



ALLIANCEBERNSTEIN®

# AB (HK) Unit Trust Series Explanatory Memorandum

August 2023



**AB (HK) UNIT TRUST SERIES**

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**EXPLANATORY MEMORANDUM**

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August 2023

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## IMPORTANT INFORMATION FOR INVESTORS

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**Important: If you are in doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice.**

This Explanatory Memorandum comprises information relating to AB (HK) Unit Trust Series (“**Fund**”) and its sub-funds (“**Sub-Funds**”). The Fund is an open-ended unit trust established as an umbrella unit trust under the laws of Hong Kong by a trust deed dated 15 July 2015, as amended and restated pursuant to an amended and restated trust deed dated 19 December 2019 and as amended and supplemented from time to time (collectively, the “**Trust Deed**”) between State Street Trust (HK) Limited (“**Trustee**”) as trustee and AllianceBernstein Hong Kong Limited (“**Manager**”) as manager.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the Product Key Facts Statement of each Sub-Fund, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Explanatory Memorandum or the Product Key Facts Statement misleading. However, neither the delivery of this Explanatory Memorandum and the Product Key Facts Statement nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum or the Product Key Facts Statement is correct as of any time subsequent to the date of publication. This Explanatory Memorandum and the Product Key Facts Statement may from time to time be updated.

Distribution of this Explanatory Memorandum must be accompanied by a copy of the Product Key Facts Statement of each Sub-Fund and the latest available audited annual financial report of the Fund and the Sub-Fund(s) (if any) and any subsequent unaudited interim financial report. Units of the Sub-Fund(s) are offered on the basis only of the information contained in this Explanatory Memorandum, the Product Key Facts Statement and (where applicable) the above mentioned audited annual financial report and unaudited interim financial report. Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Explanatory Memorandum or the Product Key Facts Statement should be regarded as unauthorized and accordingly must not be relied upon.

### **Hong Kong Authorization and Approval**

The Fund and the Sub-Fund(s) have been authorized by the SFC pursuant to section 104 of the SFO. The SFC’s authorization is not a recommendation or endorsement of the Fund and the Sub-Fund(s) nor does it guarantee the commercial merits of the Fund and the Sub-Fund(s) or their performance. It does not mean the Fund or the Sub-Fund(s) is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### **Selling restrictions**

**General:** No action has been taken to permit an offering of Units of the Sub-Fund(s) or the distribution of this Explanatory Memorandum or the Product Key Facts Statement in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum or the Product Key Facts Statement may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized. Further, Units of the Sub-Fund(s) may not be offered or sold, directly or indirectly, to any persons for reoffering or resale, in any jurisdiction where such action is not authorized. Receipt of this Explanatory Memorandum or the Product Key Facts Statement does not constitute an offer of Units of the Sub-Fund(s) in those jurisdictions in which it is illegal to make such an offer.

**Luxembourg:** The Fund is not supervised or authorized in Luxembourg by the Luxembourg supervisory authority, the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) and this

Explanatory Memorandum has not been and will not be approved by the CSSF. The Units of the Fund have not been and will not be admitted for marketing to the public or on a private placement basis in or from Luxembourg. This Explanatory Memorandum and any other documents relating to the Units of the Fund, as well as information or statements contained therein, may not be supplied to investors in Luxembourg or any other means of public marketing.

**United States:** In particular, potential investors should note the following:-

- (a) the Units have not been registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a U.S. Person; and
- (b) the Fund and the Sub-Fund(s) have not been and will not be registered under the United States Investment Company Act of 1940 (as amended).

Potential applicants for Units should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units.

Some of the information in this Explanatory Memorandum is a summary of corresponding provisions in the Trust Deed. Investors should refer to the Trust Deed for further details.

**Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Investors should read this Explanatory Memorandum, particularly the section headed “Risk Factors”, and the section headed “Specific Risk Factors” in the relevant Appendix, before making their investment decisions.**

**Please note that this Explanatory Memorandum must be read together with the relevant Appendix and/or Addendum to this Explanatory Memorandum which relate to a specific Sub-Fund of the Fund. The Appendix and/or Addendum set out the details relating to the Sub-Fund (which may include, without limitation, specific information on the Sub-Fund and additional terms, conditions and restrictions applicable to the Sub-Fund). The provisions of an Appendix and/or an Addendum supplement this Explanatory Memorandum.**

## **Enquiries**

Investors may contact the Manager for any enquiries or complaints in relation to the Fund and any Sub-Fund. To contact the Manager, investors may either:

- write to the Manager (address at 39/F One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong); or
- call the Manager at telephone number at +852 2918 7888.

The Manager will handle or channel to the relevant party any enquiries or complaints from investors and revert to the investors accordingly.

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## **DIRECTORY OF PARTIES**

### **Manager**

#### **AllianceBernstein Hong Kong Limited**

39/F One Island East  
Taikoo Place  
18 Westlands Road  
Quarry Bay  
Hong Kong

### **Trustee**

#### **State Street Trust (HK) Limited**

68th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

### **Directors of the Manager**

Nelson Chow  
Ajai Mohan Kaul  
Eileen Koo

### **Custodian**

#### **State Street Bank and Trust Company**

One Congress Street  
Suite 1  
Boston MA 02114-2016  
U.S.

### **Investment Adviser**

#### **AllianceBernstein L.P.**

501 Commerce Street  
Nashville  
Tennessee 37203  
U.S.

### **Registrar**

#### **AllianceBernstein Investor Services, a unit of**

#### **AllianceBernstein (Luxembourg) S.à r.l.**

2-4, rue Eugène Ruppert  
L-2453 Luxembourg

### **Solicitors to the Manager**

#### **Deacons**

5/F, Alexandra House  
18 Chater Road  
Central  
Hong Kong

### **Auditors**

PricewaterhouseCoopers  
21/F, Edinburgh Tower  
15 Queen's Road Central  
Hong Kong

## DEFINITIONS

The defined terms used in this Explanatory Memorandum have the following meanings:-

<b>“AB funds”</b>	the collective investment undertakings distributed under the service mark “AB” and sponsored by AllianceBernstein L.P. and/or its affiliates
<b>“Appendix”</b>	the appendix containing specific information in relation to a Sub-Fund or a Class or Classes of Units in relation thereto which is enclosed with this Explanatory Memorandum and which forms part of this Explanatory Memorandum
<b>“Accounting Date”</b>	31 August in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund after consultation with the Trustee and notification to the Unitholders of such Sub-Fund
<b>“Accounting Period”</b>	a period commencing on the date of establishment of the Fund or the relevant Sub-Fund (as the case may be) or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
<b>“Amortization Period”</b>	in relation to the Fund and/or a Sub-Fund, such period as specified in the relevant Appendix over which establishment costs of the Fund and/or such Sub-Fund will be amortized
<b>“Application Form”</b>	the prescribed application form and subsequent application form for the subscription of Units and for the avoidance of doubt, the Application Form does not form part of this Explanatory Memorandum
<b>“AUD”</b>	Australian Dollars, the lawful currency of Australia
<b>“Authorized Distributor”</b>	any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
<b>“Base Currency”</b>	in relation to a Sub-Fund, means the currency of account of the Sub-Fund as specified in the relevant Appendix
<b>“Business Day”</b>	unless otherwise specified in the relevant Appendix, a day (other than a Saturday or Sunday) on which banks and stock exchanges in Hong Kong are open for normal banking business or such other day or days as the Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks and stock exchanges in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
<b>“Cancellation Fee”</b>	cancellation fee of such amount as the Manager and the Trustee may from time to time determine to represent the administrative costs involved in processing the application for such Units being cancelled
<b>“China” or “PRC”</b>	the People’s Republic of China excluding Hong Kong, Macau and Taiwan for purpose of this Explanatory Memorandum



<b>“Class”</b>	means any class of Units in issue in relation to a Sub-Fund
<b>“Class Currency”</b>	in relation to a Class in a Sub-Fund, means the currency of account of such Class as specified in the relevant Appendix
<b>“Code”</b>	the Overarching Principles Section and Section II- Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products or any handbook, guideline and code issued by the SFC, as may be amended from time to time
<b>“connected person”</b>	<p>in relation to a company, means:</p> <p>(a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise, directly or indirectly, 20% or more of the total votes in that company; or</p> <p>(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or</p> <p>(c) any member of the group of which that company forms part; or</p> <p>(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c) above</p>
<b>“Currency Hedged Unit Classes”</b>	has the meaning ascribed to it under the heading “ <i>Currency Hedged Unit Classes</i> ” in “ <i>Investing in the Fund – Classes of Units</i> ”
<b>“Custodian”</b>	State Street Bank and Trust Company or the person appointed by the Trustee as the global custodian of the Fund and each Sub-Fund
<b>“Dealing Day”</b>	unless otherwise specified in the relevant Appendix, each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription or redemption of Units in the relevant Sub-Fund or the relevant Class or Classes in the Sub-Fund
<b>“Dealing Deadline”</b>	unless otherwise specified in the relevant Appendix, 5.00 p.m. (Hong Kong time) on the relevant Dealing Day by which an application for subscription or a redemption request in respect of a Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the relevant Sub-Fund or the relevant Class may from time to time be sold
<b>“Decimal Places”</b>	2 decimal places in respect of Issue Price and Redemption Price and 3 decimal places in respect of fractions of a Unit, or such other decimal places as the Manager determines
<b>“EUR”</b>	Euro, the official currency of certain member states of the European Union

<b>“Exchange Fee”</b>	the exchange fee (if any) payable on the exchange of Units
<b>“Exchange Form”</b>	the prescribed exchange form for the exchange of Units and for the avoidance of doubt, the Exchange Form does not form part of this Explanatory Memorandum
<b>“Explanatory Memorandum”</b>	this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
<b>“Fund”</b>	AB (HK) Unit Trust Series
<b>“GBP”</b>	Pound Sterling, the lawful currency of the Great Britain
<b>“Government and other public securities”</b>	any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies
<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the PRC
<b>“HK\$” or “HKD”</b>	Hong Kong Dollars, the lawful currency of Hong Kong
<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards
<b>“Initial Offer Period”</b>	in relation to a Sub-Fund or a Class or Classes of Units, such period as the Manager may determine for the purpose of making an initial offer of Units of such Sub-Fund or such Class or Classes and as specified in the relevant Appendix (if applicable)
<b>“Initial Offer Price”</b>	the price per Unit during the Initial Offer Period as determined by the Manager and as specified in the relevant Appendix (if applicable)
<b>“Investment Adviser”</b>	AllianceBernstein L.P. in its capacity as the investment adviser of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the investment adviser of the Fund and its Sub-Funds
<b>“Investment Grade”</b>	a credit rating as specified in the relevant Appendix or the offering document of the relevant underlying scheme (if applicable)
<b>“IOP Deadline”</b>	5.00 p.m. (Hong Kong time) on the last Business Day of the Initial Offer Period of a Sub-Fund or a particular Class of Units or such other time on such Business Day or such other day as the Manager and the Trustee may from time to time determine and as specified in the relevant Appendix
<b>“Issue Price”</b>	the issue price of a Unit of a particular Class after the expiry of the Initial Offer Period calculated in accordance with the Trust Deed and as described below under <b>“Investing in the Fund - Issue Price”</b>
<b>“Manager”</b>	AllianceBernstein Hong Kong Limited in its capacity as the manager of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the manager of the Fund and its Sub-Funds

<b>“Minimum Initial Subscription Amount”</b>	the minimum initial investment for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
<b>“Minimum Holding Amount”</b>	the minimum number or value of Units of any Sub-Fund or Class of Units which must be held by any Unitholder and as specified in the relevant Appendix
<b>“Minimum Redemption Amount”</b>	the minimum number or value of Units of any Sub-Fund or Class of Units to be redeemed by any Unitholder in respect of a partial redemption of Units and as specified in the relevant Appendix
<b>“Minimum Subsequent Subscription Amount”</b>	the minimum additional subscriptions for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
<b>“Minimum Subscription Level”</b>	the total minimum subscription amount, if applicable, to be received on or prior to the close of the Initial Offer Period and as specified in the relevant Appendix
<b>“Net Asset Value”</b>	in relation to a Sub-Fund means the net asset value of such Sub-Fund or, as the context may require, of a Unit of the Class or Classes relating to such Sub-Fund, calculated in accordance with the provisions of the Trust Deed and as summarized below under <b>“Valuation and Suspension - Calculation of Net Asset Value”</b>
<b>“OECD”</b>	Organization for Economic Co-operation and Development
<b>“Payment Period”</b>	such period as the Manager with the approval of the Trustee may determine within which payment for Units issued for cash after the Initial Offer Period for such Units is due, and as specified in the relevant Appendix
<b>“Qualified Exchange Traded Funds”</b>	exchange traded funds that are: <ul style="list-style-type: none"> <li>(a) authorized by the SFC under 8.6 or 8.10 of the Code; or</li> <li>(b) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and either (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the Code</li> </ul>
<b>“Redemption Charge”</b>	the redemption charge (if any) payable upon redemption of Units and as specified in the relevant Appendix
<b>“Redemption Form”</b>	the prescribed redemption form for the redemption of Units and for the avoidance of doubt, the Redemption Form does not form part of this Explanatory Memorandum
<b>“Redemption Price”</b>	the price at which Units will be redeemed as determined in accordance with the Trust Deed and as described below under <b>“Redemption of Units - Redemption Price”</b>

<b>“Refund Period”</b>	7 Business Days from the relevant Dealing Day or close of the relevant Initial Offer Period (as the case may be) or such other period as specified in the relevant Appendix within which subscription moneys in respect of an application which was rejected or a Sub-Fund or a Class of Units which was not launched will be returned to the relevant applicant
<b>“Registrar”</b>	AllianceBernstein Investor Services, a unit of AllianceBernstein (Luxembourg) S.à r.l., in its capacity as the registrar of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the registrar of the Fund and its Sub-Funds
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of the PRC
<b>“Securities Market”</b>	any stock exchange, over-the-counter market or other organized securities market that is open to the international public and on which such securities are regularly traded
<b>“Semi-Annual Accounting Date”</b>	the last calendar day in February in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund after consultation with the Trustee and notification to the Unitholders of such Sub-Fund
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“SFO”</b>	the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571), as amended
<b>“Sub-Fund”</b>	a separate pool of assets of the Fund that is invested and administered separately
<b>“Subscription Charge”</b>	the subscription charge (if any) payable on the issue of Units and as specified in the relevant Appendix
<b>“Trust Deed”</b>	the trust deed dated 15 July 2015 establishing the Fund and entered into by the Manager and the Trustee (as amended and supplemented from time to time)
<b>“Trustee”</b>	State Street Trust (HK) Limited in its capacity as trustee of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the trustee of the Fund and its Sub-Funds
<b>“Unit”</b>	a unit in a Sub-Fund
<b>“Unitholder”</b>	a person registered as a holder of a Unit
<b>“U.S.”</b>	United States of America
<b>“U.S. Person”</b>	(i) with respect to any person, any individual or entity that would be a U.S. Person under Regulation S promulgated under the U.S. Securities Act of 1933 (as amended); (ii) with respect to individuals, any U.S. citizen or “resident alien” within the meaning of U.S. income tax laws as in effect from time to time; or (iii) with respect to persons other than individuals, (A) a corporation or partnership created or organized in the United States or under the laws of the United States or any U.S. state; (B) a trust where (I) a U.S. court is

able to exercise primary supervision over the administration of the trust and (II) one or more U.S. persons have the authority to control all substantial decisions of the trust; and (C) an estate which is subject to U.S. tax on its worldwide income from all sources

**“US\$” or “USD”**

US Dollars, the lawful currency of the United States of America

**“Valuation Day”**

unless otherwise specified in the relevant Appendix, each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit of a Sub-Fund is calculated and in relation to each Dealing Day of any Class or Classes of Units means either such Dealing Day or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Class of Units

**“Valuation Point”**

the close of business in the last relevant market to close on a relevant Valuation Day or such other time on that day or such other day as the Manager and the Trustee may determine from time to time either generally or in relation to a particular Sub-Fund or Class of Units and as specified in the relevant Appendix

## THE FUND

The Fund is an open-ended unit trust established as an umbrella fund pursuant to the Trust Deed and governed by the laws of Hong Kong. All Unitholders are entitled to the benefit of, are bound by and deemed to have notice of the provisions of the Trust Deed.

The Fund is organized as an umbrella fund and details of each of its current Sub-Fund(s) and/or their respective Class or Classes of Units are set out in the relevant Appendix. Subject to any applicable regulatory requirements and approvals, the Manager may in its sole discretion create further Sub-Funds or determine to issue additional Classes or multiple Classes in relation to each Sub-Fund in the future.

Each Sub-Fund is established as a separate trust under the Trust Deed, and the assets of each Sub-Fund will be invested and administered separately from the assets of, and shall not be used to meet liabilities of, the other Sub-Fund(s). Investors should, however, note the risk factors headed “*Umbrella Structure of the Fund and Segregated Liability between Sub-Funds*” and “*Cross Class Liability*” under the “*Risk Factors*” section of this Explanatory Memorandum.

The Base Currency of a Sub-Fund will be set out in the relevant Appendix. Each Class of Units within a Sub-Fund will be denominated in the Class Currency thereof, which may be the Base Currency of the Sub-Fund to which such Class relates or such other currency of account as specified in the relevant Appendix.

## MANAGEMENT AND ADMINISTRATION OF THE FUND

### Manager

The Manager is a limited liability company incorporated in Hong Kong and is currently licensed by the SFC to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO with CE number ADX555. The Manager is part of the AllianceBernstein group which provides research, diversified investment management and related services globally to a broad range of clients including institutional clients, retail clients and private clients. Investment products and services provided to clients include separately-managed accounts for institutional clients, mutual funds sponsored by AllianceBernstein L.P. (“**AllianceBernstein**”) and its subsidiaries for retail clients and managed accounts for private clients. In addition, the AllianceBernstein group also provides research services (such as valuation of equities and asset allocation services) and portfolio strategy advice.

The Manager undertakes the management of the assets of the Fund. In particular, the Manager will conduct currency hedging in respect of the Currency Hedged Unit Classes in Hong Kong. Details of the currency hedging activities conducted by the Manager are set out under the heading “**Currency Hedged Unit Classes**” in “**Investing in the Fund – Classes of Units**” of this Explanatory Memorandum.

The Manager may appoint investment adviser(s) and delegate any of its management functions in relation to assets of specific Sub-Funds to such investment advisers(s) subject to prior SFC approval. In the event that an investment adviser is appointed by the Manager in respect of an existing Sub-Fund, at least one month’s prior notice will be provided to Unitholders of such Sub-Fund and this Explanatory Memorandum and/or the relevant Appendix will be updated to include such appointment.

The Manager shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders’ expense.

### **Directors of Manager**

Details of the directors of the Manager are as follows:

#### **Mr. Nelson Chow**

Mr. Nelson Chow is responsible for AllianceBernstein’s fund distribution in Hong Kong and to qualified mainland Chinese investors. Mr. Chow has extensive experience in the fund industry and has led the Manager to win the Best Retail House Award by Asia Asset Management, Greenwich Quality Leader by Greenwich Associates, Fund House of the Year Award by Asian Investor and Metro Finance Hong Kong Leader Choice Award – Excellent Brand of Fund Management over the years. Before joining AllianceBernstein in 2004, Mr. Chow was the director of a U.K. asset management firm where he was responsible for fund distribution in Hong Kong and Taiwan. Mr. Chow earned a bachelor’s degree in finance and economics from the University of Western Ontario and an MBA in finance from California State University. Mr. Chow has acted as the Chairman of the Hong Kong Investment Funds Association and has been an Executive Committee Member since 2015. He has also been appointed as a member of the Products Advisory Committee of the SFC.

#### **Mr. Ajai Mohan Kaul, CFA**

Mr. Ajai M. Kaul is AllianceBernstein’s Chief Executive Officer for Asia Pacific and Head of Asia-Pacific Client Group. He is responsible for AllianceBernstein’s regional business strategy and for sales across distribution channels and client types. He joined AllianceBernstein in 1994 from Bankers Trust, where he was a fixed-income product specialist, selling to and servicing institutional clients in the U.S. Mr. Kaul holds a BComm (Hons.) from Delhi University in India and both a BA in marketing and an MBA in finance with a minor in international business from New York University. He is a CFA charterholder.

## **Ms. Eileen Koo**

Ms. Eileen Koo is AllianceBernstein's Chief Compliance Officer for the Asia ex Japan region. She is responsible for operational risk and compliance across Australia, New Zealand, Hong Kong, Singapore, Taiwan, South Korea and China. Before joining AllianceBernstein in 2004, Ms. Koo worked for Colonial First State Investments and Perpetual Trustees Australia. Ms. Koo holds a BCom and an MLS from the University of New South Wales. She is a Certified Practicing Accountant (Australia), an Associate of the Financial Services Institute of Australasia and an Associate of the Australasian Compliance Institute.

## **Investment Adviser**

The Manager has appointed AllianceBernstein L.P. as the Investment Adviser of the Fund and its Sub-Fund(s).

The Investment Adviser, a Delaware limited partnership, is a leading global investment manager providing diversified services to institutions and individuals through a broad line of investments.

The Investment Adviser is registered with the U.S. Securities and Exchange Commission as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended.

The Investment Adviser's role in the Fund and the Sub-Fund(s) will be limited to advisory only and there will be no delegation of investment management discretion in relation to the assets of the Fund and the Sub-Fund(s).

## **Trustee**

The Trustee of the Fund is State Street Trust (HK) Limited, which is a registered trust company in Hong Kong.

The Trustee is an indirect wholly owned subsidiary of State Street Bank and Trust Company, which is a bank licensed under the Banking Ordinance (Cap. 155 Laws of Hong Kong).

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Fund and each Sub-Fund, and such assets will be dealt with pursuant to the terms of the Trust Deed. The Trustee may, from time to time, appoint such person or persons (including a connected person) as custodians or co-custodians in respect of the whole or any part of the assets of any Sub-Fund and may empower any such custodians or co-custodians to appoint, with no objection in writing of the Trustee, sub-custodians. The fees and expenses of such custodian, co-custodian and sub-custodians or any persons appointed by the Trustee in relation to the relevant Sub-Fund shall be paid from the relevant Sub-Fund or paid by the Trustee, as agreed by the Manager.

The Trustee shall (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of any agent, nominee, custodian, co-custodian or sub-custodian (each a "**Correspondent**") which are appointed for the custody and/or safekeeping of any of the investments, cash, assets or other property comprised in each Sub-Fund of the Fund; and (B) be satisfied that each Correspondent retained remains suitably qualified and competent on an ongoing basis to provide the relevant services to the Fund or any Sub-Fund. Provided that the Trustee has discharged its obligations set out in (A) and (B) the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a connected person of the Trustee. The Trustee shall remain liable for any act or omission of any Correspondent that is a connected person of the Trustee as if the same were the act or omission of the Trustee. The Trustee shall use reasonable endeavors to recover any loss of investments and other assets arising from any default of a Correspondent.

The Trustee shall not be responsible for any act or omission or insolvency of: (a) Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other such central depository or clearing and settlement



system in relation to any investment deposited with such central depository or clearing and settlement system; or (b) any lender or a nominee appointed by the lender in whose name any assets of a Sub-Fund transferred to it are registered pursuant to a borrowing undertaken for the account of such Sub-Fund.

Under the Trust Deed, the Trustee (including its directors, officers, employees, delegates and agents) shall be entitled for the purpose of indemnity against any actions, proceedings, liabilities, costs, claims, damages, expenses (including all legal, professional and other similar expenses) or demands to which it may be put or asserted against, or which it may incur or suffer, whether directly or indirectly, or which are or may be imposed on the Trustee acting as trustee in performing its obligations, duties or functions or exercising its powers, authorities and discretions vested in the Trustee relating to a Sub-Fund and the Trustee shall for such purposes have recourse to the assets of the relevant Sub-Fund or any part thereof and in this connection shall be entitled to realize such property of the Sub-Fund in such manner and at such time as the Trustee thinks fit but shall not have a right of recourse to the assets of any other Sub-Fund. Notwithstanding the foregoing, the Trustee shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

The Manager is solely responsible for making investment decisions in relation to the Fund and/or each Sub-Fund.

The Trustee is not responsible for the preparation or issue of this Explanatory Memorandum other than the disclosures on the profiles of the Trustee as set out herein.

#### **Custodian**

The Trustee has appointed State Street Bank and Trust Company to act as the Custodian of the Fund and the Sub-Fund(s).

#### **Registrar**

AllianceBernstein Investor Services, a unit of AllianceBernstein (Luxembourg) S.à r.l. acts as Registrar of the Fund and each Sub-Fund and will be responsible for keeping the register of Unitholders.

#### **Authorized Distributors**

The Manager may appoint one or more Authorized Distributor(s) to market, promote, sell and/or distribute Units of one or more Sub-Fund(s), and to receive applications for subscription, redemption and/or exchange of Units.

Where application for Units is made through an Authorized Distributor, Units may be registered in the name of a nominee company of the Authorized Distributor through whom the applicant applies for the Units. As a result of this arrangement, the applicant will be dependent on the person in whose name the applicant's Units are registered to take action on his/her behalf.

Investors who apply for subscription, redemption and/or exchange of Units through Authorized Distributor(s) should note that such Authorized Distributor(s) may impose earlier dealing deadlines for receiving instructions for subscriptions, redemptions or exchange. Investors should pay attention to the arrangements of the Authorized Distributor(s) concerned.

The Manager may pay or share any of the fees received by it (including any Subscription Charge, Redemption Charge, Exchange Fee and management fees) with such Authorized Distributors. For the avoidance of doubt, any fees, costs and expenses payable to the Authorized Distributor(s) arising out of any advertisement or promotional activities in connection with the Fund or the Sub-Fund(s) will not be paid from the assets of the Fund or the Sub-Fund(s).

## **INVESTMENT CONSIDERATIONS**

### **Investment Objective and Policies**

The investment objective and policies of each Sub-Fund and specific risks, as well as other important details, are set forth in the Appendix hereto relating to the Sub-Fund.

There may not be any fixed asset allocation by geographical locations for certain Sub-Funds. The expected asset allocations for a Sub-Fund (if any) are for indication only. In order to achieve the investment objectives, the actual asset allocations may in extreme market conditions (such as economic downturn or political turmoil in the markets in which a substantial portion of the assets of a Sub-Fund is invested or changes in legal or regulatory requirements or policies) vary significantly from the expected asset allocations.

Any changes in the investment objective and/or policy which are not immaterial changes will be subject to the prior approval of the SFC and notified to the affected Unitholders by at least one month's prior written notice (or such other notice period as agreed with the SFC). Set out below are the overriding principles and requirements that must be satisfied in order for any changes to be immaterial changes:

- (a) the changes do not amount to a material change to the relevant Sub-Fund;
- (b) there will be no material change or increase in the overall risk profile of the relevant Sub-Fund following the changes; and
- (c) the changes do not materially prejudice the rights or interests of Unitholders of the relevant Sub-Fund.

### **Investment and Borrowing Restrictions**

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments and borrowing by the Manager for the purpose of each of the Sub-Funds. Unless otherwise disclosed in the relevant Appendix, each of the Sub-Funds is subject to the investment restrictions and borrowing restrictions set out in Schedule 1 to this Explanatory Memorandum.

### **Breach of Investment and Borrowing Restrictions**

If the investment and borrowing restrictions for a Sub-Fund are breached, the Manager shall as a priority objective take all steps as are necessary within a reasonable period of time to remedy the situation, taking into due account of the interests of the Unitholders of the relevant Sub-Fund.

### **Leverage**

The Sub-Funds do not intend to use any financial derivative instruments for non-hedging purposes. Accordingly, each Sub-Fund is not expected to incur any leverage arising from the use of financial derivative instruments.

### **Securities Lending and Repurchase / Reverse Repurchase Transactions**

If so disclosed in the relevant Appendix, the Manager may enter into securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of a Sub-Fund. Please refer to the Appendix hereto relating to the Sub-Fund for details.

## Liquidity Risk Management

The Manager has established a liquidity risk management framework for the identification, assessment, measurement, control and mitigation of the liquidity risks both at a firm wide level and of each Sub-Fund.

The liquidity risk management of each Sub-Fund is primarily the responsibility of the portfolio investment function, with independent oversight carried out by the Manager's risk management function. The Liquidity Risk Management Committee consisting of senior representations from compliance, portfolio management, quantitative research, trading, technology and risk management generally meets on a monthly (and ad hoc) basis. Issues, concerns and exceptions relating to liquidity risk of a Sub-Fund shall be escalated to the Committee and/or directly to the appropriate portfolio management team.

The Manager employs a holistic approach to liquidity risk management by assessing fund product characteristics, assets/liabilities in the Sub-Fund, Unitholder profiles, liquidity stress testing of each Sub-Fund and other ongoing assessments as necessary.

The Manager aims to ensure that the liquidity profile of each Sub-Fund is appropriate to facilitate compliance with the Sub-Fund's obligation to meet redemption requests in an orderly manner under normal and stressed markets. Such framework, combined with the liquidity management tools that may be employed by the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager may use a range of quantitative metrics and qualitative factors in assessing the liquidity of a Sub-Fund's assets including, but not limited to, trading volumes, turnover ratios, average trade size, number of counterparties, dealer inventory, price impact measures, days to liquidate measures, bid/ask spreads, sector, maturity, credit rating and bond age.

The following tools may be employed by the Manager to manage liquidity risks:

- the Manager may limit the number of Units of any Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant Sub-Fund in issue (subject to the conditions under the section headed "***Redemption of Units – Restrictions on Redemption***"). If such limitation is imposed, this would restrict the ability of a Unitholder to redeem in full the Units he intends to redeem on a particular Dealing Day;
- the Manager may suspend redemption under exceptional circumstances as set out in the section headed "***Valuation and Suspension – Suspension***". During such period of suspension, Unitholders would not be able to redeem their investments in the relevant Sub-Fund;
- the Manager may, in calculation of the Issue Price and the Redemption Price, add fiscal and purchase charges (please refer to the section headed "***Investing in the Fund – Issue Price***") or deduct fiscal and sales charges (please refer to the section headed "***Redemption of Units – Redemption Price***"), to protect the interest of remaining Unitholders. Please also refer to the section headed "***Valuation and Suspension – Adjustment of Prices***" for details. As a result of such adjustment, the Issue Price or the Redemption Price (as the case may be) will be higher or lower than the Issue Price or the Redemption Price (as the case may be) which otherwise would be if such adjustment has not been made.

Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risks (that is, risk that the redemption of the investor's investments may be delayed in accordance with this Explanatory Memorandum).

## **RISK FACTORS**

Investors should consider the following risks and any additional risk(s) relating to any specific Sub-Fund, contained in the relevant Appendix, before investing in any of the Sub-Funds. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not a Sub-Fund is suitable for them, they should obtain independent professional advice.

For the purpose of the risk factors below, references to a Sub-Fund may serve as references to its underlying scheme where applicable.

### ***Risk of not achieving investment objective***

There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Whilst it is the intention of the Manager to implement strategies which are designed to meet investment objectives, there can be no assurance that these strategies will be successful. It is possible that an investor may lose a substantial proportion or all of its investment in a Sub-Fund. As a result, each investor should carefully consider whether he can afford to bear the risks of investing in the relevant Sub-Fund.

### ***General investment risk***

Investments involve risks. There is no guarantee of the repayment of principal. Investment in a Sub-Fund is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account. There is no guarantee that in any time period, particularly in the short term, a Sub-Fund's portfolio will achieve appreciation in terms of capital growth. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. A Sub-Fund's investment portfolio may fall in value due to any of the key risk factors set out in this Explanatory Memorandum and the Appendix for the relevant Sub-Fund. The price of Units of any Sub-Fund and the income from them may go down as well as up and therefore an investor may suffer losses on the investor's investment in the relevant Sub-Fund.

### ***Market risk***

Market risk includes such factors as changes in economic environment, consumption pattern, lack of publicly available information of investments and their issuers and investors' expectations, which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the relevant Sub-Fund. The price of Units and the return on them (if any) may go down as well as up.

There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. The value of investments and the income derived from such investments may fall as well as rise and investors may not recoup the original amount invested in the Sub-Funds. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies. For example, in falling equity markets, there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons and as a result, may have adverse impact to the relevant Sub-Fund and its investors.

### ***Risks of investing in underlying scheme***

A Sub-Fund established as a feeder fund will invest all or substantially all of its assets in an underlying scheme and may therefore be subject to the risks associated with the underlying scheme.

The performance of the relevant Sub-Fund may deviate from the performance of the underlying scheme due to the Sub-Fund's holdings in investments other than the underlying scheme, as well as the Sub-Fund's fees and expenses.

In addition to the expenses and charges charged by such Sub-Fund, investor should note that there may be additional fees involved when investing into an underlying scheme, such as fees and expenses charged by the service providers of the underlying scheme.

Furthermore, there can be no assurance that the liquidity of the underlying scheme will always be sufficient to meet redemption request as and when made. For example, if the underlying scheme receives substantial redemption requests on a dealing day (either from the relevant Sub-Fund or other investors of the underlying scheme), the underlying scheme may limit the redemptions up to a certain percentage of its outstanding shares ("**Redemption Gate**"). If such Redemption Gate is exercised by the underlying scheme on a dealing day, the shares of the underlying scheme may be redeemed on a pro rata basis on such dealing day and the redemption request which is not effected by the underlying scheme by virtue of this Redemption Gate may be dealt with on the following dealing days. The relevant Sub-Fund and its Unitholders may be adversely affected by the suspension of dealing in the underlying scheme. In these circumstances, a Sub-Fund's request for redemption from the relevant underlying scheme may be delayed. Consequently, the relevant Sub-Fund may experience difficulties and/or delays in satisfying redemption requests from the Unitholders. Also, the price at which the Sub-Fund redeems from the underlying scheme may fluctuate due to the potential deferral of the redemption requests by the underlying scheme. The value of the relevant Sub-Fund may therefore be adversely affected.

A Sub-Fund does not have control of the investments of the underlying scheme and there is no assurance that the underlying scheme's investment objectives and strategies will be successfully achieved. These factors may have adverse impact on the relevant Sub-Fund and its investors.

If a Sub-Fund invests in an underlying scheme managed by the Manager or connected person of the Manager, potential conflict of interest may arise. Please refer to the section headed "**General Information - Conflicts of Interest**" for details under the circumstances.

### ***Equities securities risk***

A Sub-Fund or its underlying scheme may invest directly or indirectly in equity securities. Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. As a result, the market value of the equity securities that it invests in may go down as well as up. Factors affecting the equity securities are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the relevant Sub-Fund or its underlying scheme to losses.

