



Permal Asset Management Inc.

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June 30, 2011

This Brochure provides information about the qualifications and business practices of Permal Asset Management Inc. ("PAMI").

If you have any questions about the contents of this Brochure, please contact the Compliance Department at 212-418-6500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

PAMI is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about PAMI is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document (the “Brochure”) that we provide to clients pursuant to SEC Rules. This Brochure dated June 30, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Brochure is materially different in structure and requires certain information that the previous brochure did not require.

In the future, this item will only discuss specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of the last annual update of the Brochure.

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## Important Note About This Brochure

This Brochure is not:

- an offer or agreement to provide advisory services to any person;
- an offer to sell interests or a solicitation of an offer to purchase interests in any investment product or vehicle advised by PAMI;
- a complete discussion of the features, risks or conflicts associated with any account advised by PAMI; or
- to be relied on in determining whether to invest in a Permal Fund or establish an advisory relationship with PAMI.

As required by the Investment Advisers Act of 1940, as amended (the “Advisers Act”), PAMI provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors (each an “Investor”) in a commingled fund sponsored by the Permal Group (“Permal Fund”), together with other relevant offering materials, prior to, or in connection with, such persons’ establishment or consideration of a client relationship or an investment in a Permal Fund.

Persons who receive this Brochure (whether or not from PAMI) should be aware that it is designed solely to provide information about PAMI as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in the materials that govern an account or investor relationship such as an advisory contract, private placement memorandum, limited partnership agreement or operating agreement (“Offering Materials”).

More complete information about each Permal Fund, as well as PAMI’s investment management services in general, is included in relevant Offering Materials, certain of which may be provided to current and eligible prospective clients or Investors only by PAMI or another designated party. To the extent that there is any conflict between discussions herein and similar or related discussions in any Offering Materials, the relevant Offering Materials shall govern and control.

**In no event should this Brochure be considered to be an offer of interests in a Private Fund or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.**

## Item 4 – Advisory Business

The Permal Group has been in business since 1973 and was a pioneer in multi-manager, multi-strategy alternative investments, launching its first fund of hedge funds in 1973. PAMI, a subsidiary of Permal Group Ltd, was founded in 2002. Permal Group Ltd is wholly owned by Legg Mason, Inc., a US publicly traded company (NYSE: LM).

PAMI provides investment management services to high net worth individuals, corporations, Sovereign Wealth Funds, public pension plans and pooled investment vehicles. As of March 31, 2011, The Permal Group managed approximately \$22.8 billion of which PAMI manages \$18.1 billion on a discretionary basis and \$1.2 billion on a non-discretionary basis.

### **Overview of Investment Management Services**

PAMI's services are typically referred to as fund of funds investing or multi-manager investing, meaning that it invests client assets with third party managers ("Portfolio Managers") that employ various strategies and which can invest or trade in a wide variety of securities and other instruments, including, but not limited to, equities and fixed income securities, currencies, commodities, futures contracts, options and other derivative instruments.

PAMI generally invests client assets in third party investment vehicles ("Underlying Funds") including private, publicly traded and registered mutual funds managed by these Portfolio Managers. PAMI also invests client assets in separately incorporated investment funds established by Permal and typically managed by Portfolio Managers ("Special Purpose Funds"). These Special Purpose Funds are typically only available to investment management clients of the Permal Group.

PAMI offers these services via Permal Funds and third party client accounts.

Permal Funds: Permal Funds are Permal sponsored products generally organized as offshore corporations (domiciled outside the US) or US limited partnerships.

- Offshore Domiciled Funds: PAMI's affiliate, Permal Investment Management Services Limited ("PIMS"), a UK based, FSA regulated investment manager, is the investment manager for these funds; PAMI serves as sub-adviser.
- US Domiciled Funds: PAMI serves as investment manager to these funds; a PAMI affiliate is the General Partner.

Each Permal Fund is established for investment by multiple investors and invests in a variety of Underlying Funds and/or Special Purpose Funds. The Permal Investment

Committee establishes the investment guidelines for the Permal Funds and PAMI makes investment decisions in its sole discretion. Investment guidelines are described in the Offering Materials.

Third Party Client Accounts (“Third Party Clients”):

- **Commingled Funds** – These are funds sponsored or structured by Legg Mason or other third parties for investment by multiple investors and for which PAMI acts as sub-advisor. Refer to **Item 10 – Other Financial Industry Activities and Affiliations** for further discussion.
- **Managed Accounts** – PAMI offers institutional clients the flexibility of investing through individually customized managed accounts or single investor fund structures which invest directly in Underlying Funds, Special Purpose Funds or Permal Funds.

Permal’s Investment Committee works with each Third Party Client to establish the investment guidelines and terms of the account and the Third Party Client appoints PIMS or PAMI to manage the mandate on a discretionary, non-discretionary or advisory only basis. In instances where the Third Party Client contracts with PIMS, that entity typically appoints PAMI as sub-adviser, provided that appropriate client consent has been obtained.

**Investment Approach**

PAMI’s investment approach can be summarized in three steps:

1. **Manager Search and Due Diligence** – qualitative and quantitative assessments;
2. **Portfolio Construction and Asset Allocation** – seeking to assemble optimal mix of managers and strategies, using top-down and bottom-up analysis; and
3. **Risk Management and Performance Monitoring** – portfolio, manager and business risk monitoring.

The Investment Committee establishes the top-down macroeconomic view. PAMI’s investment team makes, reviews, modifies and/or recommends, as applicable, investments in the Permal Funds and Third Party Client portfolios implementing the strategies that they believe will best achieve the investment objectives of each Permal Fund and/or Third Party Client.

