

# PICTET HK

EXPLANATORY MEMORANDUM

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July 2024



## IMPORTANT INFORMATION FOR INVESTORS

**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 Pictet HK (“**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 23 August 2016, as amended from time to time (“**Trust Deed**”) between HSBC Institutional Trust Services (Asia) Limited (“**Trustee**”) as trustee and Pictet Asset Management (Hong Kong) Limited (“**Manager**”) as manager. The Fund may establish sub-funds (each a “**Sub-Fund**”) in respect of which a separate class or classes of Units (as defined below) will be issued.

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 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 reports and unaudited interim financial report. Any information given or representations made by any distributor(s), 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 unauthorised and accordingly must not be relied upon, and investors should ask their distributor(s) if there is a more recent or updated version of the same.

### Hong Kong Authorisation and Approval

The Fund and the Sub-Fund(s) have been authorised by the SFC pursuant to section 104 of the SFO. The SFC’s authorisation 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 authorised. 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 authorised. 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.



**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 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 US Person (as defined in Regulation S under such Act); 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.

**Unit Classes for distribution in Mainland China investors under the Mainland-Hong Kong Mutual Recognition of Funds initiative:** The classes “M USD” and “HM RMB” under Pictet Strategic Income will be offered to investors in Mainland China only for subscription after such Sub-Fund obtains the approval of the CSRC for distribution in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds initiative and will not be offered in Hong Kong. Investors in Mainland China should refer to the supplementary offering document of the Pictet Strategic Income distributed in Mainland China for details in relation to “M USD” and “HM RMB” Units.

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 or regions 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 the 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 8-9/F Chater House, 8 Connaught Road Central, Hong Kong); or
- call the Manager by telephone at +852 3191 1880.

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

### Further Information

Investors may access the website of the Manager at [www.assetmanagement.pictet](http://www.assetmanagement.pictet) for further information on the Fund and the Sub-Fund(s), including this Explanatory Memorandum and the Product Key Facts Statement, annual and interim financial reports and latest Net Asset Values. This website has not been reviewed or authorised by the SFC and may contain information of funds not authorised by the SFC.



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## DIRECTORY OF PARTIES

### Manager

#### **Pictet Asset Management (Hong Kong) Limited**

8-9/F Chater House  
8 Connaught Road Central  
Hong Kong

### Directors of the Manager

Nicolas LERESCHE  
John Alexander SAMPLE  
Junjie WATKINS  
Cédric Jean-Albert VERMESSE  
Hau Keung YEUNG

### Mainland Custodian

#### **HSBC Bank (China) Company Limited**

33/F, HSBC Building  
Shanghai ifc, 8 Century Avenue  
8 Century Avenue  
Pudong, Shanghai  
PRC

### Solicitors to the Manager

#### **Deacons**

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

### Trustee and Registrar

#### **HSBC Institutional Trust Services (Asia) Limited**

1 Queen's Road Central  
Hong Kong

### Custodian

#### **The Hongkong and Shanghai Banking Corporation Limited**

1 Queen's Road Central  
Hong Kong

### Auditors

#### **PricewaterhouseCoopers**

22<sup>nd</sup> Floor, Prince's Building  
Central  
Hong Kong



## DEFINITIONS

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

<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>	30 September 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. The first Accounting Date of the Fund is 30 September 2017 and the first Accounting Date of a Sub-Fund is specified in the relevant Appendix
<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 or the termination date of such Sub-Fund
<b>“Amortisation 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 amortised
<b>“Application Form”</b>	the prescribed 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>“Authorised 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>	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days in relation to a Sub-Fund as the Manager may determine from time to time and as specified in the relevant Appendix, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager determines otherwise
<b>“China” or “PRC”</b>	the People’s Republic of China
<b>“China A-Shares”</b>	shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in Renminbi and available for investment by Mainland China investors, QFII and RQFII, as well as eligible securities under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect



<b>“China B-Shares”</b>	shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by Mainland China investors and foreign investors
<b>“China H-Shares”</b>	shares issued by companies incorporated in Mainland China and listed on the Stock Exchange of Hong Kong Limited and traded in HKD
<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 Code on Unit Trusts and Mutual Funds, as may be amended from time to time
<b>“connected person”</b>	in relation to a company, means: <ul style="list-style-type: none"><li>(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</li><li>(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or</li><li>(c) any member of the group of which that company forms part; or</li><li>(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c) above</li></ul>
<b>“Conversion Form”</b>	the prescribed conversion form for the conversion of Units and for the avoidance of doubt, the Conversion Form does not form part of this Explanatory Memorandum
<b>“CSRC”</b>	China Securities Regulatory Commission
<b>“Custodian”</b>	The Hongkong and Shanghai Banking Corporation Limited
<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>	Pictet HK
<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>“IFRS”</b>	International 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 Advisor”</b>	the investment advisor appointed in respect of a Sub-Fund, the details of which as specified in the relevant Appendix (if applicable)
<b>“Investment Manager”</b>	an entity that has been delegated the investment management function of all or part of the assets of a Sub-Fund, the details of which are as specified in the relevant Appendix (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, after consultation with 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>	Pictet Asset Management (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>“Mainland China” or “Mainland”</b>	all customs territory of the People’s Republic of China, for the purposes of interpretation of this Explanatory Memorandum only, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
<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 summarised below under “ <b>Valuation and Suspension – Calculation of Net Asset Value</b> ”
<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>“Mainland Custodian”</b>	HSBC Bank (China) Company Limited
<b>“QFII”</b>	a qualified foreign institutional investor approved pursuant to the relevant laws and regulations of Mainland China, as may be promulgated and/or amended from time to time
<b>“QFII Holder”</b>	Pictet Asset Management Limited
<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 Day”</b>	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix
<b>“Redemption Deadline”</b>	in relation to a Redemption Day, such time by which a redemption request in respect of a Sub-Fund or a Class of Units must be received either on such Redemption Day or on such other Business Day or day as the Manager, after consultation with the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold 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>“Registrar”</b>	HSBC Institutional Trust Services (Asia) Limited
<b>“Renminbi” or “RMB”</b>	renminbi, the currency of the PRC
<b>“REITs”</b>	real estate investment trusts
<b>“Reverse Repurchase Transactions”</b>	transactions whereby a Sub-Fund purchases securities from a counterparty of Sale and Repurchase Transactions and agrees to sell such securities back at an agreed price in the future
<b>“RQFII”</b>	a Renminbi qualified foreign institutional investor approved pursuant to the relevant laws and regulations of Mainland China, as may be promulgated and/or amended from time to time
<b>“RQFII Holder”</b>	Pictet Asset Management Limited
<b>“SAFE”</b>	the State Administration of Foreign Exchange of the PRC
<b>“Sale and Repurchase Transactions” or “Repurchase Transactions”</b>	transactions whereby a Sub-Fund sells its securities to a counterparty of Reverse Repurchase Transactions and agrees to buy such securities back at an agreed price with a financing cost in the future
<b>“Securities Financing Transactions”</b>	collectively Securities Lending Transactions, Sale and Repurchase Transactions and Reverse Repurchase Transactions
<b>“Securities Market”</b>	any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded
<b>“Securities Lending Transactions”</b>	transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee
<b>“Semi-Annual Accounting Date”</b>	31 March 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 and notify to the Trustee and the Unitholders of such Sub-Fund. The first Semi-Annual Accounting Date of the Fund is 31 March 2017 and the first Semi-Annual Accounting Date of a Sub-Fund is specified in the relevant Appendix
<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>“Subscription Day”</b>	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager 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 of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix
<b>“Subscription Deadline”</b>	in relation to a Subscription Day, such time by which an application for subscription in respect of a Sub-Fund or a Class of Units must be received either on such Subscription Day or on such other Business Day or day as the Manager, after consultation with the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix
<b>“substantial financial institution”</b>	an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK\$2 billion or its equivalent in foreign currency
<b>“Switching Fee”</b>	the switching fee (if any) payable on the conversion of Units and as specified in the relevant Appendix
<b>“Trust Deed”</b>	the trust deed dated 23 August 2016 establishing the Fund and entered into by the Manager and the Trustee (as amended from time to time)
<b>“Trustee”</b>	HSBC Institutional Trust Services (Asia) 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.” or “US”</b>	United States of America
<b>“US\$” or “USD”</b>	US Dollars, the lawful currency of the United States of America
<b>“Valuation Day”</b>	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 falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager may from time to time determine, either generally or in relation to a particular Sub-Fund or Class of Units, and as specified in the relevant Appendix
<b>“Valuation Point”</b>	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 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 organised 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 and distinct trust under the Trust Deed with its own investment objective and policies, 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).

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 of the Fund and the Sub-Funds is Pictet Asset Management (Hong Kong) Limited. It is a Hong Kong company that is licensed by the SFC to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. The Manager's SFC licence is subject to the condition that "the licensee shall not hold client assets. The terms "hold" and "client assets" are as defined under the Securities and Futures Ordinance." Its principal fund management activities relate to Asian and particularly Chinese equity and debt funds.

The Manager undertakes the management of the assets of the Fund. The Manager may appoint an Investment Manager and delegate any of its management functions in relation to assets of specific Sub-Funds to such Investment Manager subject to prior SFC approval. The Investment Manager may in turn delegate its functions to such sub-investment manager(s) subject to prior SFC approval. In the event that an Investment Manager 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.

### Trustee

The Trustee of the Fund is HSBC Institutional Trust Services (Asia) Limited.

The Trustee was incorporated with limited liability in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and approved by the Mandatory Provident Fund Schemes Authority as trustee of registered mandatory provident fund schemes under the Mandatory Provident Fund

Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). HSBC Institutional Trust Services (Asia) Limited is an indirectly wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales.

Under the Trust Deed, the Trustee shall take into custody or under its control all the investments, cash and other assets forming part of the assets of each Sub-Fund and hold them in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, shall register cash and registrable assets in the name of or to the order of the Trustee and be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereto.

The Trustee may from time to time appoint or (where the appointment of a local custodian is required by the applicable laws and regulations of the relevant jurisdiction to be made by the Manager) agree in writing to the appointment by the Manager of, such person or persons as it thinks fit (including, without limitation, any of its connected persons) to hold, as custodian, or co-custodian, delegate, nominee or agent, all or any of the Investments, assets or other property comprised in the Fund or any of the Sub-Funds and may empower any such person to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians (each such custodian, delegate, nominee, agent, co-custodian and sub-custodian a "**Correspondent**").

The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and on-going monitoring of Correspondents which are appointed for the custody and/or safekeeping of any of the investments, cash, assets or other property comprised in the Sub-Fund and (b) be satisfied that Correspondents retained remain suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Sub-Fund(s). The Trustee shall be responsible for the acts and omissions of any Correspondent which is a connected person of the Trustee as if the same were the acts or omissions of the Trustee but provided that the Trustee has discharged its obligations as set out in (a) and (b) in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent which is not a connected person of the Trustee.



The Trustee shall not be liable for: any act, omission, insolvency, liquidation or bankruptcy of Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other depositary or clearing and settlement system in relation to any investment deposited with such depositary or clearing and settlement system.

Subject as provided in the Trust Deed, the Trustee shall not be liable for losses caused by the performance of investments made by the Fund and/or the Sub-Fund(s).

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Fund and/or the Sub-Funds from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses (other than any liability to Unitholders imposed under Hong Kong law or resulting from breaches of trust through fraud or negligence on the part of the Trustee or any of its officers, employees, agents or delegates for which the Trustee would be liable under the Trust Deed), which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Fund or the Sub-Funds. Subject to applicable law and regulations and the provisions of the Trust Deed, the Trustee shall not, in the absence of breaches of trust through fraud or negligence on the part of the Trustee or any agent, sub-custodian or delegate appointed by the Trustee for which the Trustee would be liable under the Trust Deed, be liable for any losses, costs or damage to the Fund, the Sub-Fund(s) or any Unitholder.

The Trustee in no way acts as guarantor or offerer of the Units or any underlying investment. The Trustee has no responsibility or authority to make investment decisions, or render investment advice with respect to the Fund or the Sub-Fund(s), which is the sole responsibility of the Manager.

The Trustee will not participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control (the “**OFAC**”) of the US Department of the Treasury. The OFAC administers and enforces economic sanction programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers by using the blocking of

assets and trade restrictions to accomplish foreign policy and national security goals. In enforcing economic sanctions, OFAC acts to prevent “prohibited transactions,” which are described by OFAC as trade or financial transactions and other dealings in which US persons may not engage unless authorised by OFAC or expressly exempted by statute. OFAC has the authority to grant exemptions to prohibitions on such transactions, either by issuing a general licence for certain categories of transactions, or by specific licences issued on a case-by-case basis. HSBC group of companies has adopted a policy of compliance with the sanctions issued by OFAC. As part of its policy, the Trustee may request for additional information if deemed necessary.

The appointment of the Trustee may be terminated in the circumstances set out in the Trust Deed.

The Trustee is entitled to the fees set out in the subsection headed “**Trustee Fee**” and “**Registrar Fee**” in the “**Fees and Expenses**” section and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

The Manager has sole responsibility for making investment decisions in relation to the Fund and/or each Sub-Fund. The Trustee (including its delegate) is not responsible and has no liability for any investment decision made by the Manager. Except as provided in the Trust Deed or expressly stated in this Explanatory Memorandum and/or required by the Code, neither the Trustee nor any of its employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Fund or the Sub-Funds, and they are not responsible for the preparation or issue of this Explanatory Memorandum other than the description under “**Trustee**” and “**Registrar**” in the “**Management and Administration of the Fund**” section.

#### Registrar

HSBC Institutional Trust Services (Asia) Limited is the Registrar of each Sub-Fund which provide services in respect of the establishment and maintenance of the register of the Unitholders.



## Custodian and Mainland Custodian

Each Sub-Fund may invest directly in China A-Shares via QFII and/or RQFII. The Hongkong and Shanghai Banking Corporation Limited has been appointed as the Custodian to act through its delegate, the Mainland Custodian, and will be responsible for the safe custody of the relevant Sub-Fund's assets acquired through the QFII and/or RQFII licenses of the QFII Holder and/or RQFII Holder (as the case may be) within Mainland China under the QFII and RQFII schemes in accordance with the Mainland Custodian Agreement (as defined below).

According to the Mainland Custodian Agreement, the Custodian is entitled to appoint its subsidiary or associates within the HSBC group of companies as delegate for the performance of its services under the Mainland Custodian Agreement. As of the date of this Explanatory Memorandum, the Custodian has appointed HSBC Bank (China) Company Limited as the Mainland Custodian. The Mainland Custodian is incorporated in Mainland China and is a wholly-owned subsidiary of the Custodian. The Mainland Custodian possesses the applicable qualification to provide custody services to QFIIs and/or RQFIIs.

According to the terms of the Mainland Custodian Agreement, the Custodian shall remain responsible for any omission or wilful default of the Mainland Custodian, as if no such appointment had been made.

The “**Mainland Custodian Agreement**” is the custody agreement entered into between the Custodian, the Mainland Custodian, the Manager and the Trustee, as amended from time to time.

## Authorised Distributors

The Manager may appoint one or more Authorised 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 conversion of Units.

Where application for Units is made through an Authorised Distributor, Units may be registered in the name of a nominee company of the Authorised 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 conversion of Units through Authorised Distributor(s) should note that such Authorised Distributor(s) may impose earlier dealing deadlines for receiving instructions for subscriptions, redemptions or conversions. Investors should pay attention to the arrangements of the Authorised Distributor(s) concerned.

The Manager may pay or share any of the fees received by it (including any Subscription Charge, Redemption Charge, Switching Fee and management fees) with such Authorised Distributors. For the avoidance of doubt, any fees, costs and expenses payable to the Authorised 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).

## Auditor

The auditors of the Fund and the Sub-Funds are PricewaterhouseCoopers.

## Other Service Providers

The Trustee or the Manager may appoint other service providers to provide services in respect of a Sub-Fund. Details of such other service providers (if any) are set out in the relevant Appendix.





## 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 by the Manager and borrowing restrictions. 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 due account of the interests of Unitholders of the relevant Sub-Fund.

### Securities Lending, Sale and Repurchase and Reverse Repurchase Transactions

Unless otherwise disclosed in the relevant Appendix, the Manager currently does not intend to enter into any Securities Financing Transactions or other similar over-the-counter transactions in respect of any of the Sub-Funds.

### Investment in Mainland China via QFII and/or RQFII

Under current regulations in Mainland China, foreign investors (such as the Sub-Funds) may invest in certain eligible Mainland investments, in general, only through entities that have obtained status as a QFII or RQFII from the CSRC. The QFII and RQFII regime is governed by rules and regulations as promulgated by the Mainland Chinese authorities, i.e., the CSRC, SAFE and the People's Bank of China ("**PBOC**"). Such rules and regulations may be amended from time to time.

The Custodian has been appointed by the Manager to act as the custodian through its delegate, the Mainland Custodian, for safe custody of the Sub-Funds' assets acquired via QFII/RQFII within Mainland China under the QFII/RQFII scheme in accordance with the Mainland Custodian Agreement. The Custodian has also been appointed by the Trustee as its custodian pursuant to the Custodian Agreement and the Custodian has, with the consent of the Trustee, delegated certain of its duties under the Custodian Agreement to the Mainland Custodian.



According to the Mainland Custodian Agreement, the Custodian is entitled to utilise its subsidiary or associates within its group of companies, which as of the date of the Mainland Custodian Agreement is the Mainland Custodian as its delegate for the performance of services under the Mainland Custodian Agreement, but in such a case, the Custodian shall remain liable for the acts and omissions (including fraud, negligence and willful default) of the Mainland Custodian as if no such appointment has been made. As of the date of this Explanatory Memorandum, no function of the Mainland Custodian in connection with custody of assets under the QFII/RQFII regime is delegated to its associates within its group of companies or any other person(s).

According to the Participation Agreement (as amended from time to time) (the “**Participation Agreement**”), the Trustee shall, in accordance with and limited to the extent provided in the Custodian Agreement be responsible for the acts and omissions of the Custodian as if the same were the acts or omissions of the Trustee.

In respect of each Sub-Fund that invests significantly in China A-Shares via QFII and/or RQFII, the Manager has obtained an opinion from Mainland legal counsel to the effect that, as a matter of Mainland China laws:

- (a) securities accounts with the relevant depositories and RMB special deposit accounts with the Mainland Custodian (respectively, the “**securities accounts**” and the “**cash accounts**”) shall be opened with such designation(s) bearing the names of the QFII/RQFII Holder and the relevant Sub-Fund for the sole benefit and use of the relevant Sub-Fund in accordance with all applicable laws and regulations of Mainland China and with approvals from all competent authorities in Mainland China;
- (b) the assets held/credited in the securities accounts (i) belong solely to the relevant Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the QFII/RQFII Holder, the Custodian, the Mainland Custodian and any Mainland broker(s) and from the assets of other clients of the QFII/RQFII Holder, the Custodian, the Mainland Custodian and any Mainland broker(s);

- (c) the assets held/credited in the cash accounts (i) are an unsecured debt owing from the Mainland Custodian to the relevant Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the QFII/RQFII Holder and any Mainland broker(s), and from the assets of other clients of the QFII/RQFII Holder and any Mainland broker(s);
- (d) subject to the applicable rules and regulations in Mainland China, the Fund, on behalf of the relevant Sub-Fund, is the only entity which has a valid claim of ownership over the assets in the securities accounts and the debt in the amount deposited in the cash accounts of the relevant Sub-Fund;
- (e) if the QFII/RQFII Holder or any Mainland broker(s) is liquidated, the assets contained in the securities accounts and cash accounts of the relevant Sub-Fund will not form part of the liquidation assets of the QFII/RQFII Holder or such Mainland broker(s) in liquidation in Mainland China; and
- (f) if the Mainland Custodian is liquidated, (i) the assets contained in the securities accounts of the relevant Sub-Fund will not form part of the liquidation assets of the Mainland Custodian in liquidation in Mainland China, and (ii) the assets contained in the cash accounts of the relevant Sub-Fund will form part of the liquidation assets of the Mainland Custodian in liquidation in Mainland China and the relevant Sub-Fund will become an unsecured creditor for the amount deposited in the cash accounts.



The Trustee has put in place proper arrangements to ensure that, in respect of each Sub-Fund:

- (i) the Trustee takes into its custody or under its control the assets of the relevant Sub-Fund in accordance with the Custodian Agreement, and has delegated to the Custodian the holding of the assets in the securities accounts and cash accounts with the Mainland Custodian;
- (ii) the assets in the securities accounts and cash accounts are registered or held to the order and under the control of the Trustee; and
- (iii) all instructions given to the Custodian and/or the Mainland Custodian (as the case may be) by the Manager under the Participation Agreement or pursuant to the Mainland Custodian Agreement shall at all times be given by the Manager to the Custodian and/or the Mainland Custodian through or via the Trustee, which shall, in accordance with the Custodian Agreement, provide all such instructions to the Custodian and/or the Mainland Custodian (as the case may be) in a timely manner.

