per cent at the end of the relevant Performance Period from the NAV of such Share Class as at the end of the prior Performance Period, or in the case of the first Performance Period, the Initial Offer Price of such Share Class (the "Sub-Investment Manager Hurdle Rate"). The Performance Fee shall be equal to 15 per cent of the New Net Appreciation of the relevant Share Class during the Performance Period above the Sub-Investment Manager Hurdle Rate.

The Performance Fee (if any) will accrue each Dealing Day. The amount accrued on each Dealing Day will be determined by calculating the Performance Fee that would be payable if that day was the last day of the current Performance Period. The Performance Fee will be payable by the Fund to the Sub-Investment Manager annually in arrears within 45 calendar days of the end of each Performance Period. The calculation of the Performance Fee shall be based upon unaudited information but will be verified by the Depositary.

Sub-Adviser Performance Fees: Under the terms of the sub-advisory agreements between the Sub-Investment Manager and the Sub-Advisers, the Sub-Investment Manager shall pay each Sub-Adviser a performance fee (the "Sub-Adviser Performance Fee"); provided that the Sub-Adviser Performance Fee is payable on a Sub-Adviser's Portfolio only if the NAV of such Portfolio (before any accruals of Sub-Adviser Performance Fees) has increased by at least 4 per cent at end of relevant Performance Period from the NAV of such Portfolio as at the end of the prior Performance Period (the "Sub-Adviser Hurdle Rate"). The Sub-Adviser Hurdle Rate will be pro-rated for any Sub-Adviser who is appointed after the commencement of a Performance Period to reflect the period the Sub-Adviser managed the Sub-Adviser's portfolio during the relevant Performance Period. The Sub-Adviser Fee shall be equal to 10 per cent of the New Net Appreciation of the Portfolio allocated to such Sub-Adviser during the Performance Period above the Sub-Adviser Hurdle Rate. The Sub-Adviser is entitled to receive such Sub-Adviser Performance Fee until such time, if ever, that the Sub-Adviser ceases to manage the Portfolio (the "Term of Appointment").

The Sub-Adviser Performance Fee will be calculated and accrued daily during the Term of Appointment and for each Performance Period. Where a Sub-Adviser is entitled to receive a Sub-Adviser Performance Fee in a Performance Period, all or part of that Sub-Adviser Performance Fee, depending upon the arrangements with that Sub-Adviser, will be paid to the Sub-Adviser for that Performance Period. Upon the termination of a Sub-Adviser's appointment, any Sub-Adviser Performance Fees owed will be paid in full. The calculation of any Sub-Adviser Performance Fee must be verified by the Depositary.

Notes to Financial Statements – (continued)

5. Operating Expenses and Other Related Party Transactions – (continued)

Performance Fees – (continued)

Additional Performance Fee: The Sub-Investment Manager will pay the Sub-Adviser Performance Fees for a particular Performance Period out of the Performance Fee paid to it for such Performance Period. However, if, as of the end of any Performance Period, the sum of all Sub-Adviser Performance Fees payable to Sub-Advisers in respect of a Performance Period exceeds the Performance Fee payable to the Sub-Investment Manager, the Fund will pay an additional amount (the "Additional Performance Fee") to the Sub-Investment Manager which shall, in turn, remit the Additional Performance Fee to the relevant Sub-Adviser to cover the shortfall. This may occur where, for example, during a Performance Period one or more Sub-Advisers add value in respect of their Portfolio, while other Sub-Advisers add negative value with respect to their respective Portfolios. Any such Additional Performance Fee paid by the Fund will be deducted from the Sub-Investment Manager's Performance Fee before payment to the Sub-Investment Manager in subsequent Performance Periods; provided that upon a redemption, the amount of the Additional Performance Fee to be deducted from the Sub-Investment Manager's Performance Fee in subsequent Performance Periods shall be decreased by an amount proportionate to the percentage of outstanding Shares redeemed in the relevant Class. For the avoidance of doubt, if the Fund or the Sub-Investment Management Agreement is terminated following the payment of an Additional Performance Fee, the Sub-Investment Manager shall not be required to reimburse the Fund such Additional Performance Fee. The ICAV's Prospectus was updated with effect on 22 December 2017 to clarify that the Sub-Adviser Hurdle Rate will be pro-rated for any Sub-Adviser whose Term of Appointment is shorter than the performance fee period. This is to reflect the provisions of the sub-advisory agreements. This update shall be effective from 15 March, 2018.

Performance fees accrued for the year ended 30 June 2018 were US\$631,228 (year ended 30 June 2017: US\$907,423).

Directors' Remuneration

Directors' fees accrued for the year ended 30 June 2018 were US\$28,269 (year ended 30 June 2017: US\$10,723).

Director's fees are not payable in respect of Joseph Carrier, Joseph LaRocque and Jane Trust who are employees of the Investment Manager or its affiliates.

Auditors' Remuneration

Fees paid to the auditors, PricewaterhouseCoopers of US\$27,240 in respect of the financial year (year ended 30 June 2017: US\$26,936), relate to statutory audit of the financial statements of the ICAV.

During the financial year ended 30 June 2018, US\$14,359 (year ended 30 June 2017: US\$21,790) was also paid for non-audit services. There were no out-of-pockets expenses paid to PricewaterhouseCoopers.

Transaction Costs

| | Custody Transaction Fees (<i>'000's</i>) US\$ | Purchases and Sales Transaction Fees (<i>'000's</i>) US\$ |
|---|---|---|
| 30 June 2018 | | |
| EnTrustPermal Alternative Income Strategy | – | (106) |
| 30 June 2017 | | |
| EnTrustPermal Alternative Income Strategy | – | (72) |

Other Related Party Transactions

As at 30 June 2018, a wholly owned company of Legg Mason Inc., LM International Holdings LP, held 0.0031% (30 June 2017: 0.0031%) of the issued share capital of the Fund.

As at 30 June 2018, one institution held 51.69% of the redeemable participating shares of the Fund (30 June 2017: 68.88%).

6. Distributions to Holders of Redeemable Participating Shares

Distributing Share Classes

The letter in parentheses at the end of the name of each Distributing Share Class indicates a particular frequency of dividend declarations and dividend payments, as detailed in the following table.

| Distributing Share Class Designation | Frequency of Dividend Declarations | Frequency of Dividend Payments |
|--------------------------------------|------------------------------------|---|
| (D) | Daily | Monthly |
| (M) | Monthly | Monthly |
| (Q) | Quarterly | Quarterly (October, January, April, July) |
| (S) | Semi-Annually | Semi-Annually (January, July) |
| (A) | Annually | Annually (July) |

For each Distributing Share Class, at the time of each dividend declaration: (1) all, or some portion of, net investment income, if any, will be declared as a dividend; and (2) all, or some portion, of realised and unrealised capital gains net of realised and unrealised capital losses may be, but is not required to be, declared as a dividend.

Distributing Plus Share Classes, may charge certain fees and expenses to capital rather than income, and there is an increased risk that investors in these Share Classes may not receive back the full amount invested when redeeming their holding. The declaration of distributions in Distributing Plus Share Classes which may charge certain fees and expenses to capital rather than income could result in the erosion of capital for investors in those Distributing Plus Share Classes and that increased income will be achieved by foregoing some of the potential for future capital growth. All expenses of the Distributing Plus Share Classes would be charged to capital. The Distributing Plus Share Classes paid a distribution of US\$2,321,396 (year ended 30 June 2017: US\$1,425,773) out of which US\$49,050 were reinvested in the Fund at 30 June 2018 (30 June 2017: US\$4,103).

During the year, the Fund has charged fees and expenses to capital on Distributing Plus Share Class:

| | Fees and Expenses charged to capital for the year ended 30 June 2018 (<i>'000's</i>) US\$ | Fees and Expenses charged to capital for the period ended 30 June 2017 (<i>'000's</i>) US\$ |
|--|--|--|
| Class A Euro Distributing Plus (e) (M) | – | 14 |

Accumulating Share Classes

With respect to Accumulating Share Classes, it is intended that, in the normal course of business, distributions will not be declared and that any net investment income attributable to each Accumulating Share Class will be accumulated daily in the respective NAV per share of each respective Share Class.

7. Share Capital and Redeemable Participating Shares

Share Capital

The ICAV was established with an initial share capital of Euro 2 represented by 2 subscriber shares of no par value. Shareholders of these subscriber shares are entitled to attend and vote at all of the meetings of the ICAV, but are not entitled to participate in the dividends or net assets of any Fund or of the ICAV.

Redeemable Participating Shares

The share capital of the ICAV shall at all times equal the NAV. The Directors are empowered to issue up to five hundred billion shares of no par value in the ICAV at the NAV per share on such terms as they may see fit. There are no rights of pre-emption upon the issue of shares in the ICAV.

Each of the shares entitles the Shareholder to participate equally on a pro rata basis in the dividends, where applicable, and net assets of the Fund in respect of which they are issued, save in the case of dividends declared prior to becoming a shareholder.

Notes to Financial Statements – (continued)

7. Share Capital and Redeemable Participating Shares – (continued)

Redeemable Participating Shares – (continued)

The proceeds from the issue of shares shall be applied in the books of the ICAV to the Fund and shall be used in the acquisition on behalf of the Fund of assets in which the Fund may invest. The records and accounts of the Fund shall be maintained separately.