## **Item 5 – Fees and Compensation**

### **Management Fees**

Management fees charged to Permal Funds and Third Party Clients are typically based on a percentage of net assets under management at the close of the market on the date the fee accrues or as otherwise stipulated in the Permal Fund's Offering Materials or Third Party Client's agreement. Such fees are accrued and paid monthly or quarterly in arrears. Accounts initiated or terminated during the relevant monthly or quarterly period will be charged a pro-rated fee.

Where PIMS delegates discretionary management to PAMI, PIMS is responsible for remunerating PAMI from the fees that PIMS receives from the Permal Funds or Third Party Client.

### **Permal Funds**

Each Permal Fund's fee schedule is set out in the Offering Materials for the relevant fund.

PIMS or PAMI may reduce or rebate management fees to certain Investors by separate agreement with them. These arrangements may be based upon guaranteed minimum investment levels maintained in a fund, periods of holding an interest in a fund, or other factors or considerations determined at PIMS' or PAMI's discretion.

Management fees are deducted from the accounts of Permal Funds.

### **Third Party Clients**

Third Party Client fee schedules are negotiated and vary based upon a wide variety of factors including the type of client mandate, services provided, investment amount, and other factors as may be negotiated and agreed with the particular Third Party Client.

Management fees are typically invoiced directly to the Third Party Client or their custodian.

### **Performance Fees**

Please see **Item 6 – Performance-Based Fees** for further information.

## Additional Expenses

The fees described above cover only Permal's investment management services and, Investors in Permal Funds and Third Party Clients may bear, directly and indirectly, certain additional expenses.

### **Permal Funds**

Investors in Permal Funds may be charged dealing fees in connection with their subscription in or redemption from a Permal Fund as well as bear the ongoing operating costs of the Permal Fund and costs associated with the investments in Underlying Funds and Special Purpose Funds. Fees charged to a specific Permal Fund are set out in the relevant Offering Materials. The following are some of the types of fees that may apply:

1. Dealing Fees for subscribing/redeeming the Permal Fund – Depending upon the share class subscribed and amount purchased, dealing fees, such as front end or back end sales charges, may apply to the Investor. These amounts are not typically earned by Permal but are charged and retained by financial intermediaries who offer the Permal Funds for sale.
2. Distribution Fees – For Investors subscribing into a share class with a back end sales charge, an ongoing distribution fee of 1% will be charged. This fee is also generally paid to the financial intermediary who made the Permal Funds available for sale.
3. Dealing Fees associated with Permal redeeming investments from an Underlying Fund – While typically not the case, there could be instances where charges apply for early redemptions from an Underlying Fund.
4. Ongoing operational expenses of the Permal Funds – These expenses include, administration, custody, legal, audit, filing fees, Director fees, insurance premiums, shareholder service fees and other similar expenses involved in the ongoing operation of the fund.
5. Credit facilities – Permal Funds may have credit facilities in place that can be used for cash bridging or other purposes. Interest charges and commitment fees would be allocated and charged to the relevant Permal Fund.
6. Management and performance fees paid to Portfolio Managers – Management fees are generally charged based on the average net assets invested in the Special Purpose Funds or Underlying Funds. Performance Fees are based on the increase in value, including both realized and unrealized gains, of the net assets invested in these funds.



7. Other ongoing expenses of the Special Purpose Funds and Underlying Funds – Such expenses are similar to the ongoing expenses incurred by Permal Funds described above. Additionally, costs of financing and trading would also be borne indirectly by the Investors in the Special Purpose Funds and Underlying Funds.

**Third Party Clients** will also bear certain fees and expenses in relation to their account. These fees may include some or all of the following:

- administration, custody, legal, audit and filing fees and such other operating expenses as may be disclosed in the relevant Offering Materials;
- management and performance fees paid to the Portfolio Manager of the Special Purpose Funds or Underlying Funds; and
- other ongoing expenses of the Special Purpose Funds and Underlying Funds.

In addition, as discussed further in **Item 12 – Brokerage Practices**, PAMI may, on occasion, trade underlying interests in secondary markets, ETFs, closed-end funds and specific securities. In these cases, Third Party Clients and Investors in Permal Funds or Special Purpose Funds bear the costs and expenses (such as commissions or spreads) associated with trading.

Permal employees do not receive commission based compensation from the sale of securities or investments purchased, sold or recommended to PAMI clients.

## Item 6 – Performance-Based Fees and Side-By-Side Management

In addition to the management fees described above in **Item 5 – Fees and Compensation**, Permal Funds and Third Party Clients may pay a performance-based fee on the performance of their investment. Performance-based fees are typically computed with respect to realized and unrealized profits and based on the increase over the previous highest NAV per share/Account but only after any applicable loss carryforward has been recouped.

Performance-based fees will generally be assessed in arrears at the end of each calendar quarter or such longer period as negotiated with the client.

### Permal Funds

Investors in certain Permal Funds may bear performance-based fees which can be charged either:

- directly to the capital account of an investor invested in a fund structured as a limited partnership;
- by reference to the class or series of shares in which the investor is invested; or
- at the overall fund level.

These fee arrangements are described in more detail in the relevant Offering Material.

Investors in Permal Funds where the performance fee is charged at the overall fund level or class should note that as equalization or series accounting is not used, the performance based fee will be based on the overall performance of the fund or share class, as applicable, as opposed to the specific performance of the shares held by a particular Investor. Depending upon the circumstances, certain investors may be advantaged while others may be disadvantaged due to calculation methodology being used.