The Manager will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the QFII/RQFII Holder. If any conflicts of interest arise, the Manager will have regard in such event to its obligations to each of the Sub-Funds and will endeavour to ensure that such conflicts are resolved fairly and in the best interest of the Shareholders.

#### Investment in Mainland China via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively, the “Stock Connects”)

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked programme developed by the Stock Exchange of Hong Kong Limited (“SEHK”), Shanghai Stock Exchange (“SSE”), Hong Kong Securities Clearing Company Limited (“HKSCC”) and China Securities Depository and Clearing Corporation Limited (“ChinaClear”), and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing linked programme developed by the SEHK, Shenzhen Stock Exchange (“SZSE”), HKSCC and ChinaClear. The aim of the Stock Connects is to achieve mutual stock market access between Mainland China and Hong Kong.

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Sub-Funds), through their Hong Kong brokers and a securities trading service company established by the SEHK, may be able to trade eligible China A-Shares listed on SSE by routing orders to SSE.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the Sub-Funds), through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to trade eligible China A-Shares listed on SZSE by routing orders to SZSE.

#### Eligible securities

##### (i) Shanghai-Hong Kong Stock Connect

Under the Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Sub-Funds) are able to trade certain stocks listed on the SSE market (i.e. “**SSE Securities**”). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of these indices but which have corresponding China H-Shares listed on SEHK, except the following:

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are included in the “risk alert board”

It is expected that the list of eligible securities will be subject to review.

##### (ii) Shenzhen-Hong Kong Stock Connect

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Sub-Funds) are able to trade certain eligible shares listed on the SZSE market (i.e. “**SZSE Securities**”). These include all the constituent stocks of the SZSE Component Index and SZSE



Small/Mid Cap Innovation Index which has a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed China A-Shares which have corresponding China H-Shares listed on SEHK, except the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are included in the “risk alert board” or under delisting arrangement

At the initial stage of the Shenzhen-Hong Kong Stock Connect, investors eligible to trade shares that are listed on the ChiNext Board of the SZSE (“**ChiNext Board**”) under Northbound trading will be limited to institutional professional investors (which the Sub-Funds will qualify as such) as defined in the relevant Hong Kong rules and regulations.

It is expected that the list of eligible securities will be subject to review.

#### *Currency*

Hong Kong and overseas investors will trade and settle SSE Securities and SZSE Securities in RMB only. Hence, the Sub-Funds will need to use RMB to trade and settle SSE Securities and SZSE Securities.

#### *Trading day*

Investors (including the Sub-Funds) will only be allowed to trade on the SSE market and the SZSE market on days where both Mainland China and Hong Kong stock markets are open for trading, and banking services are available in both markets on the corresponding settlement days.

#### *Trading quota*

Trading under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be subject to a daily quota (“**Daily Quota**”). Northbound Shanghai Trading Link under the Shanghai-Hong Kong Stock Connect, Northbound Shenzhen Trading Link under the Shenzhen-Hong Kong Stock Connect, Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect will be respectively subject to a separate set of Daily Quota.

The Daily Quota limits the maximum net buy value of cross-boundary trades under each of the Stock Connects each day. The Northbound Daily Quota is currently set at RMB13 billion for each of the Stock Connects.

SEHK will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the Hong Kong Exchanges and Clearing Limited (“**HKEx**”)’s website.

#### *Settlement and custody*

HKSCC, the wholly-owned subsidiary of HKEx, will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

The China A-Shares traded through the Stock Connects are issued in scripless form, so investors will not hold any physical China A-Shares. Hong Kong and overseas investors who have acquired SSE Securities or SZSE Securities through Northbound trading should maintain the SSE Securities or SZSE Securities with their brokers’ or custodians’ stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK).

### *Foreign shareholding restrictions*

The CSRC stipulates that, when holding China A-Shares through the Stock Connects, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- Single foreign investors' shareholding by any Hong Kong or overseas investor in a China A-Share must not exceed 10% of the total issued shares; and
- Aggregate foreign investors' shareholding by all Hong Kong and overseas investors in a China A-Share must not exceed 30% of the total issue shares.

Should the shareholding of a single investor in a China A-Share listed company exceed the above restriction, the investor would be required to unwind his position on the excessive shareholding according to a last-in-first-out basis within a specific period. The SSE or the SZSE (as the case may be) and the SEHK will issue warnings or restrict the buy orders for the related China A-Shares if the percentage of total shareholding is approaching the upper limit.

### *Corporate actions and shareholders' meetings*

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities and SZSE Securities held in its omnibus stock account in ChinaClear, ChinaClear as the share registrar for SSE and SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities and SZSE Securities.

HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS ("**CCASS participants**") informed of all such corporate actions that require CCASS participants or investors to take steps in order to participate in them.

SSE-/SZSE-listed companies usually announce their annual general meeting/extraordinary general meeting information about two or three weeks before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise CCASS participants of all general meeting details such as meeting date, time and the number of resolutions. Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements

to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under Mainland China regulations and the articles of association of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements.

### *Trading fees*

Under the Stock Connects, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant Mainland Chinese authority when they trade and settle SSE Securities and SZSE Securities. Further information about the trading fees and levies is available online at the website:

[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)

### *Investor compensation*

The Sub-Funds' investments through Northbound trading under the Stock Connects will not be covered by Hong Kong's Investor Compensation Fund.

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in Northbound trading via the Stock Connects do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund.

On the other hand, since the Sub-Funds are carrying out Northbound trading through securities brokers in Hong Kong but not Mainland brokers, therefore they are not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in Mainland China.

Further information about the Stock Connects is available online at the website: [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)



## Liquidity Risk Management

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of each Sub-Fund and to ensure that the liquidity profile of the investments of each Sub-Fund will facilitate compliance with the Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager's liquidity policy takes into account the investment strategy; the liquidity profile; the redemption policy; the dealing frequency; the ability to enforce redemption limitations and the fair valuation policies of the relevant Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by the relevant Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of each Sub-Fund under normal and exceptional market conditions.

The Manager has assigned a designated team responsible for risk management to carry out the day-to-day liquidity risk monitoring function and they are functionally independent from the day-to-day portfolio investment manager. The oversight of liquidity risk management team and other related responsibility are performed by the Manager's Responsible Officer in charge of the Risk Management.

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

- (a) the Manager may acting reasonably and in good faith limit the number of Units of the relevant Sub-Fund redeemed on any Redemption 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. For further details, please refer to the heading "**Restrictions on Redemption**" in the section headed "**Redemption of Units**";
- (b) in calculating the Redemption Price, the Manager may deduct such amount (if any) as the Manager may estimate as an appropriate allowance to reflect fiscal and sale charges (including stamp duty, other taxes, duties or governmental charges, brokerage, bank charges or transfer fees) which would be incurred for the account of the relevant Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request. For further details, please refer to the heading "**Adjustment of Prices**" under the section headed "**Valuation and Suspension**"; and
- (c) subject to the restrictions in Schedule 1, the Manager may borrow up to 10% of the latest available Net Asset Value of a Sub-Fund to meet redemption requests.



## 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.**

### 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 minimise potential losses, 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.

### Investment risk

Investments involve risks. Each Sub-Fund is not principal guaranteed. 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. The price of Units of any Sub-Fund and the income from them may go down as well as up.

### 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 distributions from 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. 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.

### Equity investment risks

A Sub-Fund 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, issuer-specific factors 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 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. A Sub-Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

#### Risk relating to small- and mid-capped companies

A Sub-Fund may invest in the securities of small and/or mid-capped companies. Investing in these securities may expose such Sub-Fund to risks such as greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle.

#### Risks of investing in IPO securities

A Sub-Fund may invest in initial public offers ("IPOs") securities. The prices of securities involved in initial public offers ("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 adverse impact on the relevant Sub-Fund and its investors.

#### Risks relating to debt securities

- *Credit 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 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 Sub-Fund's assets are invested default, the performance of the Sub-Fund will be adversely affected.

The debt securities that a Sub-Fund invests in may be offered on an unsecured basis without collateral. In such circumstances, the relevant

Sub-Fund 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 fixed income instrument issued by it only after all secured claims have been satisfied in full. The relevant Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

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

- *Credit ratings 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. 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.

- *Credit rating downgrading risk*

The credit rating assigned to a security or an issuer may be re-evaluated and updated based on recent market events or specific developments. As a result, investment grade securities may be subject to the risk of being downgraded to below investment grade securities. Similarly, an issuer having an investment grade rating may be downgraded, for example, as a result of deterioration of its financial conditions. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the relevant Sub-Fund. In the event of investment grade securities being





downgraded to below investment grade securities and such securities continued to be held by the Sub-Fund, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

- *Below investment grade and unrated securities risk*

A Sub-Fund may invest in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities and may be subject to greater fluctuation in value and higher chance of default. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

The value of lower-rated or unrated corporate bonds may be affected by investors' perceptions. When economic conditions appear to be deteriorating, below investment grade or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

- *Interest rates risk*

Changes in interest rates may affect the value of a debt security as well as the financial markets in general. Debt securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by a Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

- *Valuation risk*

The value of debt securities that a Sub-Fund invests 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 after consultation with the Trustee. Valuations in such circumstance may involve uncertainty and judgemental determination.

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, the latest available quotations of the relevant debt securities may be used to estimate the fair market value. Alternatively, the Manager after consultation with the Trustee may, permit some other method of valuation to be used to estimate the fair market value of such debt securities including the use of quotation of other debt securities with very similar attributes. Such valuation methodology may not equal to the actual liquidation price due to liquidity and size constraints. If valuation is proven to be incorrect, this will affect the Net Asset Value calculation of the relevant Sub-Fund.

- *Unlisted debt securities risk*

The debt securities in which a Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the relevant Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the relevant Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the relevant Sub-Fund may suffer losses in trading such securities.



## Risks of investing in other funds

A Sub-Fund may invest in underlying funds which are not regulated by the SFC. In addition to the expenses and charges charged by such Sub-Fund, investor should note that there are additional fees involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the relevant Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Manager and the selection and monitoring of the underlying funds. These factors may have adverse impact on the relevant Sub-Fund and its investors. If a Sub-Fund invests in an underlying fund 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.

## RMB currency risk and RMB classes related risk

Starting from 2005, the exchange rate of the RMB is no longer pegged to the US dollar. 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. The daily trading price of the RMB against other major currencies in the interbank foreign exchange market is 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 US dollars and Hong Kong dollars, are susceptible to movements based on external factors.

Accordingly, the investment in RMB classes of the Sub-Fund may be adversely affected by the fluctuations in the exchange rate between RMB and other foreign currencies.

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 classes are received, the Manager has the absolute discretion to delay any payment of redemption requests from the RMB classes where it determines that there is not sufficient RMB for currency conversion by the Sub-Fund for settlement purpose.

Units of RMB classes are denominated in RMB which may be different to the Base Currency of the Sub-Fund and the currency denomination of the underlying investments of the Sub-Fund. A Sub-Fund may or may not have substantial RMB-denominated underlying investments. In circumstances where the Sub-Fund has no or limited RMB-denominated underlying investments, or the Sub-Fund’s Base Currency is in a currency other than RMB, investors in RMB classes may be exposed to currency risk and they may suffer losses when the value of non-RMB denominated underlying investments and/or value of the Base Currency rise or remain stable if RMB appreciates against the currencies of the underlying investments and/or the Base Currency or if RMB appreciates against the currencies of the underlying investments and/or the Base Currency more than the increase in the value of the underlying investments and/or the Base Currency. Furthermore, investors may suffer additional losses where the value of non-RMB denominated underlying investments decreases. In certain circumstances, redemption proceeds can be paid to the investors in a currency other than the relevant Class Currency. Investors will need to bear the potential risk of loss arising from fluctuations in value between such currency and the Renminbi.

When calculating the value of the RMB classes, the offshore RMB in Hong Kong (the “**CNH**”) will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB in Mainland China (the “**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 fluctuation in the CNH/CNY exchange rate may impact the value of the RMB classes.



The value of the RMB classes 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 classes of the Sub-Funds. Non-RMB based (e.g. Hong Kong) investors may have to convert Hong Kong dollar or other currencies into RMB when investing in the RMB classes. Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the units) and RMB dividends received (if any) back to Hong Kong dollar or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against Hong Kong dollar or such other currencies upon receipt of the RMB redemption proceeds and/or RMB dividends (if any).

Insofar as a Sub-Fund's assets are invested in Mainland China, it will be subject to the risk of the PRC government's imposition of restrictions on the repatriation of funds or other assets out of Mainland China, limiting the ability of the Sub-Fund to satisfy payments to investors.

Where a Sub-Fund invests in RMB denominated investments, the value of such investments may be affected favourably or unfavourably depending on the changes in exchange rate between RMB and the base currency of the relevant Sub-Fund. The possibility that the appreciation of RMB will be accelerated cannot be excluded. On the other hand, there can be no assurance that RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments in the relevant Sub-Fund. Please also refer to the risk factor headed "*Currency and foreign exchange risk*".

Where subscription monies are denominated in non-RMB, such subscription monies will be converted into the Base Currency of a Sub-Fund. A Sub-Fund may be exposed to foreign exchange risks when the subscription monies are further converted into RMB for investment in RMB denominated investments. Please also refer to the risk factors headed "*Currency and foreign exchange risk*".

### Risks associated with investment in Mainland China

Investing in the securities markets in Mainland China is subject to the risks of investing in emerging markets generally and the risks specific to the Mainland China market. For further details on the risks of investing in emerging markets generally, including the legal and regulatory risks associated with investing in economies of emerging markets, please refer to the risk factor headed "*Emerging markets risks*".

For more than 50 years, the central government of the PRC has adopted a planned economic system. Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Mainland economy. Such reforms have resulted in significant economic growth and social progress. Many of the Mainland economic reforms are subject to adjustment and modification, and such adjustment and modification may not always have a positive effect on foreign investment in joint stock companies in Mainland China or in listed securities such as China A-Shares, China B-Shares and China H-Shares.

In view of the small yet slowly increasing number of China A-Shares, China B-Shares and China H-Shares issues currently available, the choice of investments available to the Manager will be severely limited as compared with the choice available in other markets. There is a low level of liquidity in the China A-Shares and China B-Shares markets, which are relatively small in terms of both combined total market value and the number of China A-Shares and China B-Shares which are available for investment. This could potentially lead to severe price volatility.

Mainland companies are required to follow Mainland accounting standards and practice which, to a certain extent, follow international accounting standards. However, there may be significant differences between financial statements prepared by accountants following Mainland accounting standards and practice and those prepared in accordance with international accounting standards.

Both the Shanghai and Shenzhen securities markets are in the process of development and change. This may lead to trading volatility, difficulty in the settlement and recording of transactions and difficulty in interpreting and applying the relevant regulations.



Under the prevailing Mainland tax policy, there are certain tax incentives available to foreign investment. There can be no assurance, however, that the aforesaid tax incentives will not be abolished in the future.

Investments in Mainland China will be sensitive to any significant change in political, social or economic policy in Mainland China. Such sensitivity may, for the reasons specified above, adversely affect the capital growth and thus the performance of these investments.

The PRC government's control of currency conversion and future movements in exchange rates may adversely affect the operations and financial results of the companies invested in by the relevant Sub-Funds. Although the PRC government has recently reiterated its intention to maintain the stability of the Renminbi while allowing moderate appreciation, there can be no assurance that the Renminbi will not be subject to appreciation at a faster pace as a result of measures that may be introduced to address the concerns of Mainland China's trading partners. Further, there can be no assurance that the Renminbi will not be subject to devaluation. Any devaluation of the Renminbi could adversely affect the value of the investors' investments in the relevant Sub-Funds.

#### QFII risk

Investors should note that the Sub-Funds are not QFIIs but they may invest in Mainland China securities market and other permissible investments prescribed by the relevant QFII rules and regulations directly through the QFII Holder. Such investment is subject to various requirements and restrictions (including restrictions on investments and repatriation of principal and profits in relation to the QFII Holder's investments in China A-Shares and other permissible investments) under Mainland China laws, rules and regulations, as amended from time to time, including but not limited to the following relating to the QFII:

(i) Measures for Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors (QFII), jointly issued by the CSRC, PBOC and SAFE on 24 August 2006 (the "**Measures**") and Provisions on Relevant Issues Concerning the Implementation of Measures for Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors (QFII) issued by the CSRC on 27 July 2012;

- (ii) Regulations on Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors (QFII) (Decree [2009] No. 1) issued by the SAFE on 29 September 2009, as modified by Decree [2012] No. 2 issued by the SAFE on 7 December 2012;
- (iii) the Implementation Details on the Registration and Settlement Related Business of Domestic Securities Investments of Qualified Foreign Institutional Investors (QFII) issued by China Securities Depository and Clearing Corporation Limited on 1 December 2002, as modified on 16 February 2013; and
- (iv) the Detailed Implementation Rules of the Shenzhen Stock Exchange for the Securities Trading of Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors issued on 25 April 2014 and the Notice of the Shanghai Stock Exchange on Issuing the Detailed Implementation Rules of the Shanghai Stock Exchange for the Securities Trading of Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors issued on 19 March 2014 (collectively "**Detailed Implementing Rules on Securities Transactions**").

Such requirements and restrictions restrict the ability of the Sub-Funds to invest in China A-Shares and other permissible investments as prescribed by the relevant QFII rules and regulations or to fully implement or pursue the investment objective and strategy of the Sub-Funds.

The Measures has expressly abolished the Provisional Measures for Administration of Investment in Domestic Securities by Qualified Foreign Institutional Investors jointly issued by the CSRC and PBOC on 5 November 2002 (the "**Provisional Measures**"). However, the Provisional Measures is the basis for enacting the rules and provisions listed in item (iii) and (iv) above. Up until now there is no clear stipulation that repeals those two provisions and rules, nor is there any substitute regulation coming into place. Given the repeal of the Provisional Measures, there is a high level of uncertainties in the force of such provisions and rules. Furthermore, if relevant new provisions and rules are promulgated, the above provisions and rules may change in full or in part. Such change may have an impact on the Sub-Funds.



Mainland China laws, rules and regulations governing a QFII may change from time to time and may change adversely; that may result in the applications for redemption of shares not being processed in a timely manner and suspension of dealings of the Sub-Funds. In extreme circumstances, the Sub-Funds may incur significant loss due to limited investment capabilities.

*Risks regarding custody of monies of the Sub-Funds held by the Mainland Custodian* – The monies of the Sub-Funds used for investment in Mainland China must be held by the Mainland Custodian, which has to be approved by the CSRC and SAFE as stated in the Measures. However, such approval does not imply any official recommendation of the Mainland Custodian or guarantee over its performance. There is a risk that the Sub-Funds may suffer losses, whether direct or consequential, from the default or bankruptcy of the Mainland Custodian or disqualification of the Mainland Custodian from acting as a custodian. The Sub-Funds may also incur losses due to the acts or omissions of the Mainland Custodian in the execution or settlement of any transaction or in the transfer of any monies or securities. If for any reason all or part of the Sub-Funds' assets held by the Mainland Custodian are lost or otherwise become unavailable for delivery or withdrawal, the reduction in the quantity or value of such assets will create losses to the Sub-Funds.

*Risks regarding execution through QFII brokers* – The relevant transactions in Mainland China securities markets will be executed by one or more QFII broker(s) which have seats on the relevant exchanges to trade in China A-Shares and other permissible investments prescribed by the relevant QFII rules and regulations. The Sub-Funds may incur losses due to the acts or omissions of the QFII broker(s) in the execution or settlement of any transaction or in the transfer of any monies or securities. This may adversely affect the Sub-Funds. There is a risk that the Sub-Funds may suffer substantial losses from the default, bankruptcy or disqualification of the QFII broker(s). When selecting QFII broker(s), the QFII Holder will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards. If the QFII Holder considers appropriate, it is possible that a single QFII broker will be appointed for both the Shenzhen Stock Exchange and the Shanghai Stock Exchange and the Sub-Funds may not necessarily pay the lowest commission available in the market.

*Risk of compulsory sale of investments in China A-Shares where relevant investment limits of the QFII Holder is exceeded* – Pursuant to the Measures, the investment of a QFII in China A-Shares shall be subject to the restrictions on the proportion of shareholdings imposed by the CSRC and other relevant requirements in Mainland China. Such restrictions, which apply to the QFII Holder as a whole, and the investment activities of other customers of the QFII Holder, may restrict the QFII Holder from making investments in the relevant China A-Shares requested by the Sub-Funds and any investment exceeding the relevant limits may lead to the compulsory sale of the relevant China A-Shares (according to the Detailed Implementing Rules on Securities Transactions) purchased by the QFII Holder for the Sub-Funds which may result in investment loss to the Sub-Funds. Moreover, the CSRC may make any adjustment to the proportion of shareholdings under such restrictions, which may also result in investment loss to the Sub-Funds.