### ***Volatility risk***

Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national and international political and economic events, and the inherent volatility of the market place. The value of a Sub-Fund or its underlying scheme will be affected by such price movements and could be volatile, especially in the short-term.

### ***Smaller capitalization companies risk***

A Sub-Fund or its underlying scheme may invest in securities of companies with relatively small market capitalizations. Securities of these smaller capitalization companies may be subject to more abrupt or erratic market movements than the securities of larger, more established companies, both because the securities are typically traded in lower volume and because the companies may be subject to greater business risk. Also, in certain emerging market countries, volatility may be heightened by actions of a few major investors. For example, substantial increases or decreases in cash flows of mutual funds investing in these markets could significantly affect local stock prices and, therefore, the prices of the units/shares of an underlying scheme or the relevant Sub-Fund.

### ***Risks of investing in IPO securities***

A Sub-Fund or its underlying scheme may invest in initial public offers (“**IPOs**”) securities. The prices of securities involved in IPOs are often subject to greater and more unpredictable price changes than more established securities. There is the risk that there are inadequate trading opportunities generally or allocations for IPOs which the Manager wishes or is able to participate in. Furthermore, the liquidity and volatility risks associated with investments or potential investments in IPO securities may be difficult to assess, due to the lack of trading history of such IPO securities. These risks may have an adverse impact on the relevant Sub-Fund and its investors.

### ***Risks relating to debt securities***

- ***General***

The Net Asset Value of a Sub-Fund invested (either directly or via its investment in an underlying scheme) in debt securities will change in response to fluctuations in interest rates and currency exchange rates, as well as changes in credit quality of the issuer. Some Sub-Funds or the underlying schemes may invest in high yielding debt securities where the risk of depreciation and realization of capital losses on some of the debt securities held will be unavoidable. In addition, medium- and lower-rated and unrated debt securities of comparable quality may be subject to wider fluctuations in yield and market values than higher-rated debt securities.

- ***Credit / counterparty risk***

Investment in bonds or other debt securities involve credit risk of the issuers. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security or its issuer may also affect the security’s liquidity, making it more difficult to sell. A Sub-Fund’s or an underlying scheme’s investment is also subject to the risk that issuers may not make timely payments on principal and/or interests of the securities they issue. If the issuers of any of the securities in which the assets of the relevant Sub-Fund or the underlying scheme are invested default, the performance of the Sub-Fund or the relevant underlying scheme will be adversely affected.

The debt securities that a Sub-Fund or an underlying scheme invests in may be offered on an unsecured basis without collateral. In such circumstances, the relevant Sub-Fund or the underlying scheme will rank equally with other unsecured creditors of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer’s assets will be paid to holders of the relevant debt instrument issued by it only after all secured claims have been satisfied in full. The Sub-Fund or the relevant underlying scheme is therefore fully exposed to the credit/default risk of its counterparties as an unsecured creditor.

A Sub-Fund or an underlying scheme may hold cash and deposits in banks or other financial institutions and the extent of governmental and regulatory supervision may vary. The Sub-Fund or the underlying scheme might suffer a significant or even total loss in the event of insolvency of the banks or financial institutions.

- *Credit rating risk*

The ratings of debt securities by Moody's Investor Services, Standard & Poor's and Fitch's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint and do not guarantee the creditworthiness of the security and/or issuer at all times. The rating of an issuer is heavily weighted by past performance and does not necessarily reflect probable future conditions. Rating agencies might not always change their credit rating of an issuer in a timely manner to reflect events that could affect the issuer's ability to make scheduled payment on its obligations. In addition, there may be varying degrees of difference in credit risk of securities within each rating category.

- *Downgrading risk*

A Sub-Fund or an underlying scheme may invest in debt securities (including bonds). An issuer of such debt securities may experience an adverse change in its financial condition which may in turn result in a downgrading in the credit rating to such issuer and debt securities issued by such issuer. Credit ratings of debt securities reflect the issuer's ability to make timely payments of interest or principal—the lower the rating, the higher the risk of default. The adverse change in financial condition or decrease in credit rating(s) of issuer and debt securities may result in increased volatility in, and adverse impact on, the price of the relevant debt security and negatively affect liquidity, making any such debt security more difficult to sell. The value of the relevant Sub-Fund or the relevant underlying scheme may be adversely affected. The Manager or the investment manager of the underlying scheme (as the case may be) may not be able to dispose the debt securities that are being downgraded.

- *Risk associated with debt securities rated below Investment Grade or unrated*

A Sub-Fund's or an underlying scheme's assets may be invested, in whole or in part, in high yield, high risk debt securities (including bonds) that are rated in the lower rating categories (i.e., below Investment Grade) or which are unrated but are of comparable quality as determined by the Manager or the investment manager of the underlying scheme (as the case may be). Debt securities rated below Investment Grade are commonly referred to as "junk bonds" and are considered to be subject to greater risk of loss of principal and interest than higher-rated securities and are considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal, which may in any case decline during sustained periods of deteriorating economic conditions or rising interest rates. Lower-rated securities generally are considered to be subject to greater market risk than higher-rated securities in times of deteriorating economic conditions. In addition, lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than Investment Grade securities, although the market values of lower-rated securities tend to react less to fluctuations in interest rate levels than do those of higher-rated securities. The market for lower-rated securities may be thinner and less active than that for higher-quality securities, which can adversely affect the prices at which these securities can be sold. To the extent that there is no regular secondary market trading for certain lower-rated securities, the Manager or the investment manager of the underlying scheme (as the case may be) may experience difficulty in valuing such securities and, in turn, the Sub-Fund's or an underlying scheme's assets. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may tend to decrease the market value and liquidity of such lower-rated securities. Transaction costs with respect to lower-rated securities

may be higher, and in some cases information may be less available, than is the case with Investment Grade securities.

Since the risk of default is higher for lower-rated securities, the research and credit analysis of the Manager or the investment manager of the underlying scheme (as the case may be) are a correspondingly important aspect of its program for managing a Sub-Fund's or an underlying scheme's investment in these securities. In considering investments for a Sub-Fund or an underlying scheme, the Manager or the investment manager of the underlying scheme (as the case may be) will attempt to identify those high-yielding securities the financial condition of which are adequate to meet future obligations or have improved, or are expected to improve in the future. The analysis of the Manager or the investment manager of the underlying scheme (as the case may be) focuses on relative values based on such factors as interest or dividend coverage, asset coverage, earnings prospects, and the experience and managerial strength of the issuer.

Unrated securities will be considered for investment by a Sub-Fund or an underlying scheme when the Manager or the investment manager of the underlying scheme (as the case may be) believes that the financial condition of the issuers of such securities, or the protection afforded by the terms of the securities themselves, limits the risk to the portfolio to a degree comparable to that of rated securities which are consistent with the objectives and policies of the Sub-Fund or the underlying scheme.

In seeking to achieve the primary objective of the Sub-Fund or the underlying scheme, there will be times, such as during periods of rising interest rates, when depreciation and realization of capital losses on securities in the Sub-Fund or the underlying scheme will be unavoidable. Moreover, medium- and lower-rated securities and unrated securities of comparable quality may be subject to wider fluctuations in yield and market values than higher-rated securities under certain market conditions. Such fluctuations after a security is acquired do not affect the cash income received from that security but are reflected in the Net Asset Value of the Sub-Fund or in the value of an underlying scheme.

- *Interest rates risk*

The value of a Sub-Fund or an underlying scheme will fluctuate with the value of its investments. The value of investments in debt securities will change as the general level of interest rates fluctuates. During periods of falling interest rates, the values of debt securities generally rise, although if falling interest rates are viewed as a precursor to a recession, the values of the securities may fall along with interest rates. Conversely, during periods of rising interest rates, the values of debt securities generally decline. Changes in interest rates have a greater effect on debt securities with longer maturities and durations than those with shorter maturities and durations.

- *Volatility and liquidity risk*

A Sub-Fund or an underlying scheme may invest in debt securities in emerging markets that are less developed and may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and a Sub-Fund or an underlying scheme may incur significant trading costs.

- *Valuation risk*

The value of debt securities that a Sub-Fund or an underlying scheme invests in may be subject to the risk of mispricing or improper valuation, i.e. operational risk that the debt securities are not priced properly. Valuations of quoted or listed debt securities are primarily based on the valuations from independent third party sources where the prices are available. However, in the



case where independent pricing information may not be available such as in extreme market conditions or break down in the systems of third party sources, the value of such debt securities may be based on certification by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager in consultation with the Trustee. Valuations in such circumstance may involve uncertainty and judgmental determination. If such valuation turns out to be incorrect, this may affect the net asset value of the relevant Sub-Fund or the relevant underlying scheme.

In the event of adverse market conditions where it is not possible to obtain any reference quotation from the market at the relevant time of valuation, an alternative method may be used to estimate the fair market value of a security. Such valuation methodology may not equal to the actual liquidation price of a security, which may result in losses to the relevant Sub-Fund or the underlying scheme.

- *Sovereign debt risk*

By investing in bonds issued or guaranteed by governmental entities, a Sub-Fund or an underlying scheme will be exposed to the direct or indirect consequences of political, social and economic changes in various countries. Political changes in a particular country may affect the willingness of a particular government to make or provide for timely payments of its debt obligations or may request the relevant Sub-Fund or the relevant underlying scheme to participate in restructuring such debts. The country's economic status, as reflected, among other things, in its inflation rate, the amount of its external debt and its gross domestic product, will also affect the government's ability to honor its obligations.

The ability of governments to make timely payments on their debt obligations is likely to be influenced strongly by the issuer's balance of payments, including export performance, and its access to international credits and investments. To the extent that a particular country receives payment for its exports in currencies other than the Base Currency or the base currency of the underlying scheme, such country's ability to make debt payments denominated in the Base Currency or the base currency of the underlying scheme could be adversely affected. To the extent that a particular country develops a trade deficit, such country will need to depend on continuing loans from foreign governments, supranational entities or private commercial banks, aid payments from foreign governments and on inflows of foreign investment. The access of a particular country to these forms of external funding may not be certain, and a withdrawal of external funding could adversely affect the capacity of such country to make payments on its debt obligations. In addition, the cost of servicing debt obligations can be affected by a change in global interest rates since the majority of these debt obligations carry interest rates that are adjusted periodically based upon global rates.

A Sub-Fund or an underlying scheme may invest in debt obligations of governmental entities and supranational entities, for which a limited or no established secondary markets may exist. Reduced secondary market liquidity may have an adverse effect on the market price and the ability of the Sub-Fund or the underlying scheme to dispose of particular instruments when necessary to meet its liquidity requirements or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for such debt obligations may also make it more difficult for a portfolio to obtain accurate market quotations for the purpose of valuing its portfolio. Market quotations are generally available on many sovereign debt obligations only from a limited number of dealers and may not necessarily represent firm bids of those dealers or prices for actual sales.

A Sub-Fund or an underlying scheme may have limited legal recourse in the event of a default with respect to certain sovereign debt obligations it holds. For example, remedies from defaults on certain debt obligations of governmental entities, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself. Legal recourse therefore may be significantly diminished. Bankruptcy, moratorium and other similar laws applicable to issuers

of sovereign debt obligations may be substantially different from those applicable to issuers of private debt obligations. The political context, expressed as the willingness of an issuer of sovereign debt obligations to meet the terms of the debt obligation, for example, is of considerable importance. In addition, no assurance can be given that the holders of commercial bank debt will not contest payments to the holders of securities issued by foreign governments in the event of default under commercial bank loan agreements.

In addition, investment in debt obligations of supranational entities is subject to the additional risk that one or more member governments may fail to make required capital contributions to a particular supranational entity and, as a result, such supranational entity may be unable to meet its obligations with respect to its debt obligations held by the Sub-Fund or the underlying scheme.

- *Credit rating agency risk*

The credit appraisal system in the mainland China and the rating methodologies employed in the mainland China may be different from those employed in other markets. Credit ratings given by mainland Chinese rating agencies may therefore not be directly comparable with those given by other international rating agencies.

### ***Borrowing risks***

The Trustee, on the instruction of the Manager, may borrow for the account of a Sub-Fund for various reasons, such as facilitating redemptions or to defray operating expenses of the relevant Sub-Fund. Borrowing creates an opportunity for a Sub-Fund to finance the limited activities described above without the requirement that portfolio securities be liquidated at a time when it would be disadvantageous to do so. Any investment income or gains on, or savings in transaction costs made through the retention of, portfolio securities in excess of the interest paid on and the other costs of the borrowings will cause the net income or Net Asset Value per Unit of the Sub-Fund to be greater than would otherwise be the case. On the other hand, if the income or gain, if any, on the securities retained fails to cover the interest paid on and the other costs of the borrowing, the net income or Net Asset Value per Unit of the Sub-Fund will be less than would otherwise be the case.

### ***Concentration risk***

A Sub-Fund or an underlying scheme may invest in securities of issuers concentrated in specific industry sectors, instruments or geographical locations. The value of the Sub-Fund or the underlying scheme may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Sub-Fund or the underlying scheme may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the market.

### ***Country risks***

A Sub-Fund or an underlying scheme may invest in securities of issuers located in various countries and geographic regions.

The economies of individual countries may differ favorably or unfavorably from each other in such respects as growth of gross domestic product or gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Issuers in general are subject to varying degrees of regulation with respect to such matters as insider trading rules, restrictions on market manipulation, shareholder proxy requirements and timely disclosure of information. The reporting, accounting and auditing standards of issuers may differ, in some cases significantly, from country to country in important respects and less information from country to country may be available to investors in securities or other assets.

Nationalization, expropriation or confiscatory taxation, currency blockage, political changes, government regulation, political or social instability or diplomatic developments could affect adversely the economy of a country or investments of a Sub-Fund or an underlying scheme in such country. In the event of expropriation, nationalization or other confiscation, a Sub-Fund or an underlying scheme could lose its entire investment in the country involved. In addition, laws in countries governing business organizations, bankruptcy and insolvency may provide limited protection to security holders such as a Sub-Fund or an underlying scheme.

Sub-Funds or underlying schemes which invest essentially in securities whose issuers are domiciled in only one country will have greater exposure to market, political and economic risks of that country than funds that have more geographically diversified investments. Sub-Funds or underlying schemes which invest in securities whose issuers are domiciled in multiple countries will have less exposure to the risks of any one country, but will be exposed to a larger number of countries.

A Sub-Fund or an underlying scheme may trade its securities in a variety of markets with many different brokers and dealers. The failure of a broker or dealer may result in the complete loss of a Sub-Fund or an underlying scheme's assets on deposit with such broker or dealer depending on the regulatory rules governing such broker or dealer. In addition, brokerage commissions in certain countries may be higher than in others, and securities markets in certain countries may be less liquid, more volatile and less subject to governmental supervision than in others.

The securities markets of many countries are also relatively small, with the majority of market capitalization and trading volume concentrated in a limited number of companies representing a small number of industries. Consequently, a Sub-Fund or an underlying scheme invested in equity securities of companies in such countries may experience greater price volatility and significantly lower liquidity than a fund invested solely in equity securities of companies in countries with relatively larger securities markets. These smaller markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities. Securities settlements may in some instances be subject to delays and related administrative uncertainties.

Certain countries require governmental approval prior to investments by foreign persons or limit investment by foreign persons to only a specified percentage of an issuer's outstanding securities or a specific class of securities that may have less advantageous terms (including price) than securities of the company available for purchase by nationals. These restrictions or controls may at times limit or preclude investment in certain securities and may increase the costs and expenses of a Sub-Fund or an underlying scheme. In addition, the repatriation of investment income, capital, or the proceeds of sales of securities from certain countries is controlled under regulations, including in some cases the need for certain advance government notification or authority. If deterioration occurs in a country's balance of payments, the country could impose temporary restrictions on foreign capital remittances. A Sub-Fund or an underlying scheme also could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation, as well as by the application of other restrictions on investment. Investing in local markets may require a Sub-Fund or an underlying scheme to adopt special procedures that may involve additional costs to the Sub-Fund or the underlying scheme. These factors may affect the liquidity of the investments in any country and the Manager or the investment manager of the underlying scheme (as the case may be) will monitor the effect of any such factor or factors on the relevant investments.

### ***Emerging markets risk***

A Sub-Fund or an underlying scheme may be permitted to invest in securities of emerging market issuers. Such Sub-Fund or underlying scheme consequently may experience greater price volatility and significantly lower liquidity than a fund invested solely in equity securities of issuers located in more developed markets. Investments in securities of emerging market issuers entail significant risks in addition to those customarily associated with investing in securities of issuers in more developed markets, such as (i) low or non-existent trading volume, resulting in a lack of liquidity and increased volatility in prices for such securities, as compared to securities of comparable issuers in more

developed capital markets, (ii) uncertain national policies and social, political and economic instability, increasing the potential for expropriation of assets, confiscatory taxation, high rates of inflation or unfavorable diplomatic developments, (iii) possible fluctuations in exchange rates, differing legal systems and the existence or possible imposition of exchange controls, custodial restrictions or other laws or restrictions applicable to such investments, (iv) national policies which may limit the investment opportunities such as restrictions on investment in issuers or industries deemed sensitive to national interests, and (v) the lack or relatively early development of legal structures governing private and foreign investments and private property.

Settlement procedures in emerging countries are frequently less developed and less reliable and may involve the delivery of securities, or transfer of title to securities, before receipt of payment for their sale. A Sub-Fund or an underlying scheme may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. A Sub-Fund or an underlying scheme may incur substantial losses if its counterparty fails to pay for securities such Sub-Fund or underlying scheme has delivered, or for any reason fails to complete its contractual obligations owed to such Sub-Fund or underlying scheme. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of securities. Such delays could result in substantial losses for a Sub-Fund or an underlying scheme if investment opportunities are missed or if a Sub-Fund or an underlying scheme is unable to acquire or dispose of a security as a result.

Other risks relating to investments in emerging market issuers include: the availability of less public information on issuers of securities; settlement practices that differ from those in more developed markets and may result in delays or may not fully protect a portfolio against loss or theft of assets; the possibility of nationalization of a company or industry and expropriation or confiscatory taxation; and the imposition of foreign taxes. Investments in emerging markets securities will also result in generally higher expenses due to: the costs of currency exchange; higher brokerage commissions in certain emerging markets; and the expense of maintaining securities with foreign custodians.

Issuers in emerging markets may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which companies in developed markets are subject. In certain emerging market countries, reporting standards vary widely. As a result, traditional investment measurements used in developed markets, such as price/earnings ratios, may not be applicable in certain emerging markets.

### ***Eurozone risk***

In light of ongoing concerns over the sovereign debt risk of countries of the Eurozone, certain Sub-Funds' or underlying schemes' investments in the region may be subject to higher volatility, liquidity, currency and default risk. Any adverse events such as credit downgrade of a sovereign or exit of EU members from the Eurozone may have a negative impact on the value of the relevant Sub-Fund or underlying scheme.

### ***Risks associated with collateralized and/or securitized products (such as asset backed securities, mortgage backed securities and asset backed commercial papers)***

Certain Sub-Funds or underlying schemes may invest in mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

### ***Focused portfolio risk***

Certain Sub-Funds or underlying schemes may invest in a limited number of issuers, industries or sectors and may therefore be subject to greater volatility than a fund invested in a larger or more diverse array of securities. Such concentration could expose such investors to losses disproportionate to market

movements in general if there are disproportionately greater adverse price movements in securities in which a Sub-Fund or an underlying scheme is invested. Market or economic factors affecting issuers, industries or sectors in which the Sub-Fund's or underlying scheme's investments are concentrated could have a significant effect on the value of the investments.

### ***Management risk***

A Sub-Fund or an underlying scheme which is an actively managed investment fund may be subject to management risk. The Manager or the investment manager of the underlying scheme (as the case may be) will apply its investment techniques and risk analyzes in making investment decisions for the Sub-Fund or the underlying scheme, but there can be no guarantee that its decisions will produce the desired results. In some cases, derivative and other investment techniques may be unavailable or the Manager or the investment manager of the underlying scheme (as the case may be) may determine not to use them, possibly even under market conditions where their use could benefit the Sub-Fund or the underlying scheme.

### ***Allocation risk***

This is the risk that the allocation of investments, such as between debt and equity or growth and value companies may have a more significant effect on the value of a Sub-Fund or an underlying scheme when one of these styles is performing more poorly than the other. Also, the transaction costs of rebalancing investments of a Sub-Fund or an underlying scheme may be, over time, significant.

### ***Turnover risk***

Where a Sub-Fund or an underlying scheme is actively managed, in some cases in response to market conditions, the turnover of the Sub-Fund or the underlying scheme may exceed 100%. A higher rate of turnover increases brokerage and other expenses, which must be borne by a Sub-Fund or the underlying scheme and its investors. High underlying scheme turnover also may result in the realization of substantial net short term capital gains, which, when distributed, may have adverse tax consequences for investors.

In addition, volatility resulting from excessive purchases and redemptions or exchanges of units in a Sub-Fund or an underlying scheme, especially involving large dollar amounts, may disrupt efficient portfolio management. In particular, a Sub-Fund or an underlying scheme may have difficulty implementing long-term investment strategies if it is unable to anticipate what portion of assets it should retain in cash to provide liquidity to investors. Also, excessive purchases and redemptions or exchanges of units in a Sub-Fund or an underlying scheme may force a Sub-Fund or an underlying scheme to maintain a disadvantageously large cash position to accommodate short duration trading activity. Further, excessive purchases and redemptions or exchanges of a Sub-Fund's Units or in an underlying scheme may force a Sub-Fund or an underlying scheme to sell securities at inopportune times to raise cash to accommodate short duration trading activity. Additionally, Sub-Funds and underlying schemes may incur increased expenses if one or more investors in a Sub-Fund or an underlying scheme engage in excessive purchase and redemption or exchange activity. For example, a Sub-Fund that is forced to liquidate investments due to short duration trading activity may incur increased brokerage and tax costs without attaining any investment advantage. Similarly, a Sub-Fund or an underlying scheme may bear increased administrative costs as a result of the asset level and investment volatility that accompanies patterns of short duration trading activity.

### ***Systems and operational risk***

A Sub-Fund or an underlying scheme relies daily on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of its activities. In addition, the Sub-Fund or the underlying scheme relies on information systems to store sensitive information about the Sub-Fund or the underlying scheme, its

manager, their affiliates and the investors. Certain of the Sub-Fund's or the underlying scheme's, or its manager's activities will be dependent upon systems operated by third parties, including the investment advisor, the administrator, prime brokers, central clearing agencies, other market counterparties and other service providers, and the Manager or the investment manager of the underlying scheme (as the case may be) may not be in a position to verify the risks or reliability of such third-party systems. Failures or delays in such systems could result in mistakes or delays in the execution or settlement of transactions, or in transactions not being properly booked. In addition, settlement procedures in emerging market countries may be less developed and less reliable than those employed in developed markets and could subject the Sub-Fund or the underlying scheme to increased operational risks. Disruptions in the operations or breach of information systems may cause the Sub-Fund or the underlying scheme to suffer financial loss, the disruption of its business, liability to third parties or regulatory intervention, among other things. Any of the foregoing failures or disruptions could have an adverse effect on the Sub-Fund or the underlying scheme and the investors' investments therein.

### ***Custodial risk***

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Sub-Fund or an underlying scheme invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund or the underlying scheme may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund or the underlying scheme may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund or the underlying scheme may even be unable to recover all of its assets. The costs borne by a Sub-Fund or an underlying scheme in investing and holding investments in such markets will be generally higher than in organized securities markets.

### ***Risk in investing in financial derivative instruments***

A Sub-Fund or an underlying scheme may use derivatives, which are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate, or index. The Manager or the investment manager of the underlying scheme (as the case may be) will sometimes use derivatives as part of a strategy designed to reduce other risks. In addition to other risks such as the credit risk of the counterparty, derivatives involve the risk of difficulties in pricing and valuation and the risk that changes in the value of the derivative may not correlate perfectly with relevant underlying assets, rates, or indices.

While the judicious use of derivatives by experienced investment advisers such as the Manager or the investment manager of the underlying scheme (as the case may be) may promote portfolio management efficiencies, mitigate certain risks, and increase exposure towards certain markets without direct purchase in the underlying assets, derivatives also involve risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. The following is a general discussion of important risk factors and issues concerning the use of derivatives that investors should understand before investing in a Sub-Fund:-

- ***Market risk***

This is the general risk attendant to all investments that the value of a particular investment will change in a way detrimental to the interest of the Sub-Fund or the underlying scheme.

- ***Management risk***

Derivative products are highly specialized instruments that require investment techniques and risk analyzes different from those associated with stocks and bonds. The success of a derivative transaction will be subject to the manager's ability to correctly predict price movements, interest rates, or currency exchange rate movements correctly. Should prices, interest rates, or exchange rates move unexpectedly, a Sub-Fund or an underlying scheme may not achieve the anticipated

benefits of the transactions or may realize losses and thus be in a worse position than if such strategies had not been used. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to an underlying scheme and the ability to forecast price, interest rate or currency exchange rate movements correctly.

- *Counterparty / credit risk*

This is the risk that a loss may be sustained by a Sub-Fund or an underlying scheme as a result of the failure of another party to a derivative (usually referred to as a “**counterparty**”) to comply with the terms of the derivative contract. The credit risk for exchange-traded derivatives is generally less than for privately negotiated derivatives, since the clearing house, which is the issuer or counterparty to each exchange-traded derivative, provides a guarantee of performance. This guarantee is supported by a daily payment system (i.e., margin requirements) operated by the clearing house in order to reduce overall credit risk. For privately negotiated derivatives, there is no similar clearing agency guarantee. Therefore, the Manager or the investment manager of the underlying scheme (as the case may be) will consider the creditworthiness of each counterparty to a privately negotiated derivative in evaluating potential credit risk.

- *Liquidity risk*

Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

- *Leverage risk*

Since warrants, options and many derivatives (to the extent utilized) have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the warrant, option or derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

- *Other risks*

Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Many derivatives, in particular privately negotiated derivatives, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the Sub-Fund or underlying scheme concerned. Derivatives do not always perfectly or even highly correlate or track the value of the assets, rates or indices they are designed to track. Consequently, the use of derivatives may not always be an effective means of, and sometimes could be counterproductive to, furthering the investment objective of the Sub-Fund or the underlying scheme.

### *Over-the-counter (“OTC”) derivatives counterparty risk*

In addition to the general risks of derivatives discussed in “*Risk in investing in financial derivative instruments*” above, transactions in the OTC derivatives markets may involve the following particular risks:

- *Absence of regulation; counterparty default*

In general, there is less governmental regulation and supervision of transactions in the OTC markets (in which currencies, forward, spot and option contracts, credit default swaps, total return swaps and certain options on currencies are generally traded) than of transactions entered into on organized exchanges. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with OTC transactions. Therefore, any Sub-Fund or underlying scheme entering into OTC transactions will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that the underlying scheme will sustain losses. A Sub-Fund or an underlying scheme will only enter into transactions with counterparties which it believes to be creditworthy, and may reduce the exposure incurred in connection with such transactions through the receipt of letters of credit or collateral from certain counterparties. Regardless of the measures the Sub-Fund or the underlying scheme may seek to implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that the Sub-Fund or the underlying scheme will not sustain losses as a result.

- *Liquidity; requirement to perform*

From time to time, the counterparties with which the Sub-Fund or the underlying scheme effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, the Sub-Fund or the underlying scheme might be unable to enter into a desired transaction in currencies, credit default swaps or total return swaps or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange-traded instruments, forward, spot and option contracts on currencies do not provide the manager with the possibility to offset the underlying scheme’s obligations through an equal and opposite transaction. For this reason, in entering into forward, spot or options contracts, the Sub-Fund or the underlying scheme may be required, and must be able, to perform its obligations under the contracts.

In addition, a Sub-Fund or an underlying scheme may engage in transactions in futures contracts or options thereon in limited circumstances, and such instruments may also be subject to illiquidity when market activity decreases or when a daily price fluctuation limit has been reached. Most futures exchanges limit fluctuations in futures contract prices during a single day by regulations referred to as “daily limits.” During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can neither be taken nor liquidated. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the portfolio from promptly liquidating unfavorable positions and, therefore, result in losses to a portfolio, an underlying fund and corresponding decreases in the Net Asset Value of the relevant Units.

- *Necessity for counterparty trading relationships*

As noted above, participants in the OTC market typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. While the Manager or the manager of an underlying scheme (as the case may be) believes that the Sub-Fund or the underlying scheme will be able to establish multiple counterparty business relationships to



permit the Sub-Fund or the underlying scheme to effect transactions in the OTC market and other counterparty markets (including credit default swaps, total return swaps and other swaps market as applicable), there can be no assurance that it will be able to do so. An inability to establish or maintain such relationships would potentially increase the counterparty credit risk to the Sub-Fund or the underlying scheme, limit its operations and could require the Sub-Fund or the underlying scheme to cease investment operations or conduct a substantial portion of such operations in the futures markets. Moreover, the counterparties with which the Sub-Fund or the underlying scheme expects to establish such relationships will not be obligated to maintain the credit lines extended to the Sub-Fund or the underlying scheme, and such counterparties could decide to reduce or terminate such credit lines at their discretion.

### ***Commodity related securities risk***

A Sub-Fund or an underlying scheme may invest in commodity related securities, which include securities of companies whose businesses are reliant upon or may be heavily impacted by commodity prices. There are numerous events and circumstances that can impact commodities markets and commodity-related companies, including but not limited to, general economic and political conditions; war, other armed conflicts, acts of terrorism and criminality; fire, flood and other natural disasters; actions by governmental authorities, such as increased regulation, enforcement or restraints on trade; actions by a major producer or producers, such as Organization of the Petroleum Exporting Countries; significant changes in supply and demand, which may be sudden and unforeseen; commodity speculation or other disruptive market effects; disruptions in the delivery of commodities and related raw materials; changes in laws affecting energy companies or other commodity-related businesses; and environmental laws and regulation.

### ***Structured instrument risk***

Structured instruments are potentially more volatile and carry greater market risks than traditional debt instruments. Depending on the structure of the particular structured instrument, changes in a benchmark may be magnified by the terms of the structured instrument and have an even more dramatic and substantial effect upon the value of the structured instrument. The prices of the structured instrument and the benchmark or underlying asset may not move in the same direction or at the same time. Structured instruments may be less liquid and more difficult to price than less complex securities or instruments or more traditional debt securities. The risk of these investments can be substantial; possibly all of the principal is at risk.

### ***Real estate investment trusts (“REITs”) risk***

Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of any credit extended. REITs are dependent upon management skills, are not diversified, are subject to heavy cash flow dependency, default by borrowers and self-liquidation.

REITs (especially mortgage REITs) are also subject to interest rate risks. When interest rates decline, the value of a REIT’s investment in fixed rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REIT’s investment in fixed rate obligations can be expected to decline. In contrast, as interest rates on adjustable rate mortgage loans are reset periodically, yields on a REIT’s investments in such loans will gradually align themselves to reflect changes in market interest rates, causing the value of such investments to fluctuate less dramatically in response to interest rate fluctuations than would investments in fixed rate obligations.

Investing in REITs may involve risks similar to those associated with investing in small capitalization companies. REITs may have limited financial resources, may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than larger company securities.

Historically, small capitalization stocks, such as REITs, have been more volatile in price than the larger capitalization stocks.

### ***Dynamic asset allocation risk***

A Sub-Fund or an underlying scheme adopting dynamic asset allocation strategy will allocate to different asset classes, which may have a large impact on returns if one of these asset classes significantly underperforms the others. In addition, as both the direct investments and derivative positions may be periodically rebalanced, there will be transaction costs, which may be, over time, significant. There is no guarantee that the asset allocations and risk management techniques of the Manager or the investment manager of the underlying scheme will produce the intended results.

### ***Risk of investing in convertible bonds***

A Sub-Fund or an underlying scheme may invest in convertible bonds. Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investment.

### ***Currency risk***

Underlying investments of a Sub-Fund may be denominated in one or more currencies different from the Base Currency. Similarly, underlying investments of an underlying scheme may be denominated in one or more currencies different from the base currency of that underlying scheme. This means changes in exchange rate controls, currency movements in such underlying investments and fluctuations in the exchange rates between these currencies and the base currency may significantly and unfavorably affect the net asset value of an underlying scheme or the Net Asset Value of a Sub-Fund. Investments by the underlying schemes or the Sub-Fund that are denominated in a particular currency are subject to the risk that the value of such currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

The Manager or the investment manager of the underlying scheme (as the case may be) will take into account, and may hedge to reduce the risk of, such risks by investing in one or more currencies, futures contracts on multiple currencies and options thereon, forward currency exchange contracts on multiple currencies, or any combination thereof. The Manager or the investment manager of the underlying scheme (as the case may be) is not obligated to engage in such currency hedging transactions and may elect to do so in its sole discretion.

No assurance can be made that such currency hedging strategies will be effective. In addition, a Sub-Fund or an underlying scheme may seek active speculative investment opportunities by taking long or short positions in currencies through use of currency-related derivatives such as currency options and forward contracts, subject to certain limitations in the investment objective and policies of such Sub-Fund or underlying scheme. Such currency transactions involve a significant degree of risk and the markets in which currency exchange transactions are effected may be highly volatile.

In addition, because certain Sub-Funds or underlying schemes are offered in more than one currency, such Sub-Fund or underlying scheme and its investors are subject to certain additional currency risks. For example, such Sub-Fund or underlying scheme may be subject to the risk of an unfavorable change in the rate of exchange between its base currency and the relevant class currency in respect of subscriptions in the class currency accepted on a particular subscription date but for which actual subscription amounts in the class currency are not received until a subsequent date. Also, the Sub-Fund or underlying scheme may be subject to the risk of a decline in the value of the base currency relative

to the class currency subsequent to a redemption in the relevant class currency and prior to the payment of redemption amounts in the relevant class currency to the redeeming investor.

Additionally, when a Sub-Fund or an underlying scheme quotes its prices in a currency other than its base currency, such values are derived from the spot foreign exchange rate of the relevant class currency on each valuation point. Accordingly, the total return ultimately realized by an investor upon redemption in respect of an investment in units made in such class currency will be directly affected, either positively or negatively, by changes in the exchange rate between such class currency and the relevant base currency from the date of subscription to the date of redemption. All expenses related to converting subscription and redemption amounts into and out of the base currency and the class currency are borne by the Sub-Fund or underlying scheme concerned.

The Authorized Distributors occasionally may arrange for foreign exchange facilities that allow investors to use certain currencies other than the Class Currencies for subscription and redemption of Units. Such transactions are conducted outside of the Fund and/or the Sub-Funds and at the investor's own risk and expense. Investors utilizing such facilities may be subject to foreign exchange risks related to timing of settlement upon subscription and changes in exchange rates during the period of investment in the Sub-Funds.