The Fund has different Share Classes offered as indicated in the ICAV's Instrument of Incorporation. These different classes of shares differ principally in terms of their sales charges, fees, rates of expenses, distribution policy, and currency denomination. Investors are thus able to choose a Share Class that best suits their investment needs, considering the amount of investment and anticipated holding period.

Each Share Class is designated as a Distributing Share Class or an Accumulating Share Class. Accumulating Share Classes do not distribute net income, net realised or net unrealised capital gains whereas Distributing Share Classes will distribute at certain intervals, which will vary depending on the letter in parentheses at the end of the name of the Distributing Share Class, as explained in Note 6 above. In addition, the ICAV has subscriber shares outstanding. The subscriber shares do not entitle the holders to participate in the assets of any Fund. As at 30 June 2018 there were 2 subscriber shares in issue (30 June 2017: 2). The subscriber shares are held by Fand Limited and Attleborough Limited.

The Fund may offer Share Classes designated in currencies other than the base currency of the Fund. For each such Share Class, unless indicated by "(Hedged)" in the name of the share class, the Investment Manager or Sub-Investment Manager will not employ any techniques to hedge the Share Class's exposure to changes in exchange rates between the Base Currency of the Fund and the currency of the Share Class.

8. Taxation

Under current Irish law and practice, the ICAV qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997 (as amended). On that basis, the ICAV will not generally be liable to Irish tax in respect of its income and gains, other than on the occurrence of a chargeable event. Generally a chargeable event arises on any distribution, redemption, repurchase, cancellation, transfer of shares or on the ending of a 'Relevant Period', a 'Relevant Period' being an eight year period beginning with the acquisition of the shares by the shareholders and each subsequent period of eight years beginning immediately after the preceding Relevant Year.

No Irish tax will arise on the ICAV in respect of chargeable events in respect of:

- (i) a shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided an appropriate valid declaration is in place, or the ICAV has been authorised by Irish Revenue to make gross payments in the absence of appropriate declarations; and
- (ii) certain exempted Irish tax resident shareholders who have provided the ICAV with the necessary signed statutory declarations.

In addition, any transaction (which might otherwise be a chargeable event) in relation to shares held in a recognised clearing system as designated by order of the Irish Revenue Commissioners will not constitute a chargeable event.

In the absence of an appropriate declaration, the ICAV will be liable to Irish tax on the occurrence of a chargeable event. There were no chargeable events during the period under review.

Capital gains, dividends and interest received may be subject to taxes, including withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Fund or its shareholders.

9. Cash and Cash Equivalents

Cash at bank and cash held for diversification is included within cash and cash equivalents. Cash at bank is held with State Street Bank and Trust and its Sub-depositories. Cash held for diversification is held with Citibank and BNP Paribas.

| Counterparty | Cash at bank 30 June 2018 ('000's) US\$ | Cash held for diversification 30 June 2018 ('000's) US\$ | Cash at bank 30 June 2017 ('000's) US\$ | Cash held for diversification 30 June 2017 ('000's) US\$ |
|-----------------------------|--|--|--|--|
| BNP Paribas | - | 28,908 | - | 10,391 |
| Citibank | - | 37,354 | - | 31,854 |
| State Street Bank and Trust | 66,965 | - | 76,793 | - |
| Total amount | 66,965 | 66,262 | 76,793 | 42,245 |

Cash collateral and due to broker relate to cash provided to brokers for collateral purposes. As at 30 June 2018, cash collateral and due to broker are held for options and swaps by JP Morgan, Barclays Bank, Credit Suisse and Morgan Stanley.

| Counterparty | Cash collateral 30 June 2018 ('000's) US\$ | Cash collateral 30 June 2017 ('000's) US\$ |
|---------------------|---|---|
| Barclays Bank | 813 | 41 |
| Credit Suisse | 2,178 | 2,149 |
| JP Morgan | 6,926 | 3,184 |
| Morgan Stanley | 12,598 | 7,448 |
| Total amount | 22,515 | 12,822 |

| Counterparty | Due to broker 30 June 2018 ('000's) US\$ | Due to broker 30 June 2017 ('000's) US\$ |
|---------------------|---|---|
| Barclays Bank | (1,921) | - |
| Total amount | (1,921) | - |

Cash at broker relates to cash provided to brokers for margin requirements for futures, options and swaps. As at 30 June 2018, Margin cash is held with Credit Suisse and Barclays Bank.

| Counterparty | Margin cash 30 June 2018 ('000's) US\$ | Margin cash 30 June 2017 ('000's) US\$ |
|---------------------|---|---|
| Barclays Bank | 7,832 | 2,368 |
| Credit Suisse | 3,071 | 4,824 |
| Total amount | 10,903 | 7,192 |

The credit rating of Brokers is detailed in the credit risk note (Note 14.2).

10. Commitments and Contingent Liabilities

There were no significant commitments or contingent liabilities at the Statement of Financial Position date (30 June 2017: Nil).

Notes to Financial Statements – (continued)

11. Soft Commission Arrangements

The Investment Manager or Sub-Advisers may direct transactions to brokers in return for research services. In such circumstances, the Investment Manager or Sub-Advisers may enter into soft commission agreements or similar arrangements with such brokers. Under such arrangements, the Investment Manager or Sub-Advisers must ensure that the broker or counterparty to the arrangement has agreed to provide best execution to the Fund and that the benefit provided assists the Investment Manager or Sub-Advisers in their provision of investment services to the Fund. The total value of soft commission arrangements entered into on behalf of the Fund for the year ended 30 June 2018 is US\$23,125 (year ended 30 June 2017: US\$33,188). Subsequent to year end US\$13,792.11 was reimbursed to the LMAF ICAV to cover the portion of soft commissions that occurred during the 1 January 2018 through 30 June 2018 period.

12. Exchange Rates

The following exchange rates were used in these financial statements to obtain the equivalent U.S. Dollar amounts.

| USD | Currency | Exchange rates as at 30 June 2018 | Exchange rates as at 30 June 2017 |
|-----|--------------------|--------------------------------------|--------------------------------------|
| | Australian Dollar | 1.3513 | 1.3011 |
| | Brazilian Real | 3.8758 | 3.3129 |
| | British Pound | 0.7577 | 0.7678 |
| | Canadian Dollar | 1.3147 | 1.2968 |
| | Chilean Peso | 653.395 | – |
| | Euro | 0.8563 | 0.8755 |
| | Hong Kong Dollar | 7.8456 | 7.8075 |
| | Hungarian Forint | 282.0004 | – |
| | Indian Rupee | 68.515 | 64.6375 |
| | Israeli New Shekel | 3.6583 | – |
| | Japanese Yen | 110.715 | 112.4750 |
| | Mexican Peso | 19.8603 | 18.1488 |
| | New Zealand Dollar | 1.4765 | 1.3646 |
| | Norwegian Krone | 8.1444 | 8.3488 |
| | Philippine Peso | 53.3675 | – |
| | Polish Zloty | 3.7457 | 3.7057 |
| | Singapore Dollar | 1.3625 | – |
| | South African Rand | 13.7175 | 13.0825 |
| | South Korean Won | 1114.5 | – |
| | Swedish Krona | 8.9568 | 8.4247 |
| | Swiss Franc | 0.9903 | 0.9589 |
| | Thailand Baht | 33.13 | – |
| | Turkish Lira | 4.5939 | 3.5185 |

13. Direct Brokerage Services

During the year ending 30 June 2018 the ICAV did not utilise any direct brokerage services (year ending 30 June 2017: None).

14. Risk Exposure and Risk Management

The ICAV has appointed Legg Mason Investments (Europe) Limited as Investment Manager for the Fund. Legg Mason Investments (Europe) Limited has made the decision to delegate all responsibility for providing discretionary portfolio management services to the Fund, to a Sub-Investment Manager, and Risk Manager (“EnTrustPermal Ltd.”). The Investment Manager remains responsible to the Fund for the performance of its agreed upon obligations. EnTrustPermal Ltd. is responsible for monitoring the Fund’s use of FDIs against regulatory limits and measuring the risks associated with FDI used by the Fund and their contribution to the Fund’s overall risk profile. The monitoring is done by EnTrustPermal Ltd. at the Sub-Adviser sleeve level and the overall Fund portfolio level. Day-to-day risk management of the financial instruments (including FDIs) held by the Fund is the responsibility of EnTrustPermal Ltd. and Advisers.

The securities and instruments in which the Funds invest are subject to normal market fluctuations and other risks inherent in investing in such investments, and there can be no assurance that any appreciation in value will occur. There can be no assurance that a Fund will achieve its investment objective.

In pursuing its investment objectives, the ICAV holds financial derivative instruments (“FDIs”). The ICAV’s financial derivative instruments held at 30 June 2018 are disclosed in the Portfolio of Investments.

The main risks arising from the ICAV’s financial instruments are market risk, liquidity risk and credit risk.