*Risk that the QFII status of the QFII Holder is revoked* – The status or approval of the QFII Holder as a QFII may be revoked or terminated or otherwise invalidated at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFII Holder or for any other reasons. In such event, all the assets held by the QFII Holder as a QFII for or on account of the Sub-Funds will be liquidated and repatriated to the Sub-Funds in accordance with applicable laws and regulations and the provisions of the agreement between the Sub-Funds and the QFII Holder. The Sub-Funds may suffer loss as a result of such liquidation.

Investors should note that pursuant to the Mainland China laws, rules and regulations governing a QFII the license of the QFII Holder may be revoked or withdrawn entirely by SAFE under any of the following circumstances: (i) a QFII commits an illegal act of using foreign exchange, such as transferring or selling its investment quota; (ii) a QFII provides false information or materials to the QFII custodian or SAFE; (iii) a QFII fails to carry out investment-related conversion, purchase or payment of foreign exchange in accordance with the applicable provisions; (iv) a QFII fails to provide relevant information or materials on its fund conversion or securities investments in



Mainland China as requested by SAFE; and (v) a QFII otherwise violates foreign exchange control provisions and accordingly, the QFII status of the QFII Holder and the Sub-Funds may be affected.

*Risks regarding remittance and repatriation of monies* – Investors should note that the Sub-Funds' investments made through a QFII are subject to the then prevailing exchange control and other prevailing requirements of SAFE concerning repatriation and remittance of the principal investment as well as returns. Since transaction sizes for a QFII can be large, SAFE may, pursuant to the arrangement of PBOC and based on the economic and financial status, the supply and demand relations in the foreign exchange market and the balance of payments of Mainland China at the relevant time, adjust the time and amount of inward and outward remittance of a QFII's investment principal as well as the period of outward remittance of monies.

The restrictions on outward remittance of monies may have an impact on the Sub-Funds' ability to meet the redemption requests of shareholders; and such impact would increase when the investment of the Sub-Funds in Mainland China A-Shares market increases. In the event that redemption requests for a large number of shares are received, the Sub-Funds may need to limit the number of shares redeemed and/or to realise a substantial part of the Sub-Funds' investments other than the investments held through the QFII Holder for the purposes of meeting such redemption requests. As a result, the Sub-Funds' investments may be highly concentrated in Mainland China A-Shares market.

#### RQFII risk

Some Sub-Funds may invest directly in Mainland China via the RQFII status of the RQFII Holder. The following risks are relevant to the RQFII regime:

*Risks regarding RQFII status* – Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the Sub-Funds' performance as the Sub-Funds may be required to dispose of its securities holdings.

Investors should also note that there can be no assurance that the RQFII Holder will continue to maintain its RQFII status, or that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations. Such restrictions may respectively result in a rejection of applications or a suspension of dealings of the Sub-Funds. In extreme circumstances, the Sub-Funds may incur significant losses due to limited investment capabilities, or may not be able to fully implement or pursue their investment objectives or strategies, due to RQFII investment restrictions, illiquidity of the Mainland securities market, and/or delay or disruption in execution of trades or in settlement of trades.

*Risks regarding application of RQFII rules* – The RQFII rules enable Renminbi to be remitted into and repatriated out of Mainland China. The rules are novel in nature and their application may depend on the interpretation given by the relevant Mainland Chinese authorities. Investment products (such as the Sub-Funds) which make investments pursuant to such RQFII rules are among the first of its kind. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Funds. Such changes may have retrospective effect on the Sub-Funds and may adversely affect the Sub-Funds.

*Risks regarding repatriation and liquidity risks* – Certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on the Sub-Funds' liquidity and performance. The SAFE regulates and monitors the repatriation of funds out of Mainland China by the RQFII Holder. Repatriations in RMB conducted by the RQFII Holder in respect of an open-ended fund (such as the Sub-Funds) are currently not subject to any lock-up periods, prior approval or other repatriation restrictions, although authenticity



and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to the SAFE by the Mainland Custodian. There is no assurance, however, that Mainland China rules and regulations will not change or that lock-up periods or repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Funds' ability to meet redemption requests. Furthermore, as the Mainland Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the Mainland Custodian in case of non-compliance with the RQFII regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming shareholders as soon as practicable after completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

*Risk pertaining to cash deposited with Mainland Custodian* – Investors should note that cash deposited in the cash accounts of the Sub-Funds with the Mainland Custodian will not be segregated but will be a debt owing from the Mainland Custodian to the Sub-Funds as a depositor. Such cash will be co-mingled with cash that belongs to other clients or creditors of the Mainland Custodian. In the event of bankruptcy or liquidation of the Mainland Custodian, the Sub-Funds will not have any proprietary rights to the cash deposited in such cash accounts, and the Sub-Funds will become an unsecured creditor, ranking *pari passu* with all other unsecured creditors, of the Mainland Custodian. The Sub-Funds may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the Sub-Funds will suffer. The Sub-Funds may lose the total amount deposited with the Mainland Custodian and suffer a loss.

*Mainland Brokerage Risk* – The execution and settlement of transactions or the transfer of any funds or securities may be conducted by Mainland brokers and/or the Mainland Custodian. There is a risk that

the Sub-Funds may suffer losses from the default, bankruptcy or disqualification of Mainland brokers and/or the Mainland Custodian. In such event, the Sub-Funds may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

In selection of Mainland brokers, the RQFII Holder will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards. If the RQFII Holder considers appropriate, it is possible that a single Mainland broker will be appointed and the Sub-Funds may not necessarily pay the lowest commission available in the market.

#### Risks associated with the Stock Connects

Investment in China A-Shares by the relevant Sub-Funds via the Stock Connects may expose the Sub-Funds to the following additional risks:

*Quota limitations* – The Stock Connects are subject to quota limitations. In particular, once the remaining balance of the daily quota drops to zero or the daily quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Sub-Funds' ability to invest in China A-Shares through the Stock Connects on a timely basis, and the Sub-Funds may not be able to effectively pursue their investment strategies.

*Differences in trading day* – The Stock Connects only operate on days when both Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So, it is possible that there are occasions when it is a normal trading day for Mainland China market but Hong Kong investors (such as the Sub-Funds) cannot carry out any China A-Shares trading. The Sub-Funds may be subject to a risk of price fluctuations in China A-Shares during the time when the Stock Connects are not trading as a result.

*Suspension risk* – Each of the SEHK, SSE and SZSE reserves the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through the Stock Connects is effected, the Sub-Funds' ability to access Mainland China market will be adversely affected.

*Operational risk* – The Stock Connects provide a channel for investors from Hong Kong and overseas to access Mainland China stock market directly.

The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in the Stock Connects subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

Market participants generally have configured and adapted their operational and technical systems for the purpose of trading China A-Share through the Stock Connects. However, it should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the Stock Connects to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the “connectivity” in the Stock Connects requires routing of orders across the border. SEHK has set up an order routing system (“**China Stock Connect System**”) to capture, consolidate and route the cross boundary orders input by exchange participants. There is no assurance that the systems of SEHK and market participants will function properly or will continue to

be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the Stock Connects could be disrupted. The Sub-Funds' ability to access the China A-Shares market (and hence to pursue their investment strategies) will be adversely affected.

*Restrictions on selling imposed by front-end monitoring* – Mainland China regulations require that before an investor sells any shares, there should be sufficient shares in the account, otherwise SSE or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Generally, if the Sub-Funds desire to sell certain China A-Shares they hold, they must transfer those China A-Shares to the respective accounts of the brokers before the market opens on the day of selling (“**trading day**”). If they fail to meet this deadline, they will not be able to sell those shares on the trading day. Because of this requirement, the Sub-Funds may not be able to dispose of holdings of China A-Shares in a timely manner.

However, the Sub-Funds may request a custodian to open a special segregated account (“**SPSA**”) in CCASS to maintain their holdings in China A-Shares under the enhanced pre-trade checking model. Each SPSA will be assigned a unique “Investor ID” by CCASS for the purpose of facilitating China Stock Connect System to verify the holdings of an investor such as the Sub-Funds. Provided that there is sufficient holding in the SPSA when a broker inputs the Sub-Funds' sell order, the Sub-Funds will be able to dispose of their holdings of China A-Shares (as opposed to the practice of transferring China A-Shares to the broker's account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for the Sub-Funds will enable them to dispose of their holdings of China A-Shares in a timely manner.

*Recalling of eligible stocks* – When a stock is recalled from the scope of eligible stocks for trading via the Stock Connects, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Sub-Funds, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.





*Clearing and settlement risk* – The HKSCC and ChinaClear have established the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations on behalf of its clearing participants with the counterparty clearing house.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Sub-Funds may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

*Participation in corporate actions and shareholders' meetings* – The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities (as defined in the section headed "**Investment Considerations – Investment in Mainland China via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively, the "Stock Connects")**") in this Explanatory Memorandum). Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the regulations of Mainland China and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the Sub-Funds) are holding SSE Securities and SZSE Securities traded via the Stock Connects through their brokers or custodians, and they will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types

of corporate actions of SSE Securities and SZSE Securities may be very short. Therefore, it is possible that the Sub-Funds may not be able to participate in some corporate actions in a timely manner.

*No Protection by Investor Compensation Fund* – Investment through the Stock Connects is conducted through broker(s), and is subject to the risks of default by such brokers in their obligations.

As disclosed in the section headed "**Investment Considerations – Investment in Mainland China via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively, the "Stock Connects")**" in this Explanatory Memorandum, the Sub-Funds' investments through Northbound trading under the Stock Connects are not covered by Hong Kong's Investor Compensation Fund or the China Securities Investor Protection Fund. Therefore, the Sub-Funds are exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the Stock Connects.

*Regulatory risk* – The Stock Connects will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connects.

It should be noted that the current regulations and rules on the Stock Connects are subject to change which may have potential retrospective effect. There can be no assurance that the Stock Connects will not be abolished. The Sub-Funds, which may invest in Mainland China markets through the Stock Connects, may be adversely affected as a result of such changes.

*Beneficial ownership of China A-Shares through the Stock Connects* – The SSE Securities and SZSE Securities are held by the Custodian/sub-custodian in accounts in the CCASS maintained by the HKSCC as central securities depository in Hong Kong. HKSCC in turn holds the SSE Securities and SZSE Securities, as the nominee holder, through an omnibus securities account in its name registered with ChinaClear for each of the Stock Connects, notwithstanding that, under the Northbound trading investor identification model, the Sub-Funds are required to be assigned a

unique number in a standard format and that the HKEx will forward to the SSE and SZSE client identification data in respect of the Sub-Funds from exchange participants that offer Northbound trading services. The precise nature and rights of the Sub-Funds as the beneficial owners of the SSE Securities and SZSE Securities through HKSCC as nominee holder is not well defined under Mainland China law. There is a lack of a clear definition of, and distinction between, “legal ownership” and “beneficial ownership” under Mainland China law and there have been few cases involving a nominee account structure in Mainland China courts. Therefore the exact nature and methods of enforcement of the rights and interests of the Sub-Funds under Mainland China law is uncertain. Because of this uncertainty, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong it is not clear if the SSE Securities and SZSE Securities will be regarded as held for the beneficial ownership of the Sub-Funds or as part of the general assets of HKSCC available for general distribution to its creditors.

#### Risks associated with the Small and Medium Enterprise Board of the SZSE (“SME Board”) and/or ChiNext Board

The Sub-Funds that invest in eligible China A-Shares via the Shenzhen-Hong Kong Stock Connect may have exposure to stocks listed on the SME Board and/or ChiNext Board.

*Higher fluctuation on stock prices* – Listed companies on the SME Board and/or ChiNext Board are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE (“Main Board”).

*Over-valuation risk* – Stocks listed on the SME Board and/or ChiNext Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock prices may be more susceptible to manipulation due to fewer circulating shares.

*Differences in regulation* – The rules and regulations regarding companies listed on the ChiNext Board are less stringent in terms of profitability and share capital than those in the Main Board and SME Board.

*Delisting risk* – It may be more common and faster for companies listed on the SME Board and/or ChiNext Board to delist. This may have an adverse impact on the Sub-Funds if the companies that they invest in are delisted.

Investments in the SME Board and/or ChiNext Board may result in significant losses for the Sub-Funds and their investors.

#### Risks associated with Mainland China tax consideration

Sub-Funds investing in Mainland China securities may be subject to withholding income tax (“WIT”) on capital gain, dividend, and interest, and Value-added Tax (“VAT”) on capital gain and interest, and other taxes imposed in Mainland China.

*Dividend income and interest income* – Currently, income from interests, dividends and profit distributions from Mainland China tax resident enterprises received by QFII, RQFII and foreign investors under Stock Connects/Bond Connect are generally subject to Mainland China WIT at a rate of 10%, unless such WIT is subject to reduction or exemption in accordance with laws and regulations or an applicable tax treaty signed with Mainland China and agreement is obtained from the Mainland China tax authorities. Interests derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local governments bonds approved by the State Council shall be exempt from Mainland China income tax under the CIT law and regulations. The Mainland China entity distributing the income is required to withhold such tax. The full tax of 10% is provided for Mainland China sourced dividends and interest if such tax is not withheld at source. On 22 November 2018, China’s Ministry of Finance and the State Administration of Taxation stipulated in Caishui [2018] No.108 – “Circular on the Corporate Income Tax and Value-Added Tax Policy for Foreign Institutions to Invest in the Onshore Bond Market” (“Circular 108”) that a 3-year CIT and VAT exemption, starting on 7 November 2018, would apply to foreign institutional investors on bond interest income derived from the Mainland China bond market.

*Capital gains* – The Mainland China tax authorities announced in November 2014 under Circular Caishui [2014] No.79 – “the Notice on the issues of temporary exemption from the imposition of corporate income tax arising from gains from the transfer of equity

investment assets such as PRC domestic stocks by QFII and RQFII” (財政部、國家稅務總局、證監會關於QFII和RQFII取得中國境內的股票等權益性投資資產轉讓所得暫免徵收企業所得稅問題的通知(財稅[2014]79號)) (“**Circular 79**”) that gains realised from the transfer of equity investments in Mainland China (including China A-Shares) by QFIIs and RQFIIs (without an establishment or place of business in Mainland China or having an establishment in Mainland China but the income so derived in Mainland China is not effectively connected with such establishment) would be subject to a “temporary” corporate income tax exemption from 17 November 2014 onwards. There was no comment about the duration of this temporary exemption. According to Circular Caishui [2016] No. 36 dated 23 March 2016 jointly issued by the State Administration of Taxation (“**SAT**”) and the Ministry of Finance (“**MOF**”) (“**Circular 36**”) and Circular Caishui [2016] No. 70 dated 30 June 2016 jointly issued by the State Administration of Taxation and the Ministry of Finance (“**Circular 70**”), gains realized from trading of securities by QFIIs and RQFIIs in Mainland China through agents in Mainland China would be exempt from VAT effective 1 May 2016, and income realised by eligible foreign institutions as approved by the PBOC, through trading in Mainland China’s inter-bank domestic currency market, including the currency market, bond market and derivative market would also be exempt from VAT.

Pursuant to Circular Caishui [2014] No. 81 – The Circular Concerning the Tax Treatment for the Pilot Programme of the Shanghai-Hong Kong Stock Connect (財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)) (“**Circular 81**”) jointly issued by the State Administration of Taxation, the Ministry of Finance and the CSRC on 14 November 2014, Mainland China corporate income tax, individual income tax and business tax will be temporarily exempted on gains realised by Hong Kong and overseas investors (including the Sub-Funds) on trading of China A-Shares via the Shanghai-Hong Kong Stock Connect with effect from 17 November 2014. Please note that from 1 May 2016, with the effect of Circular 36, VAT have replaced business tax to cover all the sectors that used to fall under the business tax regime. According to Circular 36, gains derived by Hong Kong investors (including both entities and individuals) on trading of China A-shares via Shanghai-Hong Kong Stock Connect could be exempted from VAT with effect from 1 May 2016. Separately, pursuant to Circular Caishui

[2016] No. 127 – The Circular Concerning the Tax Treatment for the Pilot Programme of the Shenzhen-Hong Kong Stock Connect (財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)) (“**Circular 127**”) jointly issued by the State Administration of Taxation, the Ministry of Finance and the CSRC, Mainland China corporate income tax, individual income tax and VAT would be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Sub-Funds) on trading of China A-Shares via the Shenzhen-Hong Kong Stock Connect with effect from 5 December 2016.

There is no specific rule governing CIT on capital gains derived by QFIIs or RQFIIs from trading of Mainland debt securities. In the absence of such specific rules, the CIT treatment should be governed by the general tax provisions of the PRC CIT Law. If a foreign investor is a non-tax resident enterprise without a PE in Mainland China, a 10% Mainland China WIT would be imposed on its Mainland China-sourced capital gains, unless there is exemption or reduction under the current Mainland China tax laws and regulations or relevant tax treaties. Based on the current interpretation of the SAT and the local Mainland China tax authorities, gains derived by foreign investors from investment in Mainland China debt securities are not treated as Mainland China sourced income and thus not subject to Mainland China WIT. However, there are no written tax regulations issued by the Mainland China tax authorities to confirm that interpretation. However, as a matter of practice, such 10% Mainland China WIT on capital gains realised by non-Mainland China tax resident enterprises from the trading of these securities has not been strictly enforced by the Mainland China tax authorities.

The tax laws, regulations and practice in Mainland China are constantly changing, and they may be changed with retrospective effect. The interpretation and applicability of the tax law and regulations by Mainland China tax authorities are not as consistent and transparent as those of more developed countries or regions and may vary from region to region. In addition, the value of the Sub-Funds’ investment in Mainland China and the amount of its income and gains could also be adversely affected by an increase in rates of taxation or changes in the basis of taxation. Any provision for taxation made by the Fund may be excessive or inadequate to meet final Mainland China tax liabilities. Consequently, investors may be



advantaged or disadvantaged depending upon the final outcome of how such gains will be taxed, the level of provision and when they subscribed and/or redeemed their shares in/from the Sub-Funds.

#### Risk relating to depositary receipts

A Sub-Fund may invest in depositary receipts, which include American Depositary Receipts (ADR), European Depositary Receipts (EDR) and Global Depositary Receipts (GDR). Depositary receipts are instruments that represent shares in companies trading outside the markets in which the depositary receipts are traded. Accordingly there is a risk that the shares underlying the instruments may be subject to political, inflationary, exchange rate or custody risks.

#### Risk relating to Rule 144A securities

A Sub-Fund may invest in Rule 144A securities, such as Rule 144A equities and Rule 144A bonds. Rule 144A securities offering is an unregistered sale of privately placed equity securities or debt securities issued by a U.S. or foreign company. Rule 144A securities fall under Rule 144A of the Securities Act of 1933, as amended (the “**Securities Act**”), which provides a non-exclusive safe harbour from the registration requirements of Section 5 of the Securities Act for certain sales of qualifying securities by certain persons other than the issuer of the securities. The issuer of the securities usually first sells newly issued securities to an initial purchaser in a private placement exempt from registration under the Securities Act. The initial purchaser will then resell the restricted securities to qualified institutional buyers, taking advantage of the Rule 144A safe harbour as mentioned above.

The market for Rule 144A securities typically is less active than the market for publicly-traded securities. Rule 144A securities carry the risk that the liquidity of these securities may become impaired, making it more difficult for the relevant Sub-Fund to dispose of these securities.

#### Risk relating to REITs and investment trusts

A Sub-Fund may invest in investment trusts. Investment trusts including real estate investment trusts (REITs) may involve a high level of risk as their underlying investments may be relatively illiquid and this may affect the ability of the investment trust to vary its investment portfolio or liquidate part of its

assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate market, commodities market or other condition. Investment trusts 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 other securities. There is no guarantee that the market prices of shares in investment trusts will fully reflect their underlying net asset value. A decrease in the price of an investment trust in which the relevant Sub-Fund has invested may have a negative impact on the Net Asset Value of the Sub-Fund.

The distribution policy or dividend payout of the relevant Sub-Fund which invests in investment trusts may not reflect the dividend policy or dividend payout of the underlying investment trust.

#### Risk relating to asset-backed securities and mortgage-backed securities

A Sub-Fund may invest in asset-backed securities (ABS) and mortgage-backed securities (MBS). ABS and MBS are securities that entitle the holders thereof to receive payments that are primarily dependent upon the cash flow arising from a specified pool of financial assets such as residential or commercial mortgages, motor vehicle loans or credit cards.

ABS and MBS are often exposed to extension and prepayment risks that may have a substantial impact on the timing and size of the cash flows paid by the securities and may negatively impact the returns of the securities. The average life of each individual security may be affected by a large number of factors such as the existence and frequency of exercise of any optional redemption and mandatory prepayment, the prevailing level of interest rates, the actual default rate of the underlying assets, the timing of recoveries and the level of rotation in the underlying assets.

#### 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 acquire investments for the account of the relevant Sub-Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the

conditions of the assets underlying its investments. There can be no assurance that the relevant Sub-Fund will be able to borrow on favourable terms, or that the relevant Sub-Fund's indebtedness will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

### Emerging markets risks

Certain countries/regions in which a Sub-Fund may invest are considered as emerging markets. Investments in emerging markets will be sensitive to any change in political, social or economic development in the region. Many emerging markets have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk.