### ***Currency Hedged Unit Class risk***

A Sub-Fund may offer Currency Hedged Unit Classes and the precise hedging strategy applied to a particular Currency Hedged Unit Class may vary from one Sub-Fund to another. Details of the currency hedging strategy are set out under the heading "***Currency Hedged Unit Classes***" in "***Investing in the Fund – Classes of Units***" and/or the relevant Appendix. Each such Sub-Fund will apply a hedging strategy which aims to mitigate currency risk between the Net Asset Value of the Sub-Fund calculated in its Base Currency and the Class Currency in which the Currency Hedged Unit Class is denominated, while taking account of various practical considerations including transaction costs. The hedging strategy employed is designed to reduce, but may not eliminate, currency exposure between the Sub-Fund's Base Currency and the relevant Class Currency. There is no guarantee that hedging techniques will fully and effectively achieve their desired result. The success of hedging depends on the Manager's expertise and hedging may become inefficient or ineffective. This may have an adverse impact on the relevant Sub-Fund and its investors.

Hedging strategies in connection with Currency Hedged Unit Classes are intended to be entered into continuously whether the Class Currency in which the Currency Hedged Unit Class is denominated is declining or increasing in value relative to other currencies. Therefore, such hedging will tend to protect investors in the relevant Currency Hedged Unit Classes to the extent the value of the Currency Hedged Unit Class' Class Currency rises relative to the Sub-Fund's Base Currency. Conversely, such hedging will tend to prevent investors from benefiting if the value of a Currency Hedged Unit Class' Class Currency decreases relative to the Sub-Fund's Base Currency.

Given that there is no segregation of liabilities between the various Classes within a Sub-Fund, there is a remote risk that, under certain circumstances, currency hedging transactions in relation to a Currency Hedged Unit Class could result in liabilities which might affect the Net Asset Value of the other Classes of the same Sub-Fund, in which case assets of the other Classes of the Sub-Fund may be used to cover the liabilities incurred by such Currency Hedged Unit Class.

### ***RMB Class(es) related risk***

Starting from 2005, the exchange rate of the RMB is no longer pegged to the USD. While the RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies, movement in RMB is still subject to policy control. The daily trading price of the RMB against other major currencies in the interbank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are influenced by government policy and market forces, the exchange rates for

RMB against other currencies, including USD and HKD, are susceptible to movements based on external factors. Accordingly, the investment in RMB Class(es) of a Sub-Fund may be adversely affected by the fluctuations in the exchange rate between RMB and other foreign currencies.

When calculating the value of the RMB Class(es), the offshore RMB in Hong Kong (“CNH”) will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB in China (“CNY”) and there may be significant bid and offer spreads. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

The value of the RMB Class(es) thus calculated will be subject to fluctuation. The exchange rate of RMB may rise or fall. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of RMB could adversely affect the value of investors’ investments in the RMB Class(es) of the Sub-Fund. Non-RMB based (e.g. Hong Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB Class(es). Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the units) and RMB distributions received (if any) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds and/or RMB distributions (if any). Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

RMB is currently not a freely convertible currency. The supply of RMB and the conversion of foreign currency into RMB are subject to exchange control policies and restrictions imposed by the mainland authorities. Liquidity of RMB could deteriorate due to government controls and restrictions which would adversely affect investors’ ability to exchange RMB into other currencies as well as the conversion rates of RMB. As RMB is not freely convertible, currency conversion is subject to availability of RMB at the relevant time. As such, in case of sizable redemption requests for the RMB Class(es) are received, the Manager has the absolute discretion to delay any payment of redemption requests from the RMB Class(es) where it determines that there is not sufficient RMB for currency conversion by the Sub-Fund for settlement purpose.

For hedged RMB Class(es), investors have to bear the associated hedging costs which may be significant depending on prevailing market conditions, which will be reflected in the Net Asset Value of the relevant Class(es). If the counterparties of the instruments used for hedging purpose default, investors of the hedged RMB Class(es) may be exposed to RMB currency exchange risk on an unhedged basis and may therefore suffer further losses. There is no guarantee that the hedging strategy will be effective in which case investors may be subject to the following risks of investing in RMB Class(es) on an unhedged basis: since the Unit prices of RMB Class(es) are denominated in RMB, but the Sub-Fund’s Base Currency is not RMB, so even if the value of the Base Currency rises or remains stable, investors may still incur losses if RMB appreciates against the Base Currency more than the increase in the value of the Base Currency. Furthermore, under the scenario where RMB appreciates against the Base Currency, and the value of the underlying investments decreased, the value of investors’ investments in RMB Class(es) may suffer additional losses.

Hedged RMB Class(es) will hedge the Fund’s Base Currency back to RMB, on a best effort basis, with an objective to align the performance of the hedged RMB Class(es) as if an equivalent Class denominated in the Sub-Fund’s Base Currency. While this hedging strategy may protect investors against a decline in the value of the Sub-Fund’s Base Currency and/or other currencies of the non-RMB denominated underlying investments relative to RMB, on the other hand, it will limit the hedged RMB Class(es) from benefiting from any potential gain resulting from the appreciation of the Base Currency/other currencies of the non-RMB denominated underlying investments against RMB. Please refer to the risk factor headed “*Hedging risk*” below for further details.

### ***Foreign exchange risk***

A Sub-Fund may, in part, seek to offset the risks associated with exposure to currencies other than its Base Currency through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialized and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in a Sub-Fund may be suspended if the relevant Sub-Fund is unable to repatriate funds for the purpose of making payments on the redemption of Units. For further details on suspension of dealings in a Sub-Fund, please refer to the section headed “***Valuation and Suspension - Suspension***” below.

### ***Hedging risk***

The Manager is permitted, but not obliged, to use hedging techniques such as using futures, options and/or forward contracts to attempt to offset market, credit and currency risks. There is no guarantee that hedging techniques will fully and effectively achieve their desired result. The success of hedging much depends on the Manager’s expertise and hedging may become inefficient or ineffective. This may have adverse impact on the relevant Sub-Fund and its investors.

While a Sub-Fund may enter into such hedging transactions to seek to reduce risks, unanticipated changes in currency, interest rates and market circumstances may result in a poorer overall performance of a Sub-Fund. A Sub-Fund may not obtain a perfect correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the relevant Sub-Fund to risk of loss.

Any expenses arising from such hedging transactions, which may be significant depending on prevailing market conditions, will be borne by the relevant Sub-Fund in relation to which they have been incurred.

### ***Liquidity risk***

Some of the markets in which a Sub-Fund or an underlying scheme invests may be less liquid and more volatile than the world’s leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the ability of the relevant Sub-Fund or underlying scheme to acquire or dispose of such securities at their intrinsic value. As a result, this may have adverse impact on the relevant Sub-Fund or underlying scheme and its investors.

### ***Illiquid assets risk***

Certain securities in which a Sub-Fund or an underlying scheme may invest, may become subject to legal or other restrictions on transfer and there may be no liquid market for such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable and the Sub-Fund or the underlying scheme may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Valuation of investments in illiquid assets may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the net asset value of the Sub-Fund or the underlying scheme may be adversely affected.

#### ***Lack of operating history risk***

Certain Sub-Funds of the Fund may be recently formed and have no operating history, upon which investors can evaluate the anticipated performance.

#### ***Restricted markets risk***

A Sub-Fund or an underlying scheme may invest in securities in jurisdictions (including China) which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the relevant Sub-Fund or underlying scheme may be required to make investments in the relevant markets directly or indirectly. In either case, legal and regulatory restrictions or limitations may have adverse effect on the liquidity or performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers.

#### ***Legal, tax and regulatory risk***

The legal, tax and regulatory environment worldwide for investment funds (such as the Fund, the Sub-Funds and the underlying schemes) and their managers is evolving, and changes in the regulation of investment funds, their managers, and their trading and investing activities may have an adverse effect on the ability of the Fund, a Sub-Fund and/or an underlying scheme to pursue its investment program and the value of investments held by the Fund/Sub-Fund(s)/underlying scheme(s). There has been an increase in scrutiny of the investment industry by governmental agencies and self-regulatory organizations.

#### ***Risk of termination***

A Sub-Fund may be terminated in certain circumstances which are summarized under the section “***General Information - Termination of Fund or a Sub-Fund***”, including where, on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than US\$10 million or its equivalent or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units outstanding thereunder shall be less than US\$10 million or its equivalent (or other amounts disclosed in the Appendix). In the event of the termination of a Sub-Fund, such Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the relevant Sub-Fund will be worth less than the initial cost of acquiring such investments, resulting in a loss to the Unitholders. Moreover, any organizational expenses (such as establishment costs) with regard to the relevant Sub-Fund that had not yet been fully amortized would be debited against the Sub-Fund’s assets at that time.

#### ***Distributions risk***

For Distribution Classes, including Classes paying a distribution rate determined by the Manager, Classes paying a stable distribution rate per Unit, and Classes paying a distribution rate based on gross income, a Sub-Fund may pay distributions equal to all or in excess of the net income attributable to such Distribution Classes. As a result, distributions in such Distribution Classes may be paid out of the capital, or effectively out of the capital, of a Sub-Fund. Such distributions may come from gross income (before reduction for fees and expenses), realized and unrealized gains and capital attributable to the relevant Distribution Classes. Distributions in excess of net income (gross income less fees and expenses) (i.e. distributions out of, or effectively out of, capital) may represent a return of the investor’s original investment amount and as such may result in a decrease in the Net Asset Value per Unit for the relevant Class and reduce capital accumulation. Distributions out of capital may be taxed as income in

certain jurisdictions. For further information about the distribution policy of a particular Class, refer to the relevant Appendix.

There is no guarantee that distributions will be made. A high distribution yield does not necessarily imply a positive or high return.

Subject to the disclosure in the relevant Appendix, distributions may be paid out of the capital or effectively out of the capital of a Sub-Fund. The Manager may distribute out of the capital of a Sub-Fund if the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared. The Manager may also, in its discretion, pay dividends out of gross income while paying all or part of such Distribution Class' fees and expenses out of the capital of such Distribution Class, resulting in an increase in distributable income for the payment of dividends by the relevant Distribution Class and therefore, dividends may be paid effectively out of capital of the relevant Distribution Class. **Investors should note that the payment of distributions out of, or effectively out of, capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

The distribution amount and Net Asset Value of the Currency Hedged Unit Classes may be adversely affected by differences in the interest rates of the Class Currency of the relevant Currency Hedged Unit Class and the relevant Sub-Fund's Base Currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged Unit Classes.

#### ***Umbrella structure of the Fund and segregated liability between Sub-Funds***

The Trust Deed allows the Trustee and the Manager to issue Units in separate Sub-Funds as separate trusts, and provides for the manner in which the liabilities are to be attributed across various Sub-Funds. There should not be the potential for cross contamination of liabilities between Sub-Funds. There can, however, be no categorical assurance that, should an action be brought against the Fund in the courts of another jurisdiction, the segregated nature of the Sub-Funds will be upheld in which case the assets of one Sub-Fund could be used to discharge the liabilities of another Sub-Fund.

#### ***Cross-Class liability***

Multiple Classes of Units may be issued in relation to a Sub-Fund, with particular assets and liabilities of that Sub-Fund attributable to particular Classes. Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to one class may have recourse to the assets attributable to other Classes. Although for the purposes of internal accounting, a separate account will be established for each Class, in the event of an insolvency or termination of that Sub-Fund (i.e. when the assets of that Sub-Fund are insufficient to meet its liabilities), all assets will be used to meet that Sub-Fund's liabilities, not just the amount standing to the credit of any individual Class. However, the assets of that Sub-Fund may not be used to satisfy the liabilities of another Sub-Fund.

#### ***Creation of Sub-Funds or new Classes of Units***

Additional Sub-Funds or additional Classes of Units which may have different terms of investment may be established in the future without the consent of, or notification to existing Unitholders. In particular, such additional Sub-Funds or additional Classes may have different terms with regard to fees.

#### ***Non-compliance with HKFRS***

The annual and interim financial reports of each Sub-Fund will be prepared in accordance with the HKFRS.

However, the cost of establishment of each Sub-Fund will be amortized over the Amortization Period and investors should note that this policy of amortization is not in accordance with HKFRS. The Manager has considered the impact of such non-compliance and do not expect this issue to materially affect the results and Net Asset Value of a Sub-Fund. Further, the Manager believes that this policy is fairer and more equitable to the initial investors.

### ***FATCA and compliance with U.S. withholding requirements***

The Hiring Incentives to Restore Employment Act (the “**HIRE Act**”) was signed into U.S. law in March 2010 and includes provisions commonly referred to as the “**Foreign Account Tax Compliance Act**” or “**FATCA**”. Broadly, FATCA requires financial institutions outside the U.S. (“**foreign financial institutions**” or “**FFIs**”) to report information about “Financial Accounts” held by United States persons (within the meaning of the US Internal Revenue Code of 1986, as amended) (“**U.S. persons**”), directly or indirectly, to the U.S. Internal Revenue Service (the “**Service**”) on an annual basis, or else become subject to withholding tax at a 30% rate (“**FATCA withholding**”) on certain payments (“**withholdable payments**”) derived from U.S. sources, including dividends and interest, made after 30 June 2014. In addition, starting from 1 January 2017, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating U.S. source dividends or interest will be treated as “withholdable payments”. It is also expected that certain non-U.S. source payments otherwise attributable to U.S. source income (referred to as “foreign passthru payments”) will be subject to FATCA withholding, though the definition of “foreign passthru payment” in U.S. Treasury Regulations is currently pending.

To avoid such withholding on payments made to it, an FFI located in a jurisdiction that has not signed an intergovernmental agreement (“**IGA**”) with the United States for the implementation of FATCA will be required to enter into an agreement (an “**FFI Agreement**”) with the Service as part of the requirements to be a Participating FFI for FATCA purposes. A Participating FFI is required to identify all investors that are U.S. persons and report certain information concerning such U.S. persons to the Service. The FFI Agreement will also generally require that a Participating FFI deducts FATCA withholding from U.S. source “withholdable payments” made by the Participating FFI to investors who fail to cooperate with certain information requests made by the Participating FFI. Moreover, a Participating FFI is required to deduct and withhold on such U.S. source “withholdable payments” made to investors that are themselves FFIs but that have not entered into an FFI Agreement with the Service or that are not otherwise deemed compliant with FATCA (a “non-compliant FFI”). In the event that an IGA is in force between the United States and the jurisdiction of the FFI, depending on the model of IGA adopted, such IGA may modify these obligations but generally requires similar information to be disclosed by the FFI.

Hong Kong and the United States have entered into a “Model 2” IGA (the “**HK/US IGA**”). Under the HK/US IGA, FFIs in Hong Kong (such as the Fund and/or the Sub-Fund(s)) would register with the Service to be subject to the terms of an FFI Agreement and comply with the terms of such FFI Agreement. Otherwise they will be subject to FATCA withholding on relevant U.S. source “withholdable payments” to them.

Under the HK/US IGA, FFIs in Hong Kong (such as the Fund and/or the Sub-Fund(s)) that comply with the FFI Agreement (i) will generally not be subject to FATCA withholding; and (ii) will not be required to deduct FATCA withholding from U.S. source “withholdable payments” made to recalcitrant accounts (i.e. accounts of which the holders fail to supply certain identifying information in response to a request by the FFI, or do not consent to FATCA reporting and disclosure to the Service) or close those recalcitrant accounts (provided that information regarding such recalcitrant account holders is reported to the Service according to the terms of the HK/US IGA), but may be required to deduct FATCA withholding from U.S. source “withholdable payments” made to non-compliant FFIs.

The Manager has registered with the Service as a sponsoring entity for the Fund and/or each Sub-Fund and has agreed to perform, on behalf of the sponsored FFIs, all due diligence, reporting and other relevant FATCA requirements. The Manager has obtained a Global Intermediary Identification



Number and the Fund and/or each Sub-Fund are considered as sponsored FFIs. If the Fund or a Sub-Fund failed to comply with such requirements, the Fund or such Sub-Fund may be subject to FATCA withholding. Generally, withholding taxes (including FATCA withholding) will reduce the Net Asset Value of the Fund or a Sub-Fund by the amount of the withholding imposed and may result in a material loss to investors and inhibit the Fund's or the Sub-Fund's ability to pursue its investment strategy.

A non-U.S. investor in the Fund or the Sub-Fund that is a "passive non-financial foreign entity" or an "owner documented FFI" will generally be required to provide the Fund or the Sub-Fund (or, in certain cases, a distributor, intermediary or certain other entities through which a non-U.S. investor invests (each an "**Intermediary**")) with information which identifies its direct and indirect U.S. ownership. Any such information provided to the Fund or the Sub-Fund may be shared with the Service.

A non-U.S. investor that is an FFI (other than an owner documented FFI) will generally be required to register with the Service and agree to identify certain of its own direct and indirect U.S. account holders (including debtholders and equityholders). A non-U.S. investor (or, if applicable, an Intermediary) that is a Non-Participating FFI or a recalcitrant accountholder may be subject to FATCA withholding on its share of any payment attributable to actual and deemed U.S. investments of the Fund, and the Trustee may take any action in relation to an investor's Units or redemption proceeds to ensure that such withholding is economically borne by the investor whose status gave rise to the withholding, subject to applicable laws and regulations and provided that the Manager acts in good faith and on reasonable grounds.

Although the Fund and each Sub-Fund will endeavor to satisfy the requirements imposed under FATCA, the HK/US IGA, and the FFI Agreement to avoid FATCA withholding, no assurance can be given that the Fund and/or each Sub-Fund will be able to fully satisfy these requirements. If the Fund or any Sub-Fund becomes subject to FATCA withholding, the Net Asset Value of the Fund or that Sub-Fund may be adversely affected and the Fund or such Sub-Fund may suffer significant loss as a result.

In the event a Unitholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Fund or the relevant Sub-Fund, or a risk of the Fund or the relevant Sub-Fund being subject to FATCA withholding, the Manager on behalf of the Fund and each of such relevant Sub-Funds reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, (i) reporting the relevant information of such Unitholder to the Service; (ii) withholding, deducting from such Unitholder's account, or otherwise collecting monetary damages from such Unitholder to the extent permitted by applicable laws and regulations; (iii) deeming such Unitholder to have given notice to redeem all his Units in the relevant Sub-Fund; and/or (iv) bringing legal action against such Unitholder for losses suffered by the Fund or the relevant Sub-Fund as a result of such FATCA withholding. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds.

All prospective Unitholders should consult with their own tax advisors regarding the possible implications of FATCA and related tax consequences with respect to their investments in the Fund and/or each Sub-Fund. Unitholders who hold their Units through an Intermediary should confirm the FATCA compliance status of the Intermediary to ensure they do not suffer the above mentioned FATCA withholding on their investment returns.

### ***Conflicts of interest; other activities of the Manager***

Various potential and actual conflicts of interest may arise from the overall investment activities of the Manager, the Investment Adviser and their connected persons for their own accounts and the accounts of others. The Manager, the Investment Adviser and their connected persons may invest for their own accounts and for the accounts of clients in various instruments that have interests different from or adverse to the instruments that are owned by the relevant Sub-Fund. For more information, please refer to the section headed "***General Information - Conflicts of Interest***".

### *Effect of substantial redemptions*

Substantial redemptions by Unitholders within a short period of time could require the relevant Sub-Fund to liquidate securities and other positions more rapidly than would otherwise be desirable, possibly reducing the value of its assets and/or disrupting its investment strategy. Further, it may be impossible to liquidate a sufficient amount of securities to meet redemptions because a significant part of the portfolio at any given time may be invested in securities for which the market is or has become illiquid. Reduction in the size of the relevant Sub-Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Sub-Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

In view of the above, investment in any Sub-Fund should be regarded as long term in nature. The Sub-Funds are, therefore, only suitable for investors who can afford the risks involved. Investors should refer to the relevant Appendix for details of any additional risks specific to a Sub-Fund.

## INVESTING IN THE FUND

### Classes of Units

Different classes of Units may be offered for each Sub-Fund. Although the assets attributable to each Class of Units of a Sub-Fund will form one single pool, each class of Units may be denominated in a different Class Currency or may have a different charging structure with the result that the Net Asset Value attributable to each Class of Units of a Sub-Fund may differ. In addition, each Class of Units may be subject to different Minimum Initial Subscription Amount, Minimum Subsequent Subscription Amount, Minimum Holding Amount and Minimum Redemption Amount. Investors should refer to the relevant Appendix for the available Classes of Units and the applicable minimum amounts.

### *Currency Hedged Unit Classes*

One or more Classes of Units in a Sub-Fund offered in a particular Class Currency may be hedged to the Base Currency. Any such Unit Class will constitute a “**Currency Hedged Unit Class**”.

Currency Hedged Unit Classes aim to provide investors a return more closely correlated to the Sub-Fund’s return in its Base Currency by reducing the effect of exchange rate fluctuations between the Sub-Fund’s Base Currency and the relevant Class Currency, taking into account practical considerations such as transaction costs. The hedging strategy employed is designed to reduce, but may not eliminate, currency exposure between the Sub-Fund’s Base Currency and the relevant Class Currency.

The precise hedging strategy applied to a particular Currency Hedged Unit Class may vary from one Sub-Fund to another. But, in general, the amount of net subscriptions/redemptions of a particular Currency Hedged Unit Class will be converted into/from the Sub-Fund’s Base Currency at the applicable spot rate. At the same time, the Manager will enter into a forward currency exchange contract for the same amount. Thereafter the hedge will be monitored and adjusted from time-to-time to take account of net subscriptions/redemptions attributable to investor flows as well as the Net Asset Value of the relevant Currency Hedged Unit Class. The degree of effectiveness provided by a particular hedge will depend, among other things, on the Manager’s ability to enter into corresponding forward currency exchange contracts in order to match the most recently available value of the Sub-Fund’s assets attributable to the Currency Hedged Unit Class with corresponding forward currency exchange contracts. During the life of each foreign currency exchange contract, any gains or losses on the forward position is incorporated into the daily Net Asset Value of the Currency Hedged Unit Class and is realized on the settlement of the forward currency exchange contract in-question. These forward positions are then rolled from one forward currency exchange contract to another thereby continuing the hedge.

The returns of Unit Classes denominated in a Sub-Fund’s Base Currency are intended to correlate significantly with the returns of Currency Hedged Unit Classes denominated in the Class Currencies. However, these returns will not correlate perfectly due to various factors, including short-term interest rate differentials, unrealized gains/losses on currency forward positions not being invested until the gains/losses are realized, the target hedge ratio and deviation range employed by the Manager (the deviation range is designed to avoid higher transaction costs associated with excessive minor hedge adjustments but results in minor over/under hedges), the timing of the market value hedge adjustments relative to the Sub-Fund’s Valuation Point, and transaction costs attributable to hedging activity.

These hedging transactions for the Currency Hedged Unit Classes are intended to be entered into continuously whether the Class Currency in which the Currency Hedged Unit Class is denominated is declining or increasing in value relative to other currencies.

Currency Hedged Unit Classes do not affect the investment management of the Sub-Fund’s underlying assets since it is only the Net Asset Value of the Currency Hedged Unit Classes, not the Sub-Fund’s underlying assets, which is hedged to the relevant Class Currency. Expenses incurred as a result of

such hedging activity will be borne by the Currency Hedged Unit Class in relation to which such expenses are incurred.

Please refer to the risk factor headed “*Currency Hedged Unit Class risk*” under the “*Risk Factors*” section of this Explanatory Memorandum for the risks associated with Currency Hedged Unit Classes. Please also refer to the relevant Appendix for the information on the Currency Hedged Unit Classes available for a Sub-Fund.

### **Initial Offer**

Units of a Sub-Fund or a Class in a Sub-Fund will be offered for the first time at the Initial Offer Price during the Initial Offer Period (if applicable) of such Sub-Fund or such Class as specified in the relevant Appendix.

### **Minimum Subscription Level**

The offering of a Class of Units or a Sub-Fund may be conditional upon the Minimum Subscription Level (if applicable) being received on or prior to the close of the Initial Offer Period.

In the event that the Minimum Subscription Level of a Class of Units or a Sub-Fund is not achieved or the Manager is of the opinion that it is not in the commercial interest of investors or not feasible, as a result of adverse market conditions or otherwise, to proceed with the relevant Class of Units or Sub-Fund, the Manager may in its discretion extend the Initial Offer Period for the relevant Class of Units or Sub-Fund or determine that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units relating to it will not be launched. In such event, the relevant Class of Units or the Sub-Fund and the Class or Classes of Units relating to it shall be deemed not to have commenced.

Notwithstanding the aforesaid, the Manager reserves the discretion to proceed with the issue of Units of the relevant Class of Units or Sub-Fund even if the Minimum Subscription Level has not been achieved.

### **Subsequent Subscription**

Units are available for subscription on each Dealing Day after the expiry of the Initial Offer Period.

### **Issue Price**

After the close of the Initial Offer Period, the Issue Price per Unit for any Class of a Sub-Fund on a Dealing Day will be calculated by reference to the Net Asset Value per Unit of that Class as at the Valuation Point on the Valuation Day in respect of that Dealing Day (for further details see “*Valuation and Suspension - Calculation of Net Asset Value*” below).

In calculating the Issue Price, the Manager may impose such amount (if any) as the Manager may estimate as an appropriate allowance to reflect (i) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available asked price of such investment and (ii) fiscal and purchase charges (including any stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees, or registration fees) which would be incurred for the account of the relevant Sub-Fund in investing an amount equal to that Net Asset Value per Unit. For further details, please see “*Valuation and Suspension – Adjustment of Prices*” below.

The Issue Price shall be rounded to the nearest Decimal Places (e.g. HK\$10.125 shall be rounded up to HK\$10.13 and HK\$10.124 shall be rounded down to HK\$10.12). Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

## Subscription Charge

The Manager, its agents or delegates (including, without limitation, Authorized Distributors) may charge a Subscription Charge on the issue of each Unit of a percentage of the Issue Price in relation to an application, as the Manager may at its discretion determine. The Subscription Charge may be payable at subscription or at other time period(s) as specified in the relevant Appendix. The maximum and current rate of Subscription Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Subscription Charge may be imposed in relation to the issue of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Manager may at any time increase the rate of Subscription Charge provided that any increase in the rate of Subscription Charge above the maximum rate may only be made if such increase (i) will not impact on the existing investments of any Unitholder, and (ii) will be subject to any requirements of the Code.

The Manager may on any day differentiate between applicants or Classes of Units as to the amount of the Subscription Charge (within the permitted limit). The Subscription Charge will be retained by or paid to the Manager, its agents or delegates for their own absolute use and benefit.

### Numerical Example of How Units are Allotted

Based on an investment amount of US\$10,000 at the notional Net Asset Value of US\$10.00 per Unit, the number of Units allotted will be calculated as follows:

Classes for which an initial Subscription Charge applies (i.e. where Subscription Charge is payable at subscription)

e.g.	<i>Assume:</i> <i>Subscription Charge = 4%</i> <i>No adjustment to Issue Price to be made</i>
	Issue Price = Net Asset Value – adjustment
	<i>Thus,</i>
	Issue Price = US\$10.00 – 0 = US\$10.00
	$\text{Units allotted} = \left( \frac{\text{Subscription Amount}}{\frac{\text{Issue Price}}{100\% - \text{Subscription Charge\%}}} \right) = \frac{\text{US\$10,000}}{\frac{\text{US\$10.00}}{100\% - 4\%}}$
	$= \frac{\text{US\$10,000}}{\frac{\text{US\$10.00}}{0.96}} = 959.693$

e.g.

*Assume:*

*Subscription Charge = 1%*

*No adjustment to Issue Price to be made*

Issue Price = Net Asset Value – adjustment

*Thus,*

Issue Price = US\$10.00 – 0 = US\$10.00

$$\begin{aligned} \text{Units allotted} &= \left( \frac{\text{Subscription Amount}}{\frac{\text{Issue Price}}{100\% - \text{Subscription Charge\%}}} \right) = \frac{\text{US\$10,000}}{\frac{\text{US\$10.00}}{100\% - 1\%}} \\ &= \frac{\text{US\$10,000}}{\frac{\text{US\$10.00}}{0.99}} = 990.099 \end{aligned}$$

*The above examples are for illustrative purposes only and are not a forecast or indication of any expectation of performance.*

### **Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount**

Details of any Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

The Manager has the discretion to waive, change or accept an amount lower than the Minimum Initial Subscription Amount or Minimum Subsequent Subscription Amount from time to time, whether generally or in a particular case.

### **Application Procedures**

Applications for subscription of Units may be made to the Registrar (through the Authorized Distributors) by completing the Application Form and sending by post or by facsimile, to the Registrar (through the Authorized Distributors) at the business address or facsimile number on the Application Form. Application Forms sent by facsimile must always be followed by the original. The Authorized Distributors and/or Registrar may request further supporting documents and/or information to be provided together with the Application Form. The Application Form is available from the Authorized Distributors.

In respect of Application Forms and subscription moneys in cleared funds which are received on or before the IOP Deadline, Units will be issued following the close of the Initial Offer Period. If Application Forms and/or application monies in cleared funds are received after the IOP Deadline, the relevant applications shall be carried forward to the next Dealing Day and shall be dealt with at the Issue Price at such Dealing Day.

Following the close of the Initial Offer Period, an Application Form received by the Registrar (through the Authorized Distributors) by the Dealing Deadline of a Dealing Day will be dealt with on that Dealing Day. If an application for Units is received after the Dealing Deadline in respect of a Dealing Day then the application will be held over until the next Dealing Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept an application in respect of a Dealing Day which is

received after the Dealing Deadline if it is received prior to the Valuation Point relating to that Dealing Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's operational requirements cannot support accepting any such application, the Manager shall not exercise its discretion to accept any application.

### **Payment Procedures**

Payment for Units subscribed for cash during the Initial Offer Period and the Subscription Charge (if any) is due in cleared funds by the IOP Deadline. Following the close of the Initial Offer Period, payment for Units and the Subscription Charge (if any) is due at the expiry of the Payment Period.

If payment in full in cleared funds has not been received by the IOP Deadline or the relevant Payment Period (or such other period as the Manager may determine and disclose to the applicants), the Manager may (without prejudice to any claim in respect of the failure of the applicant to make payment when due) cancel any Units which may have been issued in respect of such application for subscription and the Manager must cancel the issue of the relevant Units if the Trustee so requires.

Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee, provided that: (i) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units; (ii) the Manager and the Trustee may charge the applicant a Cancellation Fee to represent the administrative costs involved in processing the application for such Units from such applicant and/or may claim from such applicant for any loss, damages, liability, costs or expenses the relevant Sub-Fund incurs as a result of such cancellation; and (iii) the Manager and the Trustee may require the applicant to pay (for the account of the relevant Sub-Fund in respect of each Unit so cancelled) the amount (if any), by which the Issue Price of each such Unit exceeds the Redemption Price of such Unit on the day of cancellation (if such day is a Dealing Day for the relevant class of Units) or the immediately following Dealing Day plus interest on such amount until receipt of such payment by the Trustee.

Payments for Units should be made in the Base Currency of the relevant Sub-Fund or where one or more Classes are issued in respect of a Sub-Fund, payment for Units of a Class should be made in the Class Currency of such Class.

All payments should be made by direct transfer, telegraphic transfer or bank draft (or other manner as may be agreed by the Manager). Bank drafts should be crossed "a/c payee only, not negotiable" and made payable to the accounts specified in the Application Form, stating the name of the relevant Sub-Fund to be subscribed, and sent with the Application Form. Any costs of transfer of subscription moneys to a Sub-Fund will be payable by the applicant.

All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted. The applicant should provide sufficient evidence as to the source of payment as the Manager and the Trustee may from time to time require.

**No money should be paid to an intermediary in Hong Kong who is not licensed or registered to carry on Type 1 Regulated Activity (dealing in securities) under Part V of the Securities and Futures Ordinance.**

### **General**

The Manager has an absolute discretion to accept or reject in whole or in part any application for Units.

If an application is rejected (either in whole or in part) or the Manager determines that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units related to it will not be launched, subscription moneys (or the balance thereof) will be returned within the Refund Period without interest and after deducting any of out-of-pocket fees and charges incurred by the Manager and the Registrar

by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicant or in such other manner as the Manager and the Trustee may from time to time determine. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Registrar, the Trustee or their respective delegates or agents will be liable to the applicant for any loss the applicant suffers as a result of the rejection or delay of any application.

Units issued by the Fund will be held for investors in registered form. Certificates will not be issued. A contract note or confirmation will be issued upon acceptance of an applicant's application and the receipt of cleared funds and will be forwarded to the applicant (at the risk of the person entitled thereto). In case of any error in a contract note or confirmation, applicants should contact the relevant intermediaries or the Authorized Distributor promptly for rectification.

Fractions of a Unit (rounded to the nearest Decimal Places (e.g. 10.1225 Units shall be rounded up to 10.123 Units and 10.1224 Units shall be rounded down to 10.122 Units)) may be issued. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

### **Restrictions on Issue**

No Units of a Sub-Fund or a Class will be issued where the determination of the Net Asset Value of that Sub-Fund or Class and/or the allotment or issuance of Units of that Sub-Fund or Class is suspended (for further details see "*Suspension*" below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for such Sub-Fund or Class of Units are closed.



## REDEMPTION OF UNITS

### Redemption of Units

Subject to the restrictions (if any) as specified in the relevant Appendix, any Unitholder may redeem his Units on any Dealing Day in whole or in part. Save where there is a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or Class and/or the redemption of Units of the relevant Sub-Fund or Class, a redemption request once given cannot be revoked without the consent of the Manager.

### Redemption Price

Units redeemed on a Dealing Day will be redeemed at the Redemption Price calculated by reference to the Net Asset Value per Unit of the relevant Class as at the Valuation Point on the Valuation Day in respect of that Dealing Day (for further details, see “*Valuation and Suspension - Calculation of Net Asset Value*” below).

In calculating the Redemption Price, the Manager may deduct such amount (if any) as the Manager may estimate as an appropriate allowance to reflect (i) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available asked price of such investment and (ii) fiscal and sale charges (including stamp duty, other taxes, withholdings, duties or governmental charges, brokerage, bank charges or transfer fees or other fees and expenses) which would be incurred for the account of the relevant Sub-Fund in realizing assets or closing out positions to provide funds to meet any redemption request. For further details, please see “*Valuation and Suspension – Adjustment of Prices*” below.