### Third Party Clients

Performance fees for Third Party Clients are based upon a wide variety of factors including the type of client mandate, services provided, investment amount, and other factors as may be negotiated and agreed with the particular Third Party Client.

PAMI provides investment advice with the objective of meeting Permal Funds and Third Party Clients' mandates and objectives.

Investment Selection: Performance fee arrangements may create an incentive for an investment manager to make investments that are riskier or more speculative than would be the case absent a performance fee.

Side By Side Management: As PAMI or an affiliate receives performance-based compensation in respect to some Permal Funds or Third Party Clients and not from others, there may be an incentive to favor one client over another. In addition, The Permal Group and its employees may have an investment or financial interest in a Permal Fund. PAMI maintains a trade allocation policy (refer to **Item 12 – Brokerage Practices**) that addresses these potential conflicts of interest.

## Item 7 – Types of Clients

Clients and Investors in Permal Funds include:

- individuals,
- high net worth individuals,
- corporate pension and profit-sharing plans,
- Taft-Hartley plans,
- Unions,
- corporations,
- family offices,
- charitable institutions,
- foundations,
- endowments,
- municipalities,
- private investment funds,
- sovereign wealth funds,
- foreign funds such as UCITs and SICAVs, and
- other U.S. and international institutions.

As a general rule, a minimum account size of \$50,000,000 is required for a Third Party Client. In certain circumstances, a smaller account size may be agreed.

US investors in Permal Funds must be accredited investors and qualified purchasers and meet the professional investor status in the jurisdiction in which the fund is domiciled. Investments by US persons in Permal Funds domiciled offshore are typically limited to US tax-exempt investors.

All clients and investors are subject to applicable suitability requirements.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

PAMI's investment decisions are made using both a top-down macroeconomic view and bottom-up analysis. PAMI identifies, researches, assesses, selects and monitors the Portfolio Managers with which the Permal Funds or Third Party Clients invest. PAMI uses a combination of qualitative and quantitative factors to evaluate manager qualifications, among which are:

- office visits,
- reputation of the principals of the Portfolio Managers (reference checks),
- offering documentation and financial statements review,
- investment philosophies,
- risk management techniques,
- monthly investment performance return patterns including standard deviations, length and size of draw downs, downside deviation, and performance during periods of stress,
- operation factors, and
- systematic risk factors.

PAMI tends to focus on strategies that have depth and liquidity including, but not limited to the following:

- Equity Long / Short
- Discretionary Global Macro
- Systematic Global Macro
- Fixed Income Trading
- Event Driven
- Relative Value Arbitrage
- Fixed Income Arbitrage
- Long Only Commodities
- Emerging Markets

Set forth below is an overview of the primary risks associated with fund of funds investing, each of which is more fully discussed in Exhibit A. However, it is not possible to identify all of the risks associated with investing. The particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held. For additional discussion about risks relating to a particular investment, clients should consult their Offering Materials.

## Client Risks

The following is a non-exhaustive list of the more common risks that Investors or Third Party Clients should consider in connection with an investment program of the kind described herein:

- Lack of regulation of Underlying Funds and Special Purpose Funds and their Portfolio Managers
- Lack of transparency of information regarding Underlying Funds
- LiquidityMultiple Levels of Fees and Expenses
- Multi manager investing
- Valuation

Additionally, while client assets will be invested in Underlying Funds and Special Purpose Funds which are structured to limit risk of loss, the following are some of the more common risks which may arise in connection with the activities of the Portfolio Managers:

- Commodity Markets and Natural Resources
- Derivatives
- Emerging Markets
- Fixed Income
- Hedging transactions
- Key man performance
- Leverage
- Sector Emphasis
- Short Sales

While PAMI seeks to manage accounts so that risks are appropriate to the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee or representation that PAMI's or any Portfolio Manager's investment program will be successful. Investors and Third Party Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses.

### **Item 9 – Disciplinary Information**

PAMI is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of PAMI or the integrity of PAMI's management.

PAMI has no information to disclose in response to this item.

## Item 10 – Other Financial Industry Activities and Affiliations

PAMI is ultimately owned by Permal Group Ltd which is a wholly subsidiary of Legg Mason, Inc. (“Legg Mason”), a New York Stock Exchange listed corporation. Legg Mason’s affiliates include investment advisers, broker dealers, futures commission merchants, banks and sponsors or syndicators of LPs.

The Permal Group is a global organization with subsidiaries regulated by the US Securities and Exchange Commission, the UK Financial Services Authority, the Dubai Financial Services Authority, the Monetary Authority of Singapore, the Hong Kong Securities & Futures Commission, the Korean Financial Supervisory Commission, the Japanese Kanto Local Finance Bureau, the Securities Commission of the Bahamas and the Central Bank of the Bahamas.

Neither PAMI nor any of its management persons is registered, or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer. However, Permal Group Inc., (“PGI”) PAMI’s direct parent company, is registered as a branch office of Legg Mason Investor Services, LLC (“LMIS”). LMIS is a FINRA regulated special purpose broker-dealer, wholly owned by Legg Mason. Certain PGI employees involved in the sale of Permal Funds to US investors are registered representatives of LMIS. Neither PGI nor its registered employees receive any commissions or other fees from the sale of Permal Funds to investors. LMIS registered representatives may sell interests in Permal Funds, may provide support to intermediaries that sell interests in the Permal Funds, and LMIS may itself act as a placement agent/distribution agent for interest in Permal Funds. LMIS does not perform any trading or related services for any PAMI clients.

PIMS has delegated day-to-day discretionary management for certain of its clients to PAMI. PAMI receives a percentage of PIMS’ gross revenue with respect to these clients as a fee for its services.