The securities markets of some of the emerging countries/regions in which a Sub-Fund's assets may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. The securities markets of developing markets are not as large as the more established securities markets and have a substantially lower trading volume. Investment in such markets will be subject to risks such as market suspension, restrictions on foreign investment and control on repatriation of capital.

There are also possibilities of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Sub-Funds' investments. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging country or region.

Underlying investments of emerging market funds may also become illiquid which may constrain the Manager's ability to realise some or all of the portfolio. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some markets in which a Sub-Fund may invest may differ from those applicable in developed markets, for example, less information is available to investors and such information may be out of date.

### Sovereign debt risks

Certain developing countries and certain developed countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations issued or guaranteed by governments or their agencies of such countries may involve a high degree of risk, such as social, political and economic risks. The willingness or ability of a governmental entity to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due and the relative size of the debt service burden to the economy as a whole.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others agencies abroad to reduce principal and arrearage on their debts. However, failure to implement economic reforms or achieve a required level of economic performance or repay debts when due may result in the cancellation of these third parties' commitments to continuously lend funds to a governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis.

In case of default, holders of sovereign debts (including a Sub-Fund) may be requested to participate in the rescheduling of such debt and to extend further loans to the relevant governmental entities. In addition, a Sub-Fund may invest in securities issued or guaranteed by the government of a country with a sovereign credit rating below investment grade. The performance and value of the Sub-Fund could deteriorate should there be any adverse credit events in the sovereign, in particular if there is downgrading of the sovereign credit rating or a default or bankruptcy of a sovereign occurs. There are no bankruptcy proceedings by which sovereign debt on which a governmental entity has defaulted may be recovered in whole or in part.

### Concentration risk

A Sub-Fund may invest only in a specific country/region/sector/asset class. Such Sub-Fund may be adversely affected by or depend heavily on the performance of those securities. Investors should also be aware that such Sub-Fund is likely to be more



volatile than a broad-based fund, such as a global or regional equity or bond fund, as they are more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in their respective country/region/sector/asset class.

### Operational risk

A Sub-Fund may be subject to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes but is not limited to multiple risks such as: systems and process risk that arises from systems vulnerability, insufficiency or controls failure, valuation risk when an asset is overvalued and is worth less than expected when it matures or is sold, service providers risk when service providers do not deliver the desired level of service, execution risk when an order may not be executed as desired, resulting in a loss for the Sub-Fund or having regulatory consequences, and risk relating to the human being (insufficient or inappropriate skills/competencies, loss of key personnel, availability, health, safety, fraud/collusion risk, etc.).

### Settlement risk

Settlement procedures in emerging markets are frequently less developed and less reliable and may involve the relevant Sub-Fund's delivery of securities, or transfer of title to securities, before receipt of payment for their sale. A Sub-Fund may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. A Sub-Fund may incur substantial losses if its counterparty fails to pay for securities such Sub-Fund has delivered, or for any reason fails to complete its contractual obligations owed to such Sub-Fund. 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 if investment opportunities are missed or if a Sub-Fund is unable to acquire or dispose of a security as a result.

### Custodial risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may

be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund 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 may even be unable to recover all of its assets. The costs borne by a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

### Counterparty risk

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to a Sub-Fund. A Sub-Fund may be exposed to the risk of a counterparty through investments such as bonds, futures and options. To the extent that a counterparty defaults on its obligations and a Sub-Fund is prevented from exercising its rights with respect to the investment in its portfolio, a Sub-Fund may experience a decline in the value and incur costs associated with its rights attached to the security. The Sub-Fund may sustain substantial losses as a result.

### Currency and foreign exchange risk

A Sub-Fund may also issue Classes denominated in a currency other than the Base Currency of that Sub-Fund. A Sub-Fund may be invested in part in assets quoted in currencies other than its Base Currency or the relevant Class Currency. The performance of such Sub-Fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the Base Currency of such Sub-Fund or the relevant Class Currency. Since the Manager aims to maximise returns for such Sub-Fund in terms of its Base Currency, investors in such Sub-Fund may be exposed to additional currency risk. These risks may have adverse impact on the relevant Sub-Fund and its investors.

A Sub-Fund may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised 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.

#### Derivative and structured product risk

A Sub-Fund may invest in derivatives such as options, futures and convertible securities, and in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities or indices such as participation notes, equity swaps and equity linked notes, which are sometimes referred to as “structured products”. Investment in these instruments can be illiquid, if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Sub-Fund.

These instruments will also be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through structured products may lead to a dilution of performance of such Sub-Funds when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the relevant Sub-Fund to the possibility of a loss exceeding the original amount invested.

#### Over-the-counter markets risk

Over-the-counter (“**OTC**”) markets are subject to less governmental regulation and supervision of transactions (in which many different kinds of financial derivative instruments and structured products are generally traded) than organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with transactions carried out on OTC markets. Therefore, a Sub-Fund entering into transactions on OTC markets will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that a Sub-Fund will sustain substantial losses as a result.

In addition, certain instruments traded on the OTC markets (such as customised financial derivatives and structured products) can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments. These risks may have adverse impact on the relevant Sub-Fund and its investors.

#### 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 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 (such as high yield and emerging markets) in which a Sub-Fund 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 relevant Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers.

### Difficulties in valuation of investments

Securities acquired on behalf of a Sub-Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Sub-Fund's portfolio securities is available (for example, when the secondary markets on which a security is traded has become illiquid) the Manager may apply valuation methods to ascertain the fair value of such securities.

In addition, market volatility may result in a discrepancy between the latest available issue and redemption prices for the Sub-Fund and the fair value of the Sub-Fund's assets. To protect the interest of investors, the Manager may, after consultation with the Trustee, adjust the Net Asset Value of the Sub-Fund or the Units, if in the circumstances it considers that such adjustment is required to reflect more accurately the fair value of the Sub-Fund's assets.

Valuation of a Sub-Fund's investments 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 may be adversely affected.

### Restricted markets risk

A Sub-Fund may invest in securities in jurisdictions (including Mainland China) which may impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the relevant Sub-Fund 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 and performance of such investments due to factors such as limitations





### Legal, tax and regulatory risk

Legal, tax and regulatory changes could occur in the future. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in their regulation or taxation may adversely affect the value of derivative instruments. Changes to the current laws and regulations will lead to changes in the legal requirements to which the relevant Sub-Fund may be subject, and may adversely affect the relevant Sub-Fund and its investors.

### Risk of termination

A Sub-Fund may be terminated in certain circumstances which are summarised 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 USD 50 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 USD 20 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 organisational expenses (such as establishment costs) with regard to the relevant Sub-Fund that had not yet been fully amortised would be debited against the Sub-Fund’s assets at that time.

### Risks Associated with Collateral Management and Re-investment of Cash Collateral

Where a Sub-Fund enters into a derivative transaction or a foreign exchange transaction, collateral may be received from or provided to the relevant counterparty.

Where cash collateral received by a Sub-Fund is re-invested, the relevant Sub-Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

Where collateral is provided by a Sub-Fund to the relevant counterparty, in the event of the insolvency of the counterparty, the relevant Sub-Fund may become subject to the risk that it may not receive the return

of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

Cash collateral received by a Sub-Fund may be reinvested in order to generate additional income, whereby the Sub-Fund will be exposed to market risk in respect of any such investments and may incur a loss in reinvesting the cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made. A decline in the value of investment of the cash collateral would reduce the amount of collateral available to be returned by the Sub-Fund to the relevant counterparty at the conclusion of the transaction. The Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the relevant Sub-Fund.

### Distributions risk

Distributions may be made in respect of the Distribution Classes. However, there is no guarantee that such distributions will be made nor will there be a target level of distributions payout. A high distribution yield does not imply a positive or high return.

Subject to the disclosure in the relevant Appendix, distributions may be paid out of the capital of a Sub-Fund or out of gross income while charging all or part of a Sub-Fund’s fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. 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. **Investors should note that the payment of distributions out of capital 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.**

For Accumulation Classes, the Manager does not intend to pay distributions. Accordingly, an investment in the Accumulation Classes may not be suitable for investors seeking income returns for financial or tax planning purposes.



## Cross-Class liability

Multiple Classes of Units may be issued in relation to a Sub-Fund pursuant to the Trust Deed, 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 IFRS

The annual and interim financial reports and accounts of a Sub-Fund will be prepared in accordance with the IFRS. Investors should note that the valuation rules described in the section headed "**Valuation and Suspension – Calculation of Net Asset Value**" below may not necessarily comply with IFRS.

For example, the cost of establishment of each Sub-Fund will be amortised over the Amortisation Period. Investors should note that this policy of amortisation is not in accordance with IFRS. However, 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.

## Foreign Account Tax Compliance Act

Sections 1471-1474 of the US Internal Revenue Code of 1986, as amended ("**IRS Code**") (referred to as the Foreign Account Tax Compliance Act or "**FATCA**") impose new rules with respect to certain payments to non-United States persons, such as the Sub-Funds, including interest and dividends from securities of US issuers and gross proceeds from the sale of such securities (Based on the proposed regulations issued by the US IRS on 14 December 2018, FATCA withholding on gross proceeds has been eliminated until the issuance of the final regulations). All such payments may be subject to FATCA withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (the "**US IRS**") to identify United States persons (within the meaning of the IRS Code) with direct or indirect interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an "**FFI**"), such as the Sub-Funds (and, generally, other investment funds organised outside the U.S.), generally will be required to register with the US IRS directly to obtain a global intermediary identification number ("**GIIN**") and enter into an agreement (an "**FFI Agreement**") with the US IRS under which it will agree to identify its financial account holders who are United States persons or owned by United States persons indirectly and report certain information concerning such United States person account holders to the US IRS.

In general, an FFI which does not enter into an FFI Agreement and is not otherwise exempt will face a 30% withholding tax on all "withholdable payments" derived from US sources, including dividends and interest payments made on or after 1 July 2014. In addition, starting from 1 January 2019, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments." It is expected that certain non-U.S. source payments attributable to amounts that would be subject to FATCA withholding (referred to as "**foreign passthru payments**") may also be subject to FATCA withholding, though the US tax rules on "foreign passthru payment" in U.S. Treasury Regulations are currently pending.



The Hong Kong government has entered into an intergovernmental agreement with the US (“**IGA**”) for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under this “Model 2” IGA arrangements, FFIs in Hong Kong (such as the Sub-Funds) would be required to register with the US IRS and comply with the terms of FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US-sourced payments made to them.

It is expected that FFIs in Hong Kong (such as the Sub-Funds) complying with the terms of an FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will generally not be required to withhold tax on payments to non-consenting US accounts (i.e. certain accounts that have been determined as US accounts by the FFIs of which the holders do not consent to FATCA reporting and disclosure to the US IRS) or close those non-consenting US accounts (provided that information regarding such account holders is reported to the US IRS), but may be required to withhold tax on withholdable payments made to non-compliant FFIs.

In addition, under the Hong Kong IGA, certain FFIs are regarded as Non-Reporting Hong Kong FFIs and treated as registered deemed-compliant FFIs if they meet the criteria stated in the Hong Kong IGA, which include among others, the “Collective Investment Vehicle” exemption. In order to elect and keep such FATCA status, the Fund and Sub-Funds only allow as unitholders (i) Participating FFIs, (ii) exempt beneficial owners, (iii) Active Non-Financial Foreign Entities, (iv) US persons that are not Specified US persons, or (v) Registered-Deemed Compliant FFIs, all as defined under the FATCA Final Regulations and any applicable IGA; investors may only subscribe for and hold units through a financial institution that complies or is deemed to comply with FATCA.

In view of the above, as at the date hereof, the Manager has registered the Fund and the Sub-Funds with the US IRS, agreeing to be subject to and comply with the terms of an FFI Agreement and be treated as “Registered Deemed-Compliant Financial Institutions” under the Hong Kong IGA.

The Manager, the Fund and the Sub-Funds will endeavour to satisfy the requirements imposed under FATCA to avoid any withholding tax. In the event that any Sub-Fund is not able to comply with the requirements imposed by FATCA and such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of that Sub-Fund may be adversely affected and such Sub-Fund may suffer significant loss as a result.

In the event a Unitholder (an account holder) does not provide the requested information and/or documentation, whether or not that actually leads to non-compliance by the relevant Sub-Fund, or a risk of the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of each of such relevant Sub-Fund 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 US IRS; (ii) withholding or deducting from such Unitholder’s redemption proceeds or distributions to the extent permitted by applicable laws and regulations; and/or (iii) deeming such Unitholder to have given notice to redeem all his Units in the relevant Sub-Fund. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds.

Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in his own tax situation.

#### 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 (“**FIs**”) in Hong Kong to collect information relating to non-Hong Kong tax residents holding financial accounts with FIs and report their information to the Hong Kong Inland Revenue Department (“**IRD**”) which would then 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 and/or their agents may further collect information relating to residents of other jurisdictions.



The AEOI rules as implemented by Hong Kong require reporting FIs to, amongst other things: (i) register FIs' reporting status with the IRD; (ii) conduct due diligence on its financial accounts (e.g. Unitholders where applicable) 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 jurisdiction. Under the Ordinance, details of reportable persons, including but not limited to their name, jurisdiction of birth, address, tax residence, tax identification number(s), 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.

Under the AEOI rules, the Fund is considered an FI. However, the Fund has elected for the non-reporting status of ECIV (Exempted Collective Investment Vehicle) stated in the Ordinance. It will therefore only allow as shareholders entities that are not reportable persons, e.g. financial institutions, government entities, central banks or other financial institutions resident in a participating jurisdiction. In addition, for the avoidance of any risk, the fund will not allow as shareholders which are individuals as well as (active or passive) non-financial entities. The Fund may impose measures and/or restrictions to that effect, which may include the rejection of subscription orders or the compulsory redemption of shares, provided that in taking any such action, the Manager shall act in good faith and on reasonable grounds.

Although the Fund will attempt to comply with all requirements to be considered as an ECIV, no assurance can be given that it will be able to satisfy such obligation and therefore avoid the reporting. By investing in the Fund and the Sub-Funds and/or continuing to invest in the Fund and the Sub-Funds, Unitholders therefore acknowledge that they may be required to provide additional information to the Fund, the Sub-Funds, the Manager and/or agents of the Fund and the Sub-Funds. 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 reported to and exchanged by the IRD with authorities in other jurisdictions.

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.

#### 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 and its connected persons for their own accounts and the accounts of others. The Manager and its 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.

#### Climate-related Risks disclosure

Please refer to the Manager's website at <https://am.pictet/en/hongkong/global-articles/company/responsible-investment/tab/ReportsAndPolicies/RegulatoryDisclosures> for further information on the climate-related risk disclosure for the Fund and the Sub-Funds. Investors should note that the aforesaid website has not been reviewed or authorised by the SFC and may contain information of funds not authorised by the SFC.



## 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.

### 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 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 Subscription 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 Subscription 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 Subscription 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 down to 4 decimal places (or such other decimal places as the Manager determines). Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

### Subscription Charge

The Manager, its agents or delegates may charge a Subscription Charge on the issue of each Unit of a percentage of either (i) the Initial Offer Price or the Issue Price, as the case may be, of such Unit or (ii) the total subscription amount received in relation to an application, as the Manager may at its discretion determine. 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.



Subject to the applicable requirements of the Code, the Manager may at any time increase the rate of Subscription Charge of a Class of Units or a Sub-Fund. The Manager will inform investors of any such increase as soon as reasonably practicable.

The Manager may on any day differentiate between applicants or Classes of Units as to the amount of the Subscription Charge. The Subscription Charge will be retained by or paid to the Manager, its agents or delegates for their own absolute use and benefit. The Manager may, at its discretion, share with approved intermediaries, including banks, brokers, recognised securities dealers and other investment managers, a proportion of the Subscription Charge received by it.

#### 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 by completing and submitting the Application Form to the Registrar by post or by facsimile (provided that the original follows promptly by post) at the business address or facsimile number on the Application Form or by such other means as agreed with the Manager (including electronic means). The Registrar may request further supporting documents and/or information to be provided together with the Application Form. The Application Form is available from the Manager and/or the Authorised Distributors. The Registrar (or any other related parties or any authorized agents) does not accept any responsibility for any loss caused as a result of non-receipt or illegibility of any application sent by facsimile or other electronic 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.

In respect of Application Forms and subscription moneys in cleared funds which are received on or before the IOP Deadline, Units will be issued immediately following the close of the Initial Offer Period provided that application monies are received in cleared funds on or before the IOP Deadline or such other period as the Manager, after consultation with the Registrar, may determine. If Application Forms and/or application monies in cleared funds are received after such time, the relevant applications shall be carried forward to the next Subscription Day and shall be dealt with at the Issue Price at such Subscription Day.

Following the close of the Initial Offer Period, an Application Form received by the Registrar by the Subscription Deadline of a Subscription Day will be dealt with on that Subscription Day. If an application for Units is received after the Subscription Deadline in respect of a Subscription Day then the application will be held over until the next Subscription 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 Subscription Day which is received after the Subscription Deadline if it is received prior to the Valuation Point relating to that Subscription 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) must be received on or prior to the Subscription Deadline of such Subscription Day in relation to which Units are to be issued. Notwithstanding the above and subject to the discretion of the Manager, a Sub-Fund may rely upon application orders received, and may issue Units to investors according to such application orders and invest the expected application amounts. In such circumstances, payment for Units and the Subscription Charge (if any) is due at the expiry of the Payment



Period (if applicable). If payment in full in cleared funds has not been received by the IOP Deadline (or such other period as the Manager after consultation with the Trustee may determine) or in respect of subsequent issues, 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 (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 Redemption Day for the relevant class of Units) or the immediately following Redemption 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. Subject to the agreement of the Manager, payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant Base Currency or Class Currency (as the case may be), they will be converted into the relevant Base Currency or Class Currency (as the case may be) at the cost of the relevant applicant and the proceeds of conversion (after deducting the costs of such conversion) will be applied in the subscription of Units in the relevant Sub-Fund or Class. Any conversion to the relevant Base Currency or Class Currency (as the case may be), will be at the prevailing market rate (whether official or otherwise) which the Manager deems 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. Currency conversion will be subject to availability of the currency concerned. 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 Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

All payments should be made by direct transfer, telegraphic transfer or cheque (or other manner as may be agreed by the Manager). Cheques should be crossed "a/c payee only, not negotiable" and made payable to the accounts specified in the Application Form, stating the applicant's name and the name of the relevant Sub-Fund to be subscribed. Payment by cheque is likely to cause delay in receipt of cleared funds and Units generally will not be issued until the cheque is cleared. 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 identity of the applicant and the source of payment as the Manager and the Registrar 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 SFO.**

#### 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 as soon as practicable without interest and after deducting any of out-of-pocket fees and charges



incurred by the Manager and the Trustee and/or their respective delegates or agents 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 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 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, applicants should contact the relevant intermediaries or the Authorised Distributor promptly for rectification.

Fractions of a Unit (rounded down to 4 decimal places) 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 Redemption 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 Redemption 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 Redemption 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, duties or governmental charges, brokerage, bank charges or transfer fees) which would be incurred for the account of the relevant Sub-Fund in realising 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 down to 4 decimal places (or such other decimal places as the Manager may determine). 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 either (i) the Redemption Price per Unit; or (ii) 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 for a Sub-Fund or a Class of Units by giving at least one month’s prior written notice to the Unitholders, subject to the applicable requirements of the Code.

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 by completing and submitting the Redemption Form to the Registrar by post or by facsimile (provided that the original follows promptly by post if required) at the business address or facsimile number on the Redemption Form or by such other means as agreed with the Manager (including electronic means). The Redemption Form is available from the Manager and/or the Authorised Distributors. The Registrar (or any other related parties or any authorized agents) does not accept any responsibility for any loss caused as a result of non-receipt or illegibility of any application sent by facsimile or other electronic 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.

A Redemption Form received by the Registrar by the Redemption Deadline of a Redemption Day will be dealt with on that Redemption Day. If an application for redemption of Units is received after the Redemption Deadline in respect of a Redemption Day then the application will be held over until the next Redemption 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 Redemption Day which is received after the Redemption Deadline if it is received prior to the Valuation Point relating to that Redemption 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.

## Payment of Redemption Proceeds

Redemption proceeds will normally be paid by direct transfer or telegraphic transfer (or cheque as requested by the Unitholder) 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.

Unless otherwise specified in the relevant Appendix relating to a Sub-Fund and subject to the approval of the Manager, and to applicable limits on foreign exchange, redemption proceeds can be paid in a currency other than the relevant Base Currency or Class Currency. Redemption proceeds may be paid in a currency other than the relevant Base Currency or Class Currency if so requested by the relevant redeeming Unitholders and agreed by the Manager. In addition, the Manager may after consultation with the Trustee but, without the consent of the relevant redeeming Unitholders, pay redemption proceeds in a currency other than the relevant Class Currency if due to any foreign exchange control or restriction or regulatory requirement or policy, the relevant Class Currency is not available or not sufficient for payment of the redemption proceeds.