EnTrustPermal Ltd. operates a risk management process on behalf of the Fund in relation to the Fund’s use of FDIs which allows EnTrustPermal Ltd. to measure, monitor and manage various risks associated with FDIs and which is intended to ensure that the Fund’s FDI exposure remains within the limits described below. The risk management process is described in a statement, a copy of which has been filed with the Central Bank, and which will be updated from time to time to include any additional FDIs which a Sub-Adviser or EnTrustPermal Ltd. proposes to employ on behalf of the Fund (the “Risk Management Process”). Until such time as the Risk Management Process has been updated and cleared by the Central Bank, however, neither a Sub-Adviser nor EnTrustPermal Ltd. will use any FDI which is not for the time being included in the Risk Management Process.

EnTrustPermal Ltd. pursuant to various sub-adviser agreements, delegates certain investment management responsibilities in relation to Portfolios to Sub-Advisers representing distinct investment styles and expertise in an asset class.

The success of the Fund depends upon the ability of EnTrustPermal Ltd. to allocate the Fund’s assets to various Investment Strategies and to select the best mix of Sub-Advisers, as well as the ability of the Sub-Advisers to develop and implement Investment Strategies that achieve the Fund’s investment objective. A Sub-Adviser’s inability to effectively hedge an Investment Strategy that it utilises may cause the assets of the Fund invested with such Sub-Adviser to significantly decline in value and could result in substantial losses to the Fund. Moreover, subjective decisions made by the Sub-Investment Manager and/or the Sub-Advisers may cause the Fund to incur losses or to miss profit opportunities on which it may otherwise have capitalised.

This risk is managed through EnTrustPermal Ltd’s rigorous manager selection process. EnTrustPermal Ltd. has a disciplined and repeatable process for identifying and selecting managers, allocating capital to those managers and then monitoring their performance. This process combines a bottom-up and top-down approach that seeks to assemble the optimal mix of Sub-Advisers and Investment Strategies, coupled with ongoing evaluation and analysis.

The ICAV, in conjunction with the EnTrustPermal Ltd. has determined that certain of its material risks are market risk, credit risk and liquidity risk. In respect of the use of FDIs, the risks are counterparty risk, credit risk, increased margin calls and unlimited risk of loss. Further details of these and other risks are set out below and in the Instrument of Incorporation under “Risk Factors”.

Market risk includes market price risk, foreign currency risk, interest rate risk and other price risk.

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The maximum price risk resulting from the ownership of financial instruments is determined by the fair value of financial instruments. The Sub-Investment Manager may consider the asset allocation of the portfolios in order to minimise the risk associated with particular countries, industry sectors or securities while continuing to follow the Fund’s investment objective as outlined in the Directors’ Report. Risk is managed by the Sub-Adviser through careful selection of securities and other financial instruments within specified limits and investment mandates. Details of each Fund’s investment policies are outlined in the Directors’ Report. Details of the Fund’s financial assets and financial liabilities are presented on the Statement of Financial Position.

Notes to Financial Statements – (continued)

14. Risk Exposure and Risk Management – (continued)

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in the rate of exchange between the currency in which the financial asset or financial liability is denominated and the functional currency of the Fund. The value of the investments of the Fund denominated in a currency other than the functional currency may rise and fall due to exchange rate fluctuations by the relevant currencies. There is a risk that large exchange rate fluctuations may have a significant impact on the performance of the Fund.

Where the Fund holds investments in a currency other than the Fund's functional currency, the Sub-Adviser may manage foreign currency risk by either hedging foreign currency into the functional currency of the Fund or alternatively by diversifying investments across multiple currencies.

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Fund which holds fixed interest rate debt securities and overdraft positions is exposed to interest rate risk where the value of these securities or loans may fluctuate as a result of a change in interest rates. Holdings in floating and variable rate securities may also be subject to interest rate risk although to a lesser degree. Cash assets held via the Depositary have the potential to yield interest income, the level of which will fluctuate according to the prevailing level of market interest rates.

The Fund invests in interest bearing financial assets and financial liabilities which expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. The value of investments in fixed rate interest bearing securities may be subject to price volatility due to changes in interest rates. Fluctuations in market interest rates will impact upon the level of interest received by a Fund.

An increase in interest rates will generally reduce the value of debt securities that are issued and outstanding, while a decline in interest rates will generally increase the value of debt securities that are issued and outstanding. The magnitude of these price fluctuations will be greater when the maturity of the outstanding securities is longer. Changes in the value of securities held by the Fund when interest rates change mean that the Fund's NAV per share can go up or down because of the effect on the value of the Fund's portfolio of debt securities.

EnTrustPermal Ltd. monitors the interest-rate environment and evaluates risks on major strategies. Interest rate risk is controlled by monitoring maturities and duration relative to the Funds' benchmark. Techniques such as factor analysis and key rate duration measurement are used to evaluate portfolio curve exposures.

The risks involved with investing in equities include changing economic conditions, industry and ICAV conditions and security selection. Investing in fixed income securities are also subject to interest rate risk, credit risk, maturity risk and market risk. International securities are subject to changing exchange rates, less liquid markets and political and economic instability depending on the country. Developing markets are subject to these same risks however it may be to a greater degree. For the purpose of efficient portfolio management, the Fund may enter into exchange traded and over-the-counter ("OTC") derivatives, including but not limited to, futures, swaps, forwards, options and warrants and may enter into stock lending agreements.

The European Investment Committee (the "Committee") has been established within Legg Mason to oversee the delegation of investment management responsibilities for the Fund. The Committee is comprised of members who, as a group, have experience and specialised knowledge in such areas as investment management including equity, fixed income and derivatives; investment analysis and reporting; risk management; and compliance. The Committee, on behalf of the Investment Manager, is responsible for overseeing that the Fund is managed within the terms of the Funds' investment guidelines and limits set out in the Prospectus and the UCITS Regulations as well as EnTrustPermal Ltd's own internal investment guidelines and limits. The Committee generally meets once a month to oversee that the Fund is being managed in accordance with these limits and regulatory requirements.

14.1. Market Risk

The Fund invests in FDIs and seeks to limit the market risk and leverage created through the use of derivatives by using a sophisticated risk measurement technique known as "value-at-risk" (the "VaR approach").

EnTrustPermal Ltd. uses an absolute VaR approach to measure global exposure in order to control the Fund's market risk volatility. This procedure ensures that the "leverage effect" of utilizing FDI's is not significant enough to cause disproportionate losses to the Fund's total value. To ensure that maximum VaR targets at the Fund level are achieved, EnTrustPermal Ltd. will generally require all Sub-Advisers to manage their respective "sleeves" to the same VaR parameters. Given the Fund's multimanager structure, EnTrustPermal Ltd. may permit a Sub-Adviser to manage its "sleeve" to a higher or lower maximum one-month VaR limit detailed below.

VaR is a statistical methodology that seeks to predict, using historical data, the likely maximum loss that a Fund could suffer, calculated to a specific (e.g., 99 per cent) confidence level. The Fund uses an "absolute" VaR model where the measurement of VaR is relative to the NAV of the Fund. A VaR model has certain inherent limitations and it cannot be relied upon to predict or guarantee that the size or frequency of losses incurred by the Fund will be limited to any extent. As the VaR model relies on historical market data as one of its key inputs, if current market conditions differ from those during the historical observation period, the effectiveness of the VaR model in predicting the VaR of the Fund may be materially impaired. Investors may suffer serious financial consequences under abnormal market conditions.

The effectiveness of the VaR model could be impaired in a similar fashion if other assumptions or components comprised in the VaR model prove to be inadequate or incorrect.

The Fund uses an absolute VaR model, in accordance with the requirements of the Central Bank and is subject to an absolute VaR limit of 20% of the Fund's NAV, based on a 20 business day holding period and a 99 per cent confidence interval. However, the Fund may from time to time experience a change in NAV over a 20 business day holding period greater than 20% of NAV. The absolute VaR for the Fund as at 30 June 2018 is 1.47% (30 June 2017: 2.29%).

In addition to using the VaR approach, EnTrustPermal Ltd. will monitor leverage levels on a daily basis to monitor changes due to market movements. In addition, the respective Sub-Adviser of the Fund shall carry out pre-trade testing to consider the impact that the trade would have on the Fund's overall leverage and to consider the risk/reward levels of the trade. When reviewing the Fund's portfolios against investment and risk limits, EnTrustPermal Ltd. will highlight any Sub-Advisers which have taken positions that are close to the maximum permitted and keep them under review until the position is reduced or other changes in the Fund's portfolio bring the position down to a lower relative size. The lowest, average and highest utilisation of the VaR limit at a 99% confidence level for a 20 day time horizon were as follows:

| | Minimum | As at 30 June 2018 Average | Maximum |
|---|---------|-------------------------------|---------|
| EnTrustPermal Alternative Income Strategy | 1.02% | 1.54% | 3.07% |
| | Minimum | As at 30 June 2017 Average | Maximum |
| EnTrustPermal Alternative Income Strategy | 1.38% | 2.24% | 3.24% |

For a Fund using VaR, leverage is calculated as the sum of the notionals of the derivatives used.