The Redemption Price shall be rounded to the nearest Decimal Places (e.g. HK\$10.125 shall be rounded up to HK\$10.13 and HK\$10.124 shall be rounded down to HK\$10.12). Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

**If at any time during the period from the time as at which the Redemption Price is calculated and the time at which redemption proceeds are converted out of any other currency into the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class there is an officially announced devaluation or depreciation of that currency, the amount payable to any relevant redeeming Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.**

### Redemption Charge

The Manager may charge a Redemption Charge on the redemption of Units of a percentage of the total redemption amount in relation to a redemption request, as the Manager may at its discretion determine. The maximum and current rate of Redemption Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Redemption Charge may be imposed in relation to the redemption of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Manager may increase the rate of Redemption Charge payable up to or towards the maximum rate for a Sub-Fund or a Class of Units, on giving at least one month’s prior written notice to the Unitholders. The maximum rate of Redemption Charge of a Sub-Fund or a Class of Units may be increased with the sanction of an extraordinary resolution of the Unitholders of the relevant Sub-Fund or Class of Units (as the case may be) and subject to the SFC’s prior approval.

For the purpose of calculating the Redemption Charge payable on a partial redemption of a Unitholder’s holding, Units subscribed earlier in time are deemed to be redeemed prior to Units subscribed later in time unless the Manager and the Trustee agree otherwise.

The Redemption Charge will be deducted from the amount payable to a Unitholder in respect of the redemption of Units. The Redemption Charge will be retained by or paid to the Manager for its own absolute use and benefit or, if so stated in the relevant Appendix, retained by the relevant Sub-Fund. Where the Redemption Charge is retained by the Manager, it may at its discretion, pay all or part of the Redemption Charge to its agents or delegates. The Manager shall be entitled to differentiate between Unitholders or Classes of Units as to the amount of the Redemption Charge (within the maximum rate of Redemption Charge).

### **Minimum Redemption Amount and Minimum Holding Amount**

Details of any Minimum Redemption Amount and Minimum Holding Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

If a redemption request will result in a Unitholder holding Units of a Sub-Fund or a Class less than the Minimum Holding Amount for that Sub-Fund or Class, the Manager may deem such request to have been made in respect of all Units of the relevant Sub-Fund or Class held by that Unitholder.

The Manager has the discretion to waive, change or accept an amount lower than the Minimum Redemption Amount or Minimum Holding Amount from time to time, whether generally or in a particular case.

### **Redemption Procedures**

Applications for redemption of Units may be made to the Registrar (through the Authorized Distributors) by completing the Redemption Form and sending by post or by facsimile to the Registrar (through the Authorized Distributors) at the business address or facsimile number on the Redemption Form. The Redemption Form is available from the Authorized Distributors.

A Redemption Form received by the Registrar (through the Authorized Distributors) by the Dealing Deadline of a Dealing Day will be dealt with on that Dealing Day. If an application for redemption of Units is received after the Dealing Deadline in respect of a Dealing Day then the application will be held over until the next Dealing Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept a redemption request in respect of a Dealing Day which is received after the Dealing Deadline if it is received prior to the Valuation Point relating to that Dealing Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's operational requirements cannot support accepting any such redemption request, the Manager shall not exercise its discretion to accept any redemption request.

A request for redemption once given cannot be revoked without the consent of the Manager and the Trustee.

### **Payment of Redemption Proceeds**

Redemption proceeds will normally be paid by direct transfer or telegraphic transfer in the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class of Units to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted. Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Unitholder.

Redemption Proceeds will be paid as soon as practicable but in any event not exceeding one calendar month after the later of (i) the relevant Dealing Day and (ii) the day on which the Registrar (through the Authorized Distributors) receives the duly completed Redemption Form and such other documents and information as the Trustee, the Manager, the Authorized Distributors and/or the Registrar may require, unless the market(s) in which a substantial portion of investments is made is subject to legal or

regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, payment of redemption proceeds may be deferred, but the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

The Manager or the Trustee, as the case may be, may, in its absolute discretion, delay payment to the Unitholder until (a) where redemption proceeds are to be paid by telegraphic transfer, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee (or the Registrar on behalf of the Trustee); and (b) the Unitholder has produced all documents or information required by the Trustee, the Manager, the Authorized Distributors and/or the Registrar for the purpose of verification of identity.

The Manager or the Trustee, as the case may be, may, refuse to make a redemption payment to a Unitholder if either the Manager or the Trustee suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee or other service providers with any such laws or regulations in any relevant jurisdiction.

If the Manager or the Trustee is required or entitled by any applicable laws, regulations, direction or guidance, or by any agreement with any tax or fiscal authority to make withholdings from any redemption moneys payable to the Unitholder, the amount of such withholdings shall be deducted from the redemption moneys otherwise payable to such person, provided that the Manager or the Trustee is acting in good faith and on reasonable grounds.

Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, neither the Manager nor the Trustee nor their agents shall be liable for any loss caused by any refusal or delay in making payment as a result of delay in receipt of proceeds of realization of the investments of the relevant Sub-Fund.

The Trust Deed also provides for payment of redemption proceeds in specie with the consent of the relevant Unitholder.

### **Restrictions on Redemption**

No Units of a Sub-Fund or a Class may be redeemed where the determination of the Net Asset Value of that Sub-Fund or Class and/or the redemption of Units of that Sub-Fund or Class is suspended (for further details see “*Valuation and Suspension - Suspension*” below).

With a view to protecting the interests of all Unitholders of a Sub-Fund, the Manager may with the approval of the Trustee limit the number of Units of such Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation of Units) to 10% of the total number of Units of the relevant Sub-Fund in issue as determined by the Manager. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund who have validly requested to redeem Units of the same Sub-Fund on that Dealing Day will redeem the same proportion of such Units of that Sub-Fund. Any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next succeeding Dealing Day (in relation to which the Manager has the same power). If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned within 7 Business Days of such Dealing Day.

### **Compulsory Redemption of Units**

The Manager may compulsorily redeem Units in circumstances which include where the Manager or the Trustee suspects that Units of any Class are owned directly or beneficially by any person:

- (a) in contravention of any laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed;
- (b) in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager or the Trustee to be relevant) which in their opinion might result in the relevant Sub-Fund, the Fund, the Trustee and/or the Manager incurring any liability to taxation or suffering any other pecuniary disadvantage which the Sub-Fund, the Fund, the Trustee and/or the Manager might not otherwise have incurred or suffered; or
- (c) if the Manager determines in good faith for any other reason,

in which case the Manager or the Trustee may:

- (i) give notice requiring the relevant Unitholder to transfer the Units to a person who would not be in contravention of the above restrictions within 30 days of the date of the notice; or
- (ii) deem receipt of a redemption request in respect of such Units; or
- (iii) take such other actions as it reasonably believes is required by applicable laws or regulations.

Where the Manager or the Trustee has given such notice and the Unitholder has failed to either (i) transfer the relevant Units within 30 days of the date of the notice, or (ii) establish to the satisfaction of the Manager or the Trustee (whose judgment is final and binding) that the relevant Units are not held in contravention of any of the restrictions set out above, the Unitholder is deemed to have given a redemption request in respect of the relevant Units on the expiry of 30 days from the date of the notice.

## EXCHANGE

### Exchange for Units

Unitholders have the option to exchange Units for Units of the same Class of any other Sub-Fund of the Fund or shares of the same class of certain other AB funds authorized by the SFC from time to time. Unitholders should check the relevant fund's authorized status prior to exchange. Any such exchange will be subject to the minimum investment requirements and any other applicable terms set out in this Explanatory Memorandum or the prospectus relating to the shares of the AB fund to be acquired upon exchange (as the case may be). The Manager reserves the right, in its discretion, to waive any applicable minimum subscription amounts.

Following receipt and acceptance by the Manager, or its agent, of a valid and complete exchange order, exchanges will be effected, in each case, at the Net Asset Value as next determined in accordance with the terms set out in "*Valuation and Suspension – Calculation of Net Asset Value*" below. The applicable Dealing Deadline for an exchange for Units of another Sub-Fund of the Fund will be the earlier of the Dealing Deadline of the two Sub-Funds or Classes that are associated with the exchange. If the earlier Dealing Deadline is not met, the exchange will not be considered for acceptance until the next common Business Day of the two Sub-Funds. Exchanges involving other AB funds will be effected by means of a redemption of the original Units and a subscription for and purchase of the shares to be acquired upon exchange.

The Manager reserves the right (i) to reject any order to acquire Units through exchange at any time or (ii) otherwise modify, restrict or terminate the exchange privilege generally subject to obtaining the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

Exchanges will be effected in a manner such that upon redemption of the Units acquired in the exchange, the Redemption Price will be paid in the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class of Units to be redeemed. In the event a Unitholder exchanges original Units into Units of another Sub-Fund of the Fund that are not available in the currency of the Unitholder's original investment, a second funds account denominated in the second currency will be opened in order for such Units to be recorded therein. Unitholders will be issued a second funds account number and receive separate account statements with respect to any such second account. Transaction costs, if any, incurred in respect of an exchange of Units of the same Class but involving different currencies will be reflected in the amount of Units realized by the investor upon exchange.

Investors interested in exchanging Units should contact their financial adviser or the Authorized Distributor for more information about the exchange option. The procedures for an application for exchange of Units shall be set out in the Exchange Form which is available from the Authorized Distributors.

Under the Trust Deed, an Exchange Fee of a maximum of 2% may be charged on exchange of Units. The Manager currently does not intend to charge any administrative or other fees in connection with exchanges. However, investors who hold their Units through accounts with an Authorized Distributor should contact such Authorized Distributor to determine if any such fees apply in connection with exchanges.

## VALUATION AND SUSPENSION

### Calculation of Net Asset Value

The Net Asset Value of each Sub-Fund and the Net Asset Value per Unit of each Class will be calculated in accordance with the Trust Deed as at the Valuation Point on each Valuation Day. The Trust Deed provides among others that:-

#### (a) Listed Investments

The value of any investment (including a unit/share in a collective investment scheme which does not provide for units/shares to be redeemed at the option of the holder of such a unit/share but excluding a commodity) quoted, listed, traded or normally dealt in on a Securities Market shall at the discretion of the Manager be calculated by reference to the last traded price or closing price as calculated and published by the Securities Market (which, in the opinion of the Manager, provides the principal Securities Market for such investment) at or immediately preceding the Valuation Point, as the Manager may consider in the circumstances to provide a fair criterion, provided that:-

- (i) If the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may, in consultation with the Trustee, adopt such prices.
- (ii) If an investment is quoted, listed or normally dealt in on more than one Securities Market, the Manager shall adopt the price on the Securities Market which, in its opinion and in consultation with the Trustee, provides the principal market for such investment.
- (iii) In the case of any investment which is quoted, listed or normally dealt in on a Securities Market but in respect of which, for any reason, prices on that Securities Market may not be available at any relevant time, the value thereof shall be documented by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager in consultation with the Trustee.
- (iv) Where there is no Securities Market, all calculations based on the value of investments quoted by any person, firm or institution making a market in that investment (and if there shall be more than one such market maker then such particular market maker as the Manager, in consultation with the Trustee, may determine) shall be made by reference to the bid-side price quoted or evaluated thereby.
- (v) There shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price.

#### (b) Unquoted Investments

The value of any investment (including a unit/share in a collective investment scheme which does not provide for units/shares therein to be redeemed at the option of the holder of such a unit/share but excluding a commodity) which is not quoted, listed or normally dealt in on a Securities Market shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other acquisition expenses) provided that the value of any such unquoted investment shall be determined in a regular basis by a professional person approved by the Trustee as qualified to value such unquoted investment. Such professional person may, with the approval of the Trustee, be the Manager.

(c) Cash, Deposits etc.

Cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager in consultation with the Trustee, any adjustment should be made to reflect the value thereof.

(d) Collective Investment Scheme

The value of each unit, share or other interest in any collective investment scheme (other than a unit/share in a collective investment scheme to which paragraph (a) or (b) above applies) shall be the net asset value per unit, share or other interest as at the same day the Net Asset Value of the relevant Sub-Fund is calculated, or if such collective investment scheme is not valued as at the same day, the last published net asset value per unit, share or other interest in such collective investment scheme (where available) or (if the same is not available) the latest available bid price for such a unit, share or other interest at or immediately preceding the Valuation Point.

If no net asset value, bid and offer prices or price quotations are available, the value of each unit, share or other interest shall be determined from time to time in such manner as the Manager shall determine, in consultation with the Trustee.

(e) Other Valuation Methods

Notwithstanding paragraphs (a) to (d) above, the Manager may, in consultation with the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment or use of such other method is required to reflect the fair value thereof.

(f) Conversion to Base Currency

The value (whether of a borrowing or other liability, an investment or cash) otherwise than in the Base Currency of a Sub-Fund shall be converted into the Base Currency at the prevailing market rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate.

(g) Reliance on Price Data and Information provided through Electronic Price Feeds etc

Subject as provided below, when calculating the Net Asset Value of a Sub-Fund, price data and other information in relation to the value of any investment or the cost price or sale price thereof provided through electronic price feeds, mechanized or electronic systems of price or valuation, or valuation or pricing information which is provided by any valuer, third party valuation agent, intermediary or other third party appointed or authorized to provide valuations or pricing information of the investments or the assets of the Sub-Fund may be relied upon without verification, further enquiry or liability notwithstanding that the prices so used are not the last traded prices or closing prices.

The Manager in consultation with the Trustee shall exercise reasonable care and diligence in the selection of the valuation service providers and shall satisfy itself that such valuation service providers remain suitably qualified and competent to provide such price data and other information services.

The Manager in consultation with the Trustee may arrange for a revaluation of the Net Asset Value of a Unit of any Class if it considers that the Net Asset Value per Unit of the relevant Class calculated in relation to any Dealing Day does not accurately reflect the true value of such Unit. Any revaluation will be made on a fair and equitable basis.

### **Adjustment of Prices**

The Manager may (i) implement swing pricing to adjust the Net Asset Value of a Sub-Fund or (ii) make such adjustment to the Issue Price and Redemption Price, as detailed below. For the avoidance of doubt, the Manager may either adjust the Net Asset Value of a Sub-Fund, or adjust the Issue Price/Redemption Price of the Sub-Fund, but not both, on a particular Dealing Day.

#### *Swing Pricing Adjustment*

In order to counter the effects of dilution on a Sub-Fund's Net Asset Value brought about by large purchases or redemptions of the Sub-Fund's Units, the Manager has implemented a swing pricing policy.

Dilution involves a reduction in the Net Asset Value brought about by investors purchasing, selling and/or exchanging in and out of a Sub-Fund at a price that does not reflect the dealing costs associated with the Sub-Fund's trade activity undertaken to accommodate the corresponding cash inflows or outflows. Dilution occurs when the actual cost of purchasing or selling the underlying assets of a Sub-Fund deviates from the valuation of these assets in the Sub-Fund due to dealing charges, taxes and any spread between the buying and selling prices of the underlying assets. Dilution may have an adverse effect on the value of a Sub-Fund and therefore impact Unitholders.

Under the Manager's swing pricing policy, if on any Valuation Day, the aggregate net investor inflows or outflows in Units of a Sub-Fund exceed a pre-determined threshold, as determined from time to time by the Manager, the Net Asset Value of the Sub-Fund may be adjusted upwards or downwards to reflect the costs attributable to such net inflows or net outflows. The threshold is set by the Manager taking into account factors such as the prevailing market conditions, the estimated dilution costs and the size of a Sub-Fund. The level of swing pricing adjustment will be reviewed and may be adjusted on a periodic basis to reflect an approximation of dealing costs as determined by the Manager. The application of swing pricing will be triggered automatically on a daily basis upon crossing the relevant threshold. The swing pricing adjustment will be applicable to all Units of a Sub-Fund (and all transactions) on that Valuation Day. The swing pricing adjustment may vary by Sub-Fund and is dependent upon the particular assets in which a Sub-Fund is invested. The swing pricing adjustment will generally not exceed 2% of the original Net Asset Value of a Sub-Fund.

Investors are advised that the application of swing pricing may result in increased volatility in a Sub-Fund's valuation and performance, and a Sub-Fund's Net Asset Value may deviate from the underlying investments' performance on a particular Valuation Day as a result of the application of swing pricing. Typically, such adjustment will increase the Net Asset Value per Unit on a given Valuation Day when there are net inflows into a Sub-Fund and decrease the Net Asset Value per Unit when there are net outflows.

#### *Adjustment to Issue Price or Redemption Price*

In calculating the Issue Price, the Manager may add fiscal and purchase charges (see "***Investing in the Fund – Issue Price***" above) and in calculating the Redemption Price, the Manager may deduct fiscal and sale charges (see "***Redemption of Units – Redemption Price***" above).

The Manager may also make such adjustment to the Issue Price and Redemption Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Trustee prior to any adjustment in the Issue Price or Redemption Price. Exceptional circumstances for adjusting the Issue



Price or Redemption Price may include (a) the aggregate net transactions (either net subscriptions or net redemptions) in Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavorable impact on the interests of existing Unitholders. In such circumstances the Net Asset Value per Unit of the relevant Class may be adjusted by an amount (not exceeding 2% of that Net Asset Value) which reflects the dealing costs that may be incurred by the relevant Sub-Fund and the estimated bid/offer spread of the assets in which the relevant Sub-Fund invests.

For the avoidance of doubt,

- (a) the Issue Price and Redemption Price, prior to any adjustment, will be determined with reference to the same Net Asset Value per Unit of the relevant Class; and
- (b) it is not the intention of the Manager to adjust the Issue Price upwards and the Redemption Price downwards for the same Dealing Day; and
- (c) any adjustment in the Issue Price or Redemption Price must be made on a fair and equitable basis.

### **Suspension**

The Manager may, after consultation with the Trustee, having regard to the best interest of Unitholders, declare a suspension of the determination of the Net Asset Value of any Sub-Fund or of any Class of Units and/or the issuance, exchange and/or the redemption of Units for the whole or any part of any period during which:-

- (a) there is a closure (other than customary weekend and holiday closing) of or the restriction or suspension of trading on any commodities market or Securities Market on which a substantial part of the investments of that Sub-Fund is normally traded or a breakdown in any of the means normally employed in ascertaining the prices of investments or the Net Asset Value of a Sub-Fund or the Issue Price or Redemption Price per Unit; or
- (b) for any other reason the prices of investments held or contracted for by the Manager for the account of that Sub-Fund cannot, in the opinion of the Manager after consultation with the Trustee, reasonably, promptly or fairly be ascertained; or
- (c) circumstances exist as a result of which, in the opinion of the Manager after consultation with the Trustee, it is not reasonably practicable to realize a substantial part of the investments held or contracted for the account of that Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of Units of the relevant Sub-Fund; or
- (d) the remittance or repatriation of funds which will or may be involved in the realization of, or in the payment for, a substantial part of the investments of that Sub-Fund or the issue or redemption of Units of the relevant Class is delayed or cannot, in the opinion of the Manager after consultation with the Trustee, be carried out promptly at normal rates of exchange; or
- (e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit takes place or when for any other reason the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit cannot in the opinion of the Manager after consultation with the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner; or
- (f) when, in the opinion of the Manager after consultation with the Trustee, such suspension is required by law or applicable legal process; or

- (g) where that Sub-Fund is invested in one or more collective investment schemes and the realization of interests in any relevant collective investment scheme(s) (representing a substantial portion of the assets of the Sub-Fund) is suspended or restricted; or
- (h) when the business operations of the Manager or the Trustee or any of their agents or delegates in relation to the operations of that Sub-Fund are substantially interrupted or closed as a result of or arising from a force majeure event; or
- (i) when the Unitholders or the Manager or the Trustee have resolved or given notice to terminate that Sub-Fund; or
- (j) such other circumstance or situation exists as set out in the Appendix of that Sub-Fund.

If a suspension is declared, during such a period of suspension –

- (a) where the suspension is in respect of the determination of the Net Asset Value, there shall be no determination of the Net Asset Value of the relevant Sub-Fund and the Net Asset Value per Unit of that Sub-Fund (or a Class thereof) (although an estimated Net Asset Value may be calculated and published) and any applicable issue or request for exchange or redemption of Units shall be similarly suspended. If a request for subscription, exchange or redemption of Units are received by the Manager during a period of suspension and not withdrawn, such request shall be treated as if it were received in time to be dealt with on the Dealing Day next following the end of the said suspension and dealt with accordingly; and
- (b) where the suspension is in respect of the allotment or issue, exchange and/or the redemption of Units, there shall be no allotment, issue, exchange and/or redemption of Units. For the avoidance of doubt, the allotment, issue, exchange or redemption of Units may be suspended without suspending the determination of the Net Asset Value.

A suspension shall take effect forthwith upon the declaration thereof until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorized shall exist.

Whenever the Manager declares such a suspension it shall as soon as may be practicable after any such declaration notify the SFC of such suspension and shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, cause a notice to be published on the Manager's website [www.alliancebernstein.com.hk](http://www.alliancebernstein.com.hk) that such declaration has been made. Investors should note that the aforesaid website is not reviewed or authorized by the SFC.

## DISTRIBUTION POLICY

The distribution policy adopted by a Sub-Fund is set out in the relevant Appendix of such Sub-Fund. A Sub-Fund may offer Classes of Units that accumulate value (“**Accumulation Classes**”) or pay regular distributions out of net distributable income or capital or gross income of such Sub-Fund (“**Distribution Classes**”).

### **Accumulation Classes**

No distribution is intended to be made in respect of Accumulation Classes. Therefore, any net income and net realized capital gains attributable to Units of the Accumulation Classes will be reflected in their respective Net Asset Value.

### **Distribution Classes**

For Distribution Classes, the Manager will declare and pay distributions in such amount, on such date and at such frequency as the Manager may determine. However, unless otherwise specified in the relevant Appendix, there is no guarantee that such distributions will be made and there may not be a target level of distributions payout.

The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant Distribution Class.

**In the event that the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared, the Manager may in its discretion determine such dividends be paid from capital. The Manager may also, in its discretion, pay dividends out of gross income while paying all or part of such Distribution Class’ fees and expenses out of the capital of such Distribution Class, resulting in an increase in distributable income for the payment of dividends by the relevant Distribution Class and therefore, dividends may be paid effectively out of capital of the relevant Distribution Class. Payment of dividends out of, or effectively out of, capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of, or effectively out of, a Sub-Fund’s capital may result in an immediate reduction of the Net Asset Value per Unit of the relevant Distribution Class.**

The composition of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available from the Manager on request.

Distributions of a Distribution Class declared, if any, shall be distributed among the Unitholders of the relevant Distribution Class rateably in accordance with the number of Units held by them on the record date as determined by the Manager with the approval of the Trustee in respect of the corresponding distribution. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date shall be entitled to the distribution declared in respect of the corresponding distribution.

Distributions may be paid in cash or may be applied to subscribe for additional Units in the relevant Class of the relevant Sub-Fund at the option of the Unitholder as indicated in its Application Form. Unitholders may change their distribution option by giving not less than 7 days’ written notice to the Registrar (through the Authorized Distributors). Any payment of distributions in cash will normally be paid by direct transfer or telegraphic transfer in the Class Currency of the relevant Distribution Class to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted.

The Manager may amend the dividend policy in respect of distribution out of capital subject to obtaining the SFC’s prior approval (if required) and by giving not less than one month’s prior notice to Unitholders.

## **FEES AND EXPENSES**

### **Management and Performance Fees**

The Manager is entitled to receive in respect of a Sub-Fund (or any Class thereof), a management fee calculated based on the average daily Net Asset Value and accrued daily and payable monthly in arrears as a percentage of the Net Asset Value of such Sub-Fund (or such Class) at the rates as specified in the relevant Appendix, subject to a maximum rate of 5% per annum.

The Manager may also charge a performance fee in respect of a Sub-Fund (or any Class thereof), payable out of the assets of the relevant Sub-Fund (or the relevant Class). If a performance fee is charged, further details will be provided in the Appendix for the relevant Sub-Fund, including the current rate of the performance fee payable and the basis of calculation of such fee.

The Manager reserves the right to waive or rebate any fees to which it is entitled, whether in part or in full. The Manager may pay any person(s), including but without limitation, its affiliates, distributors, financial intermediaries and service providers out of any fees it receives, as it deems appropriate.

### **Trustee Fee**

The Trustee is entitled to receive a fee which is charged as a percentage of the Net Asset Value of the relevant Sub-Fund, at the rates specified in the Appendix and subject to a minimum monthly fee (if any) as specified in the relevant Appendix and a maximum rate of 2% per annum. Such fee is calculated and accrued daily and payable monthly in arrears out of the assets of the relevant Sub-Fund.

It is also entitled to receive various transaction, processing and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred by it in the performance of its duties.

### **Administration Fee**

State Street Bank and Trust Company has been appointed by the Manager to provide accounting, Net Asset Value calculation and other administrative services and is entitled to an administration fee of up to 1% per annum of the Net Asset Value of the relevant Sub-Fund for the provision of such services. The administration fee will be accrued daily and payable monthly in arrears out of the assets of the relevant Sub-Fund. State Street Bank and Trust Company is also entitled to receive various transaction fees as agreed with the Manager from time to time.

### **Registrar Fee**

The Registrar (also acting as the transfer agent) is entitled to receive a fee which is a combination of asset-based fees and transaction fees charged as a percentage of the Net Asset Value of the assets attributable to the relevant Class which is subject to a maximum rate of 0.50% per annum of the relevant Sub-Fund's Net Asset Value. Such fee is calculated and accrued daily and payable monthly in arrears out of the assets of the relevant Sub-Fund.

### **Notice for Fee Increase**

Unitholders shall be given not less than one month's prior notice should there be any increase of the management fee, performance fee or Trustee's fee from the current level to the maximum level. Any increase in the maximum level of the management fee, performance fee or Trustee's fee of a Sub-Fund (or any Class thereof) shall be subject to the SFC's prior approval and the sanction of extraordinary resolution of the Unitholders of such Sub-Fund (or such Class). Unitholders shall also be given not less than one month's prior notice should there be any increase in the maximum level of Registrar's fee.

## **Establishment Costs**

The establishment costs of the Fund and the initial Sub-Fund are of such amount as set out in the Appendix of the initial Sub-Fund and will be borne by the initial Sub-Fund. The establishment costs will be amortized over the Amortization Period. Where subsequent Sub-Funds are established in the future, the Manager may determine that the unamortized establishment costs of the Fund or a part thereof may be re-allocated to such subsequent Sub-Funds.

The establishment costs and payments incurred in the establishment of subsequent Sub-Funds are to be borne by the Sub-Fund to which such costs and payments relate and amortized over the Amortization Period.

Investors should also note that under HKFRS, establishment costs should be expensed as incurred and that amortization of the expenses of establishing Sub-Funds is not in accordance with HKFRS; however, the Manager has determined that the amortization of expenses is in the interests of the Sub-Funds and has considered that it will not have a material impact on the financial statements of Sub-Funds. To the extent that the accounting basis adopted by a Sub-Fund deviates from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS.

## **General Expenses**

Each Sub-Fund will bear the costs (including those set out below) which are attributable to it. Where such costs are not directly attributable to a Sub-Fund, such costs will be allocated amongst the Sub-Funds in proportion to the respective Net Asset Value of all the Sub-Funds or equally amongst the Sub-Funds as the Manager deems appropriate.

Such costs include but are not limited to the costs of investing and realizing the investments of the Sub-Funds, the fees and expenses of the custodian, registrar and the auditors, valuation costs, legal fees, the expenses incurred by the Manager and the Trustee in establishing the Fund and Sub-Funds and costs in connection with the initial issue of Units or a Class of Units, expenses in connection with the management and trusteeship of the Fund authorized by the Trust Deed to be payable out of the Fund, out-of-pocket expenses incurred by the Trustee and/or the Manager or their duly appointed delegates wholly and exclusively in the performance of its duties (including, where appropriate, obtaining collateral, credit support or implementing other measures or arrangements in mitigating the counterparty risk or other exposure of the relevant Sub-Fund), the costs incurred in connection with the preparation of supplemental deeds or any listing or regulatory approval, the costs of holding meetings of Unitholders and of giving notices to Unitholders, the costs incurred in terminating the Fund or any Sub-Fund, the fees and expenses of the Trustee which are agreed by the Manager in connection with time and resources incurred by the Trustee reviewing and producing documentation in connection with the operation of any Sub-Fund or incurred by the Trustee in relation to the filing of annual returns and other statutory information required to be filed with any relevant regulatory authority and the costs incurred in the preparation and printing of any explanatory memorandum, fees and expenses of any other service providers of the Fund or any Sub-Fund (including without limitation any administrator or valuation agent) including such charges, expenses and disbursements where the Trustee or a connected person of the Trustee is the service provider), all costs incurred in publishing the Net Asset Value of a Sub-Fund, Net Asset Value per Unit, Issue Price and Redemption Price of Units, all costs of preparing, printing and distributing all statements, accounts and reports, the expenses of preparing and printing any offering document, and any other expenses, deemed by the Manager, after consulting the Auditors, to have been incurred in compliance with or connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with any code relating to unit trusts.

For so long as the Fund and such Sub-Funds are authorized by the SFC, no advertising or promotional expenses shall be charged to the Sub-Funds so authorized.

## **Transactions with Connected Persons, Cash Rebates and Soft Dollars**

The Trustee, the Manager and the Investment Adviser will take all reasonable care to ensure that transactions carried out by or on behalf of the Fund or any Sub-Fund are executed at arm's length and in the best interests of the Unitholders of the relevant Sub-Fund.

In particular, any transactions between the Sub-Fund and the Manager, the Investment Adviser or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions will be disclosed in the annual report of the Fund and/or the relevant Sub-Fund. In transacting with brokers or dealers connected to the Manager, the Investment Adviser or any of their connected persons, the Manager must ensure that:

- (a) such transactions are on arm's length terms;
- (b) it uses due care in the selection of such brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) transaction execution must be consistent with applicable best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- (e) it monitors such transactions to ensure compliance with its obligations; and
- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual report of the Fund and/or the relevant Sub-Fund.

None of the Manager, the Investment Adviser or any of their connected persons will retain cash or other rebates from brokers or dealers in consideration of directing transactions for a Sub-Fund to such brokers or dealers, save that goods and services (soft dollars) as described in the paragraph below may be retained. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund.

The Trustee shall not as principal for its own account sell or deal in the sale of investments to the Trustee for the account of the Fund or any Sub-Fund or otherwise deal as principal with the Fund or any Sub-Fund, provided that the Trustee shall be permitted to sell or deal in the sale of investments and otherwise deal with the Fund or any Sub-Fund where it acts at all times in its capacity as a trustee and not in its capacity as a principal. The connected persons of the Trustee must not, without the written approval of the Trustee, as principal sell, or deal in the sale of, investments for the account of the Fund or the relevant Sub-Fund or otherwise deal as principal for the account of the Fund or the relevant Sub-Fund, and if the Trustee shall give its approval, any such selling or dealing shall be transacted at arm's length and otherwise in accordance with the Trust Deed. If any connected person of the Trustee shall so sell or deal, such connected person may retain for its own absolute use and benefit any profit which it may derive therefrom or in connection therewith, provided that such transactions are entered into on an arm's length basis and at the best price available to the Fund and the relevant Sub-Fund.

The Manager, the Investment Adviser and/or any of their connected person reserves the right to effect transactions by or through a broker or dealer with whom the Manager, the Investment Adviser and/or any of their connected person has an arrangement under which that broker or dealer will from time to time provide to or procure for the Manager, the Investment Adviser and/or any of their connected person goods or services for which no direct payment is made but instead the Manager, the Investment Adviser and/or any of their connected person undertakes to place business with that broker or dealer. The Manager or Investment Adviser shall procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager and/or Investment Adviser in their ability to manage the relevant Sub-Fund or otherwise; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) periodic disclosure is made in the annual report of the Fund or the relevant

Sub-Fund in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Adviser, including a description of goods and services received by them; and (iv) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. Such goods and services may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

The Managers may execute foreign exchange spot, forward or swap transaction (collectively “**foreign exchange transactions**”) with connected persons of the Trustee (“**CPs**”) or with dealers or counterparties that are not affiliated with the Trustee. If the Manager elects to execute foreign exchange transactions with CPs, then:

- (a) the CPs will enter into such foreign exchange transactions with or for the account of the Fund or any Sub-Fund as a principal counterparty (and not as agent or fiduciary for the Fund, the relevant Sub-Fund or the Manager);
- (b) the Manager will at its discretion determine the method of execution to be used, either generally or in any particular case, from the methods of execution made available to the Manager by the CPs from time to time and shall be responsible for determining which method of execution is suitable for the Fund or the relevant Sub-Fund;
- (c) any such transaction shall be effected at rates quoted or as determined by the CPs from time to time which are consistent with the applicable method of execution chosen by the Manager from the methods made available to it by the CPs in light of such factors as the Manager determines to be relevant, including price, service transaction size and execution quality; and
- (d) the CPs shall be entitled to retain for their own use and benefit any benefit which they may derive from any such foreign exchange transactions or the holding of cash in connection therewith.

For the avoidance of doubt, the Manager may elect to enter into foreign exchange transactions with counterparties other than the CPs.

If cash forming part of a Sub-Fund’s assets or a distribution account is transferred to a deposit account with the Trustee, the Manager, any investment adviser or any of their connected persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interest of the Unitholders of the relevant Sub-Fund, having regard to prevailing commercial rate for a deposit of similar type, size and term negotiated at arm’s length in accordance with ordinary and normal course of business. Subject thereto the Trustee, the Manager, any investment adviser or their connected persons are entitled to retain for its or their own use and benefit any benefit which it or they may derive from any cash for the time being in its hands (whether on current or deposit account) as part of a Sub-Fund or a distribution account (as the case may be).

## TAXATION

Each prospective Unitholder should inform himself of, and where appropriate take advice on, the taxes applicable to the acquisition, holding and redemption of Units by him under the laws of the places of his citizenship, residence and domicile.

The following summary of Hong Kong and U.S. taxation is of a general nature, is for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of Unitholders. Prospective Unitholders should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force at the date of this Explanatory Memorandum. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Explanatory Memorandum. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below.

### **Hong Kong Taxation**

#### The Fund/ Sub-Fund(s)

(a) *Profits Tax:*

As the Fund and the Sub-Fund(s) have been authorized, as a collective investment scheme constituted as a unit trust authorized by the SFC under Section 104 of the SFO, profits of the Fund and the Sub-Fund(s), in respect of their authorized activities, are exempt from Hong Kong Profits Tax.

(b) *Stamp Duty:*

Hong Kong Stamp Duty is ordinarily payable on the sale, purchase, and change in beneficial ownership of Hong Kong stock. "Hong Kong stock" is defined as "stock" the transfer of which is required to be registered in Hong Kong. Hence, the Fund and the Sub-Fund(s) will be subject to Hong Kong Stamp Duty if it invests in Hong Kong stock.

No Hong Kong Stamp Duty is payable by the Fund or Sub-Fund(s) on an issue or redemption of Units.