Where redemption proceeds are paid in a currency other than the relevant Base Currency or Class Currency, they will be converted from the relevant Base Currency or Class Currency at the cost of the relevant redeeming Unitholders. Any conversion from the relevant Base Currency or Class Currency, will be at the prevailing market rate (whether official or otherwise) which the Manager deems 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. 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 Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

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 Redemption Day and (ii) the day on which the Registrar receives the duly completed Redemption Form and such other documents and information as the Trustee and/or the Manager 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) if required by the Trustee and/or the Manager, the original of the Redemption Form duly signed by the Unitholder has been received; (b) 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; and (c) the Unitholder has produced all documents or information required by the Trustee and/or the Manager 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 realisation 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 acting reasonably and in good faith, after consultation with the Trustee, limit the number of Units of such Sub-Fund redeemed on any Redemption 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. 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 Redemption 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, and will have priority on the next succeeding Redemption Day and all following Redemption Days (in relation to which the Manager has the same power) until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned as soon as practicable.



## Compulsory redemption of Units

If 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 or region, any governmental authority or any stock exchange on which such Units are listed; or
- (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 requiring registration with any regulatory authority 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,

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 from the relevant Unitholder in respect of such Units or
- (iii) take such other actions as it reasonably believes are 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.



## CONVERSION

### Conversion of Units

Unless otherwise specified in the relevant Appendix, Unitholders shall be entitled (subject to such limitations as the Manager may impose after consulting with the Trustee) to convert all or part of their Units of any Class relating to a Sub-Fund (the “**Existing Class**”) into Units of any other Class in the same Sub-Fund or into Units of another Sub-Fund (the “**New Class**”) available for subscription or conversion. Unless the Manager otherwise agrees, Units of a Class can only be converted into Units of the same Class of another Sub-Fund.

A request for conversion will not be effected if as a result the relevant Unitholder would hold less than the Minimum Holding Amount of the Existing Class or the New Class, or is prohibited from holding Units of the New Class.

In addition, specific limitations or restrictions may apply when a Unitholder intends to convert his Units into another Class or Sub-Fund. The relevant limitations or restrictions (if any) will be set out in the Appendix for the relevant Sub-Fund.

### Switching Fee

A Switching Fee may be charged by the Manager in respect of each Unit of the New Class to be issued upon such conversion of a percentage of –

- (i) the Issue Price per Unit of the New Class as at the Valuation Point on the Valuation Day at which the Issue Price of such Units is ascertained; or
- (ii) the total amount being converted into.

The maximum and current rate of Switching Fee (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 Switching Fee may be imposed in relation to the conversion 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 Switching Fee shall be deducted from the amount reinvested into the Sub-Fund relating to Units of the New Class and shall be retained by or paid to the Manager for its own absolute use and benefit. The Manager may, at its discretion, share with approved intermediaries, including banks, brokers, recognised securities dealers and other investment managers, a proportion of the Switching Fee received by it.

Where the Switching Fee is levied pursuant to paragraph (i) above, Units of the Existing Class will be converted into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:–

$$N = \frac{(E \times R \times F)}{S + SF}$$

Where the Switching Fee is levied pursuant to paragraph (ii) above, Units of the Existing Class will be converted into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:–

$$N = \frac{(E \times R \times F - SF)}{S}$$

Where in either case:

**N** is the number of Units of the New Class to be issued, provided that amounts lower than the smallest fraction of a Unit of the New Class shall be ignored and shall be retained by the Sub-Fund relating to the New Class.

**E** is the number of Units of the Existing Class to be converted.

**F** is the currency conversion factor determined by the Manager for the relevant Subscription Day of the New Class as representing the effective rate of exchange between the Class Currency of Units of the Existing Class and the Class Currency of Units of the New Class.

**R** is the Redemption Price per Unit of the Existing Class applicable on the relevant Redemption Day less any Redemption Charge imposed by the Manager.



**S** is the Issue Price per Unit for the New Class applicable on the Subscription Day for the New Class coincident with or immediately following the relevant Redemption Day for the Existing Class PROVIDED THAT where the issue of Units of the New Class is subject to the satisfaction of any conditions precedent to such issue then S shall be the Issue Price per Unit of the New Class applicable on the first Subscription Day for the New Class falling on or after the satisfaction of such conditions.

**SF** is a Switching Fee (if any).

If there is, at any time during the period from the time as at which the Redemption Price per Unit of the Existing Class is calculated up to the time at which any necessary transfer of funds from the Sub-Fund to which the Existing Class relates (“**Original Sub-Fund**”) to the Sub-Fund to which the New Class relates takes place, a devaluation or depreciation of any currency in which any investment of the Original Sub-Fund is denominated or normally traded, the Manager may at its discretion reduce the Redemption Price as the Manager consider appropriate to take account of the effect of that devaluation or depreciation and in such event the number of Units of the New Class to be allotted to any relevant Unitholder shall be recalculated in accordance with the relevant formula set out above as if that reduced Redemption Price had been the Redemption Price ruling for redemptions of Units of the Existing Class on the relevant Redemption Day.

### Conversion Procedures

Applications for conversion of Units may be made to the Registrar by completing and submitting the Conversion Form to the Registrar by post or by facsimile (provided that the original will follow promptly by post if required) at the business address or facsimile number on the Conversion Form or by such other means as agreed with the Manager (including electronic means). The Conversion Form is available from the Manager and/or the Authorised Distributors. The Registrar (or any other related parties or any authorized agents) does not accept any responsibility for any loss caused as a result of non-receipt or illegibility of any application sent by facsimile or other electronic 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.

A Conversion Form which is received by the Registrar by the Redemption Deadline applicable to the Existing Class or such later time as the Manager may think fit on a Redemption Day (but prior to the Valuation Point relating to the relevant Redemption Day) in relation to such Existing Class will be dealt with on that Redemption Day and Conversion Forms received after such time will be dealt with on the following Redemption Day in relation to such Existing Class. Conversion Forms may not be withdrawn without the consent of the Manager.

Depending on the Valuation Point of the relevant Sub-Fund and the time required to remit the conversion money, the day on which investments are converted into the New Class may be later than the day on which investments in the Existing Class are converted out or the day on which the instruction to convert is given.

### Restrictions on Conversion

Units shall not be converted during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended (for further details see “**Valuation and Suspension – Suspension**” below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for Units of the New Class are closed.

## VALUATION AND SUSPENSION

### Calculation of Net Asset Value

Except as specified in the Appendix of the relevant Sub-Fund, the Net Asset Value of each Sub-Fund, Net Asset Value of a Class of Units 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 Net Asset Value of a Sub-Fund shall be calculated by valuing the assets of such Sub-Fund in accordance with the provisions of the Trust Deed and deducting the liabilities attributable to such Sub-Fund in accordance with the provisions of the Trust Deed. The Trust Deed provides among others that:

#### (a) *Listed Investments*

The value of any investment (including any unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market but excluding any unit, share or other interest in an unlisted collective investment scheme or 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) or (if no last traded price or closing price is available) the latest available price on which the investment is quoted, listed, traded or normally dealt in for such amount of 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, after 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 or, as the case may be, middle quotation on the Securities Market which, in its opinion and after consultation with the Trustee, provides the principal market for such investment.
- (iii) For an investment where only a single external pricing source is available, the price shall be obtained independently for that source as the Manager may, after consultation with the Trustee, deem appropriate.
- (iv) 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 certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or if the Trustee so requires, by the Manager after consultation with the Trustee.
- (v) 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 mean of the latest bid and asked price quoted thereby.
- (vi) 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 (other than an interest in an unlisted collective investment scheme or 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 investments shall be determined on 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 (including but not limited to deposits, bills, demand notes, accounts receivables, prepaid expenses, cash dividends and interest declared or accrued and not yet received) shall be valued at their face value unless, in the opinion of the Manager after 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 unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market) 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 as the Sub-Fund, 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 redemption or bid price for such a unit, share or other interest at or immediately preceding the Valuation Point.

In particular if there are no price quotations available for the valuation of the collective investment scheme, it shall be calculated in accordance with the values published, or reported in writing to the Sub-Fund as at the relevant

Valuation Day, by or on behalf of the collective investment scheme, or if the collective investment scheme is not valued as at the relevant Valuation Day, shall be the latest published or reported value. Valuations may in the absolute discretion of the Manager and after consultation with the Trustee be subject to later adjustment. In performing the calculations, the Manager shall be entitled to rely on the unaudited valuations and reports and estimated valuations received from third parties, including the managed fund and its administrator, agents, investment manager or advisor, or other dealing subsidiary and shall not be responsible for verifying nor shall they be required to verify either the contents or veracity of such valuations and reports.

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, in consultation with the Trustee, shall determine.

*(e) Other Valuation Methods*

Notwithstanding paragraphs (a) to (d) above, the Manager may, after 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. The Manager shall conduct such adjustments with due skill, care and diligence, and in good faith.

For instance, where the market value of an investment is unavailable or where the Manager reasonably considers that no reliable price exists or the most recent price available does not reflect a price the relevant Sub-Fund would expect to receive upon the current sale of the investment, the Manager may, after consultation with the Trustee, value the investment at a price which the Manager believes reflects a fair and reasonable price for that investment in the prevailing circumstances.



(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, mechanised 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 authorised to provide valuations or pricing information of the investments or the assets of the Sub-Fund shall be relied upon by the Manager, the Trustee or their agents without verification, further enquiry or liability notwithstanding that the prices so used are not the last traded prices or closing prices.

(h) *Appointment of a Third Party for Valuation*

Where a third party is engaged in the valuation of the assets of a Sub-Fund, the Manager shall exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such third party in ensuring such entity possesses the appropriate level of knowledge, experience and resources is commensurate with the valuation policies and procedures for such Sub-Fund. The valuation activities of such third party shall be subject to ongoing supervision and periodic review by the Manager.

The Fund intends to adopt International Financial Reporting Standards (“IFRS”) in drawing up the annual accounts of the Fund. However, investors should note that the calculation of the Net Asset Value in the manner described above in the section headed “**Calculation of Net Asset Value**” may not necessarily comply with generally accepted accounting principles, that is, IFRS. Accordingly, investors should note that the Net Asset Value as described in this Explanatory Memorandum may not necessarily be the same as the net asset value to be reported in the annual accounts as the Manager may make necessary adjustments in the annual accounts to comply with IFRS. The Manager has considered the impact of such non-compliance and do not expect this issue to affect the results and Net Asset Value of a Sub-Fund materially.

The Manager may, after consultation with the Trustee, 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 Subscription Day or Redemption Day (as the case may be) does not accurately reflect the true value of such Unit. Any revaluation will be made on a fair and equitable basis.

*Adjustment of Prices*

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 will only make such adjustment to the Issue Price and Redemption Price with a view to protecting the interests of Unitholders under circumstances as determined by the Manager from time to time. The Manager will seek the view of the Trustee prior to any adjustment in the Issue Price or Redemption Price and such adjustment would only be made where the Trustee has no objection to it. 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 unfavourable 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 the Net Asset Value. The adjustment will be calculated using the estimated dealing costs of the relevant Sub-Fund's underlying investments and taking into consideration any dealing spreads, commission and transfer taxes.

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 Subscription Day and Redemption 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 interests 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, conversion 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 consulting 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 consulting with the Trustee, it is not reasonably practicable to realise 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 realisation 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 consulting 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 consulting 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 realisation 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 delegates or agents 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 have resolved or given notice to terminate that Sub-Fund or to carry out a scheme of amalgamation involving 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) and any applicable issue or request for conversion or redemption of Units shall be similarly suspended. If a request for subscription, conversion 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 Subscription Day or the Redemption Day (as the case may be) next following the end of the said suspension and dealt with accordingly;
- (b) where the suspension is in respect of the allotment or issue, conversion and/or the redemption of Units, there shall be no allotment, issue, conversion and/or redemption of Units. For the avoidance of doubt, the allotment, issue, conversion 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 authorised shall exist.

Whenever the Manager declares such a suspension it shall immediately after any such declaration notify the SFC of such suspension and shall, immediately after any such declaration and at least once a month during the period of such suspension, cause a notice to be published in an appropriate manner (including via the Manager's website [www.assetmanagement.pictet](http://www.assetmanagement.pictet)) and/or cause a notice to be given to Unitholders of the Class relating to the relevant Sub-Fund and to all those (whether Unitholders or not) whose applications to subscribe for or redeem Units shall have been affected by such suspension stating that such declaration has been made. Investors should note that the aforesaid website has not been reviewed or authorised by the SFC and may contain information of funds not authorised 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 income (“**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 realised 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 neither a guarantee that such distributions will be made nor will there 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. The Manager may also, in its absolute discretion, distribute gross income and charge all or part of the Sub-Fund’s fees and expenses to the capital of the Sub-Fund as the Manager considers appropriate, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividends out of capital.

**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. Payment of dividends out of capital 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 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 by the Manager on request and also on the Manager’s website [www.assetmanagement.pictet](http://www.assetmanagement.pictet). Investors should note that the aforesaid website has not been reviewed or authorised by the SFC and may contain information of funds not authorised by the SFC.

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 upon consultation with 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 shall be paid in cash. Distributions will normally be paid by direct transfer or telegraphic transfer (or cheque as requested by the Unitholder) 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. Any bank charges associated with the payment of such distribution proceeds will be borne by the Unitholder. Any distribution which is not claimed for six years will be forfeited and become part of the assets of the relevant Sub-Fund.

The Manager may amend the dividend policy. Where required by the SFC or the Code, the Manager will obtain the SFC’s prior approval and/or give prior notice to Unitholders of any such amendment.



## FEES AND EXPENSES

### Management Fee

The Manager is entitled to receive in respect of a Sub-Fund (or any Class thereof), a management fee calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears as a percentage of the Net Asset Value of such Sub-Fund (or such Class) as at each Valuation Day at the rates as specified in the relevant Appendix subject to a maximum fee as specified in the relevant Appendix.

### Performance Fee

The Manager may 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 may share any fees it receives with any person(s) 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 on each Valuation Day, at the rates specified in the Appendix and subject to a minimum monthly fee (if any) as specified in the relevant Appendix. The Trustee's fee is calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears out of the assets of the relevant Sub-Fund. The fee payable to the Trustee is subject to a maximum rate as specified in the Appendix.

### Registrar Fee

The Trustee is also entitled to receive a fee for acting as Registrar. It is also entitled to receive various transaction, processing, valuation fees 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, fees for preparation of financial statements, dividend and distribution payment) properly incurred by it in the performance of its duties.

### 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 up to the permitted maximum level as disclosed in the Hong Kong offering document. 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).

### 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 amortised over the Amortisation Period. Where subsequent Sub-Funds are established in the future, the Manager may determine that the unamortised 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 amortised over the Amortisation Period as specified in the respective Appendices of such subsequent Sub-Funds. The amount of establishment costs are also set out in the relevant Appendix.

Investors should also note that under IFRS, establishment costs should be expensed as incurred and that amortisation of the expenses of establishing Sub-Funds is not in accordance with IFRS; however, the Manager has considered the impact of such non-compliance 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 IFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with IFRS.



## General Expenses

Each Sub-Fund will bear the costs (including those set out below) which are directly 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.

Such costs include but are not limited to the costs of investing and realising 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 or the Trustee in establishing the Fund and Sub-Funds and costs in connection with the initial issue of Units or a Class of Units, 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 including 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, 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, financial 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 authorised by the SFC, no advertising or promotional expenses shall be charged to the Sub-Funds so authorised.

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

All transaction carried out by or on behalf of the Fund or a Sub-Fund must be 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 Manager 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 Manager of the relevant Sub-Fund, the Trustee 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 Manager 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 Manager, the Investment Manager and/or any of their connected persons reserves the right to effect transactions by or through a broker or dealer with whom the Manager, the Investment Manager 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 Manager and/or any of their connected persons goods or services for which no direct payment is made but instead the Manager, the Investment Manager and/or any of their connected persons undertakes to place business with that broker or dealer. The Manager shall procure that no such arrangements are entered into (i) unless 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 the Investment Manager 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 Manager, 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.



## TAXATION

The following summary is of a general nature and for information purposes only. It 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 in Hong Kong 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.

The Fund or Sub-Fund(s), the Manager or any of their respective affiliates will not accept any responsibility for providing tax advice to any prospective Unitholder.

### Hong Kong Taxation

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

##### *(a) Profits Tax:*

Under the current law and practice in Hong Kong, during such time as the Fund and the Sub-Fund(s) remains authorised as a collective investment scheme by the SFC under Section 104 of the SFO, the profits of the Fund and the Sub-Fund(s) are exempt from Hong Kong Profits Tax pursuant to Section 26A(1A)(a) of the Inland Revenue Ordinance.

##### *(b) Stamp Duty:*

Hong Kong stamp duty is ordinarily payable on the sale and purchase of Hong Kong stock. "Hong Kong stock" is defined as "stock" the transfer of which is required to be registered in Hong Kong. If the Fund or Sub-Fund(s) does not invest in Hong Kong stock, then the Fund will not be subject to Hong Kong stamp duty.

Pursuant to the Remission by Class issued by the Secretary for the Treasury on 20 October 1999, transfer of Hong Kong stocks to the Fund / Sub-Fund(s) in exchange for allotment of Units or transfer of Hong Kong stocks from the Fund / Sub-Fund(s) in consideration for redemption of Units is exempt from Hong Kong Stamp Duty, to the extent that the Fund and the Sub-Fund(s) remains authorised as a collective investment scheme by the SFC under Section 104 of the SFO.

#### *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 current law and practice of the Inland Revenue Department of Hong Kong.

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:*

Hong Kong stamp duty is ordinarily payable on the sale and purchase of Hong Kong stock. “Hong Kong stock” is defined as “stock” the transfer of which is required to be registered in Hong Kong. Units are regarded as “Hong Kong stock” for these purposes.

No Hong Kong stamp duty is payable by a Unitholder in relation to an issue of Units or on the redemption of Units when the Units are extinguished upon redemption.

No Hong Kong stamp duty is payable where the sale or transfer of the Unit is to the Manager who subsequently re-sells the Units within two months thereof pursuant to Section 19(1A)(b) of the Stamp Duty Ordinance.

Pursuant to the Remission by Class issued by the Secretary for the Treasury on 20 October 1999, transfer of Hong Kong stocks to the Fund/Sub-Fund(s) in exchange for allotment of Units or transfer of Hong Kong stocks from the Fund/Sub-Fund(s) in consideration for redemption of Units is exempt from Hong Kong Stamp Duty, to the extent that the Fund and the Sub-Fund(s) remains authorised as a collective investment scheme by the SFC under Section 104 of the SFO.

Other types of sales or purchases or transfers of the Units by the Unitholders should be liable to Hong Kong Stamp Duty of 0.1% (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 currently payable on any instrument of transfer of Units.

### Mainland China Taxation

By investing in securities issued by tax residents in Mainland China (including without limitation China A-Shares and bonds) (“**Mainland China Securities**”), a Sub-Fund may be subject to withholding and other taxes imposed in Mainland China.

*(a) Corporate Income Tax (“CIT”):*

If the Fund or the relevant Sub-Fund is considered as a tax resident enterprise of Mainland China, it will be subject to Mainland China CIT at 25% on its worldwide taxable income. If the Fund or the relevant Sub-Fund is considered as a non-tax resident enterprise with

an establishment or place of business (“**PE**”) in Mainland China, the profits attributable to that PE would be subject to CIT at 25%.

The Manager intends to manage and operate the Fund and the relevant Sub-Fund in such a manner that the Fund and the relevant Sub-Fund should not be treated as tax resident enterprises of Mainland China or non-tax resident enterprises with a PE in Mainland China for CIT purposes, although this cannot be guaranteed.

*(i) Interests*

Unless a specific exemption/reduction is applicable, for recipients that are non-tax residents without a PE in Mainland China under the CIT law, a WIT is levied on the payment of interests on debt instruments issued by Mainland China tax residents, including bonds issued by Mainland China tax resident enterprises. The general WIT rate applicable is 10%.

Interests derived from government bonds issued by the Ministry of Finance of the State Council and/or local governments bonds issued by governments in province level, which are approved by the State Council shall be exempt from WIT under the CIT law and regulations.

Under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Arrangement**”), if a Hong Kong tax resident derives interest income from Mainland China, the WIT rate can be reduced to 7% provided that the Hong Kong tax resident is the beneficial owner of the interest income under the Arrangement and other relevant conditions are satisfied, subject to the agreement from the in-charge tax authorities in Mainland China. In practice, due to the practical difficulties in demonstrating that an investment fund is the beneficial owner of the interest income received, such investment fund is generally not entitled to the reduced WIT rate of 7%. In general, the prevailing rate of 10% should be applicable to the Sub-Fund.

On 22 November 2018, China's Ministry of Finance and the State Administration of Taxation indicated in Circular 108 that a 3-year WIT exemption, starting on 7 November 2018, would apply to foreign institutional investors on bond interest income derived from the Mainland China bond market.