Average level of leverage employed were as follows:

| | As at 30 June 2018 | As at 30 June 2017 |
|---|--------------------|--------------------|
| EnTrustPermal Alternative Income Strategy | 299.53% | 284.00% |

(a) Foreign Currency Risk

A portion of the financial assets of the Fund may be denominated in currencies other than the U.S. Dollar (the functional currency of the Fund) with the effect that the Statement of Financial Position and total return can be significantly affected by currency movements. Changes in exchange rates between currencies or the conversion from one currency to another may cause the value of the Fund's investments to diminish or increase. Currency exchange rates may fluctuate over short periods of time. They generally are determined by supply and demand in the currency exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates can be affected unpredictably by intervention (or the failure to intervene) by governments or central banks, or by currency controls or

Notes to Financial Statements – (continued)

14. Risk Exposure and Risk Management – (continued)

14.1. Market Risk – (continued)

(a) Foreign Currency Risk – (continued)

political developments. If the currency in which a Fund's portfolio investment is denominated appreciates against the Fund's Base Currency, the Base Currency value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security expressed in the Base Currency of the Fund. The Fund using FDI may employ techniques and instruments that are intended to provide protection against exchange risks in the context of the management of its assets and liabilities (i. e., currency hedging) by gaining an exposure to one or more foreign currencies or otherwise altering the currency exposure characteristics of securities by the Fund (i. e., active currency positions) and may also employ such techniques and instruments for the purpose of attempting to enhance the Fund's return.

The following tables set out the ICAV's material exposure to monetary foreign currency risk as at 30 June 2018 and 30 June 2017. The tables below also detail currency sensitivity analysis for the ICAV. The sensitivity analysis illustrates the impact of an exchange rate increase or decrease between the USD and the monetary assets and monetary liabilities denominated in foreign currency relevant to the ICAV. This analysis is based on the assumption that all other variables remain constant. The impact on the ICAV is the change in the NAV of the Fund in terms of USD (the functional currency of the Fund). The sensitivity analysis details the effect of a change in exchange rates on monetary assets and monetary liabilities only.

| 30 June 2018 EnTrustPermal Alternative Income Strategy Fund Currency | Monetary assets/ (liabilities)** ('000's) US\$ | Non-monetary assets ('000's) US\$ | Net financial assets/(liabilities)** ('000's) US\$ | Currency sensitivity analysis* ('000's) US\$ |
|--|---|--|---|--|
| Australian Dollar | (13,055) | – | (13,055) | (653) |
| Brazilian Real | (2,736) | – | (2,736) | (137) |
| British Pound | 2,134 | – | 2,134 | 107 |
| Canadian Dollar | (9,277) | – | (9,277) | (464) |
| Chilean Peso | (1,043) | – | (1,043) | (52) |
| Euro | 477,513 | 154 | 477,667 | 23,876 |
| Hong Kong Dollar | 308 | – | 308 | 15 |
| Hungarian Forint | (2,286) | – | (2,286) | (114) |
| Indian Rupee | (6,802) | – | (6,802) | (340) |
| Israeli New Shekel | (2,537) | – | (2,537) | (127) |
| Japanese Yen | 2,572 | – | 2,572 | 129 |
| Mexican Peso | (2,781) | – | (2,781) | (139) |
| New Zealand Dollar | (4,910) | – | (4,910) | (246) |
| Norwegian Krone | (1,344) | – | (1,344) | (67) |
| Philippine Peso | (3,231) | – | (3,231) | (162) |
| Polish Zloty | (9,174) | – | (9,174) | (459) |
| Singapore Dollar | (3,921) | – | (3,921) | (196) |
| South African Rand | (2,310) | – | (2,310) | (116) |
| South Korean Won | (982) | – | (982) | (49) |
| Swedish Krona | (3,750) | – | (3,750) | (188) |
| Swiss Franc | (6,759) | – | (6,759) | (338) |
| Thailand Baht | (630) | – | (630) | (32) |
| Turkish Lira | (4,615) | – | (4,615) | (231) |

| 30 June 2017 EnTrustPermal Alternative Income Strategy Fund Currency | Monetary assets/ (liabilities)** ('000's) US\$ | Non-monetary assets ('000's) US\$ | Net financial assets/(liabilities)** ('000's) US\$ | Currency sensitivity analysis* ('000's) US\$ |
|--|---|--|---|--|
| Australian Dollar | 69 | – | 69 | 3 |
| Brazilian Real | (12) | – | (12) | (1) |
| Canadian Dollar | 21 | – | 21 | 1 |
| Euro | 53,830 | 153 | 53,983 | 2,692 |
| Hong Kong Dollar | 218 | – | 218 | 11 |
| Indian Rupee | (14) | – | (14) | (1) |
| Japanese Yen | 521 | – | 521 | 26 |
| Mexican Peso | 735 | – | 735 | 37 |
| New Zealand Dollar | 22 | – | 22 | 1 |
| Norwegian Krone | 5 | – | 5 | 0 |
| Polish Zloty | 10 | – | 10 | 1 |
| Pound Sterling | 1,865 | – | 1,865 | 93 |
| South African Rand | (7) | – | (7) | (0) |
| Swedish Krona | 24 | – | 24 | 1 |
| Swiss Franc | 235 | 65 | 300 | 12 |
| Turkish Lira | (4) | – | (4) | (0) |

* As at 30 June 2018 and as at 30 June 2017, had the exchange rate increased or decreased by 5% with all other variables held constant the increase or decrease respectively in the value of the Fund's monetary assets and liabilities, denominated in currencies other than the base currency of the Fund.

** Values less than 500 are shown as "–".

(b) Interest Rate Risk

Interest rate risk is the risk that the value of a debt security will fall when interest rates rise. The price of debt securities tend to vary inversely with market interest rates. The value of such securities is likely to decline in times of rising interest rates. When rates fall, the value of these investments is likely to rise. The longer the time to maturity the greater are such variations.

| 30 June 2018 Assets | Up to 1 year ('000's) US\$ | 1 to 5 years ('000's) US\$ | Over 5 years ('000's) US\$ | Non-interest Bearing ('000's) US\$ | Total ('000's) US\$ |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---|---------------------------|
| Cash | 66,965 | – | – | – | 66,965 |
| Cash collateral | 22,515 | – | – | – | 22,515 |
| Cash equivalents | 66,262 | – | – | – | 66,262 |
| Amounts due from broker | 10,903 | – | – | – | 10,903 |
| Investments | 18,712 | 77,561 | 236,252 | 53,208 | 385,733 |
| Financial Derivative Instruments | – | 4,580 | 689 | – | 9,682 |
| Other assets | – | – | – | 8,672 | 8,672 |
| Total Assets | 185,357 | 82,141 | 236,941 | 66,293 | 570,732 |
| Financial Derivative Instruments | – | (5,756) | (25) | (27,962) | (33,743) |
| Due to broker | (1,921) | – | – | – | (1,921) |
| Other liabilities | – | – | – | (9,154) | (9,154) |
| Total Liabilities | (1,921) | (5,756) | (25) | (37,116) | (44,818) |
| | | | | | 525,915 |

Notes to Financial Statements – (continued)

14. Risk Exposure and Risk Management – (continued)

14.1. Market Risk – (continued)

| 30 June 2017 | Up to 1 year (‘000’s) US\$ | 1 to 5 years (‘000’s) US\$ | Over 5 years (‘000’s) US\$ | Non-interest Bearing (‘000’s) US\$ | Total (‘000’s) US\$ |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---|---------------------------|
| Assets | | | | | |
| Cash | 76,793 | – | – | – | 76,793 |
| Cash equivalent | 42,245 | – | – | – | 42,245 |
| Amounts due from broker | 7,192 | – | – | – | 7,192 |
| Cash collateral | 12,822 | – | – | – | 12,822 |
| Investments | 35,320 | 65,635 | 145,452 | 31,825 | 278,232 |
| Financial Derivative Instruments | – | 1,896 | 133 | 16,149 | 18,178 |
| Other assets | – | – | – | 3,009 | 3,009 |
| Total Assets | 174,372 | 67,531 | 145,585 | 50,983 | 438,471 |
| Financial Derivative Instruments | – | (2,042) | (33) | (1,765) | (3,840) |
| Other liabilities | – | – | – | (6,629) | (6,629) |
| Total Liabilities | – | (2,042) | (33) | (8,394) | (10,469) |
| | | | | | 428,002 |

(c) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Fund is exposed to market price risk arising from their investments in transferable securities and derivatives. The movements in the prices of these investments result in movements in the performance of the Fund.

Legg Mason has established the Legg Mason North Atlantic Fund Valuation Committee, (the “Valuation Committee”) to oversee the implementation of the valuation policies and procedures adopted by the Board of Directors (the “Board”). The Valuation Committee, including the Chairperson, shall consist of employees of entities within the Legg Mason Group of Companies, with qualifications deemed appropriate by Legg Mason for service on the Committee. Representatives of Legg Mason Legal and other departments, as necessary, may serve the Committee in an advisory capacity. The Valuation Committee meets on a monthly basis to review all securities which are manually priced, broker priced, fair valued, illiquid or stale. A Valuation Committee meeting, however, may be called at any time to consider any question or issue that falls under their procedures, Valuation Committee meetings can be in person, or via email or other writing.