No Hong Kong Stamp Duty is payable where the sale or transfer of the Units is effected by extinguishing the Unit or the sale or transfer is to the Manager who subsequently re-sells the Units within two months thereof.

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong Stamp Duty on the transfer of Hong Kong stocks to the Fund / Sub-Fund(s) in exchange for issue of Units or transfer of Hong Kong stocks from the Fund / Sub-Fund(s) in consideration for redemption of Units will be remitted, subject to applications.



## The Unitholders

### (a) *Profits Tax:*

Unitholders should not be subject to any Hong Kong profits tax on distributions by the Fund or Sub-Fund(s) in accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Explanatory Memorandum). Hong Kong profits tax (which is currently charged at the rate of 16.5% for corporations, and 15% for individuals or unincorporated business) will arise on any gains or profits made on the sale, redemption or other disposal of the Units where such transactions form part of a trade, profession or business carried on by a Unitholder in Hong Kong and such Units are not capital assets to the Unitholders. Unitholders should take advice from their own professional advisers as to their particular tax position.

There is no withholding tax on dividends and interest in Hong Kong.

### (b) *Stamp Duty:*

No Hong Kong Stamp Duty is payable by a Unitholder in relation to an issue of Units or on the redemption of Units.

No Hong Kong Stamp Duty is payable where the sale or transfer of the Unit is effected by extinguishing the Unit or the sale or transfer is to the Manager who subsequently re-sells the Units within two months thereof.

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong Stamp Duty on the transfer of Hong Kong stocks to the Fund / Sub-Fund(s) in exchange for issue of Units or transfer of Hong Kong stocks from the Fund / Sub-Fund(s) in consideration for redemption of Units will be remitted, subject to applications.

Other types of sales or purchases or changes in beneficial ownership of the Units by the Unitholders should generally be liable to Hong Kong Stamp Duty of 0.13% (borne by each of the buyer and seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HK\$5.00 is generally payable on any instrument of transfer of Units.

## **U.S. Taxation**

The Fund has not sought a ruling from the U.S. Internal Revenue Service or any other U.S. federal, state or local agency with respect to any of the tax issues affecting the Fund, nor has it obtained an opinion of counsel with respect to any tax issues.

The following is a summary of certain potential U.S. federal tax consequences which may be relevant to prospective Unitholder. The discussion contained herein is not a full description of the complex tax rules involved and is based upon existing laws, judicial decisions and administrative regulations, rulings and practices, all of which are subject to change, retroactively as well as prospectively. A decision to invest in the Fund should be based upon an evaluation of the merits of the trading program, and not upon any anticipated U.S. tax benefits.

### ***U.S. Tax Status***

Each Sub-Fund intends to operate as a separate corporation for U.S. federal tax purposes. The remainder of the U.S. tax discussion herein assumes that each Sub-Fund will be treated as a separate corporation for U.S. federal tax purposes, though the U.S. Federal tax treatment of an entity like the Fund and its Sub-Funds is not entirely clear. The references to “the Fund” below shall be read to apply to each Sub-Fund, unless otherwise indicated.

## *U.S. Trade or Business*

Section 864(b)(2) of the U.S. Internal Revenue Code of 1986, as amended (the “**IRC**”), provides a safe harbor (the “**Safe Harbor**”) applicable to a non-U.S. corporation (other than a dealer in securities) that engages in the U.S. in trading securities (including contracts or options to buy or sell securities) for its own account pursuant to which such non-U.S. corporation will not be deemed to be engaged in a U.S. trade or business. The Safe Harbor also provides that a non-U.S. corporation (other than a dealer in commodities) that engages in the U.S. in trading commodities for its own account is not deemed to be engaged in a U.S. trade or business if “the commodities are of a kind customarily dealt in on an organized commodity exchange and if the transaction is of a kind customarily consummated at such place.” Pursuant to proposed regulations, a non-U.S. taxpayer (other than a dealer in stocks, securities, commodities or derivatives) that effects transactions in the United States in derivatives (including (i) derivatives based upon stocks, securities, and certain commodities and currencies, and (ii) certain notional principal contracts based upon an interest rate, equity, or certain commodities and currencies) for its own account is not deemed to be engaged in a United States trade or business. Although the proposed regulations are not final, the Service has indicated in the preamble to the proposed regulations that for periods prior to the effective date of the proposed regulations, taxpayers may take any reasonable position with respect to the application of Section 864(b)(2) of the IRC to derivatives, and that a position consistent with the proposed regulations will be considered a reasonable position.

The Fund intends to conduct its business in a manner so as to meet the requirements of the Safe Harbor. Thus, based on the foregoing, the Fund’s securities and commodities trading activities are not expected to constitute a U.S. trade or business and, except in the limited circumstances discussed below, the Fund does not expect to be subject to the regular U.S. income tax on any of its trading profits. However, if certain of the Fund’s activities were determined not to be of the type described in the Safe Harbor, the Fund’s activities may constitute a U.S. trade or business, in which case the Fund would be subject to U.S. income and branch profits tax on the income and gain from those activities.

Even if the Fund’s securities trading activity does not constitute a U.S. trade or business, gains realized from the sale or disposition of stock or securities (other than debt instruments with no equity component) of U.S. Real Property Holding Corporations (as defined in Section 897 of the IRC) (“**USRPHCs**”), including stock or securities of certain REITs, will be generally subject to U.S. income tax on a net basis. However, a principal exception to this rule of taxation may apply if such USRPHC has a class of stock which is regularly traded on an established securities market and the Fund generally did not hold (and was not deemed to hold under certain attribution rules) more than 5% (10% in the case of a REIT) of the value of a regularly traded class of stock or securities of such USRPHC at any time during the five year period ending on the date of disposition. Moreover, if the Fund were deemed to be engaged in a U.S. trade or business as a result of owning a limited partnership interest in a U.S. business partnership or a similar ownership interest, income and gain realized from that investment would be subject to U.S. income and branch profits tax.

## *Identity and Reporting of Beneficial Ownership; U.S. Withholding on Certain Payments*

In order to avoid a U.S. withholding tax of 30% on certain payments (including payments of gross proceeds) made with respect to certain actual and deemed U.S. investments under FATCA, the Manager has registered with the Service as a sponsoring entity for the Fund and/or each Sub-Fund and has agreed to perform, on behalf of the sponsored FFIs, all due diligence, reporting and other relevant FATCA requirements. The Manager has obtained a Global Intermediary Identification Number and the Fund and/or each Sub-Fund are considered as sponsored FFIs. Pursuant to the HK/US IGA, certain non-U.S. investors in the Fund and/or each Sub-Fund will be required to provide to the Fund and/or each Sub-Fund information which identifies its direct and indirect U.S. ownership. Any such information provided to the Fund and/or each Sub-Fund may be shared with the Service. Non-U.S. investors that are “foreign financial institutions” within the meaning of Section 1471(d)(4) of the IRC are also generally required to register with the Service, and agree to identify certain of their own direct and indirect U.S. account holders (including debtholders and equityholders). A non-U.S. investor who fails to provide such information to the Fund and/or each Sub-Fund as required, or timely register and agree

to identify and report information with respect to such account holders as required, may be subject to the 30% withholding tax under FATCA with respect to its share of payments attributable to actual and deemed U.S. investments of the Fund and/or each Sub-Fund, and the Trustee may take any action in relation to an investor's Units or redemption proceeds to ensure that such withholding is economically borne by the relevant investor whose actions or inaction gave rise to the withholding. Unitholders should consult with their own tax advisors regarding the possible implications of FATCA and related tax consequences with respect to their investments in the Fund and/or each Sub-Fund.

Non-U.S. Unitholder may also be required to make certain certifications to the Fund and/or each Sub-Fund as to the beneficial ownership of the Units and the non-U.S. status of such beneficial owner, in order to be exempt from U.S. information reporting and backup withholding on a redemption of Units.

### ***U.S. Withholding Tax***

In general, under Section 881 of the IRC, a non-U.S. corporation which does not conduct a U.S. trade or business is nonetheless subject to tax at a flat rate of 30% (or lower tax treaty rate) on the gross amount of certain U.S. source income which is not effectively connected with a U.S. trade or business, generally payable through withholding. Income subject to such a flat tax rate is of a fixed or determinable annual or periodic nature, including dividends, certain "dividend equivalent payments" and certain interest income, if any.

Certain types of income are specifically exempted from the 30% tax and thus withholding is not required on payments of such income to a non-U.S. corporation. The 30% tax does not apply to U.S. source capital gains (whether long or short-term) or to interest paid to a non-U.S. corporation on its deposits with U.S. banks. The 30% tax also does not apply to interest which qualifies as portfolio interest. The term "portfolio interest" generally includes interest (including original issue discount) on an obligation in registered form which has been issued after 18 July 1984 and with respect to which the person who would otherwise be required to deduct and withhold the 30% tax receives the required statement that the beneficial owner of the obligation is not a U.S. person within the meaning of the IRC.

### ***Redemption of Units***

Gain realized by Unitholder who are not U.S. persons within the meaning of the IRC ("**non-U.S. Unitholder**") upon the sale, exchange or redemption of Units held as a capital asset should generally not be subject to U.S. federal income tax provided that the gain is not effectively connected with the conduct of a trade or business in the U.S. However, in the case of non-resident alien individuals, such gain will be subject to the 30% (or lower tax treaty rate) U.S. tax if (i) such person is present in the U.S. for 183 days or more during the taxable year (on a calendar year basis unless the non-resident alien individual has previously established a different taxable year) and (ii) such gain is derived from U.S. sources.

Generally, the source of gain upon the sale, exchange or redemption of Units is determined by the place of residence of the Unitholders. For purposes of determining the source of gain, the IRC defines residency in a manner that may result in an individual who is otherwise a non-resident alien with respect to the U.S. being treated as a U.S. resident only for purposes of determining the source of income. Each potential individual Unitholder who anticipates being present in the U.S. for 183 days or more (in any taxable year) should consult his tax advisor with respect to the possible application of this rule.

Gain realized by a non-U.S. Unitholder engaged in the conduct of a U.S. trade or business will be subject to U.S. federal income tax upon the sale, exchange or redemption of Shares if such gain is effectively connected with its U.S. trade or business.

## *Estate and Gift Taxes*

Individual holders of Units who are neither present nor former U.S. citizens or U.S. residents (as determined for U.S. estate and gift tax purposes) are not subject to U.S. estate and gift taxes with respect to their ownership of such Units.

### **Automatic Exchange of Financial Account Information**

The Inland Revenue (Amendment) (No.3) Ordinance (the “**Ordinance**”) came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“**AEOI**”). The AEOI requires financial institutions (“**FI**”) in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FIs, and exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement (“**CAA**”); however, FIs may further collect information relating to residents of other jurisdictions.

The Fund and the Sub-Funds are required to comply with the requirements of AEOI as implemented by Hong Kong, which means that the Fund, each Sub-Fund, the Manager and/or the agents of the Fund and the Sub-Funds shall collect and provide to the Hong Kong Inland Revenue Department (“**IRD**”) tax information relating to Unitholders and prospective investors.

The AEOI rules as implemented by Hong Kong require the Fund to, amongst other things: (i) register the Fund’s status as a “Reporting Financial Institution” with the IRD; (ii) conduct due diligence on its accounts (i.e., Unitholders) to identify whether any such accounts are considered “Reportable Accounts” for AEOI purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has signed a CAA; and (ii) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

By investing in the Fund and the Sub-Funds and/or continuing to invest in the Fund and the Sub-Funds, Unitholders acknowledge that they may be required to provide additional information to the Fund, the Sub-Funds, the Manager and/or the agents of the Fund and the Sub-Funds in order for the Fund and the Sub-Funds to comply with AEOI. The Unitholder’s information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are not natural persons), may be communicated by the IRD to authorities in other jurisdictions. The failure of a Unitholder to provide any requested information, may result in the Fund, the Sub-Funds, the Manager and/or the Trustee taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned, in accordance with and subject to applicable laws and regulations.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Fund and the Sub-Funds.

### **Other Jurisdiction(s)**

Interest, dividend and other income realized by the Fund from other sources, and capital gains realized, or gross sale or disposition proceeds received, on the sale of securities of issuers not specifically discussed herein, may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced. It is impossible to predict the rate of foreign tax the Fund and/or the Sub-Fund(s) will pay since the amount of the assets to be invested in various countries and the ability of the Fund and/or the Sub-Fund(s) to reduce such taxes, are not known.

Please refer to the relevant Appendix on taxation requirements in other jurisdiction(s) that may be applicable to a Sub-Fund.

### **Future Changes in Applicable Law**

The foregoing description of Hong Kong and U.S. tax consequences of an investment in and the operations of the Fund and the Sub-Fund(s) is based on laws and regulations which are subject to change through legislative, judicial or administrative action. Other legislation could be enacted that would subject the Fund and/or the Sub-Fund(s) to income taxes or subject Unitholder to increased income taxes.

### **Other Taxes**

Prospective Unitholder should consult their own counsel regarding tax laws and regulations of any other jurisdiction which may be applicable to them.

THE TAX AND OTHER MATTERS DESCRIBED IN THIS EXPLANATORY MEMORANDUM DO NOT CONSTITUTE, AND SHOULD NOT BE CONSIDERED AS, LEGAL OR TAX ADVICE TO PROSPECTIVE UNITHOLDERS.

## GENERAL INFORMATION

### Financial Reports

The Fund's and each Sub-Fund's financial year end is on the Accounting Date in each year.

As an alternative to the distribution of printed audited annual financial reports and unaudited interim financial reports, the Manager will notify Unitholders where the audited annual financial report (in English only) can be obtained (in printed and electronic forms) within four months after the Accounting Date, and where the unaudited interim financial reports (in English only) can be obtained (in printed and electronic forms) within two months after the Semi-Annual Accounting Date in each year. Once issued, hardcopies of the financial reports are available upon request of Unitholders free of charge at any time during normal business hours on any Business Day at the office of the Manager.

The Manager intends to adopt HKFRS in drawing up the annual financial reports of the Fund and Sub-Funds and the interim financial reports will apply the same accounting policies and method of computation as are applied in the annual financial reports of the Fund and the Sub-Funds. It should however be noted that in amortizing the establishment costs of the Fund in accordance with the section headed "**Establishment Costs**", possible deviation from such accounting standards may occur but the Manager does not expect this issue to be material under normal circumstances. The Manager may make necessary adjustments in the annual financial reports in order to comply with HKFRS and to include a reconciliation note in the Fund's audited annual financial reports. The Fund's audited annual financial report includes the investment portfolio of the underlying schemes as at the relevant Accounting Date.

### Publication of Prices

The Issue Price and Redemption Price for each Class of a Sub-Fund will be published on each Dealing Day of that Sub-Fund on the Manager's website [www.alliancebernstein.com.hk](http://www.alliancebernstein.com.hk). Investors should note that the aforesaid website is not reviewed or authorized by the SFC.

### Termination of Fund or a Sub-Fund

The Fund shall continue for an unlimited period unless it is earlier terminated in one of the ways provided under the Trust Deed and as summarized below.

#### *Termination by the Trustee*

The Fund may be terminated by the Trustee by 60 days' notice in writing to the Manager and the Unitholders if:-

- (a) the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee), becomes bankrupt or if a receiver is appointed over any of their assets and not discharged within 60 days;
- (b) in the reasonable opinion of the Trustee, the Manager shall be incapable of performing or shall in fact fail to perform its duties satisfactorily;
- (c) any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong), if applicable, to continue the Fund;
- (d) the Manager shall, have ceased to be the manager and, within a period of 30 days thereafter, no other qualified corporation shall have been appointed by the Trustee as successor manager; or

- (e) the Trustee shall have notified the Manager of its desire to retire as Trustee and the Manager shall fail to find a qualified corporation to act as a trustee in place of the Trustee within 120 days therefrom.

#### *Termination by the Manager*

The Fund, any Sub-Fund and/or any Class of Units (as the case may be) may be terminated by the Manager in its discretion by 30 days' notice in writing to the Trustee and the Unitholders if:-

- (a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding hereunder shall be less than US\$10 million or its equivalent or, in relation to any Sub-Fund, the aggregate Net Asset Value of the Units outstanding hereunder in respect of such Sub-Fund shall be less than US\$10 million or its equivalent or such other amount stated in the relevant Appendix or, in relation to any Class of Units, the aggregate Net Asset Value of the Units of such class outstanding hereunder in respect of such Class shall be less than US\$10,000 or its equivalent or such other amount stated in the relevant Appendix;
- (b) in the opinion of the Manager, it is impracticable or inadvisable to continue the Fund, a Sub-Fund and/or any Class of Units (as the case may be) (including without limitation, a situation where it is no longer economically viable to operate the Fund, the Sub-Fund or the relevant Class of Units);
- (c) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund and/or any Sub-Fund and / or any Class of Units of a Sub-Fund; or
- (d) in the case of a Sub-Fund or a Class, the occurrence of any other termination event(s) or in such other circumstance(s) triggering termination as set out in the relevant Appendix of the Sub-Fund.

In cases of termination on notice, no less than one month's notice will be given to Unitholders.

Any unclaimed proceeds or other cash held by the Trustee upon termination of the Fund, a Sub-Fund or a Class of Units, as the case may be, may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Further, a Sub-Fund or a Class of Units may be terminated by an extraordinary resolution of the Unitholders of the Sub-Fund or the Unitholders of the relevant Class (as the case may be) on such date as the extraordinary resolution may provide. At least twenty one days' notice shall be given to the Unitholders in respect of a meeting of Unitholders where such extraordinary resolution will be tabled.

#### **Trust Deed**

The Fund was established under the laws of Hong Kong by the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. Any indemnity expressly given to the Trustee or to the Manager in the Trust Deed is in addition to and without prejudice to any indemnity allowed by law. However, the Trustee and the Manager shall not be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending applicants are advised to consult the terms of the Trust Deed for further details.

## **Voting Rights**

Meetings of Unitholders may be convened by the Manager or the Trustee, and the Unitholders of 10% or more in value of the Units in issue may require a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting.

The quorum for all meetings is Unitholders present in person or by proxy representing 10% of the Units for the time being in issue except for the purpose of passing an extraordinary resolution. The quorum for passing an extraordinary resolution shall be Unitholders present in person or by proxy representing 25% or more of the Units in issue. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting should be adjourned for not less than 15 days. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum. On a poll every Unitholder present in person, by proxy or by representative has one vote for every Unit of which he is the holder. In the case of joint Unitholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the register of Unitholders.

## **Restrictions on Ownership by U.S. Persons**

The Manager has resolved to restrict or prevent the ownership of Units in the Fund and/or any Sub-Fund by any U.S. Person. Investors may be required to provide assurances satisfactory to the Manager indicating that the prospective purchaser is not a U.S. Person. Unitholders are required to notify the Manager immediately of any change in such information. **IT IS THE RESPONSIBILITY OF EACH UNITHOLDER TO VERIFY THAT IT IS NOT A U.S. PERSON THAT WOULD BE PROHIBITED FROM OWNING UNITS IN ANY SUB-FUND.** If it shall come to the attention of the Manager at any time that Units of a Sub-Fund are beneficially owned by a U.S. Person, either alone or in conjunction with any other person, the Manager or the Trustee, may in its discretion, give notice requiring the relevant Unitholder to redeem such Units at the Redemption Price within ten days of the date of the notice. Not less than ten days after the Manager or the Trustee gives such notice, the Units will be compulsorily redeemed and the relevant Unitholder will cease to be the owner of such Units.

## **Transfer of Units**

Subject as provided below, Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferee must be eligible to invest in the Fund. Further, the transferee will need to complete and sign an Application Form and provide all necessary information to the Manager, the Trustee or the Registrar to verify his identity.

The duly stamped instrument of transfer, a completed Application Form, any necessary declarations, other documents that may be required by the Manager, the Trustee or the Registrar or in consequence of any legislation (including any anti-money laundering legislation) shall be left with the Registrar for registration, which will only be effected if the Manager, the Trustee or the Registrar are satisfied that all the requirements are met and all documents are in order. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

Each instrument of transfer may relate to one or more classes of Units. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the Minimum Holding Amount (if any) of the relevant Class as specified in the relevant Appendix.

The Manager or the Trustee may refuse to enter or cause to be entered the name of a transferee in the register or recognize a transfer of any Units if either of them believes that such will result in or is likely to result in the contravention of any applicable laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed, including without limitation any anti-money laundering or anti-terrorist financial laws or regulations, or require any form of registration or



other compliance procedures by Fund or Sub-Fund(s). The Units may not be transferred to any U.S. Person without the prior consent of the Manager.

### **Anti-Money Laundering Regulations**

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering, the Manager/Trustee (through the Registrar or the Authorized Distributors) may require a detailed verification of an investor's identity and the source of payment of application moneys. Depending on the circumstances of each application, a detailed verification might not be required where:-

- (a) the applicant makes the payment from an account held in the applicant's name at a recognized financial institution; or
- (b) the application is made through a recognized intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognized as having sufficient anti-money laundering regulations. The Manager, the Trustee, the Authorized Distributors and the Registrar nevertheless reserve the right to request such information as is necessary to verify the identity of an applicant and the source of payment.

In the event of delay or failure by the applicant to produce any documents or information required for verification of identity or legitimacy of the subscription monies, the Manager, the Trustee, the Authorized Distributors or the Registrar may refuse to accept the application and the subscription moneys relating thereto. Further, they may delay in paying any redemption proceeds if an applicant for Units delays in producing or fails to produce any documents or information required for the purposes of verification of identity. The Manager, the Trustee, the Authorized Distributors or the Registrar may refuse to make payment to the Unitholder if either of them suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee, the Authorized Distributors, the Registrar or other service providers with any such laws or regulations in any relevant jurisdiction.

### **Conflicts of Interest**

The Manager, the Investment Adviser, the Trustee and the Registrar may from time to time act as trustee, administrator, registrar, transfer agent, manager, custodian or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund and the Sub-Funds. Each will, at all times, have regard in such event to its obligations to the Fund and the Sub-Funds and will endeavor to ensure that such conflicts are resolved fairly and taking into account investors' interests. The Manager may put in place compliance procedures and measures such as segregation of duties and responsibilities together with different reporting lines and "Chinese walls" to minimize potential conflicts of interest. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

The Manager may also act as the investment manager of other funds whose investment objectives, investment approach and investment restrictions are similar to those of a Sub-Fund. The Manager or any of its connected persons may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by a Sub-Fund. Neither the Manager nor its connected persons is under any obligation to offer investment opportunities of which any of them become aware to any Sub-Fund or to account to any Sub-Fund in respect of (or share with any Sub-Fund or to inform any Sub-Fund of) any such transactions or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Fund and other clients. Where the Manager invests a Sub-Fund in shares or units of a collective investment scheme managed by the Manager or any of its connected persons, the manager of the scheme in which the

investment is being made by such Sub-Fund must waive any preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any connected person of the Manager) borne by the relevant Sub-Fund.

The Manager reserves the right for itself and its connected persons to co-invest on its own or for other funds and/or other clients with any Sub-Fund, although any such co-investment must be made on terms no better than those in which the relevant Sub-Fund is investing. Further, the Manager and any of its connected persons may hold and deal in Units of any Sub-Fund or in investments held by any Sub-Fund either for their own account or for the account of their clients.

Subject to the restrictions and requirements applicable from time to time, the Manager, the Investment Adviser and any investment advisers as may be appointed by the Manager or any of their respective connected persons may deal with any Sub-Fund as principal provided that dealings are effected on best available terms negotiated and on an arm's length basis. Any transactions between a Sub-Fund and the Manager, the Investment Adviser, the investment advisers as may be appointed by the Manager or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Sub-Fund's annual report.

In effecting transactions for the account of any Sub-Fund with brokers or dealers connected to the Manager, the Investment Adviser or their connected persons, the Manager shall ensure that it complies with the following requirements:

- (a) such transactions should be on arm's length terms;
- (b) the Manager must use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) transaction execution must be consistent with applicable best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- (e) the Manager must monitor such transactions to ensure compliance with its obligations; and
- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual report of the relevant Sub-Fund.

The services of the Trustee provided to the Fund and the Sub-Funds are not deemed to be exclusive and the Trustee shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all appropriate fees and benefits. The Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund and the Sub-Funds any fact or information which comes to the notice of the Trustee in the course of the Trustee rendering similar services to other parties or in the course of its business in any other capacity, otherwise than in the course of carrying out its duties under the Trust Deed or as required by any applicable laws and regulations for the time being in force.

## **Facsimile Instructions**

Investors should be reminded that if they choose to send the Application Forms, Redemption Forms or Exchange Forms by facsimile or such other means, they bear their own risk of such Application Forms, Redemption Forms or Exchange Forms not being received. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee, the Registrar and their respective agents and delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any Application Form, Redemption Form or Exchange Form sent by facsimile or other means, or for any loss caused in respect of any action taken as a consequence of such instructions believed in good faith to have originated from properly authorized persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager, the Trustee or the Registrar safe receipt of an application.

## **Forfeiture of Unclaimed Proceeds or Distributions**

If any redemption proceed or distribution remains unclaimed six years after the relevant Dealing Day or distribution date, as the case may be, (a) the Unitholder and any person claiming through, under or in trust for the Unitholder forfeits any right to the proceed or distribution; and (b) the amount of the proceed or distribution will become part of the relevant Sub-Fund unless such Sub-Fund shall have been terminated in which case such amount shall be paid into a court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

## **Market Timing**

The Manager does not authorize practices connected to market timing and it reserves the right to reject any applications for subscriptions or exchange of Units from a Unitholder which it suspects to use such practices and take, as the case may be, the necessary measures to protect the Unitholders of the Sub-Funds.

While Manager and its agents will try to prevent market timing by utilizing the above measures, these measures may not be successful in identifying or stopping excessive or short-term trading. Unitholders seeking to engage in excessive short-term trading activities may deploy a variety of strategies to avoid detection and, despite the efforts of the Manager and its agents to detect excessive or short duration trading in Units, there is no guarantee that the Manager will be able to identify these Unitholders or curtail their trading practices.

## **Certification for Compliance with FATCA or Other Applicable Laws**

Each investor agrees to (i) promptly take such action, including providing and periodically updating information (which may include, among other things, the identities of the direct and indirect U.S. beneficial owners of the purchased Units), that a Sub-Fund, the Fund, or the Manager in its sole discretion, reasonably determines is necessary for such Sub-Fund or the Fund to reduce or eliminate withholding taxes under Sections 1471-1474 of the IRC, if any or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction and (ii) otherwise comply with any reporting obligations imposed by the U.S., Hong Kong or any other jurisdiction (including under FATCA and AEOI), including reporting obligations that may be imposed by future legislation.

Each investor acknowledges that if it fails to timely take such action, it may be subject to a 30% withholding tax under FATCA with respect to its share of any payment attributable to actual and deemed U.S. investments of a Sub-Fund or the Fund, if any, and that the Trustee may take any action in relation to such investor's Units redemption proceeds to ensure that such withholding is economically borne by the such investor, including, without limitation, by redesignating such investor's Units as Units of another Class or exchanging (by way of compulsory redemption and automatic resubscription) such investor's Units for Units of a new Class and, in each case, applying the withholding as a liability against such Class, or by compulsorily redeeming the such Investor's Units and deducting the withholding from

the proceeds of such compulsory redemption to the extent permitted by applicable laws and regulation and provided that the Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds. If the investment in the Fund is made through a “foreign financial institution” within the meaning of Section 1471(d)(4) of the IRC, such investor agrees that such foreign financial institution (including such investor, if applicable) (i) shall meet the requirements of Section 1471(b)(1) or 1471(b)(2) of the IRC and (ii) shall not delegate any withholding responsibility pursuant to Section 1471(b)(3) of the IRC to a Sub-Fund or the Fund.

### **Personal Data**

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 468 of the Laws of Hong Kong, “**PDPO**”), the Trustee, the Manager, or any of their respective delegates (each a “**Data User**”) may collect, hold, use personal data of individual investors in the Fund and the Sub-Funds only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

### **Documents Available for Inspection**

Copies of the following documents are available for inspection during normal working hours at the offices of the Manager free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee (except that copies of the latest audited annual financial report and unaudited interim financial report (if any) of the Fund and the Sub-Funds shall be available free of charge):-

- (a) the Trust Deed, and any supplemental deeds;
- (b) all material contracts (as specified in the relevant Appendix, if any);
- (c) the latest audited annual financial report and unaudited interim financial report (if any) of the Fund and the Sub-Funds;
- (d) in respect of the Sub-Funds established as feeder funds, (i) the offering documents of the underlying schemes and (ii) the investment restrictions under the UCITS regulations under which the underlying schemes are currently being managed.

## **SCHEDULE 1 - INVESTMENT RESTRICTIONS AND BORROWING RESTRICTIONS**

### **1. Investment limitations applicable to each Sub-Fund**

No holding of any security may be acquired for or added to a Sub-Fund which would be inconsistent with achieving the investment objective of the Sub-Fund or which would result in, or no cash deposits may be made which would result in:-

- (a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following exceeding 10% of the latest available Net Asset Value of the relevant Sub-Fund:
  - (i) investments in securities issued by that entity;
  - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
  - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs 1(a), 1(b) and 4.4(c) of this Schedule 1 will not apply to financial derivative instruments that are:

- (A) transacted on an exchange where the clearing house performs a central counterparty role; and
- (B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

The requirements under this sub-paragraph 1(a) will also apply in the case of sub-paragraphs 6(e) and (j) of this Schedule 1.

- (b) subject to sub-paragraphs 1(a) and 4.4(c) of this Schedule 1, the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund:
  - (i) investments in securities issued by those entities;
  - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
  - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.

For the purposes of sub-paragraphs 1(b) and 1(c) of this Schedule 1, "entities within the same group" means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards.

The requirements under this sub-paragraph 1(b) will also apply in the case of sub-paragraphs 6(e) and (j) of this Schedule 1.

- (c) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund provided that the 20% limit may be exceeded in the following circumstances:
- (i) cash held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
  - (ii) cash proceeds from liquidation of investments prior to the merger or termination of the Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of investors; or
  - (iii) cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions would be unduly burdensome and the cash deposits arrangement would not compromise investors' interests.

For the purposes of this sub-paragraph 1(c), "cash deposits" generally refer to those that are repayable on demand or have the right to be withdrawn by the Sub-Fund and not referable to provision of property or services.

- (d) the Sub-Fund's holding of any ordinary shares (when aggregated with all other Sub-Funds' holdings of such ordinary shares) exceeding 10% of any ordinary shares issued by any single entity.
- (e) the value of the Sub-Fund's investments in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a Securities Market, exceeding 15% of the latest available Net Asset Value of such Sub-Fund.
- (f) the value of the Sub-Fund's total holding of Government and other public securities of the same issue exceeding 30% of the latest available Net Asset Value of such Sub-Fund. Subject to the foregoing statement, the Sub-Fund may invest all of its assets in Government and other public securities in at least six different issues. For the avoidance of doubt, Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.
- (g) (i) the value of the Sub-Fund's investment in units or shares in other collective investment schemes (namely "**underlying schemes**") which are non-eligible schemes (the list of "eligible schemes" is as specified by the SFC from time to time) and not authorized by the SFC in aggregate exceeding 10% of its latest available Net Asset Value; and
- (ii) the value of the Sub-Fund's investment in units or shares in each underlying scheme which is either an eligible scheme (the list of "eligible schemes" is as specified by the SFC from time to time) or a scheme authorized by the SFC exceeding 30% of its latest available Net Asset Value unless the underlying scheme is authorized by the SFC, and the name and key investment information of the underlying scheme are disclosed in the Offering Document of that Sub-Fund, provided that:
- (A) no investment may be made in any underlying scheme the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the Code;
  - (B) where an underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, a Sub-Fund may invest in underlying scheme(s) authorized by the SFC under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its

total net asset value, and Qualified Exchange Traded Funds in compliance with sub-paragraphs 1(g)(i) and (ii) of this Schedule 1;

- (C) the underlying scheme's objective may not be to invest primarily in other collective investment scheme(s);
- (D) all initial charges and redemption charges on the underlying scheme(s) must be waived if the underlying scheme is managed by the Manager or its Connected Persons; and
- (E) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

For the avoidance of doubt:

- (aa) unless otherwise provided under the Code, the spread requirements under sub-paragraphs 1(a), (b), (d) and (e) of this Schedule 1 do not apply to investments in other collective investment schemes by a Sub-Fund;
- (bb) where applicable, the investment by a Sub-Fund in a Qualified Exchange Traded Fund may be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraphs 1(a), (b) and (d) of this Schedule 1 or collective investment schemes for the purposes of and subject to the requirements in sub-paragraphs 1(g)(i) and (ii) and proviso (A) and (C) of sub-paragraph 1(g) of this Schedule 1, as set out in the Appendix of a Sub-Fund. Notwithstanding the aforesaid, the investments by a Sub-Fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this Schedule 1 and the relevant investment limits in Qualified Exchange Traded Funds by a Sub-Fund shall be consistently applied;
- (cc) where investments are made in listed REITs, the requirements under sub-paragraphs 1(a), (b) and (d) of this Schedule 1 apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs 1(e) and (g)(i) of this Schedule 1 apply respectively; and
- (dd) where a Sub-Fund invests in index-based financial derivative instruments, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in sub-paragraphs 1(a), (b), (c) and (f) of this Schedule 1 provided that the index is in compliance with the requirements under 8.6(e) of the Code.

## **2. Investment prohibitions applicable to each Sub-Fund**

The Manager shall not, unless otherwise specifically provided for in the Code, on behalf of any Sub-Fund:-

- (a) invest in physical commodities unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary;
- (b) invest in any type of real estate (including buildings) or interests in real estate (including any options or rights but excluding shares in real estate companies and interests in REITs);
- (c) make short sales unless (i) the liability of the relevant Sub-Fund to deliver securities does not exceed 10% of its latest available Net Asset Value; (ii) the security which is to be sold

short is actively traded on a Securities Market where short selling activity is permitted; and  
(iii) the short sales are carried out in accordance with all applicable laws and regulations;

- (d) carry out any naked or uncovered short sale of securities;
- (e) subject to sub-paragraph 1(e) of this Schedule 1, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not subject to the limitations in this sub-paragraph 2(e);
- (f) acquire any asset or engage in any transaction which involves the assumption of any liability by the relevant Sub-Fund which is unlimited. For the avoidance of doubt, the liability of Unitholders of a Sub-Fund is limited to their investments in that Sub-Fund;
- (g) invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued securities of that class;
- (h) invest in any security where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash from the Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of sub-paragraphs 4.5 and 4.6 of this Schedule 1.