*(ii) Dividends*

Dividends derived from holding Mainland China Securities by a non-tax resident recipient (such as the Sub-Fund) from Mainland China tax residents are subject to the Mainland China WIT. The general WIT rate applicable is 10%.

*(iii) Capital gains*

**Trading of equity investments**

On 14 November 2014, the MOF, SAT and CSRC jointly issued Circular 79. Under Circular 79, capital gains realised by QFIIs and RQFIIs from the disposal of equity investments (including China A-Shares) are temporarily exempt from Mainland China WIT effective from 17 November 2014. Circular 79 also states that gains realised by QFIIs and RQFIIs prior to 17 November 2014 from disposal of equity investments should be subject to Mainland China WIT according to the PRC CIT Law. The exemption under Circular 79 is applicable to QFIIs and RQFIIs which do not have a PE in Mainland China, or QFIIs and RQFIIs which have a PE in Mainland China, but the gains derived from the disposal of equity investments are not connected to such PE.

Please also note that the corporate income tax exemption granted under Circular 79 is temporary.

With respect to the Stock Connects, the MOF, SAT and CSRC have jointly issued Circular 81 on 14 November 2014 and Circular 127 on 5 November 2016. Circular 81 and Circular 127 state that CIT, individual income tax and business tax/value-added tax will be temporarily exempt on gains derived by Hong Kong market investors (including the relevant Sub-Fund(s)) on the trading of China A-Shares through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect respectively.

**Trading of debt securities**

There is no specific rule governing WIT on capital gains derived by QFIIs or RQFIIs from trading of Mainland debt securities. In the absence of such specific rules, the WIT treatment should be governed by the general tax provisions of the PRC CIT Law. If a foreign investor is a non-tax resident enterprise without a PE in Mainland China, a 10% Mainland China WIT would be imposed on its Mainland China-sourced capital gains, unless there is exemption or reduction under the current Mainland China tax laws and regulations or relevant tax treaties.

Based on the current interpretation of the SAT and the local Mainland China tax authorities, gains derived by foreign investors from investment in Mainland China debt securities are not treated as Mainland China sourced income and thus not subject to Mainland China WIT. However, there are no written tax regulations issued by the Mainland China tax authorities to confirm that interpretation. However, as a matter of practice, such 10% Mainland China WIT on capital gains realised by non-Mainland China tax resident enterprises from the trading of these securities has not been strictly enforced by the Mainland China tax authorities.



(b) *Value-added Tax (“VAT”) and other surtaxes:*

Pursuant to Circular 36, with effect from 1 May 2016, generally, VAT at the rate of 6% will be levied on bond interest income (other than those arising from government bonds issued by the Ministry of Finance of the State Council and/or local governments bonds issued by governments in province level, which are approved by the State Council which shall be exempt from VAT under Circular 36) and the gains realized from the disposal of marketable securities in Mainland China, such as China A-Shares and China B-Shares. In addition, according to Circular 108, from November 7, 2018 to November 6, 2021, bond interests derived by foreign institutional investors will be temporarily exempted from VAT.

Circular 36 also provides that gains realized by QFII from the trading of marketable securities are exempt from VAT. Pursuant to Circular 70, with effect from 1 May 2016, income realized by RQFII from the purchase and sale of marketable securities and income realized by eligible foreign institutions as approved by PBOC, through trading in Mainland China’s inter-bank domestic currency market, including the currency market, bond market and derivative market are also exempt from VAT. No VAT will be imposed on deposit interest income. Dividend income or profit distributions on equity investment realized from Mainland China are not in the VAT scope of charge.

With respect to the Stock Connects, according to Circular 36 and Circular 127, VAT is temporarily exempt on gains derived by Hong Kong market investors (including the relevant Sub-Fund(s)) on the trading of China A-Shares through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect respectively.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2% in general) and certain local levies (which vary from city to city) will be imposed which are calculated on the basis of the amount of the VAT liabilities.

(c) *Stamp duty:*

Stamp duty under the Mainland China laws generally applies to the execution and receipt of all taxable documents listed in the PRC’s Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in Mainland China of certain documents, including contracts for the sale of China A- and B-Shares traded on the Mainland China stock exchanges. In the case of contracts for sale of China A- and B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

(d) *General:*

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in Mainland China will be changed with retrospective effect in the future and any such change may have an adverse effect on the asset value of the relevant Sub-Fund. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in Mainland China which the relevant Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

(e) *Tax Provision:*

In order to meet the potential tax liability on capital gains arising from disposal of Mainland China Securities, Based on professional and independent tax advice, the Manager will not provide for withholding income tax on capital gains arising from disposal of Mainland China Securities, but reserves the right to do so and withhold the tax for the account of the relevant Sub-Fund based on further updates to the relevant Mainland tax regulations and/or further professional and independent tax advice on the interpretation of such regulations, in order to meet



the potential tax liability on such gains if deemed required. The Manager will at the inception of the relevant Sub-Fund decide whether the investment objectives and policies of the relevant Sub-Fund would necessitate the making of tax provisions in respect of the relevant Sub-Fund for the above tax obligations. Even if provisions are made, the amount of such provisions may not be sufficient to meet the actual tax liabilities. Where any provision is made, the level of the provisioning will be set out in the relevant appendix of this Explanatory Memorandum and amount of actual provision will be disclosed in the accounts of the relevant Sub-Fund. With the uncertainties under the applicable Mainland China tax laws and the possibility of such laws being changed and taxes being applied retrospectively, any provision for taxation made by the Manager may be excessive or inadequate to meet actual Mainland China tax liabilities on gains derived from investments held by the relevant Sub-Fund. Upon any future resolution of the uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary. In such case, the Manager will as soon as reasonably practicable inform investors of the change of Mainland China tax provisioning arrangement. Investors should note that if provision for taxation is made, such provision may be excessive or inadequate to meet actual Mainland China tax liabilities on investments made by the relevant Sub-Fund. As a result, investors may be advantaged or disadvantaged depending on the final rules of the relevant Mainland China tax authorities. If no provision for potential withholding tax is made and in the event that the Mainland China tax authorities enforce the imposition of such withholding tax in respect of the relevant Sub-Fund's investment, the Net Asset Value of the relevant Sub-Fund may be affected. As a result, redemption proceeds or distributions may be paid to the relevant Unitholders without taking full account of tax that may be suffered by the relevant Sub-Fund, which tax will subsequently be borne by the relevant Sub-Fund and affect the Net Asset Value of the relevant Sub-Fund and the remaining Units in the relevant Sub-Fund. In this case, the then existing and new Unitholders will be disadvantaged from the shortfall.

On the other hand, if the provision is in excess of the final Mainland China tax liabilities attributable to the relevant Sub-Fund, the excess will be distributed to the Sub-Fund and reflected in the value of Units in the Sub-Fund. Notwithstanding the foregoing, please note that no Unitholders who have realised their Units in the Sub-Fund before the distribution of any excess provision to the relevant Sub-Fund shall be entitled to claim in whatsoever form any part of the withholding amounts distributed to that Sub-Fund, which amount would be reflected in the value of Units in the Sub-Fund. Therefore, Unitholders who have redeemed their Units will be disadvantaged as they would have borne the loss from the overprovision for Mainland China tax.

Unitholders should seek their own tax advice on their tax position with regard to their investment in a Sub-Fund.

It is possible that the current tax laws, regulations and practice in Mainland China will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on Mainland China investments than currently contemplated.

#### Other Jurisdiction(s)

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



## 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 report (in English only) can be obtained within four months after the Accounting Date, and where the unaudited interim financial report (in English only) can be obtained (in printed form) within two months after the Semi-Annual Accounting Date in each year. Once issued, the financial reports will be available on the website of the Manager at [www.assetmanagement.pictet](http://www.assetmanagement.pictet) and hardcopies of the reports and accounts 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. Please note that the website has not been reviewed or authorised by the SFC and may contain information of funds not authorised by the SFC. Copies of the accounts and reports may be posted to investors on request free of charge.

The Manager intends to adopt IFRS 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 amortising 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 IFRS and to include a reconciliation note in the Fund's audited annual financial reports.

### Publication of Prices

The Issue Price and Redemption Price for each Class of a Sub-Fund will be published on each Business Day of that Sub-Fund on the website [www.assetmanagement.pictet](http://www.assetmanagement.pictet). Investors should note that the aforesaid website has not been reviewed or authorised by the SFC and may contain information of funds not authorised 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 summarised below.

#### *Termination by the Trustee*

The Fund may be terminated by the Trustee by 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 opinion of the Trustee the Manager shall be incapable of performing or shall in fact fail to perform its duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Fund into disrepute or to be harmful to the interests of the Unitholders;
- (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) 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 90 days therefrom or as the case may be, 60 days therefrom if there is a material breach by the Manager of its obligations under the Trust Deed.

#### *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 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\$50 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\$20 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\$5 million 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 the Trustee shall breach any of its obligations under the Trust Deed and in the case of a breach capable of remedy, shall fail to remedy the same within 30 days after receipt of a written notice from the Manager giving particulars of such breach and requiring it to be remedied;
- (d) 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
- (e) the occurrence of any other event(s) or in such other circumstance(s) 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.

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.

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.

#### 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 at which an extraordinary resolution is to be proposed and not less than 14 days' notice of any meeting at which an ordinary resolution is to be proposed. 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.

### 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 duly stamped instrument of transfer, 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. 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 must relate to a single class of Units only. 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 recognise a transfer of any Units if either of them believes that such will result in or is likely to result in the legal or beneficial ownership of such Units by any person or persons:

- (a) who is an Ineligible Investor;
- (b) in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager, might result in the Manager, the Trustee or the relevant Sub-Fund incurring or suffering any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Trustee or the relevant Sub-Fund to any additional regulation to which the Manager, the Trustee or the relevant Sub-Fund

might not otherwise have incurred or suffered or been subject; or

- (c) in breach of, or reasonably deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including without limitation the issue of any warranty or supporting document required to be given to the Trustee, the Registrar or the Manager; or
- (d) in breach of any applicable law or applicable requirements of any country/region or governmental authority.

### Anti-Money Laundering Regulations

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering, the Manager/Trustee 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 recognised financial institution; or
- (b) the application is made through a recognised intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised as having sufficient anti-money laundering regulations. The Manager and the Trustee 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 and their respective delegates and agents each reserves the right to refuse to accept the application and the subscription moneys relating thereto. Further, each of them reserves the right to 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 and their respective delegates and agents each reserves the right to 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 and the Trustee or other service providers with any such laws or regulations in any relevant jurisdiction.

None of the Trustee, the Manager or their respective delegates or agents shall be liable to the prospective investor or Unitholder for any loss suffered by such party as a result of the rejection or delay of any subscription application or payment of redemption proceeds.

#### Conflicts of Interest

The Manager, the Investment Manager, the Trustee, the custodian (if any) and their respective connected persons may from time to time act as trustee, administrator, transfer agent, manager, custodian or investment manager, 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, including those that have similar investment objectives to those of the Sub-Funds, or contract with or enter into financial, banking or other transaction with one another or with any investor of the Sub-Funds, or any company or body any of whose shares or securities form part of any Sub-Fund or may be interested in any such contract or transaction. 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 to Unitholders and will endeavour to ensure that such conflicts are resolved fairly and taking into account investors' interests. 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.

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 or other property 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, any Investment Managers 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 carried out in good faith and effected on best available terms negotiated on an arm's length basis and in the best interests of the Unitholders of the relevant Sub-Fund. Any transactions between a Sub-Fund and the Manager, the Investment Managers 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 the following transactions, the Manager shall ensure that the relevant requirements under the heading entitled "**Transactions with Connected Persons, Cash Rebates and Soft Dollars**" in the section "**Fees and Expenses**" are complied with:





- (a) transactions for the account of any Sub-Fund with brokers or dealers connected to the Manager, the Investment Manager of such Sub-Fund and/or their connected persons; and
- (b) transactions by or through a broker or dealer with whom the Manager, the Investment Manager and/or any of their connected persons has an arrangement under which that broker or dealer will from time to time provide to or procure for the Manager, the Investment Manager and/or any of their connected persons goods or services for which no direct payment is made.

The services of the Trustee and its connected persons provided to the Fund and the Sub-Funds are not deemed to be exclusive and each of them 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 fees and other monies payable in respect of any of the arrangements described above. Each of the Trustee and its connected persons shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund, any Sub-Funds, any Unitholder or any other relevant party any fact or information which comes to its notice in the course of it rendering similar services to other parties or in the course of its business in any other capacity or in any manner whatsoever otherwise than in the course of carrying out its duties under the Trust Deed. None of the Trustee and its connected persons shall be liable to account to the Fund or any Sub-Fund or any investor of the Fund or the Sub-Fund for any profit or benefit made or derived thereby or in connection therewith (including in situations set out above).

If cash forming part of a Sub-Fund's assets is deposited with the Trustee, the Manager, the Investment Manager or with 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 interests of the Unitholders of the relevant Sub-Fund, having regard to the 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.

#### Cross Trades

The Manager and the Investment Manager may enter into trades for the account of a Sub-Fund with the accounts of other clients of the Manager, the

Investment Manager or their connected persons (including other collective investment schemes managed by the Manager, the Investment Manager or their connected persons) ("**cross trades**"). Such cross trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objective, restrictions and policies of both clients, the cross trades are executed on arm's length terms at current market value, and the reasons for such cross trades are documented prior to execution. Cross trades may also be entered into between house accounts (i.e. account owned by the Manager or any of its connected persons over which it can exercise control and influence) and client accounts in accordance with applicable laws and regulations.

#### Facsimile or Electronic Instructions

Investors should be reminded that if they choose to send the Application Forms, Redemption Forms or Conversion Forms or Transfer Forms by facsimile or such other means, they bear their own risk of such Application Forms, Redemption Forms, Conversion Forms or Transfer Forms not being received. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee, the Authorised Distributors 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, Conversion Form or Transfer Forms sent by facsimile or other electronic 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 authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission (via electronic means or otherwise) discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager, the Trustee, the Registrar or the Authorised Distributors safe receipt of an application.

#### Forfeiture of Unclaimed Proceeds or Distributions

If any redemption proceed or distribution remains unclaimed six years after the relevant Redemption 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 authorise practices connected to market timing and it reserves the right to reject any applications for subscriptions or switching 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.

Market timing is to be understood as an arbitrage method through which a Unitholder systematically subscribes, redeems or switches Units within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the Net Asset Value of the concerned Sub-Funds.

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

Each Unitholder (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund or the relevant Sub-Fund receives payments and/ or (B) to satisfy reporting or other obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate, or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including any law, rule and requirement relating to AEOI), including reporting obligations that may be imposed by future legislation.

### Power to Disclose Information to Tax Authorities

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, taxpayer identification number (if any) and certain information relating to the Unitholder's holdings, to enable the Fund or the relevant Sub-Fund to comply with any applicable law (including any law, rule and requirement relating to AEOI) or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA and AEOI).

### Personal Data

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 486 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 any 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:–

- (a) the Trust Deed, and any supplemental deeds;
- (b) all material contracts (as specified in the relevant Appendix); and
- (c) the latest audited annual financial reports and unaudited interim financial reports (if any) of the Fund and the Sub-Funds.

## SCHEDULE 1 – INVESTMENT RESTRICTIONS

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

No holding of any asset 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:–

- (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 3.4(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 5(e) and (j) of this Schedule 1.

- (b) subject to sub-paragraphs 1(a) and 3.4(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 5(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 investment 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, 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) unless otherwise disclosed in the Appendix of a Sub-Fund, the investment by a Sub-Fund in a Qualified Exchange Traded Fund will 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. 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 real estate investment trusts);
- (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 4.1 to 4.4 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 3.5 and 3.6 of this Schedule 1.
- (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.

### 3. Use of financial derivative instruments

3.1 A Sub-Fund may acquire financial derivative instruments for hedging purposes. For the purposes of this sub-paragraph 3.1, 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;

3.2 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 guidance 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 3.1 of this Schedule 1 will not be counted towards the 50% limit referred to in this sub-paragraph 3.2 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.

- 3.3 Subject to sub-paragraphs 3.2 and 3.4 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.
- 3.4 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 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 such measures as may be established from time to time. 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 calculation agent/fund administrator 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.
- 3.5 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 3.5, 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.
- 3.6 Subject to sub-paragraph 3.5 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.

3.7 The requirements under sub-paragraphs 3.1 to 3.6 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.

#### 4. Securities Financing Transactions

4.1 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.

4.2 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.

4.3 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.

4.4 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.

#### 5. Collateral

In order to limit the exposure to each counterparty as set out in sub-paragraphs 3.4(c) and 4.2 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 8.2(f) and 8.2(n) of the Code;
  - (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.

Further details relating to the collateral policy of the Fund and/or Sub-Funds are disclosed in Schedule 2.

## 6. Borrowing and Leverage

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

### *Cash borrowing*

- 6.1 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 4.1 to 4.4 of this Schedule 1 are not borrowings for the purpose of, and are not subject to the limitations in this sub-paragraph 6.1.
- 6.2 Notwithstanding sub-paragraph 6.1 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*

- 6.3 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.

- 6.4 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.

- 6.5 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.

## 7. Name of Sub-Fund

- 7.1 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.



## SCHEDULE 2 – COLLATERAL VALUATION AND MANAGEMENT POLICY

The Manager employs a collateral management policy in relation to collateral received in respect of financial derivative transactions and foreign exchange transactions entered into in respect of a Sub-Fund.

A Sub-Fund may receive collateral from a counterparty to a derivative transaction or a foreign exchange transaction in order to reduce its counterparty risk exposure, subject to the investment restrictions and requirements applicable to collateral under Schedule 1.

### Nature and quality of the collateral

A Sub-Fund may receive only cash collateral from a counterparty. Currently, primarily USD is received by Pictet Strategic Income and Pictet Asian Bond Income as collateral.

### Criteria for selecting counterparties

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of derivative transactions which shall include amongst other considerations, fundamental creditworthiness (e.g. ownership structure, financial strength) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty.

The counterparties of derivative transactions will be entities with legal personality typically located in OECD jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority.

The counterparty to an derivative transaction must have a credit rating rated investment grade or above by internationally recognised credit rating agencies at the time of appointment.

### Valuation of collateral

Cash collateral received is valued daily at face value (together with accrued interest) unless, in the opinion of the Manager after consultation with the Trustee, any adjustment should be made to reflect the value thereof.

### Enforceability of collateral

Collateral (subject to any net-off or set-off, if applicable) is capable of being fully enforced by the Manager/Sub-Fund at any time without further recourse to the counterparty.

### Haircut policy

A Sub-Fund may only receive cash collateral, which is not subject to a haircut policy. Should a Sub-Fund intend to receive non-cash collateral, a haircut policy will be implemented to reduce exposure to counterparties.

### Diversification and correlation of collateral

A Sub-Fund may only receive cash collateral, which is not subject to collateral diversification and correlation policies. Should a Sub-Fund intend to receive non-cash collateral, such policies applicable to non-cash collateral will be disclosed accordingly.

### Cash collateral reinvestment policy

A Sub-Fund shall not sell, pledge or re-invest any non-cash collateral received by it.

Subject to the applicable restrictions in respect of collateral in Schedule 1, cash collateral received by a Sub-Fund may 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.

Up to 100% of the cash collateral received by a Sub-Fund may be reinvested.

### Safe-keeping of collateral

Cash collateral received by a Sub-Fund from a counterparty should be held by the Trustee or a Correspondent.

A description of collateral holdings of each Sub-Fund will be disclosed in its interim and annual financial reports as required under Appendix E of the Code.

Cash collateral provided by a Sub-Fund shall no longer belong to the Sub-Fund. The counterparty may use those assets at its absolute discretion.



