

Key Investor Information

This document provides you with key investor information about this fund. It is not marketing material. The information is required by law to help you understand the nature and the risks of investing in this fund. You are advised to read it so you can make an informed decision about whether to invest.

Permal Alternative Income Strategy

Class A US\$ Accumulating

ISIN: IE00BXRTL637

A sub-fund of: Legg Mason Alternative Funds ICAV

Objectives and Investment Policy

Objective

The fund's goal is to achieve income and growth of the fund's value.

Investment Policy

- The fund is a multi-manager fund. The fund manager allocates the fund's investments to a selected group of Sub-Advisers that employ a variety of investment strategies.
- The Sub-Advisers invest across a range of alternative investment strategies, including credit long-short, relative value, event driven and global macro strategies.
- Credit long-short strategies involve taking long and short positions (artificially replicating an investment using derivatives) in bonds issued by corporations. Relative value strategies seek growth by taking advantage of temporary investment price anomalies and market inefficiencies. Event driven strategies principally invest in shares of companies involved in a variety of corporate actions. Global macro investing utilises a broad range of strategies in which the investment process considers the impact of global events on the markets.

- The Sub-Advisers may invest significantly in various types of financial contracts, specifically derivatives (financial instruments whose value is derived from the value of other assets), to help try to achieve the fund's objective as well as to reduce risk or cost or to generate additional growth or income for the fund.

Manager's Discretion: The fund manager has discretion in selecting investments within the fund's objective and investment policies.

Fund's Base Currency: US dollar

Share Class Currency: US dollar

Transaction Costs: The fund bears costs in buying and selling investments, which may have a material impact on the fund's performance.

Dealing Frequency: You can buy, sell and switch your shares on each day that the New York Stock Exchange is open for business.

Minimum Initial Investment: For this share class the minimum initial investment is USD 1,000.

Treatment of Income: Income and gains from the fund's investments are not paid but instead are reflected in the fund's share price.

Risk and Reward Profile



The indicator is based on the volatility of the returns (past performance) of the reported share class (calculated on a 5 year rolling return basis). Where a share class is inactive / has less than 5 years of returns, the indicator is based on the internal risk limit adopted by the fund.

There is no guarantee that the fund will remain in the indicator category shown above and the categorisation of the fund may shift over time. Historical data, which is used in calculating the indicator, may not be a reliable indicator of the future risk profile of this fund.

The lowest category does not mean a risk-free investment.

The fund does not offer any capital guarantee or protection.

The fund is in its risk/reward category because investments in a diversified portfolio of securities including bonds, equities, money market and derivative instruments have historically demonstrated an ability to limit the overall volatility of the portfolio.

The fund is subject to the following risks which are materially relevant but may not be adequately captured by the indicator:

Manager of advisers: The fund's performance is subject to the performance of the underlying Sub-Advisers to which the fund manager has allocated investment.

Bonds: There is a risk that issuers of bonds held by the Sub-Advisers may not be able to repay the bond or pay the interest due on it, leading to losses for the Underlying Fund. The Sub-Advisers may invest in lower rated or unrated bonds, which carry a higher degree of risk than higher rated bonds.

Derivatives: The Sub-Advisers make significant use of derivatives. The use of derivatives can result in greater fluctuations of the fund's value and may cause the fund to lose as much as or more than the amount invested.

Asset-backed securities: The Sub-Advisers may invest in asset-backed securities. The timing and size of the cash-flow from these are not fully assured and could result in losses for the Underlying Fund.

Real Estate Investment Trusts: The Sub-Advisers may invest in REITs. Investment in REITs poses similar risks as investing directly in real estate, including changing values, tax rules and other laws. The value of investments in REITs and the level of cash flow generated for distributions to investors may be affected by defaults by borrowers and tenants.

Hedging: The Sub-Advisers may use derivatives to reduce the risk of movements in exchange rates between the currency of the investments held and the base currency of the fund itself (hedging). However, hedging transactions can also expose the fund to additional risks.

Liquidity: In certain circumstances it may be difficult to sell the fund's investments because there may not be enough demand for them in the markets, in which case the fund may not be able to minimise a loss on such investments.

Performance fee: The fund's performance fee structure may result in a performance fee being paid even though the expected growth of the fund's net assets has not been realised.

Fund counterparties: The fund may suffer losses if the parties that it trades with cannot meet their financial obligations.

For further explanation on the risks associated with an investment in the fund, please refer to the section entitled "Risk Factors" in the Base Prospectus and "Risk Profile" in the Fund Supplement.

Charges

One-off charges taken before or after you invest	
Entry charge	5.00%
Exit charge	none
This is the maximum that might be taken out of your money before it is invested (entry charge) and before the proceeds of your investment are paid out (exit charge).	
Charges taken from the fund over a year	
Ongoing charge	3.33%
Charges taken from the fund under certain specific conditions	
Performance fee: 15% a year of: any returns the share class achieves above its previous highest value per share, plus 4% per year. This is a new fund so no performance has been paid. The first performance fee period will end on 30 June 2016.	

The charges you pay are used to pay the costs of running the fund, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.

Entry and exit charges shown are the maximum that might be taken out of your money. In some cases, you might pay less and you should speak to your financial adviser about this.

The ongoing charge figure shown is an estimate based on the expected total charges over a year. This is estimated as the reported class has not been active for a full calendar year.

For more information about charges, please see the 'Fees and Charges' section in the Fund Supplement.

Past Performance

The reported share class has insufficient data history to be able to show a useful indication of past performance.

The fund was launched on 25 August 2015 and the share class began issuing shares on 25 August 2015.

Practical Information

Custodian: State Street Custodial Services (Ireland) Limited

Further Information: Additional information about the fund (including the prospectus, supplement and the reports & accounts) may be obtained in English free of charge upon request to the Administrator: State Street Fund Services (Ireland) Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland.

Price Publication: The latest share price is published at www.leggmason.co.uk/dailyprices.

Tax Legislation: The fund is subject to the tax law and regulation of Ireland. Depending on your own country of residence, this might have an impact on your investment. For further details, please speak to your financial adviser.

Liability Statement: Legg Mason Alternative Funds ICAV may be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the prospectus for the fund.

Structure: Legg Mason Alternative Funds ICAV is an Irish Collective Asset Management Vehicle. The ICAV is an umbrella structure insofar as it is established to provide for various sub-funds, each representing a portfolio of assets. The assets and liabilities for each sub-fund are segregated by law from the assets and liabilities of each other sub-fund.

Switching Between Funds: You may apply for shares in this fund to be exchanged for another class within the same fund or to another class in other funds of Legg Mason Alternative Funds ICAV, subject to certain conditions (see "Exchanges of Shares" in the prospectus). The fund itself does not charge a switching fee for the exchange of shares of one fund for the same class of shares of another fund or for shares of a different share class of the same fund. Certain dealers, however, may charge a switching fee – please ask your dealer.