### **3. Feeder Funds**

A Sub-Fund which is a feeder fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme ("**underlying scheme**") in accordance with the following provisions

- (a) such underlying scheme ("**master fund**") must be authorized by the SFC;
- (b) no increase in the overall total of initial charges, redemption charges, management fees, or any other costs and charges payable to the Manager or any of its connected persons borne by the Unitholders or by the feeder fund may result, if the master fund in which the feeder fund invests is managed by the Manager or by a connected person of the Manager;
- (c) notwithstanding proviso (C) to sub-paragraph 1(g) of this Schedule 1, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in sub-paragraphs 1(g)(i) and (ii) and proviso (A), (B) and (C) to sub-paragraph 1(g) of this Schedule 1. A master fund which is a UCITS fund from a specified jurisdiction shall be deemed to have generally complied in substance with the foregoing investment restrictions.

### **4. Use of financial derivative instruments**

4.1 A Sub-Fund may acquire financial derivative instruments for hedging purposes. For the purposes of this sub-paragraph 4.1, financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;



- (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

The Manager, where it deems necessary, shall cause hedging arrangement to be adjusted or re-positioned, with due consideration on the fees, expenses and costs, to enable the relevant Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

4.2 A Sub-Fund may also acquire financial derivative instruments for non-hedging purposes (“**investment purposes**”) subject to the limit that such Sub-Fund’s net exposure relating to these financial derivative instruments (“**net derivative exposure**”) does not exceed 50% of its latest available Net Asset Value provided that such limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under sub-paragraph 4.1 of this Schedule 1 will not be counted towards the 50% limit referred to in this sub-paragraph 4.2 so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

4.3 Subject to sub-paragraphs 4.2 and 4.4 of this Schedule 1, a Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs 1(a), (b), (c), (f), (g)(i) and (ii), proviso (A) to (C) to sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1.

4.4 The financial derivative instruments invested by a Sub-Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions:

- (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other public securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies;
- (b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;
- (c) subject to sub-paragraphs 1(a) and (b) of this Schedule 1, a Sub-Fund’s net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its latest available Net Asset Value provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
- (d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the valuation agent, the Manager or

the Trustee or their nominee(s), agent(s) or delegate(s) (as the case may be) independent of the issuer of the financial derivative instruments through measures established by the Manager (including but not limited to establishment of a valuation committee or engagement of third party services). The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund's initiative. Further, the valuation agent should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.

- 4.5 A Sub-Fund should at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in financial derivative instruments in respect of a Sub-Fund are adequately covered on an ongoing basis. For the purposes of this sub-paragraph 4.5, assets that are used to cover the Sub-Fund's payment and delivery obligations incurred under transactions in financial derivative instruments shall be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.
- 4.6 Subject to sub-paragraph 4.5 of this Schedule 1, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:
- (a) in the case of financial derivative instruments transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund shall at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
  - (b) in the case of financial derivative instruments transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund shall hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation provided further that the Sub-Fund shall apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.
- 4.7 The requirements under sub-paragraphs 4.1 to 4.6 of this Schedule 1 shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an “**embedded financial derivative**” is a financial derivative instrument that is embedded in another security.

## **5. Securities financing transactions**

- 5.1 A Sub-Fund may engage in securities financing transactions, provided that they are in the best interests of Unitholders of such Sub-Fund to do so and the associated risks have been properly mitigated and addressed, and provided further that the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.
- 5.2 A Sub-Fund shall have at least 100% collateralization in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.

- 5.3 All the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, shall be returned to the Sub-Fund.
- 5.4 A Sub-Fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the Sub-Fund at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction or terminate the securities financing transaction(s) into which it has entered.

## **6. Collateral**

In order to limit the exposure to each counterparty as set out in sub-paragraphs 4.4(c) and 5.2 of this Schedule 1, a Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

- (a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- (b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;
- (c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;
- (d) Haircut – the collateral is subject to a prudent haircut policy;
- (e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A Sub-Fund's exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs 1(a), 1(b), 1(c), 1(f), 1(g)(i) and (ii) and provisos (A) to (C) of sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1;
- (f) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- (g) Management of operational and legal risks – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;
- (h) Independent custody – the collateral is held by the Trustee or by duly appointed nominee, agent or delegate;
- (i) Enforceability – the collateral is readily accessible or enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions;
- (j) Re-investment of collateral – any re-investment of collateral received for the account of the relevant Sub-Fund shall be subject to the following requirements:

- (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;
- (ii) non-cash collateral received may not be sold, re-invested or pledged;
- (iii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs 7(b) and 7(j) of this Schedule 1;
- (iv) cash collateral received is not allowed to be further engaged in any securities financing transactions;
- (v) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
- (k) the collateral is free of prior encumbrances; and
- (l) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

## **7. Money Market Funds**

In the exercise of its investment powers in relation to a Sub-Fund which is a money market fund ("**Money Market Fund**") authorized by the SFC under 8.2 of the Code, the Manager shall ensure that the core requirements as set out in paragraphs 1, 2, 4, 5, 6, 9, 10.1 and 10.2 of this Schedule 1 shall apply with the following modifications, exemptions or additional requirements:-

- (a) subject to the provisions set out below, a Money Market Fund may only invest in short-term deposits and high quality money market instruments (i.e. securities normally dealt in on the money markets including government bills, certificates of deposit, commercial papers, short-term notes, bankers' acceptances, asset-backed securities such as asset-backed commercial papers), and money market funds that are authorized by the SFC under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC;
- (b) a Money Market Fund shall maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days (or two years in the case of Government and other public securities). For the purposes herein;
  - (i) "**weighted average maturity**" is a measure of the average length of time to maturity of all the underlying securities in a Money Market Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Money Market Fund to changing money market interest rates; and

- (ii) “**weighted average life**” is the weighted average of the remaining life of each security held in a Money Market Fund; and is used to measure the credit risk, as well as the liquidity risk,

provided that the use of interest rate resets in variable-notes or variable-rate notes generally should not be permitted to shorten the maturity of a security for the purpose of calculating weighted average life, but may be permitted for the purpose of calculating weighted average maturity;

- (c) notwithstanding sub-paragraphs 1(a) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund’s holding of instruments issued by a single entity, together with any deposits held with that same issuer may not exceed 10% of the latest available Net Asset Value of such Money Market Fund except:-
  - (i) the value of a Money Market Fund’s holding of instruments and deposits issued by a single entity may be increased to 25% of the latest available Net Asset Value of such Money Market Fund if the entity is a substantial financial institution, provided that the total value of such holding does not exceed 10% of the entity’s share capital and non-distributable capital reserves; or
  - (ii) up to 30% of a Money Market Fund’s latest available Net Asset Value may be invested in Government and other public securities of the same issue; or
  - (iii) in respect of any deposit of less than US\$1,000,000 or its equivalent in the Base Currency of the relevant Money Market Fund where such Money Market Fund cannot otherwise diversify as a result of its size;
- (d) notwithstanding sub-paragraphs 1(b) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund’s investments in entities within the same group through instruments and deposits may not exceed 20% of its latest available Net Asset Value provided that:
  - (i) the aforesaid limit will not apply in respect of cash deposit of less than US\$ 1,000,000 or its equivalent in the Base Currency of such Money Market Fund, where it cannot otherwise diversify as a result of its size;
  - (ii) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity’s share capital and non-distributable capital reserves, the limit may be increased to 25%;
- (e) the value of a Money Market Fund’s holding of money market funds that are authorized under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its latest available Net Asset Value;
- (f) the value of a Money Market Fund’s holding of investments in the form of asset-backed securities may not exceed 15% of its latest available Net Asset Value;
- (g) subject to paragraphs 5 and 6 of this Schedule 1, a Money Market Fund may engage in sale and repurchase transactions, and reverse repurchase transactions in compliance with the following additional requirements:
  - (i) the amount of cash received by the Money Market Fund under sale and repurchase transactions may not in aggregate exceed 10% of its latest available Net Asset Value;

- (ii) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the latest available Net Asset Value of the Money Market Fund;
  - (iii) collateral received may only be cash, high quality money market instruments and may also include, in the case of reverse repurchase transactions, government securities receiving a favorable assessment on credit quality; and
  - (iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions of this paragraph 7 of this Schedule 1;
- (h) a Money Market Fund may use financial derivative instruments for hedging purposes only;
- (i) the currency risk of an Money Market Fund should be appropriately managed and any material currency risk that arises from investments of the Money Market Fund that are not denominated in its Base Currency shall be appropriately hedged;
- (j) a Money Market Fund must hold at least 7.5% of its latest available Net Asset Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets. For the purposes herein:
- (i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and
  - (ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities.

## **8. Index Funds**

- 8.1 In the exercise of its investment powers in relation to a Sub-Fund the principal objective of which is to track, replicate or correspond to a financial index or benchmark (“**Underlying Index**”), with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the Underlying Index (“**Index Fund**”), the Manager shall ensure that the core requirements in paragraphs 1, 2, 4, 5, 6, 9.1, 10.1 and 10.3 of this Schedule 1 shall apply with the modifications or exceptions as set out in sub-paragraphs 8.2 to 8.4 below.
- 8.2 Notwithstanding sub-paragraph 1(a) of this Schedule 1, more than 10% of the latest available Net Asset Value of an Index Fund may be invested in constituent securities issued by a single entity provided that:-
- (a) it is limited to any constituent securities that each accounts for more than 10% of the weighting of the Underlying Index; and
  - (b) the Index Fund’s holding of any such constituent securities may not exceed their respective weightings in the Underlying Index, except where weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature,
- 8.3 Investment restrictions in sub-paragraphs 8.2(a) and (b) of this Schedule 1 do not apply if:

- (a) an Index Fund adopts a representative sampling strategy which does not involve the full replication of the constituent securities of the Underlying Index in the exact weightings of such Underlying Index;
- (b) the strategy is clearly disclosed in the relevant Appendix of the Index Fund;
- (c) the excess of the weightings of the constituent securities held by the Index Fund over the weightings in the Underlying Index is caused by the implementation of the representative sampling strategy;
- (d) any excess weightings of the Index Fund's holdings over the weightings in the Underlying Index must be subject to a maximum limit reasonably determined by the Index Fund after consultation with the SFC. In determining this limit, the Index Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the Underlying Index and any other suitable factors;
- (e) limits laid down for the Index Fund pursuant to sub-paragraph 8.3(d) must be disclosed in the relevant Appendix of the Index Fund; and
- (f) disclosure must be made in the Index Fund's interim and annual financial reports as to whether the limits imposed for the Index Fund itself pursuant to sub-paragraph 8.3(d) of this Schedule 1 have been complied with in full.

8.4 Subject to approval of the SFC, the investment restrictions in sub-paragraphs 1(b) and (c) of this Schedule 1 may be modified and the 30% limit in sub-paragraph 1(f) of this Schedule 1 may be exceeded, and an Index Fund may invest all of its assets in Government and other public securities in any number of different issues despite sub-paragraph 1(f) of this Schedule 1.

## **9. Borrowing and Leverage**

The expected maximum level of leverage of each Sub-Fund is as follows:

### Cash borrowing

9.1 No borrowing shall be made in respect of a Sub-Fund which would result in the principal amount for the time being of all borrowings made for the account of the relevant Sub-Fund exceeding an amount equal to 10% of the latest available Net Asset Value of the relevant Sub-Fund provided always that back-to-back loans do not count as borrowing. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not borrowings for the purpose of, and are not subject to the limitations in this sub-paragraph 9.1.

9.2 Notwithstanding sub-paragraph 9.1 of this Schedule 1, a Money Market Fund may borrow only on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

### Leverage from the use of financial derivative instruments

9.3 A Sub-Fund may also be leveraged through the use of financial derivative instruments and its expected maximum level of leverage through the use of financial derivative instruments (i.e. expected maximum net derivative exposure) is set out in the relevant Appendix.

9.4 In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the relevant Sub-Fund are converted into their equivalent positions in their underlying assets. The net derivative exposure is calculated in

accordance with the requirements and guidance by the SFC which may be updated from time to time.

9.5 The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

**10. Name of Sub-Fund**

10.1 If the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund must, under normal market circumstances, invest at least 70% of its Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.

10.2 The name of a Money Market Fund must not appear to draw a parallel between the Money Market Fund and the placement of cash on deposit.

10.3 The name of an Index Fund must reflect the nature of an index fund.



## APPENDIX 1 – AB (HK) ALL MARKET INCOME PORTFOLIO

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the AB (HK) All Market Income Portfolio (“Sub-Fund”), a sub-fund of the Fund.*

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### PRINCIPAL TERMS

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#### DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

<b>“Amortization Period”</b>	up to the first 5 Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
<b>“Base Currency”</b>	USD
<b>“Business Day”</b>	a day (other than a Saturday or Sunday) on which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open for normal banking business or such other day or days as the Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
<b>“Class”</b>	Class AD (and corresponding H Units) Class A (and corresponding H Units)
<b>“Class Currency”</b>	Class AD USD and Class A USD: USD Class AD HKD and Class A HKD: HKD Class AD AUD H and Class A AUD H: AUD Class AD EUR H and Class A EUR H: EUR Class AD GBP H and Class A GBP H: GBP Class AD RMB H and Class A RMB H: RMB
<b>“Currency Hedged Unit Class”</b>	Class AD AUD H and Class A AUD H Class AD EUR H and Class A EUR H Class AD GBP H and Class A GBP H Class AD RMB H and Class A RMB H
<b>“Payment Period”</b>	no more than 3 Business Days after the relevant Dealing Day on which the relevant Units are issued

#### INVESTMENT CONSIDERATIONS

##### Investment Objective and Objective Policies

The investment objective of the Sub-Fund is to increase the value of an investor’s investment over time through a combination of income and capital growth (total return).

## Strategy

### *The Sub-Fund*

The Sub-Fund is a feeder fund which, in seeking to achieve its investment objective, invests 90% or more of its total Net Asset Value in the All Market Income Portfolio (“**underlying scheme**”), a portfolio under AB SICAV I, an open-ended investment company with variable capital (*société d’investissement à capital variable*) that is qualified as a UCITS within the meaning of Article 1 (2) of the EC Directive 2009/65 of 13 July 2009, as amended (the “Directive 2009/65/EC”). AB SICAV I is incorporated with limited liability in the Grand Duchy of Luxembourg under the law of 10 August 1915 (as amended) relating to commercial companies and authorized by the SFC. The assets of the Sub-Fund will be invested in class SD shares of the underlying scheme.

The Sub-Fund may also invest up to 10% of its Net Asset Value on an ancillary basis in money market instruments, cash and cash equivalents for cash management purposes. The Sub-Fund may use derivatives (such as futures, options and/or forward contracts) for hedging purposes.

### *The underlying scheme*

In actively managing the underlying scheme, the investment manager of the underlying scheme uses fundamental research and a proprietary quantitative analysis to flexibly adjust investment exposures across various asset classes with the goal of building an optimal risk/return portfolio in all market conditions (top-down and bottom-up approach).

Under normal market conditions, the underlying scheme typically invests more than 90% of its net asset value in equity securities and debt securities of any credit quality of government and corporate issuers anywhere in the world, including emerging markets (i.e. any country not defined as “high income” by the World Bank, or as otherwise determined by the investment manager of the underlying scheme which includes the subcategory of frontier markets). The underlying scheme may also seek exposure to other asset classes such as real estate, currencies and interest rates, as well as to eligible indices. The underlying scheme is not limited in its exposure to equity, debt securities or currencies.

The investment manager of the underlying scheme will actively allocate between equity securities, debt securities, currencies, cash and cash equivalents in seeking to achieve the underlying scheme’s investment objective. The investment manager of the underlying scheme may obtain exposure to such instruments through direct investment, the use of financial derivative instruments and by investing in other pooled investment vehicles, including in exchange traded funds. The investment manager of the underlying scheme will utilize its proprietary “Dynamic Asset Allocation” strategy to adjust the underlying scheme’s various investment exposures among these asset classes with the goal of producing what the investment manager of the underlying scheme considers to be the underlying scheme’s optimal risk/return profile at any particular point in time. The underlying scheme is not subject to any limitation on the portion of its net asset value that may be invested in equities, debt securities or currencies.

The underlying scheme’s equity investments may include convertible securities, depositary receipts, REITs and exchange traded funds (ETFs).

It is anticipated that under normal market conditions the underlying scheme will not hold below Investment Grade\* debt securities in excess of 30% of its net asset value, as measured at time of purchase.

The underlying scheme will not invest more than 10% of its net asset value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below Investment Grade\*.

The underlying scheme may also invest less than 30% of its net asset value in debt instruments with loss-absorption features as defined by the SFC, including, but not limited to, contingent convertible securities, other Tier 1 and Tier 2 capital instruments and senior non-preferred debts. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger events.

The underlying scheme uses derivatives for hedging (reducing risks), efficient portfolio management and other investment purposes (including to gain additional exposure).

Under exceptional circumstances (e.g. market crash or major crisis), the underlying scheme may be invested temporarily up to 100% in cash or cash equivalents (such as bank deposits, certificates of deposit, commercial paper and treasury bills) and high quality short-term securities for cash flow management. To the extent the underlying scheme invests defensively, it may not be pursuing its objective.

\* Investment Grade securities (as defined in the offering document of the underlying scheme) means debt securities rated at or above BBB- by Standard and Poor's, Baa3 by Moody's and/or BBB- by Fitch or the equivalent by one nationally recognized statistical rating organization or, for Chinese bonds, the corresponding rating by a China rating agency. Unrated securities will be considered when the investment manager of the underlying scheme believes the financial condition of the issuer or the protections inherent in the securities themselves limit the risk to a degree comparable to that of rated securities that are consistent with the underlying scheme's objectives and policies. For the purposes of the underlying scheme, "unrated securities" are defined as securities which do not have a credit rating, regardless of whether their issuers have a credit rating.

**Further Information on Investment Policy**

When investing in the underlying scheme, the Manager will aim to avoid or eliminate double charging of management fees (or other costs and charges payable to the Manager or any connected person of the Manager) payable from assets of either the Sub-Fund or the underlying scheme. For more information, please refer to the section headed "*General Information - Conflicts of Interest*" in the Explanatory Memorandum.

The Manager may, in its sole discretion, convert the Sub-Fund from a feeder fund to a direct investment fund subject to obtaining the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

**Net Derivative Exposure**

The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

The underlying scheme's net derivative exposure may be up to 50% of its net asset value.

**Investment and  
Borrowing Restrictions**

The Sub-Fund is subject to the investment and borrowing restrictions applicable to a feeder fund as set out in the Explanatory Memorandum under the heading “*Investment Restrictions and Borrowing Restrictions*”.

For the purpose of complying with the investment restrictions, the Sub-Fund and the underlying scheme are deemed to be a single entity. Please refer to the offering documents of the underlying scheme for further details on its investment and borrowing restrictions.

**Securities Lending and  
Repurchase / Reverse  
Repurchase Agreements**

*The Sub-Fund*

The Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund. Should there be a change in such intention, the approval of the SFC will be sought (if required) and notice will be given to Unitholders in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

*The underlying scheme*

Securities lending transactions: The underlying scheme may enter into securities lending transactions. However, currently the underlying scheme would not enter into such transactions.

Repurchase/reverse repurchase agreements or similar over-the-counter transactions: The underlying scheme may enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions. The underlying scheme, however, will not enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions with the affiliates of the management company or the investment manager of the underlying scheme. The maximum level of the underlying scheme’s assets available for such transactions is 10% of its net asset value. Should the underlying scheme enter into reverse repurchase agreements or similar over-the-counter transactions, all incremental income generated from such transactions will be accrued to the underlying scheme. All repurchase/reverse repurchase agreement transactions entered into by the underlying scheme are collateralized with OECD member state government securities with value at least equal to the cash received from/delivered to the counterparty.

Taking into account factors including the types of transactions, exposure, concentration to a particular counterparty and credit rating, the investment manager of the underlying scheme conducts initial and on-going counterparty reviews with a view to evaluating the creditworthiness of its proposed and existing counterparties. The investment manager of the underlying scheme maintains a list of approved counterparties which provides the names of the entities and the types of transactions for which each entity has been approved.

**Currency Hedged Unit  
Classes**

In respect of the Currency Hedged Unit Classes, the Manager will employ hedging strategy to hedge the currency exposure to the relevant Class Currency.

## SPECIFIC RISK FACTORS

Investors should also take note of the relevant risks mentioned in the “*Risk Factors*” section in the Explanatory Memorandum which are applicable to the Sub-Fund, in particular, “*Risk of not achieving investment objective*”, “*General investment risk*”, “*Market risk*”, “*Risks of investing in underlying scheme*”, “*Equities securities risk*”, “*Volatility risk*”, “*Risks relating to debt securities*”, “*Borrowing risks*”, “*Concentration risk*”, “*Emerging markets risk*”, “*Management risk*”, “*Allocation risk*”, “*Turnover risk*”, “*Systems and operational risk*”, “*Dynamic asset allocation risk*”, “*Custodial risk*”, “*Risk in investing in financial derivative instruments*”, “*OTC derivatives counterparty risk*”, “*REITs risk*”, “*Currency risk*”, “*Currency Hedged Unit Class risk*”, “*RMB Class(es) related risk*”, “*Foreign exchange risk*”, “*Hedging risk*”, “*Liquidity risk*”, “*Illiquid assets risk*”, “*Restricted markets risk*”, “*Legal, tax and regulatory risk*”, “*Risk of termination*” and “*Distributions risk*”.

Please also refer to the offering documents of the underlying scheme for the risks applicable to the underlying scheme.

## INVESTING IN THE FUND AND REDEMPTION OF UNITS

<b>Class</b>	<b>Minimum Initial Subscription Amount</b>	<b>Minimum Subsequent Subscription Amount</b>	<b>Minimum Redemption Amount</b>	<b>Minimum Holding Amount</b>
AD USD and A USD	USD2,000	USD750	None	USD750
AD HKD and A HKD	HKD15,000	HKD5,000	None	HKD5,000
AD AUD H and A AUD H	AUD2,000	AUD750	None	AUD750
AD EUR H and A EUR H	EUR2,000	EUR750	None	EUR750
AD GBP H and A GBP H	GBP2,000	GBP750	None	GBP750
AD RMB H and A RMB H	RMB10,000	RMB4,000	None	RMB4,000

## DISTRIBUTION POLICY

### Accumulation Class(es)

Class A (and corresponding H Units) are Accumulation Classes.

### Distribution Class(es)

Class AD (and corresponding H Units) are Distribution Classes. The Manager intends to declare and pay monthly distributions. The Manager intends to maintain a stable distribution rate for such Distribution Class and distributions may come from gross income (before deduction of fees and expenses) and capital attributable to such Distribution Class. The Manager may, in its discretion, pay dividends out of gross income while paying all or part of such Distribution Class’ fees and expenses out of the capital of such Distribution Class, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital.

Please refer to the section headed “*Distribution Policy*” and the risk factor headed “*Distributions risk*” in the main part of the Explanatory Memorandum for further details.

## **FEES AND EXPENSES**

### **Fees payable by investors:**

<b>Class</b>	<b>Subscription Charge</b> (% of Issue Price)	<b>Redemption Charge</b> (% of redemption amount)	<b>Exchange Fee<sup>1</sup></b> (% of the total amount being exchanged)
AD (and corresponding H Units)	Up to 5.00%	None	None
A (and corresponding H Units)	Up to 5.00%	None	None

### **Fees and expenses payable from assets of the Sub-Fund:**

<b>Class</b>	<b>Management Fee</b> (% of Net Asset Value of the relevant Class per annum)	<b>Trustee Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Administration Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Total Expense Ratio<sup>2</sup></b> (% of Net Asset Value of the relevant Class per annum)
AD (and corresponding H Units)	1.50%	0.035%	Up to 1%	1.80%
A (and corresponding H Units)	1.50%	0.035%	Up to 1%	1.80%

<sup>1</sup> Any additional fees charged by distributors may still apply.

<sup>2</sup> For as long as the Sub-Fund is a feeder fund of the underlying scheme, the Manager has voluntarily undertaken, until the Manager notifies Unitholders to the contrary that, in any fiscal year, the aggregate fees and expenses with respect to a Class of the Sub-Fund (including any management fee, trustee fee and all other fees and expenses set out in the section headed "*Fees and Expenses*" but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) shall not exceed the aggregate of:

- (a) the stated percentage of the relevant Class's total expense ratio for the fiscal year; and
- (b) the fees and expenses attributable to class SD shares of the underlying scheme (which is subject to a cap of 0.15% of the average net asset value for the fiscal year attributable to such share class) because the assets of the Sub-Fund will be invested in class SD shares of the underlying scheme.

In the event that the fees and expenses with respect to a Class of the Sub-Fund exceed the above limit (i.e. 1.95% p.a. in aggregate) (the "**Cap**"), the Sub-Fund may deduct from the payment to be made to the Manager, or the Manager will otherwise bear, such excess fees and expenses. If the actual aggregate fees and expenses with respect to a Class of the Sub-Fund are below or equal to the Cap, the actual aggregate fees and expenses will be charged and borne by the relevant Class.

**Fees and expenses payable from assets of the underlying scheme:**

	<b>Management Fee</b> (% of net asset value of the relevant class per annum)	<b>Depository Fee, Administration Fee payable to the Administrator &amp; Transfer Agent Fee</b> (% of net asset value per annum)	<b>Administration Fee payable to the management company</b> (% per annum of average daily net asset value)	<b>Aggregate Fees and Expenses</b> (including all fees and expenses but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) (% of net asset value per annum)
<b>Class SD shares</b>	None	Up to 1.00%	Lesser of US\$50,000 or 0.01%	The fees and expenses are subject to a cap of 0.15%
<b>Establishment Costs</b>	The establishment costs of the Sub-Fund is approximately USD19,000 and will be borne by the Sub-Fund. The establishment costs will be amortized over the Amortization Period.			
<b>General Fees and Expenses</b>	Please refer to the section headed “ <i>General Expenses</i> ” for further details.			

## APPENDIX 2 – AB (HK) AMERICAN INCOME PORTFOLIO

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the AB (HK) American Income Portfolio (“**Sub-Fund**”), a sub-fund of the Fund.

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### PRINCIPAL TERMS

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#### DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

“ <b>Amortization Period</b> ”	up to the first 5 Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
“ <b>Base Currency</b> ”	USD
“ <b>Business Day</b> ”	a day (other than a Saturday or Sunday) on which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open for normal banking business or such other day or days as the Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
“ <b>Class</b> ”	Class AA (and corresponding H Units) Class A2 (and corresponding H Units)
“ <b>Class Currency</b> ”	Class AA USD and Class A2 USD: USD Class AA HKD and Class A2 HKD: HKD Class AA AUD H and Class A2 AUD H: AUD Class AA EUR H and Class A2 EUR H: EUR Class AA GBP H and Class A2 GBP H: GBP Class AA RMB H and Class A2 RMB H: RMB
“ <b>Currency Hedged Unit Class</b> ”	Class AA AUD H and Class A2 AUD H Class AA EUR H and Class A2 EUR H Class AA GBP H and Class A2 GBP H Class AA RMB H and Class A2 RMB H
“ <b>Payment Period</b> ”	no more than 3 Business Days after the relevant Dealing Day on which the relevant Units are issued

#### INVESTMENT CONSIDERATIONS

**Investment Objective and Policies** The Sub-Fund is a feeder fund investing all or substantially all of its assets in the American Income Portfolio (“**underlying scheme**”), a portfolio under AB FCP I, a mutual investment fund (*fonds commun de placement*) that is qualified as a UCITS within the meaning of Article 1 (2) of the EC Directive 2009/65 of 13 July 2009, as amended (the “**Directive 2009/65/EC**”). AB FCP I is organized under the laws of the Grand Duchy of Luxembourg and



authorized by the SFC. The assets of the Sub-Fund will be invested in class SHK shares of the underlying scheme.

The investment objective of the underlying scheme is to seek to provide a high level of current income consistent with preservation of capital by investing in a diversified portfolio of fixed-income securities.

The underlying scheme's investments may include all types of U.S. Government securities, including those backed by the full faith and credit of the U.S. Government, those supported by the right to borrow from the U.S. Treasury and those backed by the credit of the issuing agency itself. The underlying scheme may also invest in fixed-income securities issued by U.S. corporations and by non-U.S. corporations and by governments other than that of the United States (including, but not limited to, states, provinces and municipalities) or their agencies and instrumentalities ("governmental entities") issuing securities denominated in USD and a variety of mortgage-backed securities and zero coupon securities.

The underlying scheme will maintain investment exposure of at least 65% of its net asset value in U.S. issuers. The investment manager of the underlying scheme anticipates that the underlying scheme will maintain investment exposure of at least 50% of its net asset value in (i) U.S. Government securities, and (ii) other fixed-income securities that, at the time of investment, are considered Investment Grade (as defined in the offering document of the underlying scheme to mean fixed-income securities rated Baa (including Baa1, Baa2 and Baa3) or higher by Moody's or BBB (including BBB+ and BBB-) or higher by S&P, or the equivalent thereof by at least one internationally recognized statistical ratings organization), or if not so rated, are determined by the investment manager of the underlying scheme to be of equivalent quality. Notwithstanding the foregoing, under certain market conditions the investment manager of the underlying scheme may obtain investment exposure in excess of 50% of the underlying scheme's net asset value in securities that are rated below Investment Grade if the investment manager of the underlying scheme deems such investments appropriate in light of current market conditions and the underlying scheme's investment objective.

The underlying scheme may invest less than 30% of its net asset value in debt instruments with loss-absorption features as defined by the SFC, including, but not limited to, contingent convertible securities, other Tier 1 and Tier 2 capital instruments and senior non-preferred debts. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger events.

The investment manager of the underlying scheme expects that at any time the underlying scheme will maintain investment exposure of at least 80% of its net asset value in fixed-income securities, and in no case will the amount of the underlying scheme's investment exposure in such securities be less than half of the underlying scheme's net asset value. In no case will the amount of the underlying scheme's investment exposure to securities issued by American issuers be less than two-thirds of the underlying scheme's net asset value. For these purposes, an "American issuer" is a government, governmental agency, company or other entity that (i) is domiciled or organized in, or (ii) is established and conducting business in, or (iii) carries

out the preponderant part of its economic activities in North, South or Central America.

The investment manager of the underlying scheme does not expect to utilize bank borrowing in implementing the underlying scheme's investment strategy.

The underlying scheme may use financial derivative instruments for hedging, risk management, efficient portfolio management and as an alternative to investing directly in the underlying securities. Such financial derivatives instruments may include use of exchange-traded and OTC derivative instruments, including, swaps, options, futures and currency transactions.

Please refer to the offering documents of the underlying scheme for further details on its investment objective and policy.

When investing in the underlying scheme, the Manager will aim to avoid or eliminate double charging of management fees (or other costs and charges payable to the Manager or any connected person of the Manager) payable from assets of either the Sub-Fund or the underlying scheme. For more information, please refer to the section headed "**General Information - Conflicts of Interest**" in the Explanatory Memorandum.

The Manager may, in its sole discretion, convert the Sub-Fund from a feeder fund to a direct investment fund subject to obtaining the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

#### **Net Derivative Exposure**

The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

The underlying scheme's net derivative exposure may be up to 50% of its net asset value.

#### **Investment and Borrowing Restrictions**

The Sub-Fund is subject to the investment and borrowing restrictions applicable to a feeder fund as set out in the Explanatory Memorandum under the heading "**Investment Restrictions and Borrowing Restrictions**".

For the purpose of complying with the investment restrictions, the Sub-Fund and the underlying scheme are deemed to be a single entity. Please refer to the offering documents of the underlying scheme for further details on its investment and borrowing restrictions.

#### **Securities Lending and Repurchase / Reverse Repurchase Agreements**

##### ***The Sub-Fund***

The Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund. Should there be a change in such intention, the approval of the SFC will be sought (if required) and notice will be given to Unitholders in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

### ***The underlying scheme***

Securities lending transactions: The underlying scheme may enter into securities lending transactions. However, currently the underlying scheme would not enter into such transactions.

Repurchase/reverse repurchase agreements or similar over-the-counter transactions: The underlying scheme may enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions. The underlying scheme, however, will not enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions with the affiliates of the management company or the investment manager of the underlying scheme. The maximum level of the underlying scheme's assets available for such transactions is 10% of its net asset value. All repurchase/reverse repurchase agreement transactions entered into by the underlying scheme are collateralized with OECD member state government securities with value at least equal to the cash received from/delivered to the counterparty.

Taking into account factors including the types of transactions, exposure, concentration to a particular counterparty and credit rating, the investment manager of the underlying scheme conducts initial and on-going counterparty reviews with a view to evaluating the creditworthiness of its proposed and existing counterparties. The investment manager of the underlying scheme maintains a list of approved counterparties which provides the names of the entities and the types of transactions for which each entity has been approved.

### **Currency Hedged Unit Classes**

In respect of the Currency Hedged Unit Classes, the Manager will employ hedging strategy to hedge the currency exposure to the relevant Class Currency.

## SPECIFIC RISK FACTORS

Investors should also take note of the relevant risks mentioned in the “*Risk Factors*” section in the Explanatory Memorandum which are applicable to the Sub-Fund, in particular, “*Risk of not achieving investment objective*”, “*General investment risk*”, “*Market risk*”, “*Risks of investing in underlying scheme*”, “*Volatility risk*”, “*Risks relating to debt securities*”, “*Borrowing risks*”, “*Concentration risk*”, “*Country risks*”, “*Focused portfolio risk*”, “*Management risk*”, “*Turnover risk*”, “*Systems and operational risk*”, “*Custodial risk*”, “*Risk in investing in financial derivative instruments*”, “*OTC derivatives counterparty risk*”, “*Risks associated with collateralized and/or securitized products*”, “*Currency risk*”, “*Currency Hedged Unit Class risk*”, “*RMB Class(es) related risk*”, “*Foreign exchange risk*”, “*Hedging risk*”, “*Liquidity risk*”, “*Illiquid assets risk*”, “*Restricted markets risk*”, “*Legal, tax and regulatory risk*”, “*Risk of termination*” and “*Distributions risk*”.

Please also refer to the offering documents of the underlying scheme for the risks applicable to the underlying scheme.

## INVESTING IN THE FUND AND REDEMPTION OF UNITS

Class	Minimum Initial Subscription Amount	Minimum Subsequent Subscription Amount	Minimum Redemption Amount	Minimum Holding Amount
AA USD and A2 USD	USD2,000	USD750	None	USD750
AA HKD and A2 HKD	HKD15,000	HKD5,000	None	HKD5,000
AA AUD H and A2 AUD H	AUD2,000	AUD750	None	AUD750
AA EUR H and A2 EUR H	EUR2,000	EUR750	None	EUR750
AA GBP H and A2 GBP H	GBP2,000	GBP750	None	GBP750
AA RMB H and A2 RMB H	RMB10,000	RMB4,000	None	RMB4,000

## DISTRIBUTION POLICY

### Accumulation Class(es)

Class A2 (and corresponding H Units) are Accumulation Classes.