PAMI and Legg Mason Global Asset Allocation, an affiliated adviser, serve as sub-advisers to a US registered mutual fund, the Legg Mason Permal Tactical Allocation Fund (“TAF”) and an Irish UCITS, the Legg Mason Permal Global Absolute Fund (“GAF”), advised by Legg Mason affiliated advisers. LMIS serves as distributor for TAF. TAF and GAF may be invested in Legg Mason affiliated mutual funds. PAMI clients are typically not solicited to invest in these funds.

PAMI controls Permal GP LLC, the entity that serves as the general partner to Permal Investment Partners, LP (“PIP”) and Permal Macro Partners, LP (“PMP”). PAMI clients may be solicited to invest in PIP and PMP.

Permal Capital Management, LLC (“PCM”), an affiliated SEC-registered investment adviser, specializes in private equity investments (generally private equity fund of funds). Generally, PCM owns and controls a special purpose vehicle that is set up as the general partner or



managing member of a private equity investment partnership. Certain of PAMI's clients are invested in one or more of these partnerships. PCM's primary office is in Boston, MA. PCM also maintains an office for one of its Managing Directors in Permal's office space in New York.

Refer to **Item 11 - Code of Ethics** for a further discussion on potential conflicts of interest.

## Item 11 – Code of Ethics

PAMI has adopted a Code of Ethics that describes its standards of business conduct and responsibilities to its clients and that governs certain potential conflicts of interest which may exist when providing services to clients. The Code of Ethics is designed to ensure PAMI meets its obligations to clients and to instill a culture of compliance within PAMI.

The Code of Ethics is distributed to each employee at the time of hire and annually thereafter, and is available on PAMI's intranet. PAMI also supplements the Code of Ethics with ongoing monitoring of employee activity.

The Code of Ethics includes policies relating to:

- privacy of client information,
- prohibitions on insider trading,
- employee personal securities transactions,
- acceptance/provision of significant gifts, and
- reporting of certain outside business activities.

All employees are required to acknowledge annually that they are in compliance with the Code of Ethics.

A copy of PAMI's Code of Ethics is available to any client or prospective client upon request by contacting PAMI's Compliance Department at the phone number or address on the cover page of this Brochure.

## Potential Conflicts of Interests

PAMI offers different products and services and there are various potential conflicts of interest which may arise, including, but not limited to those listed below. PAMI has adopted, and will continue to maintain, policies and procedures to address these potential conflicts of interest.

Potential Conflict of Interest	Mitigating Policies
<p>PAMI serves as investment manager for numerous clients, some of which may have investment objectives similar to another client and/or be investment funds sponsored by Permal.</p> <p>PAMI may deem it appropriate to recommend that one client redeem an Underlying Fund while at the same time recommend that another client subscribe to the same Underlying Fund.</p>	<p>PAMI maintains detailed policies and procedures relating to allocation among clients. PAMI will seek to allocate transactions and opportunities among its various accounts in a manner it believes to be as equitable as possible, considering each account's objectives, programs, limitations and capital available for investment.</p> <p>All investment decisions are approved by two members of PAMI's Investment Team. A member of the Investment Committee is involved in effecting trades for clients. In addition, Permal's Risk Committee reviews all client portfolios on a monthly basis. Refer to Item 13 – Review of Accounts for further details.</p>
<p>Members of PAMI's Investment Team may sit on the board of directors or advisory board of an Underlying Fund, often at the request of the Portfolio Manager, in order to obtain a better understanding of both the operations of the Underlying Fund and Portfolio Manager.</p>	<p>PAMI's senior management must approve any outside board activities. Once approved, these employees are not permitted to be the sole person involved in making investment decisions relating to these funds or in the voting of any proxies issued by these funds.</p>
<p>Where appropriate and in the best interest of both clients, PAMI may cause one client to purchase investments from or sell investments to another client ("Cross Transactions").</p>	<p>Cross Transactions are reviewed by a member of the Investment Committee and the Compliance Department. These transactions are effected at the net asset value determined by the third party administrator for the issuer as of the date of the transaction. PAMI earns no compensation as a result of such trades. In</p>

Potential Conflict of Interest	Mitigating Policies
	<p>addition, the Board of Directors of the Permal Funds reviews semi-annually any Cross Transactions effected for a Permal Fund.</p>
<p>On occasion, PAMI and/or its related persons may have an ownership or controlling interest in one of the Permal Funds participating in the Cross Transaction and as a result, is deemed to act as principal in the trade. This would typically occur when one of PAMI's affiliated entities seeds a new Permal Fund during its incubation period.</p>	<p>In the event PAMI acts a principal, PAMI will obtain permission to effect the Cross Transaction from the Third Party Client or independent board member of the Permal Fund for which PAMI does not act as principal.</p>
<p>On occasion, PAMI's or its affiliates' employees may buy for their own accounts securities or other instruments which PAMI also recommends to clients and may engage in transactions for their own accounts in a manner that is inconsistent with PAMI's recommendations to a client.</p>	<p>PAMI's personal securities trading policies requires employees who have access to pre-trade information or make certain investment related decisions to pre-clear personal securities transactions in IPOs and limited offerings, report personal securities transactions on at least a quarterly basis, and provide PAMI with a detailed summary of certain holdings and securities accounts over which such employees have a direct or indirect beneficial interest.</p>
<p>PAMI may recommend or buy interests on behalf of its clients in Underlying Funds in which PAMI, its employees or related parties have an ownership interest.</p>	<p>All such interests will be purchased at net asset value as determined in accordance with the Underlying Fund's governing documents. These interests are not typically purchased from PAMI, its employees or other related persons but are issued directly by the Underlying Fund.</p>
<p>Certain members of PAMI's Investment Committee are partners in a company which serves as general partner and investment manager to a fund of funds investment partnership and/or members in a company which serves as investment manager to a BVI</p>	<p>The Compliance Department preapproves all investments made by the Outside Funds in limited offerings, which includes investments in hedge funds. Information reviewed includes (1) whether the investment has capacity constraints, (2) whether the</p>