## APPENDIX 1

### PICTET STRATEGIC INCOME

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

#### PRINCIPAL TERMS

#### 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>“Amortisation Period”</b>	the first 5 Accounting Periods from the close of the Initial Offer Period of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
<b>“Base Currency”</b>	USD
<b>“Class”</b>	P dm USD P dm HKD P dm3 HKD P dm3 RMB P dm3 USD P USD I dm USD I acc USD HP dm RMB HP dm AUD HI dm SGD HI acc SGD HP dm JPY HP dm CHF
<b>“Class Currency”</b>	or such other classes as may be established and offered from time to time for P dm USD: USD for P dm HKD: HKD for P dm3 HKD: HKD for P USD: USD for P dm3 RMB: RMB for P dm3 USD: USD for I dm USD: USD for I acc USD: USD for HP dm RMB: RMB for HP dm AUD: AUD for HI dm SGD: SGD for HI acc SGD: SGD for HP dm JPY: JPY for HP dm CHF: CHF
<b>“Investment Advisor”</b>	Pictet Asset Management Limited
<b>“Payment Period”</b>	no more than 3 Business Days after the relevant Subscription Day on which the relevant Units are issued (or such other dates as the Manager may determine)
<b>“Redemption Day”</b>	each Business Day or such other day or days as the Manager may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund



<b>“Redemption Deadline”</b>	5.00 p.m. (Hong Kong time) on the relevant Redemption Day by which a redemption request in respect of the 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, after consultation with the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
<b>“Sub-Fund”</b>	Pictet Strategic Income
<b>“Sub-Investment Advisors”</b>	Pictet Asset Management S.A. and Pictet Asset Management (Singapore) Pte Ltd.
<b>“Subscription Day”</b>	each Business Day or such other day or days as the Manager 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 of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
<b>“Subscription Deadline”</b>	5.00 p.m. (Hong Kong time) on the relevant Subscription Day by which an application for subscription in respect of the 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, after consultation with the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
<b>“Valuation Day”</b>	each Business Day on which the Net Asset Value of the Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit of the Sub-Fund falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager may from time to time determine, either generally or in relation to a particular Class of Units

## MANAGEMENT AND ADMINISTRATION OF THE SUB-FUND

**Investment Advisor** The Manager has appointed the below entity as investment advisor to provide advisory services to the Manager in relation to the assets of the Sub-Fund:

**Pictet Asset Management Limited**

Moor House, Level 11  
120 London Wall  
London EC2Y 5ET  
United Kingdom

Pictet Asset Management Limited is a UK registered company that carries out asset management activities for an international client base, mainly focussing on equity and fixed income asset classes, together with the execution of trades for other Pictet Group entities. Pictet Asset Management Limited is regulated for business in the UK by the Financial Conduct Authority (FCA), and is also approved by the China Securities Regulatory Commission as a QFII and a RQFII.

The Manager and the Investment Advisor both belong to the Pictet Group.

The Investment Advisor will not have any discretionary investment management power over the assets of the Sub-Fund. The Manager will bear the fees of the Investment Advisor.



## Sub-Investment Advisors

The Investment Advisor has further appointed the below entities as sub-investment advisors to provide advisory services to the Investment Advisor in relation to the assets of the Sub-Fund:

### **Pictet Asset Management S.A.**

60 Route des Acacias  
CH-1211  
Geneva 73  
Switzerland

### **Pictet Asset Management (Singapore) Pte. Ltd**

10 Marina Boulevard #22-01 Tower 2  
Marina Bay Financial Centre  
Singapore 018983

Pictet Asset Management S.A. is a Swiss based fund distributor and investment manager that carries out asset management activities for an international client base, mainly focussing on equity, fixed income, quantitative and total return asset classes, together with the execution of trades for other Pictet Group entities. Pictet Asset Management S.A. is regulated by the Swiss Financial Market Supervisory Authority (FINMA) in Switzerland.

Pictet Asset Management (Singapore) Pte. Ltd. is a private limited company created in Singapore, which is regulated by the Monetary Authority of Singapore. The activities of Pictet Asset Management (Singapore) Pte. Ltd. are portfolio management focussing primarily on sovereign and corporate fixed income and the execution of orders on Asian fixed income products initiated by other entities of the Pictet Group.

The Investment Advisor and the Sub-Investment Advisors all belong to the Pictet Group.

The Sub-Investment Advisors will not have any discretionary investment management power over the assets of the Sub-Fund. The Manager will bear the fees of the Sub-Investment Advisors.

## INVESTMENT CONSIDERATIONS

### **Investment Objective**

The Sub-Fund seeks to achieve long-term capital growth and income over the medium to longer term while also managing downside risk by investing primarily in a global diversified portfolio of equities and fixed income securities.

### **Investment Policies**

The Sub-Fund follows a flexible asset allocation policy and intends to invest globally in the full spectrum of permitted investments including equities, fixed income securities and cash/money market instruments.

The Sub-Fund would invest in income generating asset classes, regions and/or securities.



In addition, the Sub-Fund may invest up to 35% of its Net Asset Value in units or shares of other collective investment schemes, whose primary objective is to invest in a single or combination of asset class(es) that is/are within the permitted limit under the Code and the investment objective and/or strategy of the Sub-Fund. These collective investment schemes may include funds managed by the Manager or other entities of the Pictet Group and exchange traded funds. Nonetheless, the Sub-Fund will not invest 10% or more of its Net Asset Value in shares or units in other collective investment schemes which are non-eligible schemes and not authorised by the SFC, and will not invest 30% or more of its Net Asset Value in the shares or units in a collective investment scheme which is authorised by the SFC or an eligible scheme, subject to the investment restrictions under the Code.

The Sub-Fund's aggregate exposure to direct investments in securities issued in Mainland China market including but not limited to China A-Shares, China B-Shares, fixed income securities, and such other financial instruments permitted under applicable Mainland China regulations will not be more than 20% of its Net Asset Value.

The following is an indicative asset allocation of the Sub-Fund based on asset types:

ASSET TYPE	INDICATIVE PERCENTAGE OF THE SUB-FUND'S NET ASSET VALUE
Equities	0-100%
Fixed income securities	0-100%
Other collective investment schemes	0-35%
Cash/money market instruments	0-30%

#### Investment in equities

The Sub-Fund may invest up to 100% of its Net Asset Value in a diversified portfolio of equities. These investments may include listed equities, depositary receipts (i.e. American Depositary Receipts, European Depositary Receipts, Global Depositary Receipts) and listed investment trusts (such as listed real estate investment trusts and other listed closed-ended investment trusts). The Sub-Fund may also invest in private equities as well as Rule 144A equities and similar securities on an ancillary basis and the exposure to these types of instruments will be small.

The Sub-Fund may invest not more than 20% of its Net Asset Value in China A-Shares and China B-Shares. Such investments in Mainland China may be made via QFII and/or RQFII and the Stock Connects. Please refer to the sub-sections headed "***Investment in Mainland China via QFII and/or RQFII***" and "***Investment in Mainland China via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively, the "Stock Connects")***" under the "**Investment Considerations**" section in the main part of the Explanatory Memorandum for further details.



### Investment in fixed income securities

The Sub-Fund may invest up to 100% of its Net Asset Value in fixed income securities. These investments may include listed and unlisted bonds, government bonds, corporate bonds, high yield bonds and convertible bonds. Investments may include (i) defaulted and distressed securities, (ii) urban investment bonds, (iii) asset-backed securities and mortgage-backed securities, (iv) Rules 144A bonds and (v) Sukuk (i.e. Islamic bonds) on an ancillary basis and the exposure to each of these five instruments will be up to 10% of the Sub-Fund's Net Asset Value. The Sub-Fund may also invest up to 20% of its Net Asset Value in debt instruments with loss-absorption features, e.g. contingent convertible bonds (CoCo bonds), senior non-preferred debts, etc.. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). Of the Sub-Fund's investments in debt instruments with loss-absorption features, up to 10% of the Sub-Fund's Net Asset Value may be invested in CoCo bonds.

The Sub-Fund may invest up to 80% of its Net Asset Value in fixed income securities in the emerging markets.

The Sub-Fund does not have any requirement on the credit rating of the underlying debt securities. The Sub-Fund does not currently intend to invest more than 10% of its Net Asset Value in securities issued and/or guaranteed by a single sovereign issuer (including its government, a public or local authority of that country) which is rated below investment grade by Standard & Poor's and Moody's.

For the avoidance of doubt, the aforementioned aggregate exposure limit to direct investments in securities issued in Mainland China market of 20% of the sub fund's Net Asset Value is applicable to the Sub-Fund's investments in fixed income securities.

### Investment in cash and money market instruments

The Sub-Fund may hold less than 30% of its Net Asset Value in cash and cash equivalents, which may include cash, deposits, money market instruments and short-term fixed income securities, for liquidity and cash management purposes.

### General

Unless otherwise specified in this section headed "Investment Policies", the Sub-Fund is not subject to any limitation on the portion of its Net Asset Value that may be invested in any one country, region or sector, and the weight in one country/region may go up to 100% of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest in financial derivative instruments for hedging and investment purposes. The Sub-Fund would not invest in any equity-linked notes with gross exposure to any single issuer of such notes exceeding 10% of the Sub-Fund's Net Asset Value.





The asset allocation of the Sub-Fund will change according to the Manager's views of fundamental economic and market conditions and investment trends across the globe, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market.

HP dm RMB and HP dm AUD are hedged Classes, and the Manager shall be responsible for performing hedging in relation to these Classes. The Manager may acquire currency forward contracts in order to hedge the currency exposure of these Classes, in order to attempt to mitigate the effect of fluctuations in the exchange rate between the Class Currencies of these Classes and the Base Currency.

**Investment and Borrowing Restrictions**

The Sub-Fund is subject to the investment and borrowing restrictions as set out in Schedule 1 to this Explanatory Memorandum.

**Use of Derivatives**

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

**Securities Financing Transactions**

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. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

**SPECIFIC RISK FACTORS**

Investors should take note of all of the risks mentioned in the "*Risk Factors*" section in the Explanatory Memorandum, in particular: "Equity investment risks", "Risks relating to debt securities", "Risks of investing in other funds", "RMB Currency risk and RMB classes related risk", "Risks associated with investment in Mainland China", "QFII risk", "RQFII risk", "Risks associated with the Stock Connects", "Risks associated with Mainland China tax consideration", "Risk relating to depositary receipts", "Risk relating to 144A securities", "Risk relating to REITs and investment trusts", "Risk relating to asset-backed securities and mortgage-backed securities", "Emerging markets risks", "Sovereign debt risks", "Settlement risk", "Custodial risk", "Counterparty risk", "Concentration risk", "Currency and foreign exchange risk", "Over-the-counter markets risk", "Hedging risk", "Liquidity risk", "Difficulties in valuation of investments" and "Distributions risk". In addition, investors should take note of the following risks associated with investment in the Sub-Fund.

***Risks relating to dynamic asset allocation strategy***

The Sub-Fund aims to achieve its investment objective by investing in multiple asset classes and the allocation mix of asset classes may vary from time to time according to the Manager's discretion and prevailing market conditions.

There is no assurance that the investment process can control the portfolio of the Sub-Fund to achieve its investment objective. Such strategy may not achieve the desired results under all circumstances and market conditions.

If market risk levels change substantially over short periods, changes to the mix of underlying investments may become more frequent, resulting in a higher portfolio turnover in the Sub-Fund. Such changes in positions may result in brokerage commission expenses and transaction charges which are higher than those of other funds of comparable size. These will result in increased operating expenses payable by the Sub-Fund and thus the Net Asset Value of the Sub-Fund may be adversely affected.



***Risk relating to downside protection strategy***

The downside risk management process may not achieve the desired results under all circumstances and market conditions.

While the downside risk management process aims at managing losses of the Sub-Fund through the active allocation between higher risk assets and lower risk assets or through the use of financial derivative instruments to hedge market and/or currency risks, it may also preclude the Sub-Fund from capturing significantly the upside in rising markets. The Sub-Fund may underperform funds not adopting the downside protection strategy in rising equity markets as the Sub-Fund's exposure to equities may be relatively low in some circumstances, such as when the Manager has a negative view on the market and adopts a conservative positioning.

***Risk relating to hedging and the hedged classes of units***

Hedging at the Sub-Fund level will preclude Unitholders from benefitting from appreciation of the non-USD currencies (in which the underlying investments of the Sub-Fund may be denominated) against the Base Currency. In respect of the hedged Classes of Units, the Manager aims to hedge the currency risk between the Base Currency and the Class Currencies of the relevant hedged Classes.

There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

The distribution amount and the Net Asset Value of the hedged Classes of Units may be adversely affected by differences in the interest rates of the Class Currencies of the relevant hedged Classes and the 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 Classes.

Any costs related to hedging shall be borne by the Sub-Fund.

***Currency conversion risk for RMB denominated classes***

RMB is currently not freely convertible and is subject to exchange controls and restrictions. The Sub-Fund offers RMB denominated Classes of Units. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currency will not depreciate. Any depreciation of RMB could adversely affect the value of the investors' investment in the RMB denominated Classes of Units.

If currency hedging between RMB and the Base Currency is not effective, and depending on the exchange rate movements of RMB relative to the Base Currency and/or other currency(ies) of the non-RMB denominated underlying investments, an investor (i) may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments; or (ii) may suffer additional losses if the non-RMB-denominated underlying investments of the Sub-Fund fall in value.

Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds into RMB which may also affect the Sub-Fund's ability to meet redemption requests from Unitholders in RMB denominated Classes of Units and/or to make distributions, and may delay the payment of redemption proceeds or dividends.



***Risks relating to private equities***

Private equities are privately placed, as opposed to publicly traded, investments. Investments in private equities are subject to many systemic market and economic risks, such as liquidity risk and reinvestment risk, due to the fact that private equities are typically illiquid before the portfolio companies offer their shares to the public. Private equity investments also entail a greater level of company-specific risk, and public information about the portfolio companies is limited.

***Risk relating to high yield bonds***

High yield bonds are defined as debt generally offering high yield, having low credit rating and high credit event risk. High yield bonds are often more volatile, less liquid and more prone to financial distress than other higher rated bonds. These bonds are usually subject to higher credit/counterparty risks.

***Risk relating to defaulted and distressed securities***

Bonds from issuers in distress are often defined as those (i) that have been given a very speculative long-term rating by credit rating agencies or those (ii) that have filed for bankruptcy or expected to file for bankruptcy. In some cases, the recovery of investments in distressed or defaulted debt securities is subject to uncertainty related to court orderings and corporate reorganisations among other things. The valuation of distressed or defaulted securities may be more difficult than other higher rated securities because of lack of liquidity. Investment in this kind of securities may lead to unrealised capital losses and/or losses that can negatively affect the Net Asset Value of the Sub-Fund.

***Risk relating to urban investment bonds***

Urban investment bonds are debt instruments issued by local government financing vehicles (“LGFVs”) in the Mainland listed bond and interbank bond market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects. Such bonds are typically not guaranteed by local governments or the central government of the PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

***Risk relating to convertible bonds***

Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares or stocks in the company issuing the bond at a specified future date. As such, convertibles may 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 investments.

***Risks associated with investments in debt instruments with loss-absorption features***

Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger event(s) (e.g. when the issuer is near or at the point of non-viability or when the issuer’s capital ratio falls to a specified level), which are likely to be outside of the issuer’s control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.



In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

Under the terms of a contingent convertible bond (CoCo bond), certain triggering events, including events under the control of the management of the CoCo bond's issuer, could cause the permanent write-down to zero of principal investment and/or accrued interest, or a conversion to equity (potentially at a discounted price). CoCo bonds are risky and highly complex instruments. Coupon payments on CoCo bonds are discretionary and may at times also be ceased or deferred by the issuer for any length of time. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Senior non-preferred debts are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

#### ***Risk relating to Sukuk***

Sukuk are Islamic bonds mainly issued by issuers of emerging countries. Sukuk prices are mostly driven by the interest rate market and react like fixed-income investments to changes in the interest rate market. In addition, the issuers may not be able or willing to repay the principal and/or the return in accordance with the term scheduled due to external or political factors/events. Sukuk holders may also be affected by additional risks such as unilateral rescheduling of the payment calendar and limited legal recourses against the issuers in case of failure or delay in repayment. Sukuk issued by governmental or government-related entities bear additional risks linked to such issuers, including but not limited to political risk.

#### ***Risk relating to financial derivative instruments***

The Sub-Fund may invest in financial derivative instruments including but not limited to futures, options and warrants. Investment in these instruments can be illiquid if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the Sub-Fund. Other risks associated with such instruments also include volatility risk and over-the-counter transaction risk.

These instruments will also be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through structured products may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the Sub-Fund to the possibility of a loss exceeding the original amount invested.



## INVESTING IN THE SUB-FUND AND REDEMPTION OF UNITS

Please refer to the sections headed “*Investing in the Fund*”, “*Redemption of Units*” and “*Conversion*” in the main part of the Explanatory Memorandum for further details on the dealing arrangement and procedures.

CLASS	CLASS CURRENCY	INITIAL OFFER PRICE	MINIMUM INITIAL SUBSCRIPTION AMOUNT	MINIMUM SUBSEQUENT SUBSCRIPTION	MINIMUM REDEMPTION AMOUNT	MINIMUM HOLDING AMOUNT
<b>P dm USD</b>	USD	USD10	USD1,000	USD1,000	Nil	USD1,000
<b>P dm HKD</b>	HKD	HKD10	USD1,000*	USD1,000*	Nil	USD1,000*
<b>P dm3 HKD</b>	HKD	HKD10	USD1,000*	USD1,000*	Nil	USD1,000*
<b>P USD</b>	USD	USD 10	USD 1,000	USD 1,000	Nil	USD 1,000
<b>P dm3 RMB</b>	RMB	RMB10	USD1,000*	USD1,000*	Nil	USD1,000*
<b>P dm3 USD</b>	USD	USD10	USD1,000	USD1,000	Nil	USD1,000
<b>I dm USD</b>	USD	USD10	USD1,000,000	USD1,000	Nil	USD1,000,000
<b>I acc USD</b>	USD	USD10	USD1,000,000	USD1,000	Nil	USD1,000,000
<b>HP dm RMB</b>	RMB	RMB10	USD1,000*	USD1,000*	Nil	USD1,000*
<b>HP dm AUD</b>	AUD	AUD10	USD1,000*	USD1,000*	Nil	USD1,000*
<b>HI dm SGD</b>	SGD	SGD 10	USD1,000,000*	USD1,000*	Nil	USD1,000,000*
<b>HI acc SGD</b>	SGD	SGD 10	USD1,000,000*	USD1,000*	Nil	USD1,000,000*
<b>HP dm JPY</b>	JPY	JPY1,000	USD 1,000*	USD 1,000*	Nil	USD 1,000*
<b>HP dm CHF</b>	CHF	CHF10	USD 1,000*	USD 1,000*	Nil	USD 1,000*

\* An equivalent amount in the relevant Class Currency at the time of subscription or redemption (as the case may be).

The classes “M USD” and “HM RMB” will be offered to investors in Mainland China only for subscription after the Sub-Fund obtains the approval of the CSRC for distribution in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds initiative and will not be offered in Hong Kong. Investors in Mainland China should refer to the supplementary offering document of the Sub-Fund distributed in Mainland China for details in relation to “M USD” and “HM RMB” Units.

## CONVERSION

Unitholders shall be entitled to convert all or part of their Units of a Class of the Sub-Fund into Units of another Class in the Sub-Fund or into Units of another Sub-Fund available for subscription or conversion. Units of a Class can only be converted into Units of the same Class and of the same class currency of another Sub-Fund. Conversion is subject to limitations as the Manager after consulting with the Trustee may from time to time impose.

## VALUATION AND SUSPENSION

The determination of the Net Asset Value of the Sub-Fund or of any Class of Units and/or the issuance, conversion and/or the redemption of Units may be suspended under the circumstances set out in the Explanatory Memorandum under the heading “*Suspension*”.



## DISTRIBUTION POLICY

### Accumulation Classes

For unit class(es) denoted “acc”, no distribution is intended to be made. Therefore, any net income and net realised capital gains attributable to Units of such classe(s) will be reflected in their respective Net Asset Value.

### Distribution Classes

For unit class(es) denoted “dm”, dividends will be distributed on a monthly basis, subject to the Manager’s discretion. Dividends may be paid out of capital. Payment of dividends out of capital amounts to a return or withdrawal of part of a Unitholder’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund’s capital may result in an immediate reduction of the Net Asset Value per Unit.

The composition of the distributions (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months (if any) are available from the Manager on request and also on the Manager’s website at [www.assetmanagement.pictet](http://www.assetmanagement.pictet). This website has not been reviewed or authorised by the SFC and may contain information of funds not authorised by the SFC.

## MAINLAND CHINA TAX PROVISIONS

In light of a recent announcement jointly promulgated by the MOF, the SAT and the CSRC under Caishui [2014] No. 79 which stipulates that capital gains realised by QFIIs and RQFIIs from the disposal of equity investments (including China A-Shares) are temporarily exempt from Mainland China WIT effective from 17 November 2014, and Caishui [2014] No. 81 and Caishui [2016] No. 127 which stipulate that Mainland China corporate income tax, individual income tax and value-added tax will be temporarily exempted on gains derived by Hong Kong and overseas investors on trading of China A-Shares via the Shanghai-Hong Kong Stock Connect with effect from 17 November 2014 and via the Shenzhen-Hong Kong Stock Connect with effect from 5 December 2016 respectively, the Manager does not intend to make any WIT provision on the gross unrealised and realised capital gains derived from trading of China A-Shares.

Please refer to the risk factor headed “**Risks associated with Mainland China tax consideration**” under section “**Risk Factors**” in the main part of the Explanatory Memorandum for further information on Mainland China taxation.