### Distribution Class(es)

Class AA (and corresponding H Units) are Distribution Classes. The Manager intends to declare and pay monthly distributions. The Manager intends to maintain a stable distribution rate for each Distribution Class and distributions are to be derived, or primarily derived, from gross income (before deduction of fees and expenses). Distributions may also include capital attributable to each Distribution Class. The Manager may, in its discretion, pay dividends out of gross income while paying all or part of each Distribution Class’ fees and expenses out of the capital of such Distribution Class, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital.

Please refer to the section headed “*Distribution Policy*” and the risk factor headed “*Distributions risk*” in the main part of the Explanatory Memorandum for further details.

## FEES AND EXPENSES

### Fees payable by investors:

<b>Class</b>	<b>Subscription Charge</b> (% of Issue Price)	<b>Redemption Charge</b> (% of redemption amount)	<b>Exchange Fee<sup>1</sup></b> (% of the total amount being exchanged)
AA (and corresponding H Units)	Up to 5.00%	None	None
A2 (and corresponding H Units)	Up to 5.00%	None	None

### Fees and expenses payable from assets of the Sub-Fund:

<b>Class</b>	<b>Management Fee</b> (% of Net Asset Value of the relevant Class per annum)	<b>Trustee Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Administration Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Total Expense Ratio<sup>2</sup></b> (% of Net Asset Value of the relevant Class per annum)
AA (and corresponding H Units)	1.10%	0.035%	Up to 1%	1.40%
A2 (and corresponding H Units)	1.10%	0.035%	Up to 1%	1.40%

<sup>1</sup> Any additional fees charged by distributors may still apply.

<sup>2</sup> For as long as the Sub-Fund is a feeder fund of the underlying scheme, the Manager has voluntarily undertaken, until the Manager notifies Unitholders to the contrary that, in any fiscal year, the aggregate fees and expenses with respect to a Class of the Sub-Fund (including any management fee, trustee fee and all other fees and expenses set out in the section headed "*Fees and Expenses*" but exclusive of certain other taxes, brokerage or other transactional costs and interest on borrowings) shall not exceed the aggregate of:

(a) the stated percentage of the relevant Class's total expense ratio for the fiscal year; and

(b) the fees and expenses attributable to class SHK shares of the underlying scheme (which is subject to a cap of 0.15% of the average net asset value for the fiscal year attributable to such share class) because the assets of the Sub-Fund will be invested in class SHK shares of the underlying scheme.

In the event that the fees and expenses with respect to a Class of the Sub-Fund exceed the above limit (i.e. 1.55% p.a. in aggregate) (the "**Cap**"), the Sub-Fund may deduct from the payment to be made to the Manager, or the Manager will otherwise bear, such excess fees and expenses. If the actual aggregate fees and expenses with respect to a Class of the Sub-Fund are below or equal to the Cap, the actual aggregate fees and expenses will be charged and borne by the relevant Class.

**Fees and expenses payable from assets of the underlying scheme:**

	<b>Management Fee</b> (% of net asset value of the relevant class per annum)	<b>Depository Fee, Administration Fee payable to the Administrator &amp; Transfer Agent Fee</b> (% of net asset value per annum)	<b>Administration Fee payable to the management company</b> (% per annum of average daily net asset value)	<b>Aggregate Fees and Expenses</b> (including all fees and expenses but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) (% of net asset value per annum)
<b>Class SHK shares</b>	None	Up to 1.00%	Lesser of US\$50,000 or 0.01%	The fees and expenses are subject to a cap of 0.15%
<b>Establishment Costs</b>	The establishment costs of the Fund and the Sub-Fund are approximately USD35,000 and will be borne by the Sub-Fund. The establishment costs will be amortized over the Amortization Period.			
<b>General Fees and Expenses</b>	Please refer to the section headed “ <i>General Expenses</i> ” for further details.			

## APPENDIX 3 – AB (HK) ASIA INCOME OPPORTUNITIES PORTFOLIO

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the AB (HK) Asia Income Opportunities Portfolio (“Sub-Fund”), a sub-fund of the Fund.*

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### PRINCIPAL TERMS

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#### DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

<b>“Amortization Period”</b>	up to the first 5 Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
<b>“Base Currency”</b>	USD
<b>“Business Day”</b>	a day (other than a Saturday or Sunday) on which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open for normal banking business or such other day or days as the Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
<b>“Class”</b>	Class AA (and corresponding H Units) Class A2 (and corresponding H Units)
<b>“Class Currency”</b>	Class AA USD and Class A2 USD: USD Class AA HKD and Class A2 HKD: HKD Class AA AUD H and Class A2 AUD H: AUD Class AA EUR H and Class A2 EUR H: EUR Class AA GBP H and Class A2 GBP H: GBP Class AA RMB H and Class A2 RMB H: RMB
<b>“Currency Hedged Unit Class”</b>	Class AA AUD H and Class A2 AUD H Class AA EUR H and Class A2 EUR H Class AA GBP H and Class A2 GBP H Class AA RMB H and Class A2 RMB H
<b>“Payment Period”</b>	no more than 3 Business Days after the relevant Dealing Day on which the relevant Units are issued

#### INVESTMENT CONSIDERATIONS

##### Investment Objective and Objective Policies

The investment objective of the Sub-Fund is to increase the value of an investor’s investment over time through income, while seeking capital preservation.

## Strategy

### *The Sub-Fund*

The Sub-Fund is a feeder fund which, in seeking to achieve its investment objective, invests 90% or more of its total Net Asset Value in the Asia Income Opportunities Portfolio (“**underlying scheme**”), a portfolio under AB SICAV I, an open-ended investment company with variable capital (*société d’investissement à capital variable*) that is qualified as a UCITS within the meaning of Article 1 (2) of the EC Directive 2009/65 of 13 July 2009, as amended (the “Directive 2009/65/EC”). AB SICAV I is incorporated with limited liability in the Grand Duchy of Luxembourg under the law of 10 August 1915 (as amended) relating to commercial companies and authorized by the SFC. The assets of the Sub-Fund will be invested in class SA shares of the underlying scheme.

The Sub-Fund may also invest up to 10% of its Net Asset Value on an ancillary basis in money market instruments, cash and cash equivalents for cash management purposes. The Sub-Fund may use derivatives (such as futures, options and/or forward contracts) for hedging purposes.

### *The underlying scheme*

In actively managing the underlying scheme, the investment manager of the underlying scheme invests flexibly across sectors (types of bonds), industries, countries, currencies and credit qualities and seeks to balance risk and return characteristics. The investment manager of the underlying scheme uses a disciplined process integrating fundamental and quantitative research to identify high-conviction opportunities while actively managing duration and yield-curve positioning (top-down and bottom-up approach). The underlying scheme may benefit from capital appreciation.

Under normal market conditions, the underlying scheme typically invests at least 70% of its net asset value in debt securities denominated in USD of issuers that are organized, or have substantial business activities, in Asian developed countries and emerging markets (i.e. any country not defined as “high income” by the World Bank, or as otherwise determined by the investment manager of the underlying scheme which includes the subcategory of frontier markets).

The underlying scheme may invest up to 30% of its net asset value in hybrid debt securities with equity-like features.

The underlying scheme may invest up to 50% of the underlying scheme’s net asset value in debt securities with a credit rating below Investment Grade\*.

The underlying scheme may invest more than 10% and up to 35% of its net asset value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below Investment Grade\* (e.g. Sri Lanka). Such investments are based on professional judgment of the investment manager of the underlying scheme whose reasons for investment may include a favorable / positive outlook on the sovereign issuer, potential for rating upgrade and the expected change in the value of such investments due to rating changes. Please note the ratings of sovereign issuers may change from time to time and the abovementioned sovereign is named only for reference and is subject to change as its rating changes.



The underlying scheme may also invest less than 30% of its net asset value in debt instruments with loss-absorption features as defined by the SFC, including, but not limited to, contingent convertible securities, other Tier 1 and Tier 2 capital instruments and senior non-preferred debts. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger events.

The underlying scheme may also invest less than 30% of its net asset value in onshore RMB-denominated fixed income securities through the China Interbank Bond Market via the Foreign Access Regime or the Bond Connect (or via other channels as the market develops).

The underlying scheme uses derivatives for hedging (reducing risks), efficient portfolio management and other investment purposes.

Under exceptional circumstances (e.g. market crash or major crisis), the underlying scheme may be invested temporarily up to 100% in cash or cash equivalents (such as bank deposits, certificates of deposit, commercial paper and treasury bills) and high quality short-term securities for cash flow management. To the extent the underlying scheme invests defensively, it may not be pursuing its objective.

The underlying scheme does not currently intend to engage in any repurchase transactions or reverse repurchase transactions.

\* Investment Grade securities (as defined in the offering document of the underlying scheme) means debt securities rated at or above BBB- by Standard and Poor's, Baa3 by Moody's and/or BBB- by Fitch or the equivalent by one nationally recognized statistical rating organization or, for Chinese bonds, the corresponding rating by a China rating agency. Unrated securities will be considered when the investment manager of the underlying scheme believes the financial condition of the issuer or the protections inherent in the securities themselves limit the risk to a degree comparable to that of rated securities that are consistent with the underlying scheme's objectives and policies. For the purposes of the underlying scheme, "unrated securities" are defined as securities which do not have a credit rating, regardless of whether their issuers have a credit rating.

**Further Information on Investment Policy**

When investing in the underlying scheme, the Manager will aim to avoid or eliminate double charging of management fees (or other costs and charges payable to the Manager or any connected person of the Manager) payable from assets of either the Sub-Fund or the underlying scheme. For more information, please refer to the section headed "*General Information - Conflicts of Interest*" in the Explanatory Memorandum.

The Manager may, in its sole discretion, convert the Sub-Fund from a feeder fund to a direct investment fund subject to obtaining the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

**Net Derivative Exposure**

The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

The underlying scheme's net derivative exposure may be up to 50% of its net asset value.

**Investment and  
Borrowing Restrictions**

The Sub-Fund is subject to the investment and borrowing restrictions applicable to a feeder fund as set out in the Explanatory Memorandum under the heading “*Investment Restrictions and Borrowing Restrictions*”.

For the purpose of complying with the investment restrictions, the Sub-Fund and the underlying scheme are deemed to be a single entity. Please refer to the offering documents of the underlying scheme for further details on its investment and borrowing restrictions.

**Securities Lending and  
Repurchase / Reverse  
Repurchase Agreements**

*The Sub-Fund*

The Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund. Should there be a change in such intention, the approval of the SFC will be sought (if required) and notice will be given to Unitholders in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

*The underlying scheme*

Securities lending transactions: The underlying scheme may enter into securities lending transactions. However, currently the underlying scheme would not enter into such transactions.

Repurchase/reverse repurchase agreements or similar over-the-counter transactions: The underlying scheme may enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions. However, the underlying scheme does not currently intend to engage in such transactions.

Taking into account factors including the types of transactions, exposure, concentration to a particular counterparty and credit rating, the investment manager of the underlying scheme conducts initial and on-going counterparty reviews with a view to evaluating the creditworthiness of its proposed and existing counterparties. The investment manager of the underlying scheme maintains a list of approved counterparties which provides the names of the entities and the types of transactions for which each entity has been approved.

**Currency Hedged Unit  
Classes**

In respect of the Currency Hedged Unit Classes, the Manager will employ hedging strategy to hedge the currency exposure to the relevant Class Currency.

## SPECIFIC RISK FACTORS

Investors should also take note of the relevant risks mentioned in the “*Risk Factors*” section in the Explanatory Memorandum which are applicable to the Sub-Fund, in particular, “*Risk of not achieving investment objective*”, “*General investment risk*”, “*Market risk*”, “*Risks of investing in underlying scheme*”, “*Volatility risk*”, “*Risks relating to debt securities*”, “*Borrowing risks*”, “*Concentration risk*”, “*Emerging markets risk*”, “*Management risk*”, “*Allocation risk*”, “*Turnover risk*”, “*Systems and operational risk*”, “*Custodial risk*”, “*Risk in investing in financial derivative instruments*”, “*OTC derivatives counterparty risk*”, “*Risk of investing in convertible bonds*”, “*Currency risk*”, “*Currency Hedged Unit Class risk*”, “*RMB Class(es) related risk*”, “*Foreign exchange risk*”, “*Hedging risk*”, “*Liquidity risk*”, “*Illiquid assets risk*”, “*Restricted markets risk*”, “*Legal, tax and regulatory risk*”, “*Risk of termination*” and “*Distributions risk*”.

Please also refer to the offering documents of the underlying scheme for the risks applicable to the underlying scheme.

## INVESTING IN THE FUND AND REDEMPTION OF UNITS

<b>Class</b>	<b>Minimum Initial Subscription Amount</b>	<b>Minimum Subsequent Subscription Amount</b>	<b>Minimum Redemption Amount</b>	<b>Minimum Holding Amount</b>
AA USD and A2 USD	USD2,000	USD750	None	USD750
AA HKD and A2 HKD	HKD15,000	HKD5,000	None	HKD5,000
AA AUD H and A2 AUD H	AUD2,000	AUD750	None	AUD750
AA EUR H and A2 EUR H	EUR2,000	EUR750	None	EUR750
AA GBP H and A2 GBP H	GBP2,000	GBP750	None	GBP750
AA RMB H and A2 RMB H	RMB10,000	RMB4,000	None	RMB4,000

## DISTRIBUTION POLICY

### Accumulation Class(es)

Class A2 (and corresponding H Units) are Accumulation Classes.

### Distribution Class(es)

Class AA (and corresponding H Units) are Distribution Classes. The Manager intends to declare and pay monthly distributions. The Manager intends to maintain a stable distribution rate for such Distribution Class and distributions are to be derived, or primarily derived, from gross income (before deduction of fees and expenses). Distributions may also include capital attributable to each Distribution Class. The Manager may, in its discretion, pay dividends out of gross income while paying all or part of each Distribution Class’ fees and expenses out of the capital of such Distribution Class, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital.

Please refer to the section headed “*Distribution Policy*” and the risk factor headed “*Distributions risk*” in the main part of the Explanatory Memorandum for further details.

## **FEES AND EXPENSES**

### **Fees payable by investors:**

<b>Class</b>	<b>Subscription Charge</b> (% of Issue Price)	<b>Redemption Charge</b> (% of redemption amount)	<b>Exchange Fee<sup>1</sup></b> (% of the total amount being exchanged)
AA (and corresponding H Units)	Up to 5.00%	None	None
A2 (and corresponding H Units)	Up to 5.00%	None	None

### **Fees and expenses payable from assets of the Sub-Fund:**

<b>Class</b>	<b>Management Fee</b> (% of Net Asset Value of the relevant Class per annum)	<b>Trustee Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Administration Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Total Expense Ratio<sup>2</sup></b> (% of Net Asset Value of the relevant Class per annum)
AA (and corresponding H Units)	1.10%	0.035%	Up to 1%	1.40%
A2 (and corresponding H Units)	1.10%	0.035%	Up to 1%	1.40%

<sup>1</sup> Any additional fees charged by distributors may still apply.

<sup>2</sup> For as long as the Sub-Fund is a feeder fund of the underlying scheme, the Manager has voluntarily undertaken, until the Manager notifies Unitholders to the contrary that, in any fiscal year, the aggregate fees and expenses with respect to a Class of the Sub-Fund (including any management fee, trustee fee and all other fees and expenses set out in the section headed “*Fees and Expenses*” but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) shall not exceed the aggregate of:

- (a) the stated percentage of the relevant Class’s total expense ratio for the fiscal year; and
- (b) the fees and expenses attributable to class SA shares of the underlying scheme (which is subject to a cap of 0.15% of the average net asset value for the fiscal year attributable to such share class) because the assets of the Sub-Fund will be invested in class SA shares of the underlying scheme.

In the event that the fees and expenses with respect to a Class of the Sub-Fund exceed the above limit (i.e. 1.55% p.a. in aggregate) (the “**Cap**”), the Sub-Fund may deduct from the payment to be made to the Manager, or the Manager will otherwise bear, such excess fees and expenses. If the actual aggregate fees and expenses with respect to a Class of the Sub-Fund are below or equal to the Cap, the actual aggregate fees and expenses will be charged and borne by the relevant Class.

**Fees and expenses payable from assets of the underlying scheme:**

	<b>Management Fee</b> (% of net asset value of the relevant class per annum)	<b>Depository Fee, Administration Fee payable to the Administrator &amp; Transfer Agent Fee</b> (% of net asset value per annum)	<b>Administration Fee payable to the management company</b> (% per annum of average daily net asset value)	<b>Aggregate Fees and Expenses</b> (including all fees and expenses but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) (% of net asset value per annum)
<b>Class SA shares</b>	None	Up to 1.00%	Lesser of US\$50,000 or 0.01%	The fees and expenses are subject to a cap of 0.15%
<b>Establishment Costs</b>	The establishment costs of the Sub-Fund is approximately USD19,000 and will be borne by the Sub-Fund. The establishment costs will be amortized over the Amortization Period.			
<b>General Fees and Expenses</b>	Please refer to the section headed “ <i>General Expenses</i> ” for further details.			

## APPENDIX 4 – AB (HK) EMERGING MARKETS MULTI-ASSET PORTFOLIO

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the AB (HK) Emerging Markets Multi-Asset Portfolio (“**Sub-Fund**”), a sub-fund of the Fund.

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### PRINCIPAL TERMS

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#### DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

“ <b>Amortization Period</b> ”	up to the first 5 Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
“ <b>Base Currency</b> ”	USD
“ <b>Business Day</b> ”	a day (other than a Saturday or Sunday) on which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open for normal banking business or such other day or days as the Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
“ <b>Class</b> ”	Class AD (and corresponding H Units) Class A (and corresponding H Units)
“ <b>Class Currency</b> ”	Class AD USD and Class A USD: USD Class AD HKD and Class A HKD: HKD Class AD AUD H and Class A AUD H: AUD Class AD EUR H and Class A EUR H: EUR Class AD GBP H and Class A GBP H: GBP Class AD RMB H and Class A RMB H: RMB
“ <b>Currency Hedged Unit Class</b> ”	Class AD AUD H and Class A AUD H Class AD EUR H and Class A EUR H Class AD GBP H and Class A GBP H Class AD RMB H and Class A RMB H
“ <b>Payment Period</b> ”	no more than 3 Business Days after the relevant Dealing Day on which the relevant Units are issued

#### INVESTMENT CONSIDERATIONS

<b>Investment Objective and Policies</b>	The Sub-Fund is a feeder fund investing all or substantially all of its assets in the Emerging Markets Multi-Asset Portfolio (“ <b>underlying scheme</b> ”), a portfolio under AB SICAV I, an open-ended investment company with variable capital ( <i>société d’investissement à capital variable</i> ) that is qualified as a UCITS within the meaning of Article 1 (2) of the EC Directive 2009/65 of 13 July 2009, as amended (the “Directive 2009/65/EC”). AB SICAV I is incorporated with limited liability in the Grand Duchy of Luxembourg under the law of 10 August 1915 (as
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amended) relating to commercial companies and authorized by the SFC. The assets of the Sub-Fund will be invested in class SD shares of the underlying scheme.

The underlying scheme seeks to increase the value of an investor's investment over time through a combination of income and capital growth (total return) while seeking to moderate volatility.

In actively managing the portfolio, the investment manager of the underlying scheme uses fundamental research and a proprietary quantitative analysis to flexibly adjust investment exposures across various asset classes with the goal of building an optimal risk/return portfolio in all market conditions (top-down and bottom-up approach).

Under normal market conditions, the underlying scheme typically invests in equity securities and debt securities of any credit quality from emerging market issuers (i.e. from any country not defined as "high income" by the World Bank, or as otherwise determined by the investment manager of the underlying scheme which includes the subcategory of frontier markets). The underlying scheme may also seek exposure to other asset classes such as commodities, real estate, currencies and interest rates, as well as to eligible indices.

The underlying scheme may invest up to 30% of its net asset value in equity or debt securities from issuers in developed markets that may benefit from opportunities in emerging markets.

The underlying scheme is not subject to any limitation on the portion of its net asset value that may be invested in equities, debt securities or currencies. Therefore, at any point in time the underlying scheme's investments in one of these asset classes may be more than 50% of its net asset value. Neither is the underlying scheme limited in its holdings in credit qualities\*, countries, industry sectors (including commodity-related exposures) or market capitalizations.

The underlying scheme's equity investment may include convertible securities, depositary receipts, REITs and exchange traded funds (ETFs).

The underlying scheme may invest less than 30% of its net asset value in onshore RMB-denominated securities through the China Interbank Bond Market via the Foreign Access Regime or the Bond Connect, China Connect Schemes or the Qualified Foreign Investor scheme (or via other channels as the market develops).

The underlying scheme may also invest less than 30% of its net asset value in debt instruments with loss-absorption features as defined by the SFC, including, but not limited to, contingent convertible securities, other Tier 1 and Tier 2 capital instruments and senior non-preferred debts. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger events.

The underlying scheme uses derivatives for hedging (reducing risks), efficient portfolio management, and other investment purposes (including to gain additional exposure and to take synthetic short positions).

Under exceptional circumstances (e.g. market crash or major crisis), the underlying scheme may be invested temporarily up to 100% in cash or cash equivalents (such as bank deposits, certificates of deposit, commercial paper and

treasury bills) and high quality short-term securities for cash flow management. To the extent the underlying scheme invests defensively, it may not be pursuing its objective. Please refer to the offering documents of the underlying scheme for further details on its investment objective and policy.

When investing in the underlying scheme, the Manager will aim to avoid or eliminate double charging of management fees (or other costs and charges payable to the Manager or any connected person of the Manager) payable from assets of either the Sub-Fund or the underlying scheme. For more information, please refer to the section headed “*General Information - Conflicts of Interest*” in the Explanatory Memorandum.

The Manager may, in its sole discretion, convert the Sub-Fund from a feeder fund to a direct investment fund subject to obtaining the SFC’s prior approval and by giving not less than one month’s prior notice to Unitholders.

\* Investment Grade securities (as defined in the offering document of the underlying scheme) means debt securities rated at or above BBB- by Standard and Poor’s, Baa3 by Moody’s and/or BBB- by Fitch or the equivalent by one nationally recognized statistical rating organization or, for Chinese bonds, the corresponding rating by a China rating agency. Unrated securities will be considered when the investment manager of the underlying scheme believes the financial condition of the issuer or the protections inherent in the securities themselves limit the risk to a degree comparable to that of rated securities that are consistent with the underlying scheme’s objectives and policies. For the purposes of the underlying scheme, “unrated securities” are defined as securities which do not have a credit rating, regardless of whether their issuers have a credit rating.

**Net Derivative Exposure** The Sub-Fund’s net derivative exposure may be up to 50% of its Net Asset Value.

The underlying scheme’s net derivative exposure may be up to 50% of its net asset value.

**Investment and Borrowing Restrictions** The Sub-Fund is subject to the investment and borrowing restrictions applicable to a feeder fund as set out in the Explanatory Memorandum under the heading “*Investment Restrictions and Borrowing Restrictions*”.

For the purpose of complying with the investment restrictions, the Sub-Fund and the underlying scheme are deemed to be a single entity. Please refer to the offering documents of the underlying scheme for further details on its investment and borrowing restrictions.

**Securities Lending and Repurchase / Reverse Repurchase Agreements** *The Sub-Fund*  
The Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund. Should there be a change in such intention, the approval of the SFC will be sought (if required) and notice will be given to Unitholders in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

*The underlying scheme*

Securities lending transactions: The underlying scheme may enter into securities lending transactions. The underlying scheme, however, will not enter into such transactions with the affiliates of the management company or the investment manager of the underlying scheme. No securities lending agent will be an affiliate



of the management company or the investment manager of the underlying scheme. All incremental income generated from such transactions will be accrued to the underlying scheme.

No securities lending may be made for more than 50% of the value of the securities of the underlying scheme and the investment manager of the underlying scheme may choose to terminate any securities lending transaction at any time. All securities lending transactions entered into by the underlying scheme are collateralized with cash or securities issued by governments of member states of the OECD with value equal to 105% of the reference security.

The lending agent independently selects counterparties based on its own credit and business analysis and shares them with the investment manager of the underlying scheme. The investment manager of the underlying scheme, through its dedicated counterparty risk management team, independently conducts credit reviews and approves counterparties from this list, and monitors the counterparties on an ongoing basis. The investment manager of the underlying scheme also takes comfort in the additional counterparty protection afforded in the securities lending program through overcollateralization: counterparties post minimum collateral equal to 105% of the value of each loaned security, marked-to-market daily.

Repurchase/reverse repurchase agreements or similar over-the-counter transactions: The underlying scheme may enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions. The underlying scheme, however, will not enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions with the affiliates of the management company or the investment manager of the underlying scheme. The maximum level of the underlying scheme's assets available for such transactions is 10% of its net asset value. Should the underlying scheme enter into reverse repurchase agreements or similar over-the-counter transactions, all incremental income generated from such transactions will be accrued to the underlying scheme. All repurchase/reverse repurchase agreement transactions entered into by the underlying scheme are collateralized with OECD member state government securities with value at least equal to the cash received from/delivered to the counterparty.

Taking into account factors including the types of transactions, exposure, concentration to a particular counterparty and credit rating, the investment manager of the underlying scheme conducts initial and on-going counterparty reviews with a view to evaluating the creditworthiness of its proposed and existing counterparties. The investment manager of the underlying scheme maintains a list of approved counterparties which provides the names of the entities and the types of transactions for which each entity has been approved.

**Currency Hedged Unit  
Classes**

In respect of the Currency Hedged Unit Classes, the Manager will employ hedging strategy to hedge the currency exposure to the relevant Class Currency.

## SPECIFIC RISK FACTORS

Investors should also take note of the relevant risks mentioned in the “*Risk Factors*” section in the Explanatory Memorandum which are applicable to the Sub-Fund, in particular, “*Risk of not achieving investment objective*”, “*General investment risk*”, “*Market risk*”, “*Risks of investing in underlying scheme*”, “*Equities securities risk*”, “*Volatility risk*”, “*Smaller capitalization companies risk*”, “*Risks of investing in IPO securities*”, “*Risks relating to debt securities*”, “*Borrowing risks*”, “*Concentration risk*”, “*Country risks*”, “*Emerging markets risk*”, “*Management risk*”, “*Allocation risk*”, “*Turnover risk*”, “*Systems and operational risk*”, “*Custodial risk*”, “*Risk in investing in financial derivative instruments*”, “*OTC derivatives counterparty risk*”, “*Commodity related securities risk*”, “*Structured instruments risk*”, “*REITs risk*”, “*Currency risk*”, “*Currency Hedged Unit Class risk*”, “*RMB Class(es) related risk*”, “*Foreign exchange risk*”, “*Hedging risk*”, “*Liquidity risk*”, “*Illiquid assets risk*”, “*Restricted markets risk*”, “*Legal, tax and regulatory risk*”, “*Risk of termination*” and “*Distributions risk*”.

Please also refer to the offering documents of the underlying scheme for the risks applicable to the underlying scheme. The underlying scheme’s investment in financial derivative instruments may involve additional risks, for example, counterparty default risk (risk that the direct counterparty of an OTC derivative does not make timely interest or principal payments as contracted) or insolvency risk (risk that the counterparty may not have sufficient funds and files for bankruptcy), risk involved with effective management of derivative strategies (risk that the underlying investments in the derivatives-based investment strategy do not perform as expected), risk of mispricing or improper valuation of derivatives (operational risk that the derivative is not priced properly), risk of higher volatility, risk of illiquidity in the market for certain derivative strategies (risk that certain OTC derivatives may not be as easily exchangeable as others). Derivatives may give rise to leverage and the risk of loss may be greater than the amount invested in the derivative and may expose the underlying scheme (and thus the Sub-Fund) to significant losses.

## INVESTING IN THE FUND AND REDEMPTION OF UNITS

<b>Class</b>	<b>Minimum Initial Subscription Amount</b>	<b>Minimum Subsequent Subscription Amount</b>	<b>Minimum Redemption Amount</b>	<b>Minimum Holding Amount</b>
AD USD and A USD	USD2,000	USD750	None	USD750
AD HKD and A HKD	HKD15,000	HKD5,000	None	HKD5,000
AD AUD H and A AUD H	AUD2,000	AUD750	None	AUD750
AD EUR H and A EUR H	EUR2,000	EUR750	None	EUR750
AD GBP H and A GBP H	GBP2,000	GBP750	None	GBP750
AD RMB H and A RMB H	RMB10,000	RMB4,000	None	RMB4,000

## **DISTRIBUTION POLICY**

### **Accumulation Class(es)**

Class A (and corresponding H Units) are Accumulation Classes.

### **Distribution Class(es)**

Class AD (and corresponding H Units) are Distribution Classes. The Manager intends to declare and pay monthly distributions. The Manager intends to maintain a stable distribution rate for such Distribution Class and distributions may come from gross income (before deduction of fees and expenses) and capital attributable to such Distribution Class. The Manager may, in its discretion, pay dividends out of gross income while paying all or part of such Distribution Class' fees and expenses out of the capital of such Distribution Class, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital.

Please refer to the section headed "***Distribution Policy***" and the risk factor headed "***Distributions risk***" in the main part of the Explanatory Memorandum for further details.

## FEES AND EXPENSES

### Fees payable by investors:

<b>Class</b>	<b>Subscription Charge</b> (% of Issue Price)	<b>Redemption Charge</b> (% of redemption amount)	<b>Exchange Fee<sup>1</sup></b> (% of the total amount being exchanged)
AD (and corresponding H Units)	Up to 5.00%	None	None
A (and corresponding H Units)	Up to 5.00%	None	None

### Fees and expenses payable from assets of the Sub-Fund:

<b>Class</b>	<b>Management Fee</b> (% of Net Asset Value of the relevant Class per annum)	<b>Trustee Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Administration Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Total Expense Ratio<sup>2</sup></b> (% of Net Asset Value of the relevant Class per annum)
AD (and corresponding H Units)	1.60%	0.035%	Up to 1%	1.90%
A (and corresponding H Units)	1.60%	0.035%	Up to 1%	1.90%

<sup>1</sup> Any additional fees charged by distributors may still apply.

<sup>2</sup> For as long as the Sub-Fund is a feeder fund of the underlying scheme, the Manager has voluntarily undertaken, until the Manager notifies Unitholders to the contrary that, in any fiscal year, the aggregate fees and expenses with respect to a Class of the Sub-Fund (including any management fee, trustee fee and all other fees and expenses set out in the section headed "*Fees and Expenses*" but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) shall not exceed the aggregate of:

- (a) the stated percentage of the relevant Class's total expense ratio for the fiscal year; and
- (b) the fees and expenses attributable to class SD shares of the underlying scheme (which is subject to a cap of 0.15% of the average net asset value for the fiscal year attributable to such share class) because the assets of the Sub-Fund will be invested in class SD shares of the underlying scheme.

In the event that the fees and expenses with respect to a Class of the Sub-Fund exceed the above limit (i.e. 2.05% p.a. in aggregate) (the "**Cap**"), the Sub-Fund may deduct from the payment to be made to the Manager, or the Manager will otherwise bear, such excess fees and expenses. If the actual aggregate fees and expenses with respect to a Class of the Sub-Fund are below or equal to the Cap, the actual aggregate fees and expenses will be charged and borne by the relevant Class.

**Fees and expenses payable from assets of the underlying scheme:**

	<b>Management Fee</b> (% of net asset value of the relevant class per annum)	<b>Depository Fee, Administration Fee payable to the Administrator &amp; Transfer Agent Fee</b> (% of net asset value per annum)	<b>Administration Fee payable to the management company</b> (% per annum of average daily net asset value)	<b>Aggregate Fees and Expenses</b> (including all fees and expenses but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) (% of net asset value per annum)
<b>Class SD shares</b>	None	Up to 1.00%	Lesser of US\$50,000 or 0.01%	The fees and expenses are subject to a cap of 0.15%
<b>Establishment Costs</b>	The establishment costs of the Fund and the Sub-Fund are approximately USD35,000 and will be borne by the Sub-Fund. The establishment costs will be amortized over the Amortization Period.			
<b>General Fees and Expenses</b>	Please refer to the section headed “ <i>General Expenses</i> ” for further details.			

## APPENDIX 5 – AB (HK) EUROPEAN INCOME PORTFOLIO

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the AB (HK) European Income Portfolio (“**Sub-Fund**”), a sub-fund of the Fund.

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### PRINCIPAL TERMS

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#### DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

“ <b>Amortization Period</b> ”	up to the first 5 Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
“ <b>Base Currency</b> ”	EUR
“ <b>Business Day</b> ”	a day (other than a Saturday or Sunday) on which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open for normal banking business or such other day or days as the Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
“ <b>Class</b> ”	Class AA (and corresponding H Units) Class A2 (and corresponding H Units)
“ <b>Class Currency</b> ”	Class AA EUR and Class A2 EUR: EUR Class AA AUD H and Class A2 AUD H: AUD Class AA GBP H and Class A2 GBP H: GBP Class AA HKD H and Class A2 HKD H: HKD Class AA RMB H and Class A2 RMB H: RMB Class AA USD H and Class A2 USD H: USD
“ <b>Currency Hedged Unit Class</b> ”	Class AA AUD H and Class A2 AUD H Class AA GBP H and Class A2 GBP H Class AA HKD H and Class A2 HKD H Class AA RMB H and Class A2 RMB H Class AA USD H and Class A2 USD H
“ <b>Payment Period</b> ”	no more than 3 Business Days after the relevant Dealing Day on which the relevant Units are issued

#### INVESTMENT CONSIDERATIONS

<b>Investment Objective and Policies</b>	The Sub-Fund is a feeder fund investing all or substantially all of its assets in the European Income Portfolio (“ <b>underlying scheme</b> ”), a portfolio under AB FCP I, a mutual investment fund ( <i>fonds commun de placement</i> ) that is qualified as a UCITS within the meaning of Article 1 (2) of the EC Directive 2009/65 of 13 July 2009, as amended (the “Directive 2009/65/EC”). AB FCP I is organized under the laws of the Grand Duchy of Luxembourg and authorized by the SFC. The assets of the Sub-Fund will be invested in class SHK shares of the underlying scheme.
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The investment objective of the underlying scheme is to maximize current income while seeking preservation of capital.