Potential Conflict of Interest	Mitigating Policies
<p>mutual fund (collectively “Outside Funds”), which may invest with the same or similar Portfolio Managers as Permal Funds and Third Party Clients.</p> <p>The managers of the Outside Funds may give advice or take action in performing their duties for the Outside Funds that differ from advice given to or action taken for PAMI’s client. Given that the investment objectives and strategies of the Outside Funds differs at times from those of PAMI clients, Outside Funds may purchase buy, sell or hold funds not being purchased, sold or held by PAMI clients.</p>	<p>investment is also being made by PAMI clients and if not, the reason(s) why and (3) if PAMI is investing for clients, whether the terms received by the Outside Funds are better than those received by PAMI clients.</p> <p>All transactions by the Outside Funds are reported quarterly to and reviewed by the Compliance Department.</p>
<p>PAMI may incur expenses that are allocable to more than one client or to both PAMI and one or more clients.</p>	<p>Permal allocates expenses on a basis that it considers equitable and in accordance with its expense allocation policies and clients’ governing documents.</p>
<p>There may be limited capacity in Underlying Funds and PAMI will have to choose among its clients in allocating to such Underlying Fund. In addition, clients have different management and fee structures including some clients which pay a performance based fee. Refer to Item 6 – Performance-Based Fees and Side-By-Side Management for further discussion.</p>	<p>PAMI maintains detailed policies and procedures relating to allocation among clients. PAMI will seek to allocate transactions and opportunities among its various accounts in a manner it believes to be as equitable as possible, considering each account’s objectives, programs, limitations and capital available for investment.</p> <p>Permal’s Risk Committee, which is independent of the Investment Committee, reviews all client portfolios on a monthly basis.</p>

Potential Conflict of Interest	Mitigating Policies
PAMI may recommend and make investments in Underlying Funds in which PAMI or a related party provides investment advisory or management services and from which PAMI or the related party receives fees.	Unless otherwise disclosed to the client, client fees are generally structured to avoid duplication of fees at multiple levels.
<p>A PAMI affiliate shares office space in its New York office with a limited liability company (“LLC”) for which a member of Permal’s senior management serves as Chairman. This partnership generally invests in early stage companies, real estate, and alternative assets.</p> <p>In addition, as discussed further in Item 10 – Other Financial Industry Activities and Affiliations, Permal Capital Management, LLC maintains an office for one of its Managing Directors in Permal’s office space in NY. PCM manages private equity funds of funds (“PCM Funds”).</p>	<p>PAMI has established physical and electronic safeguards designed to ensure that there are appropriate information barriers in place.</p> <p>PAMI clients are not solicited to invest in the LLC. In addition, the LLC has no commercial business relationship with The Permal Group, does not buy or sell any Permal Funds and does not generally invest in holdings that are held by PAMI clients.</p> <p>While historically PAMI clients have invested in PCM Funds, PAMI clients are not currently solicited to invest in the PCM Funds and there is generally no overlap of investments between PAMI clients and the PCM Funds.</p>
PAMI or its affiliates may receive on behalf of clients rebates or similar payments from Portfolio Managers in respect of client investments in their funds.	PAMI and/or its affiliates provide these rebates or payments in respect of the client’s assets back to the client. These rebates are allocated to clients in a manner PAMI believes to be fair and equitable and is typically pro-rata based on the size of each client’s investment in a fund.
PAMI, or an affiliate, may invest a Permal Fund in a Portfolio Manager’s management company. As a result, other Permal Funds or Third Party Clients investing in Underlying Funds managed by this Portfolio Manager may receive discounted fees.	All investment decisions are approved by two members of PAMI’s Investment Team. Permal’s Risk Committee, which is independent of the Investment Committee, reviews all client portfolios on a monthly basis.

## Item 12 – Brokerage Practices

PAMI does not typically use brokers to transact for Permal Funds or Third Party Clients as the investments made for such clients are generally in open-ended investment funds engaged in a continuous offering. However, PAMI may on occasion trade in interests in:

- Underlying Funds that are closed to new investors but available for purchase on the secondary market;
- closed-ended funds listed on a securities exchange;
- Exchange Traded Funds (“ETFs”); and
- specific individual US or foreign securities.

Additionally, on occasion, Permal Funds or Third Party Clients may receive security positions from a Portfolio Manager as part of a distribution or liquidation of an Underlying Fund or Special Purpose Fund.

While PAMI generally executes transactions in these securities through the same broker-dealer where the Permal Fund’s or Third Party Client’s account was established, there are no limitations on which broker-dealers may be used or the commission rates or similar charges paid.

If PAMI does choose the broker-dealer, consistent with its duty to seek best execution, PAMI would select brokers and dealers based upon their reputation, quality of service, ability to liquidate the particular security and ability to obtain interests in closed funds desired by PAMI. When selecting a broker or dealer, PAMI will take into account factors such as execution capabilities, commission rates, responsiveness and financial responsibility. In applying these factors, PAMI recognizes that different brokers may have different execution capabilities with respect to different types of securities and transactions, and that no one broker will likely be judged the best at every relevant factor as a general matter or with respect to any particular transaction.

### Soft Dollars

Permal’s current policy is not to use commissions generated by trading for client accounts to pay for third party research services.