The Fund entered into derivative contracts during the year. The value of derivatives is based on certain underlying stocks or bonds, interest rates, currencies or indices’s and includes futures, options, options on futures and swap agreements. Derivatives may be hard to sell at an advantageous price or time and are sensitive to changes in the underlying security, interest rate, currency or index. Therefore, derivatives can be highly volatile and could result in a loss to the Fund. Refer to the respective Fund’s Portfolio of Investments for details of other open derivative positions as at 30 June 2018.

Fair Value Estimation

The ICAV classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Investment Manager. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

For each class of assets and liabilities not measured at fair value in the Statement of Financial Position but for which fair value is disclosed, FRS 102 requires the ICAV to disclose the level within the fair value hierarchy which the fair value measurement would be categorised and a description of the valuation technique and inputs used in the technique.

Assets and liabilities not carried at fair value are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include deposits held with banks and other short-term investments in an active market and they are categorised as Level 2.

Cash collateral and due to broker amounts are categorised as Level 2.

Receivable for investments sold and other receivables include the contractual amounts for settlement of trades and other obligations due to the ICAV. Payable for investments purchased and other payables represent the contractual amounts and obligations due by the ICAV for settlement of trades and expenses. All receivable and payable balances are categorised as Level 2.

The puttable value of redeemable shares is calculated based on the net difference between total assets and all other liabilities of each Fund within the ICAV in accordance with the Funds’ offering documentation. These shares are not traded on an active market. A demand feature is attached to these shares, as they are redeemable at the holders’ option and can be put back to the Funds at any dealing date for cash/assets equal to a proportionate share of the Fund’s NAV attributable to the share class.

The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, Level 2 is deemed to be the most appropriate categorisation for net assets attributable to holders of redeemable shares held.

All forward foreign exchange contracts are classified as Level 2 since they are valued using observable inputs but are not quoted in an active market.

The ICAV holds one bond investments classified within Level 3, Deephaven Residential Mortgage Trust 2018-2 with market value of US\$2,435 (30 June 2017: 2,998). There were no transfers between levels during the year ended 30 June 2018 and year ended 30 June 2017.

Notes to Financial Statements – (continued)

14. Risk Exposure and Risk Management – (continued)

14.1. Market Risk – (continued)

The following table analyses under the fair value hierarchy the Funds' financial assets and financial liabilities measured at fair value at 30 June 2018 and 30 June 2017:

| | EntrustPermal Alternative Income Strategy Fund as at 30 June 2018 (000's) US\$ | EntrustPermal Alternative Income Strategy Fund as at 30 June 2017 (000's) US\$ |
|---|---|---|
| Level 1 | | |
| Bonds | – | – |
| Equity Instruments | 53,203 | 31,188 |
| Warrant | 5 | 3 |
| Derivative assets held for trading | 881 | 130 |
| Derivative liabilities held for trading | (634) | (967) |
| | 53,455 | 30,354 |
| Level 2 | | |
| Bonds | 330,090 | 243,409 |
| Equity Instruments | – | – |
| Preferred Stock | – | 634 |
| Derivative assets held for trading | 8,801 | 18,048 |
| Derivative liabilities held for trading | (33,109) | (2,873) |
| | 305,782 | 259,218 |
| Level 3 | | |
| Bonds | 2,435 | 2,998 |
| Equity Instruments | – | – |
| Derivative assets held for trading | – | – |
| Derivative liabilities held for trading | – | – |
| | 2,435 | 2,998 |
| Total Investments | US\$361,672 | US\$292,570 |

14.2. Credit Risk

Credit risk is the risk that a counterparty to or issuer of a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Fund. The ICAV will be exposed to credit risk on parties with whom it trades and will also bear the risk of settlement default. The Sub-Advisers minimise concentrations of credit risk by undertaking transactions with a large number of brokers and counterparties on recognised and reputable exchanges. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund will be exposed to credit risk on the counterparties with which it trades in relation to forward contracts and other derivative financial instruments that are not traded on a recognised exchange. Such instruments are not afforded the same protections as may apply to participants trading swaps, futures or options on organised exchanges, such as the performance guarantee of an exchange clearing house. The Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which the Fund trades such instruments, which could result in substantial losses to the Fund.

The ICAV is exposed to credit risk on the OTC counterparties with whom it trades. All OTC counterparties must meet the following criteria as set out in the UCITS Regulations namely:

- (i) Be a credit institution in accordance with sub-paragraphs 1.4 (i), (ii) or (iii) of UCITS Notice 9, or an investment firm authorised in accordance with the Markets in Financial Instruments Directive in an EEA Member State, or is an entity subject to regulation as a Consolidated Supervised Entity by the Securities and Exchange Commission, or
- (ii) Have a minimum credit rating of A2 or equivalent, or in the opinion of the Investment Manager, an implied credit minimum rating of A2 or equivalent. Exposures to individual counterparties are normally limited to 10% of NAV in the case of authorised credit institutions and 5% of NAV in the case of other counterparties.

Transactions involving financial derivative instruments are usually with counterparties with whom the ICAV has signed master netting agreements. Master netting agreements provide for the net settlement of contracts for a particular Fund with the same counterparty in the event of default. The credit risk associated with derivative financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realised.

Transactions resulting in large unrealised gains to the Fund may require the Fund to hold collateral received from a broker. In these instances, the credit risk to the Fund is reduced by the value of the collateral held. In the event a broker files for bankruptcy, collateral posted in connection with certain financial derivative instruments is exempt from the automatic stay implemented at the inception of a bankruptcy proceeding. This financial derivative instruments exemption would allow the Fund to immediately foreclose on collateral posted by the insolvent party in order to satisfy claims against such insolvent party.

The ICAV monitors its risk by periodically considering the credit quality and financial positions of the counterparties which the Fund uses. The Fund may only trade with approved counterparties. A list of approved counterparties is maintained. Additions to this list are reviewed quarterly and a thorough re-evaluation of all counterparties is conducted annually. The review includes analysis of the counterparty's capital adequacy, profitability, liquidity and other factors as may be appropriate. Any non-cash collateral received by the ICAV cannot be sold or repledged; must be held at the credit risk of the counterparty; and must be issued by an entity independent of the counterparty.

Credit risk is addressed through diversified use of counterparties and issuers, and through minimum security ratings and average portfolio ratings. The Sub-Advisers may set portfolio limits and may invest based on internal parameters with mutually agreed limits set at the Fund's inception, including issue and issuer limitations, credit minimums, and an average credit quality, and the account is monitored on an ongoing basis to ensure it continues to meet these parameters. Rigorous independent analysis of all credit securities before purchase, including financial modeling, scenario analysis, and monitoring changes in risk profile may also be performed. Generally no more than 5% of the portfolio may be invested in any single corporate issuer at the time of purchase.

The Valuation Committee meets at least monthly and whenever the circumstances so require, to review and deliberate on valuation concerns including credit risk. The EnTrustPermal Ltd. provides risk analysis to the Board and the Committee on a semi-annual basis.

Substantially all of the cash and securities held by the Fund are held via the Depository. Bankruptcy or insolvency by the Depository may cause the Fund's rights with respect to the cash held by the Depository to be delayed or limited. The credit rating of the Depository is highly rated by prominent rating agencies. If the credit quality or financial position of the Depository deteriorates significantly, the Sub-Advisers may move the cash holdings to another bank.

Cash and cash equivalents held at the Depository and amounts held by brokers as collateral are disclosed in Note 9.

If the Fund has posted collateral to a counterparty, in a counterparty insolvency, the Fund may have the right under trading agreements with the counterparty to recall such posted collateral. In practice, however, the Fund may seek to reduce any amounts owed to the counterparty to settle any open transactions by setting off the amounts owed against the posted collateral. If the Fund was due back any collateral after setting off against the amounts owed (e.g., the Fund's position was over collateralised), it is likely the Fund would have an unsecured claim against the counterparty in the insolvency proceeding for the excess amount due to it.

Notes to Financial Statements – (continued)

14. Risk Exposure and Risk Management – (continued)

14.2. Credit Risk – (continued)

As at 30 June 2018, balances due from brokers and other receivables were exposed to credit risk. The total amount of financial assets exposed to credit risk approximates to their carrying value on the Statement of Financial Position (excluding equities).

No securities have been placed as collateral with brokers as at 30 June 2018, in relation to derivative trading (30 June 2017: None).

In accordance with the ICAV's policy, the relevant Investment Manager monitors the Fund's credit risk exposures on a daily basis and reports regularly to the Board of Directors, which reviews the information provided by the Investment Manager on significant exposures at its periodic meetings.