The underlying scheme invests in a diversified portfolio of Euro- or European currency-denominated Investment Grade (as defined in the offering document of the underlying scheme) and non-Investment Grade fixed-income securities of European companies and governments. The investment manager of the underlying scheme will invest at any time at least two-thirds of the underlying scheme's net asset value in securities of European companies and governments. The underlying scheme may also invest up to one third of the underlying scheme's net asset value in Euro- or European currency-denominated fixed-income securities of non-European issuers. The underlying scheme has no limitation as to the amount of its total assets that may be invested in a single country or a single industry. The underlying scheme may invest up to 25% of its net asset value in newly developing markets that are not Investment Grade (as defined in the offering document of the underlying scheme to mean fixed-income securities rated Baa (including Baa1, Baa2 and Baa3) or higher by Moody's or BBB (including BBB+ and BBB-) or higher by S&P, or the equivalent thereof by at least one internationally recognized statistical ratings organization) rated. The investment manager of the underlying scheme expects that approximately 65% of the underlying scheme's net asset value will be invested in Investment Grade fixed-income securities, with approximately 35% in securities rated below Investment Grade. However, if the investment manager of the underlying scheme deems such investments appropriate, the underlying scheme may invest up to 50% of its net asset value in securities that are rated below Investment Grade.

When implementing the investment strategy, the underlying scheme seeks preservation of capital but may benefit from capital appreciation.

The underlying scheme may invest less than 30% of its net asset value in debt instruments with loss-absorption features as defined by the SFC, including, but not limited to, contingent convertible securities, other Tier 1 and Tier 2 capital instruments and senior non-preferred debts. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger events.

The underlying scheme may seek to hedge against securities market and currency fluctuations through the use of listed futures and options, and OTC derivative instruments, including swaps, options and currency transactions.

The underlying scheme is entitled to use financial derivative instruments for hedging, risk management, efficient portfolio management and investment purposes. These financial derivative instruments may include, but are not limited to, swaps, options and currency transactions.

Please refer to the offering documents of the underlying scheme for further details on its investment objective and policy.

When investing in the underlying scheme, the Manager will aim to avoid or eliminate double charging of management fees (or other costs and charges payable to the Manager or any connected person of the Manager) payable from assets of either the Sub-Fund or the underlying scheme. For more information, please refer to the section headed "*General Information - Conflicts of Interest*" in the Explanatory Memorandum.

The Manager may, in its sole discretion, convert the Sub-Fund from a feeder fund to a direct investment fund subject to obtaining the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

**Net Derivative Exposure** The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

The underlying scheme's net derivative exposure may be up to 50% of its net asset value.

**Investment and Borrowing Restrictions** The Sub-Fund is subject to the investment and borrowing restrictions applicable to a feeder fund as set out in the Explanatory Memorandum under the heading "*Investment Restrictions and Borrowing Restrictions*".

For the purpose of complying with the investment restrictions, the Sub-Fund and the underlying scheme are deemed to be a single entity. Please refer to the offering documents of the underlying scheme for further details on its investment and borrowing restrictions.

**Securities Lending and Repurchase / Reverse Repurchase Agreements** *The Sub-Fund*

The Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund. Should there be a change in such intention, the approval of the SFC will be sought (if required) and notice will be given to Unitholders in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

*The underlying scheme*

Securities lending transactions: The underlying scheme may enter into securities lending transactions. However, currently the underlying scheme would not enter into such transactions.

Repurchase/reverse repurchase agreements or similar over-the-counter transactions: The underlying scheme may enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions. The underlying scheme, however, will not enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions with the affiliates of the management company or the investment manager of the underlying scheme. The maximum level of the underlying scheme's assets available for such transactions is 10% of its net asset value. All repurchase/reverse repurchase agreement transactions entered into by the underlying scheme are collateralized with OECD member state government securities with value at least equal to the cash received from/delivered to the counterparty.

Taking into account factors including the types of transactions, exposure, concentration to a particular counterparty and credit rating, the investment manager of the underlying scheme conducts initial and on-going counterparty reviews with a view to evaluating the creditworthiness of its proposed and existing counterparties. The investment manager of the underlying scheme maintains a list of approved counterparties which provides the names of the entities and the types of transactions for which each entity has been approved.

**Currency Hedged Unit Classes** In respect of the Currency Hedged Unit Classes, the Manager will employ hedging strategy to hedge the currency exposure to the relevant Class Currency.



## SPECIFIC RISK FACTORS

Investors should also take note of the relevant risks mentioned in the “*Risk Factors*” section in the Explanatory Memorandum which are applicable to the Sub-Fund, in particular, “*Risk of not achieving investment objective*”, “*General investment risk*”, “*Market risk*”, “*Risks of investing in underlying scheme*”, “*Volatility risk*”, “*Risks relating to debt securities*”, “*Borrowing risks*”, “*Concentration risk*”, “*Country risks*”, “*Emerging markets risk*”, “*Eurozone risk*”, “*Focused portfolio risk*”, “*Management risk*”, “*Turnover risk*”, “*Systems and operational risk*”, “*Custodial risk*”, “*Risk in investing in financial derivative instruments*”, “*OTC derivatives counterparty risk*”, “*Currency risk*”, “*Currency Hedged Unit Class risk*”, “*RMB Class(es) related risk*”, “*Foreign exchange risk*”, “*Hedging risk*”, “*Liquidity risk*”, “*Illiquid assets risk*”, “*Restricted markets risk*”, “*Legal, tax and regulatory risk*”, “*Risk of termination*” and “*Distributions risk*”.

Please also refer to the offering documents of the underlying scheme for the risks applicable to the underlying scheme.

## INVESTING IN THE FUND AND REDEMPTION OF UNITS

<b>Class</b>	<b>Minimum Initial Subscription Amount</b>	<b>Minimum Subsequent Subscription Amount</b>	<b>Minimum Redemption Amount</b>	<b>Minimum Holding Amount</b>
AA EUR and A2 EUR	EUR2,000	EUR750	None	EUR750
AA AUD H and A2 AUD H	AUD2,000	AUD750	None	AUD750
AA GBP H and A2 GBP H	GBP2,000	GBP750	None	GBP750
AA HKD H and A2 HKD H	HKD15,000	HKD5,000	None	HKD5,000
AA RMB H and A2 RMB H	RMB10,000	RMB4,000	None	RMB4,000
AA USD H and A2 USD H	USD2,000	USD750	None	USD750

## DISTRIBUTION POLICY

### Accumulation Class(es)

Class A2 (and corresponding H Units) are Accumulation Classes.

### Distribution Class(es)

Class AA (and corresponding H Units) are Distribution Classes. The Manager intends to declare and pay monthly distributions. The Manager intends to maintain a stable distribution rate for such Distribution Class and distributions are to be derived, or primarily derived, from gross income (before deduction of fees and expenses). Distributions may also include capital attributable to such Distribution Class. The Manager may, in its discretion, pay dividends out of gross income while paying all or part of such Distribution Class’ fees and expenses out of the capital of such Distribution Class, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital.

Please refer to the section headed “*Distribution Policy*” and the risk factor headed “*Distributions risk*” in the main part of the Explanatory Memorandum for further details.

## FEES AND EXPENSES

### Fees payable by investors:

<b>Class</b>	<b>Subscription Charge</b> (% of Issue Price)	<b>Redemption Charge</b> (% of redemption amount)	<b>Exchange Fee<sup>1</sup></b> (% of the total amount being exchanged)
AA (and corresponding H Units)	Up to 5.00%	None	None
A2 (and corresponding H Units)	Up to 5.00%	None	None

### Fees and expenses payable from assets of the Sub-Fund:

<b>Class</b>	<b>Management Fee</b> (% of Net Asset Value of the relevant Class per annum)	<b>Trustee Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Administration Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Total Expense Ratio<sup>2</sup></b> (% of Net Asset Value of the relevant Class per annum)
AA (and corresponding H Units)	1.10%	0.035%	Up to 1%	1.45%
A2 (and corresponding H Units)	1.10%	0.035%	Up to 1%	1.45%

<sup>1</sup> Any additional fees charged by distributors may still apply.

<sup>2</sup> For as long as the Sub-Fund is a feeder fund of the underlying scheme, the Manager has voluntarily undertaken, until the Manager notifies Unitholders to the contrary that, in any fiscal year, the aggregate fees and expenses with respect to a Class of the Sub-Fund (including any management fee, trustee fee and all other fees and expenses set out in the section headed "*Fees and Expenses*" but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) shall not exceed the aggregate of:

- (a) the stated percentage of the relevant Class's total expense ratio for the fiscal year; and
- (b) the fees and expenses attributable to class SHK shares of the underlying scheme (which is subject to a cap of 0.15% of the average net asset value for the fiscal year attributable to such share class) because the assets of the Sub-Fund will be invested in class SHK shares of the underlying scheme.

In the event that the fees and expenses with respect to a Class of the Sub-Fund exceed the above limit (i.e. 1.60% p.a. in aggregate) (the "**Cap**"), the Sub-Fund may deduct from the payment to be made to the Manager, or the Manager will otherwise bear, such excess fees and expenses. If the actual aggregate fees and expenses with respect to a Class of the Sub-Fund are below or equal to the Cap, the actual aggregate fees and expenses will be charged and borne by the relevant Class.

**Fees and expenses payable from assets of the underlying scheme:**

	<b>Management Fee</b> (% of net asset value of the relevant class per annum)	<b>Depository Fee, Administration Fee payable to the Administrator &amp; Transfer Agent Fee</b> (% of net asset value per annum)	<b>Administration Fee payable to the management company</b> (% per annum of average daily net asset value)	<b>Aggregate Fees and Expenses</b> (including all fees and expenses but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) (% of net asset value per annum)
<b>Class SHK shares</b>	None	Up to 1.00%	Lesser of US\$50,000 or 0.01%	The fees and expenses are subject to a cap of 0.15%

**Establishment Costs** The establishment costs of the Fund and the Sub-Fund are approximately USD35,000 and will be borne by the Sub-Fund. The establishment costs will be amortized over the Amortization Period.

**General Fees and Expenses** Please refer to the section headed “*General Expenses*” for further details.

## APPENDIX 6 – AB (HK) GLOBAL HIGH YIELD PORTFOLIO

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the AB (HK) Global High Yield Portfolio (“**Sub-Fund**”), a sub-fund of the Fund.

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### PRINCIPAL TERMS

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#### DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

“ <b>Amortization Period</b> ”	up to the first 5 Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
“ <b>Base Currency</b> ”	USD
“ <b>Business Day</b> ”	a day (other than a Saturday or Sunday) on which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open for normal banking business or such other day or days as the Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
“ <b>Class</b> ”	Class AA (and corresponding H Units) Class A2 (and corresponding H Units)
“ <b>Class Currency</b> ”	Class AA USD and Class A2 USD: USD Class AA HKD and Class A2 HKD: HKD Class AA AUD H and Class A2 AUD H: AUD Class AA EUR H and Class A2 EUR H: EUR Class AA GBP H and Class A2 GBP H: GBP Class AA RMB H and Class A2 RMB H: RMB
“ <b>Currency Hedged Unit Class</b> ”	Class AA AUD H and Class A2 AUD H Class AA EUR H and Class A2 EUR H Class AA GBP H and Class A2 GBP H Class AA RMB H and Class A2 RMB H
“ <b>Payment Period</b> ”	no more than 3 Business Days after the relevant Dealing Day on which the relevant Units are issued

#### INVESTMENT CONSIDERATIONS

**Investment Objective and Policies** The Sub-Fund is a feeder fund investing all or substantially all of its assets in the Global High Yield Portfolio (“underlying scheme”), a portfolio under AB FCP I, a mutual investment fund (*fonds commun de placement*) that is qualified as a UCITS within the meaning of Article 1 (2) of the EC Directive 2009/65 of 13 July 2009, as amended (the “Directive 2009/65/EC”). AB FCP I is organized under the laws of the Grand Duchy of Luxembourg and authorized by the SFC.

The assets of the Sub-Fund will be invested in class SHK shares of the underlying scheme.

The investment objective of the underlying scheme is to produce high current income as well as overall total return by investing primarily in a portfolio of high yielding debt securities of issuers located throughout the world, including U.S. issuers and issuers in emerging market countries.

The underlying scheme invests primarily and at any time at least two-thirds of its net asset value in high yielding bonds of issuers located throughout the world, including U.S. issuers and issuers in emerging-market countries. The underlying scheme intends to allocate assets among high-yield non-Investment Grade (as defined in the offering document of the underlying scheme to mean fixed-income securities rated Baa (including Baa1, Baa2 and Baa3) or higher by Moody's or BBB (including BBB+ and BBB-) or higher by S&P, or the equivalent thereof by at least one internationally recognized statistical ratings organization) corporate bonds in the U.S., non-Investment Grade debt securities of issuers located in emerging-market countries as well as sovereign debt issued by emerging market countries. It may invest in Investment Grade securities if such securities possess desirable yield and/or total return characteristics. The underlying scheme will not invest more than 20% of its net asset value in one country except for U.S. issuers. Holdings may include debt securities with a range of maturities, from short- to long-term bonds. The underlying scheme anticipates that a substantial portion of its assets may be denominated in currencies other than USD.

The underlying scheme may invest less than 30% of its net asset value in debt instruments with loss-absorption features as defined by the SFC, including, but not limited to, contingent convertible securities, other Tier 1 and Tier 2 capital instruments and senior non-preferred debts. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger events.

The investment manager of the underlying scheme does not expect to utilize bank borrowing in implementing the underlying scheme's investment strategy.

The underlying scheme may use financial derivative instruments and efficient portfolio management techniques for hedging, risk management, efficient portfolio management, managing duration and volatility, obtaining currency exposure and as an alternative to investing directly in the underlying instruments. Efficient portfolio management and hedging techniques may include use of exchange-traded and OTC derivative instruments, including swaps, options, futures and currency transactions.

Under exceptional circumstances (e.g. market crash or major crisis), the underlying scheme may be invested temporarily up to 100% of net asset value in liquid assets such as bank deposits, certificate of deposits, commercial paper and treasury bills for cash flow management.

Please refer to the offering documents of the underlying scheme for further details on its investment objective and policy.

When investing in the underlying scheme, the Manager will aim to avoid or eliminate double charging of management fees (or other costs and charges payable to the Manager or any connected person of the Manager) payable from

assets of either the Sub-Fund or the underlying scheme. For more information, please refer to the section headed “*General Information - Conflicts of Interest*” in the Explanatory Memorandum.

The Manager may, in its sole discretion, convert the Sub-Fund from a feeder fund to a direct investment fund subject to obtaining the SFC’s prior approval and by giving not less than one month’s prior notice to Unitholders.

**Net Derivative Exposure** The Sub-Fund’s net derivative exposure may be up to 50% of its Net Asset Value.

The underlying scheme’s net derivative exposure may be up to 50% of its net asset value.

**Investment and Borrowing Restrictions** The Sub-Fund is subject to the investment and borrowing restrictions applicable to a feeder fund as set out in the Explanatory Memorandum under the heading “*Investment Restrictions and Borrowing Restrictions*”.

For the purpose of complying with the investment restrictions, the Sub-Fund and the underlying scheme are deemed to be a single entity. Please refer to the offering documents of the underlying scheme for further details on its investment and borrowing restrictions.

**Securities Lending and Repurchase / Reverse Repurchase Agreements** *The Sub-Fund*  
The Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund. Should there be a change in such intention, the approval of the SFC will be sought (if required) and notice will be given to Unitholders in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

#### *The underlying scheme*

Securities lending transactions: The underlying scheme may enter into securities lending transactions. However, currently the underlying scheme would not enter into such transactions.

Repurchase/reverse repurchase agreements or similar over-the-counter transactions: The underlying scheme may enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions. The underlying scheme, however, will not enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions with the affiliates of the management company or the investment manager of the underlying scheme. The maximum level of the underlying scheme’s assets available for such transactions is 10% of its net asset value. All repurchase/reverse repurchase agreement transactions entered into by the underlying scheme are collateralized with OECD member state government securities with value at least equal to the cash received from/delivered to the counterparty.

Taking into account factors including the types of transactions, exposure, concentration to a particular counterparty and credit rating, the investment manager of the underlying scheme conducts initial and on-going counterparty reviews with a view to evaluating the creditworthiness of its proposed and existing counterparties. The investment manager of the underlying scheme

maintains a list of approved counterparties which provides the names of the entities and the types of transactions for which each entity has been approved.

**Currency Hedged Unit Classes** In respect of the Currency Hedged Unit Classes, the Manager will employ hedging strategy to hedge the currency exposure to the relevant Class Currency.

## SPECIFIC RISK FACTORS

Investors should also take note of the relevant risks mentioned in the “*Risk Factors*” section in the Explanatory Memorandum which are applicable to the Sub-Fund, in particular, “*Risk of not achieving investment objective*”, “*General investment risk*”, “*Market risk*”, “*Risks of investing in underlying scheme*”, “*Volatility risk*”, “*Risks relating to debt securities*”, “*Borrowing risks*”, “*Concentration risk*”, “*Country risks*”, “*Emerging markets risk*”, “*Management risk*”, “*Turnover risk*”, “*Systems and operational risk*”, “*Custodial risk*”, “*Risk in investing in financial derivative instruments*”, “*OTC derivatives counterparty risk*”, “*Currency risk*”, “*Currency Hedged Unit Class risk*”, “*RMB Class(es) related risk*”, “*Foreign exchange risk*”, “*Hedging risk*”, “*Liquidity risk*”, “*Illiquid assets risk*”, “*Restricted markets risk*”, “*Legal, tax and regulatory risk*”, “*Risk of termination*” and “*Distributions risk*”.

Please also refer to the offering documents of the underlying scheme for the risks applicable to the underlying scheme.

## INVESTING IN THE FUND AND REDEMPTION OF UNITS

Class	Minimum Initial Subscription Amount	Minimum Subsequent Subscription Amount	Minimum Redemption Amount	Minimum Holding Amount
AA USD and A2 USD	USD2,000	USD750	None	USD750
AA HKD and A2 HKD	HKD15,000	HKD5,000	None	HKD5,000
AA AUD H and A2 AUD H	AUD2,000	AUD750	None	AUD750
AA EUR H and A2 EUR H	EUR2,000	EUR750	None	EUR750
AA GBP H and A2 GBP H	GBP2,000	GBP750	None	GBP750
AA RMB H and A2 RMB H	RMB10,000	RMB4,000	None	RMB4,000

## DISTRIBUTION POLICY

### Accumulation Class(es)

Class A2 (and corresponding H Units) are Accumulation Classes.

### Distribution Class(es)

Class AA (and corresponding H Units) are Distribution Classes. The Manager intends to declare and pay monthly distributions. The Manager intends to maintain a stable distribution rate for each Distribution Class and distributions are to be derived, or primarily derived, from gross income (before deduction of fees and expenses). Distributions may also include capital attributable to each Distribution Class. The Manager may, in its discretion, pay dividends out of gross income while paying all or part of each Distribution Class’ fees and expenses out of the capital of such Distribution Class, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital.

Please refer to the section headed “*Distribution Policy*” and the risk factor headed “*Distributions risk*” in the main part of the Explanatory Memorandum for further details.

## FEES AND EXPENSES

### Fees payable by investors:

<b>Class</b>	<b>Subscription Charge</b> (% of Issue Price)	<b>Redemption Charge</b> (% of redemption amount)	<b>Exchange Fee<sup>1</sup></b> (% of the total amount being exchanged)
AA (and corresponding H Units)	Up to 5.00%	None	None
A2 (and corresponding H Units)	Up to 5.00%	None	None

### Fees and expenses payable from assets of the Sub-Fund:

<b>Class</b>	<b>Management Fee</b> (% of Net Asset Value of the relevant Class per annum)	<b>Trustee Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Administration Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Total Expense Ratio<sup>2</sup></b> (% of Net Asset Value of the relevant Class per annum)
AA (and corresponding H Units)	1.55%	0.035%	Up to 1%	1.85%
A2 (and corresponding H Units)	1.55%	0.035%	Up to 1%	1.85%

<sup>1</sup> Any additional fees charged by distributors may still apply.

<sup>2</sup> For as long as the Sub-Fund is a feeder fund of the underlying scheme, the Manager has voluntarily undertaken, until the Manager notifies Unitholders to the contrary that, in any fiscal year, the aggregate fees and expenses with respect to a Class of the Sub-Fund (including any management fee, trustee fee and all other fees and expenses set out in the section headed "**Fees and Expenses**" but exclusive of certain other taxes, brokerage and other transactional cost and interest on borrowings) shall not exceed the aggregate of:

(a) the above stated percentage of the relevant Class's total expense ratio for the fiscal year; and

(b) the fees and expenses attributable to class SHK shares of the underlying scheme (which is subject to a cap of 0.10% of the average net asset value for the fiscal year attributable to such share class) because the assets of the Sub-Fund will be invested in class SHK shares of the underlying scheme.

In the event that the fees and expenses with respect to a Class of the Sub-Fund exceed the above limit (i.e. 1.95% p.a. in aggregate) (the "**Cap**"), the Sub-Fund may deduct from the payment to be made to the Manager, or the Manager will otherwise bear, such excess fees and expenses. If the actual aggregate fees and expenses with respect to a Class of the Sub-Fund are below or equal to the Cap, the actual aggregate fees and expenses will be charged and borne by the relevant Class.



**Fees and expenses payable from assets of the underlying scheme:**

	<b>Management Fee</b> (% of net asset value of the relevant class per annum)	<b>Depositary Fee, Administration Fee payable to the Administrator &amp; Transfer Agent Fee</b> (% of net asset value per annum)	<b>Administration Fee payable to the management company</b> (% per annum of average daily net asset value)	<b>Aggregate Fees and Expenses</b> (including all fees and expenses but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) (% of net asset value per annum)
<b>Class SHK shares</b>	None	Up to 1.00%	Lesser of US\$50,000 or 0.01%	The fees and expenses are subject to a cap of 0.10%
<b>Establishment Costs</b>	The establishment costs of the Fund and the Sub-Fund are approximately USD35,000 and will be borne by the Sub-Fund. The establishment costs will be amortized over the Amortization Period.			

**General Fees and Expenses** Please refer to the section headed “*General Expenses*” for further details.

## APPENDIX 7 – AB (HK) GLOBAL LOW VOLATILITY EQUITY PORTFOLIO

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the AB (HK) Global Low Volatility Equity Portfolio (“Sub-Fund”), a sub-fund of the Fund.*

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### PRINCIPAL TERMS

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#### DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

<b>“Amortization Period”</b>	up to the first 5 Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
<b>“Base Currency”</b>	USD
<b>“Business Day”</b>	a day (other than a Saturday or Sunday) on which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open for normal banking business or such other day or days as the Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the New York Stock Exchange and banks in Hong Kong, the PRC and Luxembourg are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
<b>“Class”</b>	Class AD (and corresponding H Units) Class A (and corresponding H Units)
<b>“Class Currency”</b>	Class AD USD and Class A USD: USD Class AD HKD and Class A HKD: HKD Class AD AUD H and Class A AUD H: AUD Class AD EUR H and Class A EUR H: EUR Class AD GBP H and Class A GBP H: GBP Class AD RMB H and Class A RMB H: RMB
<b>“Currency Hedged Unit Class”</b>	Class AD AUD H and Class A AUD H Class AD EUR H and Class A EUR H Class AD GBP H and Class A GBP H Class AD RMB H and Class A RMB H
<b>“Payment Period”</b>	no more than 3 Business Days after the relevant Dealing Day on which the relevant Units are issued

#### INVESTMENT CONSIDERATIONS

##### Investment Objective and Objective Policies

The investment objective of the Sub-Fund is to increase the value of an investor’s investment over time through capital growth.

## Strategy

### *The Sub-Fund*

The Sub-Fund is a feeder fund which, in seeking to achieve its investment objective, invests 90% or more of its total Net Asset Value in the Low Volatility Equity Portfolio (“**underlying scheme**”), a portfolio under AB SICAV I, an open-ended investment company with variable capital (*société d’investissement à capital variable*) that is qualified as a UCITS within the meaning of Article 1 (2) of the EC Directive 2009/65 of 13 July 2009, as amended (the “Directive 2009/65/EC”). AB SICAV I is incorporated with limited liability in the Grand Duchy of Luxembourg under the law of 10 August 1915 (as amended) relating to commercial companies and authorized by the SFC. The assets of the Sub-Fund will be invested in class SD shares of the underlying scheme.

The Sub-Fund may also invest up to 10% of its Net Asset Value on an ancillary basis in money market instruments, cash and cash equivalents for cash management purposes. The Sub-Fund may use derivatives (such as futures, options and/or forward contracts) for hedging purposes.

### *The underlying scheme*

In actively managing the underlying scheme, the investment manager of the underlying scheme uses fundamental research and a proprietary quantitative risk/return model to select securities that appear to be high quality, to have low volatility and reasonable valuations and to offer attractive shareholder returns (bottom-up approach).

Under normal market conditions, the underlying scheme typically invests in equity securities of companies that are organized, have substantial business activities in developed countries as well as emerging markets (i.e. any country not defined as “high income” by the World Bank, or as otherwise determined by the investment manager of the underlying scheme which includes the subcategory of frontier markets), that the investment manager of the underlying scheme believes have lower volatility. These companies may be of any market capitalization and industry. The underlying scheme’s equity investments may include convertible securities, depositary receipts and exchange traded funds (ETFs).

The underlying scheme uses derivatives for hedging (reducing risks), efficient portfolio management and other investment purposes.

The underlying scheme may invest not more than 10% of its net asset value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below Investment Grade\*. Such investments are based on professional judgment of the investment manager of the underlying scheme whose reasons for investment may include a favorable / positive outlook on the sovereign issuer, potential for rating upgrade and the expected change in the value of such investments due to rating changes. Please note the ratings of sovereign issuers may change from time to time and the abovementioned sovereign is named only for reference and is subject to change as its rating changes.

Under exceptional circumstances (e.g. market crash or major crisis), the underlying scheme may be invested temporarily up to 100% in cash, cash

equivalents (such as bank deposits, certificates of deposit, commercial paper and treasury bills) and high quality short-term securities for cash flow management. To the extent the underlying scheme invests defensively, it may not be pursuing its objective.

\* Investment Grade securities (as defined in the offering document of the underlying scheme) means debt securities rated at or above BBB- by Standard and Poor's, Baa3 by Moody's and/or BBB- by Fitch or the equivalent by one nationally recognized statistical rating organization or, for Chinese bonds, the corresponding rating by a China rating agency.

**Further Information on Investment Policy**

When investing in the underlying scheme, the Manager will aim to avoid or eliminate double charging of management fees (or other costs and charges payable to the Manager or any connected person of the Manager) payable from assets of either the Sub-Fund or the underlying scheme. For more information, please refer to the section headed "*General Information - Conflicts of Interest*" in the Explanatory Memorandum.

The Manager may, in its sole discretion, convert the Sub-Fund from a feeder fund to a direct investment fund subject to obtaining the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

**Net Derivative Exposure**

The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

The underlying scheme's net derivative exposure may be up to 50% of its net asset value.

**Investment and Borrowing Restrictions**

The Sub-Fund is subject to the investment and borrowing restrictions applicable to a feeder fund as set out in the Explanatory Memorandum under the heading "*Investment Restrictions and Borrowing Restrictions*".

For the purpose of complying with the investment restrictions, the Sub-Fund and the underlying scheme are deemed to be a single entity. Please refer to the offering documents of the underlying scheme for further details on its investment and borrowing restrictions.

**Securities Lending and Repurchase / Reverse Repurchase Agreements**

*The Sub-Fund*

The Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund. Should there be a change in such intention, the approval of the SFC will be sought (if required) and notice will be given to Unitholders in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

*The underlying scheme*

Securities lending transactions: The underlying scheme may enter into securities lending transactions. The underlying scheme, however, will not enter into such transactions with the affiliates of the management company or the investment manager of the underlying scheme. No securities lending agent will be an affiliate of the management company or the investment manager of the underlying scheme. All incremental income generated from such transactions will be accrued to the underlying scheme.

No securities lending may be made for more than 50% of the value of the securities of the underlying scheme and the investment manager of the underlying scheme may choose to terminate any securities lending transaction at any time. All securities lending transactions entered into by the underlying scheme are collateralized with cash or securities issued by governments of member states of the OECD with value equal to 105% of the reference security.

The lending agent independently selects counterparties based on its own credit and business analysis and shares them with the investment manager of the underlying scheme. The investment manager of the underlying scheme, through its dedicated counterparty risk management team, independently conducts credit reviews and approves counterparties from this list, and monitors the counterparties on an ongoing basis. The investment manager of the underlying scheme also takes comfort in the additional counterparty protection afforded in the securities lending program through overcollateralization: counterparties post minimum collateral equal to 105% of the value of each loaned security, marked-to-market daily.

Repurchase/reverse repurchase agreements or similar over-the-counter transactions: The underlying scheme may enter into repurchase/reverse repurchase agreements or similar over-the-counter transactions. However, the underlying scheme does not currently intend to engage in such transactions.

**Currency Hedged Unit  
Classes**

In respect of the Currency Hedged Unit Classes, the Manager will employ hedging strategy to hedge the currency exposure to the relevant Class Currency.

## SPECIFIC RISK FACTORS

Investors should also take note of the relevant risks mentioned in the “*Risk Factors*” section in the Explanatory Memorandum which are applicable to the Sub-Fund, in particular, “*Risk of not achieving investment objective*”, “*General investment risk*”, “*Market risk*”, “*Risks of investing in underlying scheme*”, “*Equities securities risk*”, “*Volatility risk*”, “*Borrowing risks*”, “*Concentration risk*”, “*Emerging markets risk*”, “*Smaller capitalization companies risk*”, “*Management risk*”, “*Allocation risk*”, “*Turnover risk*”, “*Systems and operational risk*”, “*Custodial risk*”, “*Risk in investing in financial derivative instruments*”, “*OTC derivatives counterparty risk*”, “*Currency risk*”, “*Currency Hedged Unit Class risk*”, “*RMB Class(es) related risk*”, “*Foreign exchange risk*”, “*Hedging risk*”, “*Liquidity risk*”, “*Illiquid assets risk*”, “*Restricted markets risk*”, “*Legal, tax and regulatory risk*”, “*Risk of termination*” and “*Distributions risk*”.

Please also refer to the offering documents of the underlying scheme for the risks applicable to the underlying scheme.

## INVESTING IN THE FUND AND REDEMPTION OF UNITS

<b>Class</b>	<b>Minimum Initial Subscription Amount</b>	<b>Minimum Subsequent Subscription Amount</b>	<b>Minimum Redemption Amount</b>	<b>Minimum Holding Amount</b>
AD USD and A USD	USD2,000	USD750	None	USD750
AD HKD and A HKD	HKD15,000	HKD5,000	None	HKD5,000
AD AUD H and A AUD H	AUD2,000	AUD750	None	AUD750
AD EUR H and A EUR H	EUR2,000	EUR750	None	EUR750
AD GBP H and A GBP H	GBP2,000	GBP750	None	GBP750
AD RMB H and A RMB H	RMB10,000	RMB4,000	None	RMB4,000

## DISTRIBUTION POLICY

### Accumulation Class(es)

Class A (and corresponding H Units) are Accumulation Classes.

### Distribution Class(es)

Class AD (and corresponding H Units) are Distribution Classes. The Manager intends to declare and pay monthly distributions. The Manager intends to maintain a stable distribution rate for such Distribution Class and distributions may come from gross income (before deduction of fees and expenses) and capital attributable to such Distribution Class. The Manager may, in its discretion, pay dividends out of gross income while paying all or part of such Distribution Class’ fees and expenses out of the capital of such Distribution Class, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital.

Please refer to the section headed “*Distribution Policy*” and the risk factor headed “*Distributions risk*” in the main part of the Explanatory Memorandum for further details.

## **FEES AND EXPENSES**

### **Fees payable by investors:**

<b>Class</b>	<b>Subscription Charge</b> (% of Issue Price)	<b>Redemption Charge</b> (% of redemption amount)	<b>Exchange Fee<sup>1</sup></b> (% of the total amount being exchanged)
AD (and corresponding H Units)	Up to 5.00%	None	None
A (and corresponding H Units)	Up to 5.00%	None	None

### **Fees and expenses payable from assets of the Sub-Fund:**

<b>Class</b>	<b>Management Fee</b> (% of Net Asset Value of the relevant Class per annum)	<b>Trustee Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Administration Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	<b>Total Expense Ratio<sup>2</sup></b> (% of Net Asset Value of the relevant Class per annum)
AD (and corresponding H Units)	1.50%	0.035%	Up to 1%	1.80%
A (and corresponding H Units)	1.50%	0.035%	Up to 1%	1.80%

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<sup>1</sup> Any additional fees charged by distributors may still apply.

<sup>2</sup> For as long as the Sub-Fund is a feeder fund of the underlying scheme, the Manager has voluntarily undertaken, until the Manager notifies Unitholders to the contrary that, in any fiscal year, the aggregate fees and expenses with respect to a Class of the Sub-Fund (including any management fee, trustee fee and all other fees and expenses set out in the section headed “*Fees and Expenses*” but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) shall not exceed the aggregate of:

(a) the stated percentage of the relevant Class’s total expense ratio for the fiscal year; and

(b) the fees and expenses attributable to class SD shares of the underlying scheme (which is subject to a cap of 0.15% of the average net asset value for the fiscal year attributable to such share class) because the assets of the Sub-Fund will be invested in class SD shares of the underlying scheme.

In the event that the fees and expenses with respect to a Class of the Sub-Fund exceed the above limit (i.e. 1.95% p.a. in aggregate) (the “**Cap**”), the Sub-Fund may deduct from the payment to be made to the Manager, or the Manager will otherwise bear, such excess fees and expenses. If the actual aggregate fees and expenses with respect to a Class of the Sub-Fund are below or equal to the Cap, the actual aggregate fees and expenses will be charged and borne by the relevant Class.

**Fees and expenses payable from assets of the underlying scheme:**

	<b>Management Fee</b> (% of net asset value of the relevant class per annum)	<b>Depository Fee, Administration Fee payable to the Administrator &amp; Transfer Agent Fee</b> (% of net asset value per annum)	<b>Administration Fee payable to the management company</b> (% per annum of average daily net asset value)	<b>Aggregate Fees and Expenses</b> (including all fees and expenses but exclusive of certain other taxes, brokerage or other transactional cost and interest on borrowings) (% of net asset value per annum)
<b>Class SD shares</b>	None	Up to 1.00%	Lesser of US\$50,000 or 0.01%	The fees and expenses are subject to a cap of 0.15%
<b>Establishment Costs</b>	The establishment costs of the Sub-Fund is approximately USD33,900 and will be borne by the Sub-Fund. The establishment costs will be amortized over the Amortization Period.			
<b>General Fees and Expenses</b>	Please refer to the section headed “ <i>General Expenses</i> ” for further details.			