### Brokerage for Client Referrals

PAMI does not use brokerage relationships for client referrals. However, PAMI does have distribution relationships and placement agreements with broker-dealers as further discussed in **Item 14 – Client Referrals and Other Compensation**.

### Trade Allocation and Aggregation Practices

PAMI maintains detailed policies and procedures relating to allocation among clients. PAMI will seek to allocate transactions and opportunities among its various accounts in a manner it believes to be as equitable as possible over time, considering each account's objectives, programs, limitations and capital available for investment.

Any potential conflicts are brought to the attention of the Investment Committee in order to resolve them in an equitable and fair fashion.

### Cross Transactions/Principal Trades

Occasionally, where appropriate and in the best interest of both clients, PAMI effects Cross Transactions between client accounts. These transactions are effected at the net asset value determined by the third party administrator for the issuer as of the date of the transaction. PAMI earns no compensation as a result of such trades.

From time to time, a Permal affiliate may seed a new Permal Fund for a period of time and, as a result, own a controlling interest in that Fund. Any Cross Transaction involving this fund would require the approval from the other client involved in the Cross Transaction, including, if a Permal Fund, an independent director of that Fund.



### Item 13 – Review of Accounts

Either one of the four senior members of the Investment Committee or one of the eight portfolio managers under the supervision of a member of the Investment Committee reviews, at least monthly, the portfolios of the Permal Funds and Third Party Clients. Factors such as asset allocation, cash management, industry and market outlook, global net exposure, and concentration of investments are considered during such review. In addition, the Investment Committee reviews, at least monthly, the allocations to each strategy within each portfolio. Permal's Risk Committee reviews both the portfolios as a whole and tactical allocation changes on a monthly basis to verify that the strategy allocation is in line with the guidelines determined by the Investment Committee's top-down strategic vision.

PAMI also has a formal process of monitoring Portfolio Managers post-investment that is built on frequent and substantive contact:

- Ongoing Basis: Analysts and Investment Committee members gather information from Portfolio Managers, traders, economists and independent research analysts.
- Monthly Basis: The investment team collects performance information for each Portfolio Manager and computes quantitative analytics, looking for deviations from the norm, both up and down. In addition, the investment team reviews Portfolio Manager newsletters and communications and consolidated exposure and concentration risk in Underlying Funds.
- Quarterly Basis: The investment team updates its internal databases to reflect organizational changes, changes to assets under management and any variation in portfolio strategy.
- Annual Basis (or more often if warranted): PAMI conducts meetings with the Portfolio Managers and reviews audit reports and financial statements.

In addition, PAMI has a dedicated Operational and Technology Due Diligence Team that reviews each Portfolio Manager prior to an investment and at least annually thereafter. These reviews generally focus on the following:

- Organizational Structure – corporate legal entities and ownership, AUM by product and strategy, staffing and compensation, litigation and outside business activities.
- Investment Portfolio – segregation of duties and internal controls over valuation, trading and operational risk management.
- Cash Management – identifying where cash is located and how it is controlled and reconciled.
- Vendor Management – quality and effectiveness of all service providers including oversight, weaknesses and strengths, and past changes.

- Accounting – internal controls relating to NAV calculation, investor reporting and side pocket accounting, and regulatory and public audits.
- Compliance – key policies, such as personal trading, restricted securities, insider trading, and outside business activities.
- Technology – effectiveness of the disaster recovery program and technical infrastructure.

Additional reviews may be triggered by one of the following potential red flags:

- outlying performance: good or bad
- style drift: dramatic changes of style
- document surprise: inconsistent disclosure in offering documents and financial statements
- management turnover: departures of key personnel
- assets managed: dramatic increase or decrease in asset size
- change of terms: sudden material changes in terms

#### Permal Fund Reporting

The following reports are typically made available to investors in Permal Funds:

- Net Asset Value (“NAV”) reports – Permal Funds’ NAVs are calculated monthly or semi-monthly in conjunction with Permal Funds’ offering dates. Final NAVs are circulated by Permal after completion by the relevant administrator.
- Monthly Fund Updates – These updates generally contain portfolio statistics, assets by strategy allocation, the largest five managers’ names and respective allocations, performance by strategy, up/down charts and investment commentary. The update reports are available shortly after month end.
- Permal Funds’ audited annual financial statements.
- At each month-end, a monthly statement issued by the fund’s administrator showing NAVs and number of shares held to each shareholder.

Permal also makes available to Permal Fund distributors and Investors certain information on an interactive, password protected portion of its website ([www.permal.com](http://www.permal.com)). This information generally includes: Permal Funds’ monthly NAVs (described above), monthly fund updates (described above), offering documents, corporate updates, news, etc.

### Third Party Clients

Third Party Clients receive ongoing reporting as agreed between PAMI and the Third Party Client at the inception of their investment management relationship.

Reporting can include the following:

- marketing commentary;
- portfolio overview and holdings summary;
- portfolio performance and performance of Underlying Funds;
- risk analysis;
- liquidity analysis; and
- portfolio constraints compliance.

#### **Item 14 – Client Referrals and Other Compensation**

PAMI and its employees do not receive any economic benefits, such as sales awards or other incentives, from third parties in relation to services provided to client accounts.

PIMS has in place agreements with certain banks/financial intermediaries for the distribution of Permal Funds domiciled outside the US to clients (predominantly non-US) of such banks/financial intermediaries. This forms part of The Permal Group's global fund distribution network of hundreds of distributors worldwide. Any compensation paid by Permal to these financial intermediaries is generally paid by PIMS out of the investment management fee it receives from the Permal Funds.