The credit risk that the ICAV is exposed to arises from the debt securities. The table below sets out a summary of the credit exposure based on credit ratings of the debt securities held in the ICAV as at 30 June 2018 and 30 June 2017:

| By rating category | As at 30 June 2018 % of debt securities | As at 30 June 2017 % of debt securities |
|--------------------|--|--|
| A/A | 1.31% | 1.83% |
| BBB/Baa | 7.30% | 15.40% |
| BB/Ba | 29.24% | 18.25% |
| B/B | 28.00% | 22.03% |
| Below B | 34.15% | 42.49% |
| Total | 100.00% | 100.00% |

The S&P credit ratings of brokers/counterparties for the year ended 30 June 2018 and year ended 30 June 2017 are:

| By rating category | 30 June 2018 | 30 June 2017 |
|-----------------------------|--------------|--------------|
| Barclays Bank | A | A- |
| BNP Paribas | A | A |
| CitiBank | A+ | A+ |
| Credit Suisse | A | A |
| JP Morgan | A- | A- |
| Morgan Stanley | A+ | A+ |
| State Street Bank and Trust | AA- | AA- |

14.3. Liquidity Risk

The ICAV's Prospectus provides for the daily creation and cancellation of shares, and the ICAV is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time.

The Administrator monitors subscription and redemption volumes on a daily basis and notifies the Sub-Adviser of significant movements and unusual trends as appropriate. The ICAV can limit redemptions, if redemption requests on any dealing day (as defined in the Prospectus) exceed 10% of the shares in issue in respect of the Fund. The ICAV may defer the excess redemption requests to subsequent dealing days and shall redeem such shares ratably and the redemption requests shall be treated as if they were received on each subsequent dealing day until all the shares to which the original redemption requests related have been redeemed.

The ICAV has the ability to borrow in the short term to ensure settlement. In accordance with the UCITS Regulations the Fund may borrow money only as follows:

- (a) a Fund may acquire foreign currency by means of a "back-to-back" loan; and
- (b) a Fund may borrow:
 - (i) up to 10% of its NAV provided that such borrowing is on a temporary basis; and
 - (ii) up to 10% of its NAV provided that the borrowing is to make possible the acquisition of real property required for the purpose of its business; provided that such borrowing referred to in subparagraph b (i) and b (ii) may not in total exceed 15% of the borrower's assets.

One of the responsibilities of the Valuation Committee is to review and deliberate on valuation concerns, including illiquid securities. The ICAV may from time to time invest in derivative contracts traded OTC, which are not traded in an organised public market and may be illiquid. As a result, the ICAV may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The tables below analyse the Fund's financial instruments in a loss position as at 30 June 2018 and 30 June 2017. Maturities are considered to be essential to an understanding of the timing of cash flows based on each Fund's investment strategy.

| As at 30 June 2018 Current Liabilities | Less than 1 month US\$000 | 1 -3 months US\$000 | > 3 months US\$000 | Total US\$000 |
|---|------------------------------|------------------------|-----------------------|------------------|
| Payable for investments purchased | (3,553) | – | – | (3,553) |
| Payable for fund shares redeemed | (3,057) | – | – | (3,057) |
| Payable for distributions | (580) | – | – | (580) |
| Accruals | (1,333) | (631) | – | (1,964) |
| Due to broker | (1,921) | – | – | (1,921) |
| Credit default swaps | – | – | (5,756) | (5,756) |
| Equity swaps | – | – | (25) | (25) |
| Written options | – | (122) | – | (122) |
| Forward foreign currency exchange contracts | (672) | (26,656) | – | (27,328) |
| Open futures contracts | (123) | (329) | (60) | (512) |
| | (11,239) | (27,738) | (5,841) | (44,818) |
| As at 30 June 2017 Current Liabilities | Less than 1 month US\$000 | 1 -3 months US\$000 | > 3 months US\$000 | Total US\$000 |
| Payable for investments purchased | (4,050) | – | – | (4,050) |
| Payable for fund shares redeemed | (221) | – | – | (221) |
| Payable for distributions | (496) | – | – | (496) |
| Accruals | (1,862) | – | – | (1,862) |
| Credit default swaps | – | – | (2,042) | (2,042) |
| Equity swaps | – | – | (33) | (33) |
| Written options | – | (42) | (7) | (49) |
| Forward foreign currency exchange contracts | (749) | (41) | – | (790) |
| Open futures contracts | (42) | (85) | (32) | (926) |
| | (7,420) | (935) | (2,114) | (10,469) |

Notes to Financial Statements – (continued)

15. Significant Shareholders

The following tables detail the number of shareholders with significant holdings of at least 20% of the ICAV and the percentage of that holding of the ICAV's NAV as at 30 June 2018 and 30 June 2017.

| Fund | Number of significant shareholders | Number of shares held as at 30 June 2018 | Aggregate shareholding as a % of the Fund |
|--|---|---|--|
| EnTrustPermal Alternative Income Strategy Fund | 1 | 2,305,692 | 51.69 |

| Fund | Number of significant shareholders | Number of shares held as at 30 June 2017 | Aggregate shareholding as a % of the Fund |
|--|---|---|--|
| EnTrustPermal Alternative Income Strategy Fund | 1 | 2,509,734 | 68.88 |

16. Significant Events

The new Prospectus and the Fund Supplement were issued on 30 June 2018. Class F US\$ Accumulating was launched on 17 January 2018 and Premier Class GBP Accumulating (Hedged) was launched on 5 February 2018.

There were no other events during the year, which require adjustment to, or disclosure in the financial statements.

17. Segregated Liability

The ICAV is an umbrella fund with segregated liability between its sub-funds. As such, as matter of Irish law the assets of each of the Fund will not be exposed to the liabilities of the ICAV's other sub-funds. Notwithstanding the foregoing there can be no assurance that, should an action be brought against the ICAV in the court of another jurisdiction, the segregated nature of the sub-funds would necessarily be upheld. As at 30 June 2018 there was only one sub-fund launched in the ICAV (30 June 2017: one).

18. Subsequent Events

There were no events since the year end, which require adjustment to or disclosure in the financial statements.

19. Approval of the Report

On 12 October 2018, the Annual Report and audited financial statements were presented to and noted by the Board of Directors and were approved for filing with the Central Bank of Ireland and for circulation to the shareholders.

Statement of Major Portfolio Changes* (unaudited)

EnTrustPermal Alternative Income Strategy

| MAJOR PURCHASES | COST (in 000's) | MAJOR SALES | PROCEEDS (in 000's) |
|---|----------------------------|---|--------------------------------|
| United States Treasury Bill 0.000% due 15/02/18 | 19,960 | United States Treasury Bill 0.010% due 24/05/18 | 11,958 |
| United States Treasury Bill 0.000% due 17/05/18 | 19,922 | Institutional Cash Series plc – Institutional US Dollar Liquidity Fund | 9,021 |
| United States Treasury Bill 0.000% due 16/08/18 | 19,905 | Time Warner Inc | 8,646 |
| United States Treasury Bill 0.010% due 16/11/17 | 17,956 | United States Treasury Bill 0.010% due 16/11/17 | 7,988 |
| Time Warner Inc | 16,205 | JPMorgan Liquidity Funds – US Dollar Liquidity Fund | 6,130 |
| NXP Semiconductors NV | 13,441 | Banco De Sabadell Sa 6.500% due 31/12/99 | 6,055 |
| Institutional Cash Series plc – Institutional US Dollar Liquidity Fund | 11,708 | Altaba Inc | 5,772 |
| Akorn Inc | 11,519 | Sprint Corp 7.875% due 15/09/23 | 5,332 |
| Aetna Inc | 11,198 | United States Treasury Bill 0.000% due 16/08/18 | 4,977 |
| Monsanto Co | 11,125 | Picard Groupe Sas 3.000% due 30/11/23 | 4,924 |
| JPMorgan Liquidity Funds – US Dollar Liquidity Fund | 9,620 | Prosper Marketplace Issuance Trust Series 2018-1 5.700% due 17/06/24 | 4,875 |
| Prosper Marketplace Issuance Trust Series 2018-1 5.700% due 17/06/24 | 7,722 | Jpmorgan Chase + Co 4.625% due 31/12/99 | 4,676 |
| Southwestern Energy Co 7.750% due 01/10/27 | 7,397 | Akorn Inc | 4,457 |
| Westlake Automobile Receivables Trust 2018-2 6.040% due 15/01/25 | 6,544 | Gls Auto Receivables Trust 9.130% due 18/01/22 | 4,326 |
| Parsley Energy LLC / Parsley Finance Corp 5.375% due 15/01/25 | 6,366 | Regal Entertainment Group A | 4,092 |
| CNX Resources Corp 5.875% due 15/04/22 | 5,992 | Ishares Iboxx High Yield Cor | 4,026 |
| Banco De Sabadell Sa 6.500% due 31/12/99 | 5,811 | Parsley Energy Llc 5.625% due 15/10/27 | 3,788 |
| Itau Unibanco Holding SA 6.125% due 31/12/99 | 5,431 | Naviera Armas SA 6.500% due 31/07/23 | 3,777 |
| CONSOL Energy Inc 11.000% due 15/11/25 | 5,276 | Jpmorgan Chase + Co 2.200% due 22/10/19 | 3,752 |
| Westlake Automobile Receivables Trust 2018-1 5.600% due 15/07/24 | 5,169 | Powershares Fundamental High Y | 3,701 |

* Major portfolio changes are defined as the aggregate purchases of a security exceeding one per cent of the total value of purchases for the year and aggregate sales of a security exceeding one per cent of the total value of sales for the year. At a minimum, the 20 largest purchases and 20 largest sales must be shown.