Similar to the arrangements described above, PAMI may also be party to placement arrangements with US brokerage and other firms for the placement of Investors in Permal Funds domiciled in the US.

PAMI has also entered into agreements with third-party solicitors who recommend prospective clients to PAMI. The agreements provide that the solicitors receive an annual retainer and/or a fee based on the average net asset value of the accounts of a referred client less the amount of the annual retainer, if applicable. Any such arrangement is disclosed to the relevant Third Party Client. All fees for this service will be paid by PAMI and the Third Party Client will not be subject to any increased or additional fees nor will the use of a solicitor, if any, be a factor in fee negotiations.

## Item 15 – Custody

The custody rule under the Investment Advisors Act of 1940 (“Custody Rule”) defines custody as holding client securities or assets or having any authority to obtain possession of them.

PAMI does not hold assets of the Permal Funds or Third Party Clients. Cash and securities are held by a qualified custodian appointed by each Permal Fund or Third Party Client pursuant to a separate custody agreement.

### Permal Funds

PAMI and/or its affiliates are typically deemed to have custody of the Permal Funds and Special Purpose Funds, as one or more of the following may apply:

- a PAMI affiliate serves as General Partner to those funds organized as US limited partnerships;
- employees of PAMI or an affiliate serve on the Board of Directors of these funds; or
- employees of PAMI affiliates have the ability to move cash to pay expenses or open accounts on behalf of the fund.

PAMI complies with the Custody Rule by incorporating the Special Purpose Funds in the audits of the Permal Funds and providing investors in the Permal Funds with audited financial statements within 180 days of the fund’s fiscal year end.

### Third Party Clients

PAMI and/or its affiliates may be deemed to have custody of some or all the assets of a Third Party Client, as one or more of the following may apply:

- PAMI or an affiliate serve as General Partner for client portfolios organized as US limited partnerships;
- employees of PAMI or an affiliate serve on the Board of Directors for client portfolios organized as corporate entities; or
- employees of PAMI affiliates have the ability to move cash to pay expenses or open accounts on behalf of the Third Party Account.

PAMI complies with the Custody Rule by ensuring these clients receive their audited financial statements within 180 days of the fund’s fiscal year end.

## **Item 16 – Investment Discretion**

PAMI receives discretionary authority from Third Party Clients at the outset of the advisory relationship through an investment management or similar agreement between PAMI and the client. These agreements authorize PAMI to supervise and direct investment and reinvestment of assets in the client's account and generally stipulate any limitations on PAMI's discretionary authority.

PAMI has discretionary authority over the investments made by the Permal Funds, and generally exercises discretion over Third Party Client Accounts. Under certain circumstances, however, PAMI may only provide non-discretionary or advisory services to a Third Party Client Account.

In exercising discretion, PAMI will at all times observe the investment policies, limitations and restrictions imposed by the Permal Fund or Third Party Client.

PAMI's authority to trade securities for US registered investment companies may be limited by certain US federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

## Item 17 – Voting Client Securities

PAMI has adopted a policy governing the voting of proxies that is designed to ensure that PAMI will vote proxy proposals, amendments, consents or resolutions (collectively “Proxies”) relating to Underlying Funds in the best interest of the Permal Funds and Third Party Clients and in accordance with its fiduciary duties.

PAMI has the authority to vote Proxies for all Permal Funds. Third Party Clients may authorize PAMI to vote Proxies. Each Special Purpose Fund’s Portfolio Manager has been delegated Proxy voting authority for that Special Purpose Fund.

Where PAMI has the authority to vote Proxies relating to investments with Portfolio Managers, the general policy is to vote these Proxies in a manner that serves the best interest of the client as determined by PAMI in its discretion.

PAMI casts most of its Proxy votes, particularly on routine proposals, in accordance with management’s recommendations. Routine proposals are generally those that do not change the structure, governing rules or operations of the corporation to the detriment of the clients. Traditionally, these issues include, among others, approval of auditors, a change in company name and routine Board of Director elections.

Non-routine proposals are more likely to affect the structure and operations of the corporation and therefore may have a greater impact on a client’s investment. As such, PAMI reviews each proxy issue in this category on a case-by-case basis. Non-routine proposals include, among others, director nominations in contested elections and changes in redemption terms.

In routine matters, PAMI votes proxies in accordance with established guidelines discussed above, and the opportunity for conflict generally does not arise. In non-routine proposals or in any instance where PAMI believes there may be an actual or perceived material conflict of interest, PAMI will disclose the potential material conflict of interest to the relevant client and obtain their consent or direction, as appropriate, before voting. PAMI seeks to resolve all potential material conflicts of interest in the best interest of clients.

PAMI, in its sole discretion, may abstain from voting a Proxy if it concludes, among others, that the effect on shareholders’ economic interests or the value of the portfolio holding is indeterminable or insignificant, if PAMI anticipates selling a security in the near future, or if the cost of voting the proxy exceeds the expected benefit.

Investors in Permal Funds cannot direct PAMI on how to vote a particular proxy.

At any time, a Third Party Client may request a copy of PAMI's Proxy Voting Policy and PAMI's proxy voting records for its account from the Legal and Compliance Department and/or may submit his or her own proxy voting preference on any issue that is subject to a shareholder vote to the Proxy Administrator.

The Proxy Administrator may be reached at 212-418-6500 or [proxyadmin@permal.com](mailto:proxyadmin@permal.com).



## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition.

PAMI is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients.

## Exhibit A – Risks

The following is a non-exhaustive list of the more common risks that clients should consider in connection with an investment program of the kind described herein. The information contained in this Brochure cannot disclose every potential risk associated with an investment strategy, or all of the risk applicable to a particular client. Investors and Third Party Clients should refer to Offering Materials for additional information about the specific risks that may apply to their particular investment.

- Lack of Regulation of Underlying Funds, Special Purpose Funds and their Portfolio Managers

The Underlying Funds and Special Purpose Funds in which the client may invest, as well as many of their Portfolio Managers, are not generally subject to regulation and, therefore, will not generally be subject to policies and safeguards similar to those which are administered by the SEC.

- Lack of Transparency of Information Regarding Underlying Funds

Underlying Funds' securities are generally offered on a private placement basis and are subject to limited regulation, disclosure and reporting requirements. Only a relatively small amount of publicly available information about Underlying Funds, their holdings and performance, will be available in managing and assessing the client's investment.

- Liquidity

The Underlying Funds are generally unlisted investments not traded on any exchange and, as such, may restrict liquidity. In addition, capital markets may become illiquid during periods of crisis. Portfolio Managers may also invest in unlisted securities. There can be no guarantee that there will be sufficient liquidity in a client's portfolio to meet the client's liquidity needs.

- Multiple Levels of Fees and expenses

Investment in a multi-manager strategy will generally incur certain fees at two different levels. Fees that may be duplicative include management and, potentially, performance fees, paid to both PAMI and the Portfolio Managers, as well as the operating expenses of the Permal Funds or Third Party Client account and the pro rata portion of the operating expenses of the Underlying Funds and/or Special Purpose Funds.

Investors may bear performance fees even though they may not have made net economic gains over the life of their investment. Performance fees may also be earned by one Portfolio Manager while overall the client's portfolio suffered a loss.

Clients will need to make substantial profits in order to achieve their investment objective. Refer to **Item 5 – Fees and Compensation** for further discussion.

- **Multi-manager Investing**

In order to diversify among trading methods and markets, PAMI has selected a number of Portfolio Managers, who invest independently of one another. Portfolio Managers may compete with each other from time to time for the same positions in the markets. They may also hold opposite positions in the same security. As a result, there can be no assurance that this diversification strategy will be successful, and it may result in net losses for the client's portfolio.

Portfolio Manager's strategies may involve significantly more risk and higher transaction costs than those typically employed by traditional managers.

- **Valuation**

Assets may be valued using estimated information provided by the Portfolio Managers. Estimated values of Underlying Funds and Special Purpose Funds may differ from values ultimately received from the third party administrators of the Underlying Funds and Special Purpose Funds. For investors subscribing into or redeeming out of a Permal Fund, transactions processed based on the estimated values may result in discounts or premiums being paid or received by the subscribing or redeeming investor.

Prior to investing, PAMI will review the methodology used by Underlying Funds and their Portfolio Managers in valuing the assets held. However, PAMI does not review NAV calculations on an ongoing basis.

Risks specific to Portfolio Managers:

- **Commodity Markets and Natural Resources**

Portfolio Managers may invest heavily in natural resources or natural resources-related companies either directly, or through commodity-related financial instruments. The values of natural resources are affected by numerous factors including events occurring in nature, economics and politics. For instance, events in nature (such as earthquakes or fires in prime natural resources areas), economics (such as overall market movements and changes in interest rates) and political events (such as coups or military

confrontations) can affect the overall supply of a natural resource and the value of companies involved in such natural resource.

The value of commodity related financial instruments may be influenced by overall market movements, commodity indices, volatility, changes in interest rates, and factors influencing a particular industry or commodity, such as natural disasters (e.g. floods or droughts) and political events or developments such as regulatory developments.

- Derivatives

Derivative instruments can be highly volatile. The price movements of derivative instruments in which the Portfolio Managers may invest and trade are influenced by a variety of factors including interest rates, governmental policies and other macroeconomic factors.

- Emerging Markets

Portfolio Managers may invest in emerging markets. Investments in such markets are inherently more volatile and, relative to developed markets, the securities exchanges may have far lower trading volumes and less liquidity. Other risks associated with emerging markets include (i) greater economic, political and social instability; (ii) substantial present and potential governmental influence over the private sector; and (iii) restrictions on foreign investment which may limit investments.

- Fixed Income Investments

Portfolio Managers may invest in fixed income securities. Such investment bear the risk of default by the issuers of such securities, as well as adverse changes in prevailing interest rates.

- Hedging Transactions

Portfolio Managers may utilize financial instruments such as derivatives to seek to hedge against fluctuations in the relative values of a portfolio positions as a result of changes in exchange rates, interest rates, equity prices and levels of other interest rates and prices of other securities. Such hedging transactions may not always achieve the intended effect and can also limit potential gains or cause losses. PAMI may also engage in hedging transactions in a client's portfolio.

- Key Man Performance

Underlying Funds are generally significantly reliant on certain key investment personnel employed by their Portfolio Managers. Termination or disability of key personnel could adversely affect the Underlying Fund, and its performance.

- Leverage

Portfolio Managers may use a substantial degree of leverage. This use of leverage may lead to a significant increase in the volatility of the investment in the Underlying Fund or Special Purpose Fund depending upon prevailing market conditions.

- Sector Emphasis

Portfolio Managers may invest substantially in related industries or sectors. Since companies in these sectors may share common characteristics and conditions within a particular sector, such companies may react similarly to market developments and downturns.

- Short Sales

Portfolio Managers may engage in short selling of securities. This practice may expose the Underlying Fund or Special Purpose Fund to unlimited risk. However, in such circumstances, the client's losses will be limited to the amount invested in the particular Underlying Fund or Special Purpose Fund.