Supplementary Information (unaudited)

REMUNERATION POLICY

Legg Mason Alternative Funds ICAV (the "ICAV")

1. Remuneration Policy

1.1 Introduction and Purpose

The ICAV has adopted this remuneration policy in order to meet the requirements of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended (the "UCITS Regulations") in a way and to the extent that is appropriate to the ICAV's size, internal organisation and the nature, scope and complexity of its activities. This policy has been adopted pursuant to ESMA's Guidelines on Sound Remuneration Policies under the UCITS Directive (the "ESMA Guidelines").

The purpose of this policy is to describe the remuneration principles and practices within the ICAV. Such principles and practices are designed:

- (a) to be consistent with, and promote, sound and effective risk management;
- (b) to be in line with the business strategy, objectives, values and interests of the ICAV;
- (c) not to encourage excessive risk-taking as compared to the investment policy of the relevant sub-funds of the ICAV (each, a "Fund");
- (d) to provide a framework for remuneration to attract, motivate and retain staff (including directors) to which the policy applies in order to achieve the objectives of the ICAV; and
- (e) to ensure that any relevant conflicts of interest can be managed appropriately at all times.

1.2 Application

This policy applies to identified staff, being those whose professional activities have a material impact on the risk profile of the ICAV or of the Funds and so covers: (i) senior management; (ii) risk takers¹; (iii) control functions²; and (iv) any employees receiving total remuneration that takes them into the same remuneration bracket³ as senior management and risk takers, whose professional activities have a material impact on the risk profile of the ICAV. The ICAV currently does not have any employees – the only personnel are the ICAV's management body (i.e., the board of directors) (each, a "Director" and collectively, the "Board"). All members of the Board are non-executive Directors. Certain of the Directors are affiliated with the investment managers of the Funds (each an "Investment Manager"). This policy applies both to the Directors who receive remuneration – namely, those Directors who are not affiliated with the Investment Manager (the "Independent Directors") – and the Directors who do not receive remuneration in light of their affiliation with the Investment Manager.

1.3 Governance

UCITS management companies and self-managed investment companies that are significant in terms of their size or of the size of the funds they manage, their internal organisation and the nature, the scope and the complexity of their activities are required to establish a remuneration committee. In view of the non-complex nature of the ICAV's internal structure and its activities, it is not considered necessary for the ICAV to establish a remuneration committee. In particular, the ICAV has taken account of the following circumstances prevailing as of the date of this document:

- the assets under management of the ICAV;
- the number of directors on the Board;
- the ICAV has no employees;
- the ICAV is not listed;
- the ICAV does not act as an alternative investment fund manager under Directive 2011/61/EU ("AIFMD") or provide the services mentioned under Article 6(3) of the UCITS Directive; and
- the ICAV is a self-managed Irish collective asset-management vehicle and so does not manage UCITS in any other EU or non-EU jurisdictions.

Accordingly, the ICAV is considered to be a non-complex, UCITS self-managed Irish collective asset-management vehicle. The Board is responsible for the remuneration policy of the ICAV and for determining the remuneration of the directors of the ICAV. The Board is comprised of non-executive directors only. The Board has adopted this policy and periodically reviews (at least annually) the general principles of this policy and is responsible for, and oversees, its implementation in line with the UCITS Regulations. The Board considers that its members have appropriate expertise in risk management and remuneration to perform this review. Where a periodic review reveals that the remuneration system does not operate as intended or prescribed, the Board shall ensure that a timely remedial plan is put in place.

1.4 Alignment of remuneration and risk-taking

(a) Fixed Salary

The Independent Directors receive a fixed annual fee which is competitive and based on the individual Director's powers, tasks, expertise and responsibilities including, without limitation:

- (i) nature and complexity of the funds;
- (ii) demands of fulfilling regulatory obligations; and
- (iii) designated person functions.

Each Director's performance is subject to annual review by the Board.

(b) Variable Salary

The Independent Directors receive fixed remuneration only. It is not considered appropriate that the Directors receive variable remuneration from the ICAV. The following pay-out process rules in the UCITS Regulations applicable to variable remuneration do not apply to the remuneration paid to staff of the ICAV:

- variable remuneration in instruments;
- retention;

¹ The Remuneration Guidelines refer in this context to "[s]taff responsible for heading the investment management, administration, marketing, human resources" and "staff members, whose professional activities – either individually or collectively, as members of a group (e.g. a unit or part of a department) – can exert material influence on the management company's risk profile or on a UCITS it manages, including persons capable of entering into contracts/positions and taking decisions that materially affect the risk positions of the management company or of a UCITS it manages. Such staff can include, for instance, sales persons, individual traders and specific trading desks."

² "Control functions" refers to staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions within a management company.

³ "Remuneration bracket" refers to the range of the total remuneration of each of the staff members in the senior manager and risk taker categories – from the highest paid to the lowest paid in these categories.

Supplementary Information (unaudited) – (continued)

- deferral;
- ex post incorporation of risk for variable remuneration.

Following an assessment by the ICAV of each of the pay-out process rules and taking account of the ICAV's specific circumstances, the approach set out here is considered to be appropriate to the ICAV's size, internal organisation and the nature, scope and complexity of its activities as noted in Section 1.3.

(c) *Expenses*

The Directors will be reimbursed all reasonable, validly incurred, duly authorised and documented business expenses.

(d) *Other Benefits*

The ICAV does not propose to provide benefits to the Directors other than those referred to in this policy.

(e) *Pension*

The Directors are not entitled to pension contributions or other benefits from the ICAV in respect of their role as Directors.

(f) *Notice of termination and severance pay*

The maximum notice period in any Director's letter of engagement shall be determined by the relevant letter of engagement. Subject to the terms of that engagement letter, a Director's fee will continue to be paid during the relevant notice period. No severance payments are made.

(g) *Conflicts of Interest*

To the extent that the ICAV in the future retains any staff engaged in control functions (i.e., staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions), in order to address any conflict of interest such staff shall be compensated in accordance with the achievement of the objectives linked to their control functions, independent of the performance of the business area to which the control functions relate.

A Director may undertake external activities with or without compensation and/or inducements that might lead to a conflict of interest with the ICAV or the Funds provided the conflict of interest is considered and disclosed in accordance with the terms of the Director's letter of appointment and the UCITS Regulations.

Any staff that may be engaged by the ICAV are required to undertake not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements subject to this policy.

The ICAV has also adopted a connected party transaction policy in accordance with the requirements of the Central Bank.

2. Delegation of the Investment Management Function

2.1 Application of Remuneration Rules to Delegates

The ICAV has delegated the investment management function to the Investment Manager and so the ICAV must ensure that:

- the Investment Manager is subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines; or
- appropriate contractual arrangements are put in place with the Investment Manager in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines. These contractual arrangements should cover any payments made to the Investment Manager's identified staff as compensation for the performance of investment management activities on behalf of the ICAV.

2.2 Confirmation of Applicability of Remuneration Rules by Investment Manager

Legg Mason Investments (Europe) Limited is subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines.

The Investment Manager is required to provide a confirmation on an annual basis (or as otherwise reasonably required by the ICAV that the statement at Section 2.1 above was accurate during relevant period.

2.3 Application of Remuneration Rules to Sub-Delegates

To the extent that the Investment Manager sub-delegates the investment management function to a sub-investment manager (a "Sub-Investment Manager"), the Investment Manager must ensure the Sub-Investment Manager complies mutatis mutandis with the above requirements.

3. Deviation from the Policy

The Board may deviate from this policy. However, in such a case, the relevant payments must comply with the UCITS Regulations and the ESMA Guidelines (to the extent applicable) and in addition, the Board shall approve any payments made.

Total remuneration paid to the Directors during the financial year ended 30 June 2018 was as follows:

| Type of remuneration | |
|---------------------------|-------------------|
| Fixed Remuneration | US\$ 28,269 |
| Variable remuneration | – |
| Total remuneration | US\$28,269 |
| Number of beneficiaries | 3 |

The Company has not paid remuneration to staff of any delegate to whom investment management functions have been delegated by the UCITS. Instead, the UCITS pays a management fee to the relevant delegate as referred to in Note 5 to these financial statements.

Supplementary Information (unaudited) – (continued)

Total Expense Ratios (“TER”) (Unaudited)

The Total Expense Ratio (“TER”) was calculated according to currently valid guidelines of the Swiss Funds & Asset Management Association SFAMA.

The key figures as at 30 June 2018 were as follows:

| Share Class | TER 31 June 2018 | TER 31 June 2017* |
|---|---------------------|----------------------|
| Class A US\$ Accumulating | 2.61% | 2.66% |
| Class A US\$ Distributing Plus (Q) | 2.61% | 2.66% |
| Class A Accumulating Euro (Hedged) | 2.64% | 2.70% |
| Class A Euro Distributing Plus (e) (M)** | – | 2.71% |
| Class A Euro Distributing Plus (Q) (Hedged) | 2.65% | 2.71% |
| Class E US\$ Accumulating*** | – | 2.91% |
| Class E Euro Accumulating (Hedged)**** | 2.66% | – |
| Class F US\$ Accumulating***** | 2.03% | – |
| Class R US\$ Accumulating | 1.60% | 1.66% |
| Class R US\$ Distributing Plus (Q) | 1.61% | 1.66% |
| Class R Euro Accumulating (Hedged) | 1.63% | 1.70% |
| Class R Euro Distributing Plus (Q) (Hedged) | 1.64% | 1.71% |
| Class R GBP Distributing Plus (Q) (Hedged) | 1.65% | 1.70% |
| Class S US\$ Accumulating | 1.68% | 1.76% |
| Class S Euro Accumulating (Hedged) | 1.68% | 1.81% |
| Class X Euro Accumulating (Hedged) | 2.03% | 2.09% |
| Premier Class US\$ Accumulating | 1.85% | 1.90% |
| Premier Class US\$ Distributing Plus (Q) | 1.82% | 1.90% |
| Premier Class Accumulating Euro (Hedged) | 1.89% | 1.93% |
| Premier Class Euro Distributing Plus (Q) (Hedged) | 1.87% | 1.96% |
| Premier Class CHF Accumulating (Hedged) | 1.90% | 1.96% |
| Premier Class GBP Accumulating (Hedged)***** | 1.96% | – |

1) The Total Expense Ratio (“TER”) is calculated according to the following formula: (total expenses / AF)* 100; AF (= average fund assets)

* The TER figures disclosed in the annual financial statements for the year ended 30 June 2017 showed the maximum expense caps. The above shows the actual TER as at 30 June 2017.

** Class terminated on 14th November 2017.

*** Class terminated on 16th August 2017.

**** Class launched on 28th August 2017.

***** Class launched on 17th January 2018.

***** Class launched on 5th February 2018.

General Data Protection Regulation (Unaudited)

Effective 25 May 2018, there will be changes to the rules applicable to the processing of personal data (including Shareholder data) by the ICAV. The purpose of this disclosure is to notify Shareholders of their rights as data subjects and to explain how and why the ICAV and its service providers hold and process personal data.

By completing the application form for ICAV shares, investors provide personal information, which may constitute “personal data” within the meaning of the Data Protection Legislation¹. The following indicates the purposes for which Shareholders’ personal data may be used by the ICAV and the legal bases for such uses:

- to manage and administer the Shareholder’s holding in the ICAV and any related accounts on an ongoing basis as required for the performance of the contract between the ICAV and the Shareholder and to comply with legal and regulatory requirements;
- to carry out statistical analysis (including data profiling) and market research in the ICAV’s legitimate business interest;
- for any other specific purposes where the Shareholder has given specific consent. Such consent may be subsequently withdrawn by the Shareholder at any time, without affecting the lawfulness of processing based on consent before its withdrawal;
- to comply with legal, taxation and regulatory obligations applicable to the Shareholder and/or the ICAV from time to time, including applicable anti-money laundering and counter terrorist legislation. In particular, in order to comply with the Common Reporting Standard (as implemented in Ireland by Section 891E, Section 891F and Section 891G of the Taxes Consolidation Act 1997 (as amended) and regulations made pursuant to those sections), Shareholders’ personal data (including financial information) may be shared with the Irish tax authorities and the Revenue Commissioners. They in turn may exchange information (including personal data and financial information) with foreign tax authorities (including foreign tax authorities located outside the European Economic Area). Please consult the AEOI (Automatic Exchange of Information) webpage on www.revenue.ie for further information in this regard;
- for disclosure or transfer, whether in Ireland or countries outside Ireland, including without limitation the United States, which may not have the same data protection laws as Ireland, to third parties including financial advisers, regulatory bodies, auditors, technology providers or to the ICAV and its delegates and its or their duly appointed agents and any of their respective related, associated or affiliated companies for the purposes specified above as required for the performance of the contract between the ICAV and the Shareholder or as needed in the ICAV’s legitimate business interests.

Shareholders’ personal data may be disclosed by the ICAV to its delegates and service providers (including Investment Managers, Sub-Investment Managers, Distributors, Shareholder Servicing Agents, the Administrator and the Depositary), its duly authorised agents and any of its respective related, associated or affiliated companies, professional advisors, regulatory bodies, auditors and technology providers for the same purpose(s).

Shareholders’ personal data may be transferred to countries which may not have the same or equivalent data protection laws as Ireland. If such transfer occurs, the ICAV will ensure that such processing of such personal data complies with Data Protection Legislation and, in particular, that appropriate measures are in place, such as entering into Model Contractual Clauses (as published by the European Commission) or ensuring that the recipient is Privacy Shield certified, if appropriate. If you require more information on the means of transfer of their data or a copy of the relevant safeguards, please contact the Administrator, by email at LeggMasonTA@statestreet.com, by phone at +353 1 242 5568 or by fax at +353 1 438 9582.

Pursuant to the Data Protection Legislation, Shareholders have several rights which they may exercise in respect of their personal data, namely:

- the right of access to personal data held by the ICAV;
- the right to amend and rectify any inaccuracies in the personal data held by the ICAV;
- the right to erase the personal data held by the ICAV;
- the right to data portability of the personal data held by the ICAV; and

¹ “Data Protection Legislation” means the Irish Data Protection Act, 1988 and 2003, the EU Data Protection Directive 95/46/EC, the EU ePrivacy Directive 2002/58/EC (as amended) and any relevant transposition of, or successor or replacement to, those laws (including, when they come into force, the General Data Protection Regulation (Regulation (EU) 2016/679) and the successor to the ePrivacy Directive).

Supplementary Information (unaudited) – *(continued)*

- the right to request restriction of the processing of the personal data held by the ICAV.

In addition, shareholders have the right to object to processing of personal data by the ICAV.

The above rights will be exercisable by shareholders subject to limitations as provided for in the Data Protection Legislation. Shareholders may make a request to the ICAV to exercise these rights by contacting the Administrator, by email at LeggMasonTA@statestreet.com, by phone at +353 1 242 5568 or by fax at +353 1 438 9582.

Please note that Shareholders' personal data will be retained by the ICAV for the duration of their investment and otherwise in accordance with the ICAV's legal obligations including, but not limited to, the ICAV's record retention policy.

The ICAV is a data controller within the meaning of the Data Protection Legislation and undertakes to hold any personal information provided by shareholders in confidence and in accordance with the Data Protection Legislation. Note that Shareholders have the right to lodge a complaint with the Office of the Data Protection Commissioner if they believe that the processing of their data has been unlawful.

Supplemental Information – Fund Performance Data (unaudited)

| Share Class | Class CCY | Inception Date | Fiscal YTD | | Calendar Since Inception |
|--|-----------|----------------|-------------------|-------------------|--------------------------|
| | | | 01/07/17-30/06/18 | 01/01/17-31/12/17 | |
| Class A US\$ Accumulating | USD | 25/8/2015 | 0.77 | 4.17 | 4.50 |
| Class A US\$ Distributing Plus (Q) | USD | 25/8/2015 | 0.75 | 4.18 | 4.48 |
| Class A Accumulating Euro (Hedged) | EUR | 25/8/2015 | (1.67) | 187 | (0.64) |
| Class A Euro Distributing Plus (Q) (Hedged) | EUR | 25/8/2015 | (1.63) | 2.06 | (0.51) |
| Class E Euro Accumulating (Hedged) | EUR | 28/8/2017 | – | – | (2.22) |
| Class F US\$ Accumulating | USD | 17/1/2018 | – | – | (2.04) |
| Class R US\$ Accumulating | USD | 24/5/2016 | 1.78 | 4.84 | 8.43 |
| Class R US\$ Distributing Plus (Q) | USD | 24/5/2016 | 1.82 | 4.99 | 8.50 |
| Class R Euro Accumulating (Hedged) | EUR | 24/5/2016 | (0.64) | 3.04 | 3.94 |
| Class R Euro Distributing Plus (Q) (Hedged) | EUR | 24/5/2016 | (0.62) | 2.95 | 4.10 |
| Class R GBP Distributing Plus (Q) (Hedged) | GBP | 21/10/2016 | 0.27 | 3.86 | 3.27 |
| Class S US\$ Accumulating | USD | 25/8/2015 | 1.71 | 4.87 | 7.09 |
| Class S Euro Accumulating (Hedged) | EUR | 4/9/2015 | (0.76) | 3.05 | 2.65 |
| Class X Euro Accumulating (Hedged) | EUR | 16/12/2015 | (1.10) | 2.54 | 3.61 |
| Premier Class US\$ Accumulating | USD | 25/8/2015 | 1.52 | 4.83 | 6.55 |
| Premier Class US\$ Distributing Plus (Q) | USD | 25/8/2015 | 1.58 | 4.80 | 6.64 |
| Premier Class Accumulating Euro (Hedged) | EUR | 25/8/2015 | (0.90) | 2.67 | 1.50 |
| Premier Class Euro Distributing Plus (Q)(Hedged) | EUR | 25/8/2015 | (0.85) | 2.75 | 2.02 |
| Premier Class CHF Accumulating (Hedged) | CHF | 15/12/2016 | (1.28) | 2.40 | (0.20) |
| Premier Class GBP Accumulating (Hedged) | GBP | 5/2/2018 | – | – | (2.23) |

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