## FEES AND EXPENSES

Fees payable by investors:	
<b>Subscription Charge</b> (% of the total subscription amount)	Up to 5%
<b>Redemption Charge</b> (% of the redemption amount)	Up to 1% in favour of intermediaries of no more than 1%
<b>Switching Fee</b> (% of the subscription amount of the Sub-Fund being switched into)	Up to 1%



Fees and expenses payable from assets of the Sub-Fund:		
	CURRENT	MAXIMUM
<b>Management Fee</b> (% Net Asset Value of the relevant Class per annum)	<b>For Classes P and HP</b>	
	1.4% p.a.	Up to 1.5%
	<b>For Class I and HI</b>	
	0.70% p.a.	0.80% p.a.
<b>Trustee Fee</b> (% Net Asset Value of the Sub-Fund per annum)	<ul style="list-style-type: none"> <li>• 0.06% p.a., subject to an annual minimum fee of US\$60,000.</li> <li>• An additional fee of 0.03% p.a. for providing accounting and valuation service, and administration of un-invested cash.</li> <li>• An additional fee of US\$4,000 p.a. for providing oversight functions and additional processes for compliance with the Code.</li> <li>• The Trustee is also entitled to receive fees for acting as Registrar, provision of various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the Sub-Fund for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred by it in the performance of its duties.</li> </ul>	Up to 1% p.a.
<b>Establishment Costs</b>	The establishment costs of the Fund and the Sub-Fund are approximately US\$150,000 and will be borne by the Sub-Fund. The establishment costs will be amortised over the Amortisation Period.	
<b>General Expenses</b>	Please refer to the section headed “ <b>General Expenses</b> ” for further details.	



## APPENDIX 2

### PICTET ASIAN BOND INCOME

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

### PRINCIPAL TERMS

#### 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>“Amortisation Period”</b>	the first 5 Accounting Periods from the close of the Initial Offer Period of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
<b>“Base Currency”</b>	USD
<b>“Bond Connect”</b>	new initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit
<b>“CIBM”</b>	China Interbank Bond Market
<b>“Class”</b>	P dm USD P dm HKD HP dm RMB HP dm AUD I dm USD I dm HKD HI dm RMB HI dm AUD I acc USD HI acc SGD  or such other classes as may be established and offered from time to time
<b>“Class Currency”</b>	for P dm USD: USD for P dm HKD: HKD for HP dm RMB: RMB for HP dm AUD: AUD for I dm USD: USD for I dm HKD: HKD for HI dm RMB: RMB for HI dm AUD: AUD for I acc USD: USD for HI acc SGD: SGD





<b>“Foreign Access Regime”</b>	opening-up of the CIBM for foreign institutional investors pursuant to the “Announcement (2016) No 3” issued by the PBOC (中國人民銀行公告[2016]第3號) on 24 February 2016
<b>“Payment Period”</b>	no more than 3 Business Days after the relevant Subscription Day on which the relevant Units are issued (or such other dates as the Manager may determine)
<b>“Redemption Day”</b>	each Business Day or such other day or days as the Manager may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
<b>“Redemption Deadline”</b>	5.00 p.m. (Hong Kong time) on the relevant Redemption Day by which a redemption request in respect of the 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, after consultation with the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
<b>“Sub-Fund”</b>	Pictet Asian Bond Income
<b>“Subscription Day”</b>	each Business Day or such other day or days as the Manager 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 of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
<b>“Subscription Deadline”</b>	5.00 p.m. (Hong Kong time) on the relevant Subscription Day by which an application for subscription in respect of the 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, after consultation with the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
<b>“Valuation Day”</b>	each Business Day on which the Net Asset Value of the Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit of the Sub-Fund falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager may from time to time determine, either generally or in relation to a particular Class of Units



## MANAGEMENT AND ADMINISTRATION OF THE SUB-FUND

### Investment Advisor

The Manager has appointed the below entity as investment advisor to provide advisory services to the Manager in relation to the assets of the Sub-Fund:

#### **Pictet Asset Management Limited**

Moor House, Level 11  
120 London Wall  
London EC2Y 5ET  
United Kingdom

Pictet Asset Management Limited is a UK registered company that carries out asset management activities for an international client base, mainly focussing on equity and fixed income asset classes, together with the execution of trades for other Pictet Group entities. Pictet Asset Management Limited is regulated for business in the UK by the Financial Conduct Authority (FCA), and is also approved by the China Securities Regulatory Commission as a QFII and a RQFII.

The Manager and the Investment Advisor both belong to the Pictet Group.

The Investment Advisor will not have any discretionary investment management power over the assets of the Sub-Fund. The Manager will bear the fees of the Investment Advisor.

## INVESTMENT CONSIDERATIONS

### Investment Objective

The Sub-Fund seeks to provide income and achieve long-term capital growth while also managing downside risk by investing primarily in a diversified portfolio of Asian fixed income securities, including Asian corporate bonds.

### Investment Policies

The Sub-Fund seeks to achieve the above objectives by investing at least 70% of its Net Asset Value in fixed income securities issued by Asian governments and agencies, or companies domiciled in or exercising the principal part of their business activity in Asia. The government and agency bonds and corporate bonds invested by the Sub-Fund mainly consist of USD denominated bonds. The Sub-Fund's investments in fixed income securities may include:

- up to 50% of its Net Asset Value in bonds issued by supranational bodies, governments, government agencies, and local authorities;
- up to 40% of its Net Asset Value in fixed income securities rated below investment grade by internationally recognised credit rating agencies e.g. Standard & Poor's, Moody's, and Fitch, or BB+ or below by Mainland China credit rating agencies, or are unrated. For the purpose of the Sub-Fund, "unrated" fixed income securities are defined as fixed income securities which neither the fixed income securities themselves nor their issuers have a credit rating;



- up to 10% of its Net Asset Value in fixed income securities issued and/or guaranteed by any single sovereign issuer (including its government, public or local authority) which is below investment grade by internationally recognised credit rating agencies, or unrated;
- up to 20% of its Net Asset Value in Rule 144A bonds;
- up to 20% of its Net Asset Value in Sukuk (i.e. Islamic bonds);
- up to 10% of its Net Asset Value in convertible bonds; and
- up to 10% of its Net Asset Value in defaulted and distressed securities.

Unless otherwise stated herein, the fixed income securities invested by the Sub-Fund are not restricted in terms of geographical allocation, sector, maturity, and currency denomination.

Less than 70% of the Sub-Fund's Net Asset Value may in aggregate be invested in fixed income securities issued within Mainland China (i.e. onshore Mainland China fixed income securities) and fixed income securities issued outside of Mainland China by Mainland Chinese governments and agencies, or companies domiciled in or exercising the principal part of their business activity in Mainland China (i.e. offshore Mainland China fixed income securities). Within the aforesaid limit:

- the Sub-Fund may invest in onshore Mainland China fixed income securities issued within Mainland China in the China Interbank Bond Market via Foreign Access Regime, Bond Connect and/or such other means as permitted by the relevant regulatory authorities from time to time. The Sub-Fund's aggregate exposure to direct investments in all fixed income securities issued in the Mainland China market, including onshore urban investment bonds, will not be more than 20% of its Net Asset Value;
- less than 30% of the Sub-Fund's Net Asset Value may in aggregate be invested in onshore and offshore urban investment bonds (城投債), which are fixed income instruments issued by Mainland China local government financing vehicles ("LGFVs"). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects; and
- up to 10% of the Sub-Fund's Net Asset Value may be invested in "Dim Sum" bonds, which are fixed income securities issued outside of Mainland China but denominated in RMB.



The Sub-Fund may also invest less than 30% of its Net Asset Value in fixed income instruments with loss-absorption features, e.g. contingent convertible bonds (CoCo bonds), senior non-preferred debts, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund will not invest more than 20% of its Net Asset Value in collateralised and/or securitised products such as asset backed securities (ABS), mortgage backed securities (MBS) and asset backed commercial papers.

As ancillary investments, the Sub-Fund may invest less than 30% of its NAV in units or shares of other collective investment schemes, which may include funds managed by the Manager or other entities of the Pictet Group. The Sub-Fund may hold less than 30% of its Net Asset Value in cash and cash equivalents, which may include cash, deposits, money market instruments and short-term fixed income securities, for liquidity and cash management purposes. Under exceptional circumstances (e.g. market crash or major crisis), the sub fund may temporarily invest up to 100% of its Net Asset Value in the foregoing for liquidity management and defensive purposes.

The Sub-Fund may invest in financial derivative instruments for hedging and investment purposes.

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

The Sub-Fund is subject to the investment and borrowing restrictions as set out in Schedule 1 to this Explanatory Memorandum.

#### **Use of Derivatives**

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

#### **Securities Financing Transactions**

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. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

### **SPECIFIC RISK FACTORS**

**Investors should take note of all of the risks mentioned in the "Risk Factors" section in the Explanatory Memorandum, in particular: "Risks relating to debt securities", "Risks of investing in other funds", "RMB Currency risk and RMB classes related risk", "Risks associated with investment in Mainland China", "Risk relating to 144A securities", "Risk relating to asset-backed securities and mortgage-backed securities", "Emerging markets risks", "Sovereign debt risks", "Concentration risk", "Settlement risk", "Custodial risk", "Counterparty risk", "Currency and foreign exchange risk", "Over-the-counter markets risk", "Hedging risk", "Liquidity risk", "Difficulties in valuation of investments" and "Distributions risk". In addition, investors should take note of the following risks associated with investment in the Sub-Fund.**



***Risk relating to high yield bonds***

High yield bonds (i.e. fixed income securities rated below investment grade or are unrated by internationally recognized credit rating agencies) are defined as debt generally offering high yield, having low credit rating and high credit event risk. High yield bonds are often more volatile, less liquid and more prone to financial distress than other higher rated bonds. These bonds are usually subject to higher credit/counterparty risks.

***Risk relating to downside management strategy***

The Sub-Fund seeks to provide income and achieve long-term capital growth while also managing downside risk. The downside risk management process may not achieve the desired results under all circumstances and market conditions.

While the downside risk management process aims at managing losses of the Sub-Fund through the active allocation between higher risk assets and lower risk assets or through the use of financial derivative instruments to hedge market and/or currency risks, it may also preclude the Sub-Fund from capturing significantly the upside associated with high risk assets or investments in certain currencies. The Sub-Fund may underperform funds not adopting the downside management strategy in low interest rate markets and/or risk-off markets as the sub fund's exposure to fixed income securities rated below investment grade or are unrated by internationally recognized credit rating agencies may remain relatively low compared to funds which invest significantly in such securities, especially when the Manager has a negative view on the market for such securities and adopts a more conservative positioning.

***Risk relating to defaulted and distressed securities***

Bonds from issuers in distress are often defined as those (i) that have been given a very speculative long-term rating by credit rating agencies or those (ii) that have filed for bankruptcy or expected to file for bankruptcy. In some cases, the recovery of investments in distressed or defaulted debt securities is subject to uncertainty related to court orderings and corporate reorganisations among other things. There is also a chance of full default with no recovery and the Sub-Fund may thus lose its entire investment in the relevant securities. The valuation of distressed or defaulted securities may be more difficult than other higher rated securities because of lack of liquidity. Investment in this kind of securities may lead to unrealised capital losses and/or losses that can negatively affect the Net Asset Value of the Sub-Fund.

***Risk relating to convertible bonds***

Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares or stocks in the company issuing the bond at a specified future date. As such, convertibles may 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 investments.



***Risk relating to urban investment bonds***

Urban investment bonds are debt instruments issued by local government financing vehicles (“LGFVs”) in the onshore and offshore Mainland bond markets. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects. Such bonds are typically not guaranteed by local governments or the central government of the PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

***Credit rating agency risk***

The Sub-Fund may invest in fixed income securities which are rated by Mainland China credit rating agencies. The credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit rating given by Mainland China rating agencies may therefore not be directly comparable with those given by other international rating agencies.

***“Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market risks***

The “Dim Sum” bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

***Risks associated with CIBM and/or Bond Connect***

Foreign institutional investors (such as the Sub-Fund) can invest in CIBM via Foreign Access Regime and/or Bond Connect.

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund invests in such market and is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that the Sub-Fund transacts in the CIBM, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

In addition, Bond Connect is a relatively novel trading program in Mainland China, and its technology and risk management capability have only a short operating history. There is no assurance that the systems and controls of the Bond Connect program will function as intended or whether they will be stable or adequate. The Sub-Fund’s ability to invest via Bond Connect may be adversely affected by the failure of the above systems, in which case the Sub-Fund’s ability to achieve its investment objective may be negatively affected, and the Sub-Fund may suffer losses to its investments.



For investments via the Foreign Access Regime and/or Bond Connect, the relevant filings, registration with PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the CIBM via the Foreign Access Regime and/or Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the CIBM, the Sub-Fund's ability to invest in the CIBM will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

*Mainland China tax considerations in respect of investments in CIBM via Foreign Access Regime and/or Bond Connect*

There is no specific guidance by the Mainland China tax authorities on the treatment of income tax payable in respect of trading in CIBM by foreign institutional investors via the Foreign Access Regime or Bond Connect.

Based on professional and independent tax advice, the Manager will not provide for the withholding tax on gains or income on disposal of debt securities via CIBM, but reserves the right to do so and withhold 10% Mainland China withholding income tax (“WIT”) for the account of the Sub-Fund in respect of any potential tax on the gross realized and unrealized capital gains based on further updates to the relevant Mainland tax regulations and/or further professional and independent tax advice on the interpretation of such regulations, in order to meet the potential tax liability on such gains via CIBM if deemed required. In such case, the Manager will as soon as reasonably practicable inform investors of the change of WIT provisioning arrangement.

Upon any future resolution of the above-mentioned uncertainty or further changes to the tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision (if any) as they consider necessary. The amount of any such tax provision will be disclosed in the accounts of the Sub-Fund.

Any such withholding tax on gains on disposal of debt securities via the CIBM may reduce the income from, and/or adversely affect the performance of, the Sub-Fund. The amount withheld will be retained by the Manager for the account of the Sub-Fund until the position with regard to Mainland China taxation of the Sub-Fund in respect of its gains and profits from trading via CIBM has been clarified. In the event that such position is clarified to the advantage of the Sub-Fund, the Manager may rebate all or part of the withheld amount to the Sub-Fund. The withheld amount so rebated shall be retained by the Sub-Fund and reflected in the value of its Units. Notwithstanding the foregoing, no Unitholder who redeemed his/her Units before the rebate of any withheld amounts shall be entitled to claim any part of such rebate.



It should also be noted that the actual applicable tax imposed by the Mainland China tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager for the account of the Sub-Fund may be excessive or inadequate to meet final Mainland China tax liabilities. Consequently, Unitholders of the Sub-Fund may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units in/ from the Sub-Fund.

If the actual applicable tax levied by the Mainland China tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as that Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by the Mainland China tax authorities is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed Units in the Sub-Fund before the Mainland China tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's over-provision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax amount can be returned to the account of the Sub-Fund as assets thereof.

For further details on Mainland China taxes, please refer to the section headed "**Mainland China Taxation**" under the heading "**Taxation**" in the main part of the Explanatory Memorandum.

***Risk relating to hedging and the hedged classes of units***

Hedging at the Sub-Fund level will preclude Unitholders from benefitting from appreciation of the non-USD currencies (in which the underlying investments of the Sub-Fund may be denominated) against the Base Currency. In respect of the hedged Classes of Units, the Manager aims to hedge the currency risk between the Base Currency and the Class Currencies of the relevant hedged Classes.

There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

The distribution amount and the Net Asset Value of the hedged Classes of Units may be adversely affected by differences in the interest rates of the Class Currencies of the relevant hedged Classes and the 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 Classes.

Any costs related to hedging shall be borne by the Sub-Fund.





***Currency conversion risk for RMB denominated classes***

RMB is currently not freely convertible and is subject to exchange controls and restrictions. The Sub-Fund offers RMB denominated Classes of Units. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currency will not depreciate. Any depreciation of RMB could adversely affect the value of the investors' investment in the RMB denominated Classes of Units.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

If currency hedging between RMB and the Base Currency is not effective, and depending on the exchange rate movements of RMB relative to the Base Currency and/or other currency(ies) of the non-RMB denominated underlying investments, an investor (i) may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments; or (ii) may suffer additional losses if the non-RMB-denominated underlying investments of the Sub-Fund fall in value.

Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds into RMB which may also affect the Sub-Fund's ability to meet redemption requests from Unitholders in RMB denominated Classes of Units and/or to make distributions, and may delay the payment of redemption proceeds or dividends.

***Risks associated with investments in debt instruments with loss-absorption features***

Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger event(s) (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

Under the terms of a contingent convertible bond (CoCo bond), certain triggering events could cause the permanent write-down to zero of principal investment and/or accrued interest, or a conversion to equity (potentially at a discounted price). CoCo bonds are risky and highly complex instruments. Coupon payments on CoCo bonds are discretionary and may at times also be ceased or deferred by the issuer for any length of time. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.



Senior non-preferred debts are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

***Risk relating to Sukuk***

Sukuk are Islamic bonds mainly issued by issuers of emerging countries. Sukuk prices are mostly driven by the interest rate market and react like fixed-income investments to changes in the interest rate market. In addition, the issuers may not be able or willing to repay the principal and/or the return in accordance with the term scheduled due to external or political factors/events. Sukuk holders may also be affected by additional risks such as unilateral rescheduling of the payment calendar and limited legal recourses against the issuers in case of failure or delay in repayment. Sukuk issued by governmental or government-related entities bear additional risks linked to such issuers, including but not limited to political risk.

***Risk relating to financial derivative instruments***

The Sub-Fund may invest in financial derivative instruments including but not limited to futures, options and warrants. Investment in these instruments can be illiquid if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the Sub-Fund. Other risks associated with such instruments also include volatility risk and over-the-counter transaction risk.

These instruments will also be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through structured products may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the Sub-Fund to the possibility of a loss exceeding the original amount invested.



## INVESTING IN THE SUB-FUND AND REDEMPTION OF UNITS

Please refer to the sections headed “*Investing in the Fund*”, “*Redemption of Units*” and “*Conversion*” in the main part of the Explanatory Memorandum for further details on the dealing arrangement and procedures.

CLASS	CLASS CURRENCY	INITIAL OFFER PRICE	MINIMUM INITIAL SUBSCRIPTION AMOUNT	MINIMUM SUBSEQUENT SUBSCRIPTION	MINIMUM REDEMPTION AMOUNT	MINIMUM HOLDING AMOUNT
<b>P dm USD</b>	USD	USD 10	USD 1,000	USD 1,000	Nil	USD 1,000
<b>P dm HKD</b>	HKD	HKD 10	USD 1,000*	USD 1,000*	Nil	USD 1,000*
<b>HP dm RMB</b>	RMB	RMB 10	USD 1,000*	USD 1,000*	Nil	USD 1,000*
<b>HP dm AUD</b>	AUD	AUD 10	USD 1,000*	USD 1,000*	Nil	USD 1,000*
<b>I dm USD</b>	USD	USD 10	USD 1,000,000	USD 1,000	Nil	USD 1,000,000
<b>I dm HKD</b>	HKD	HKD 10	USD 1,000,000*	USD 1,000*	Nil	USD 1,000,000*
<b>HI dm RMB</b>	RMB	RMB 10	USD 1,000,000*	USD 1,000*	Nil	USD 1,000,000*
<b>HI dm AUD</b>	AUD	AUD 10	USD 1,000,000*	USD 1,000*	Nil	USD 1,000,000*
<b>I acc USD</b>	USD	USD 10	USD 1,000,000	USD 1,000	Nil	USD 1,000,000
<b>HI acc SGD</b>	SGD	SGD 10	USD 1,000,000*	USD 1,000*	Nil	USD 1,000,000*

\*An equivalent amount in the relevant Class Currency at the time of subscription or redemption (as the case may be).

## CONVERSION

Unitholders shall be entitled to convert all or part of their Units of a Class of the Sub-Fund into Units of another Class in the Sub-Fund or into Units of another Sub-Fund available for subscription or conversion. Units of a Class can only be converted into Units of the same Class and of the same class currency of another Sub-Fund. Conversion is subject to limitations as the Manager after consulting with the Trustee may from time to time impose.

## VALUATION AND SUSPENSION

The determination of the Net Asset Value of the Sub-Fund or of any Class of Units and/or the issuance, conversion and/or the redemption of Units may be suspended under the circumstances set out in the Explanatory Memorandum under the heading “*Suspension*”.

## DISTRIBUTION POLICY

### Accumulation Classes

For unit class(es) denoted “acc”, no distribution is intended to be made. Therefore, any net income and net realised capital gains attributable to Units of such classe(s) will be reflected in their respective Net Asset Value.



## Distribution Classes

For unit class(es) denoted “dm”, dividends will be distributed on a monthly basis, subject to the Manager’s discretion. Dividends may be paid out of capital or effectively out of capital. Payment of dividends out of capital and/or effectively out of capital amounts to a return or withdrawal of part of a Unitholder’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 the Sub-Fund’s capital may result in an immediate reduction of the Net Asset Value per Unit.

The composition of the distributions (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months (if any) are available from the Manager on request and also on the Manager’s website at [www.assetmanagement.pictet](http://www.assetmanagement.pictet). This website has not been reviewed or authorised by the SFC and may contain information of funds not authorised by the SFC.

## MAINLAND CHINA TAX PROVISIONS

On 22 November 2018, China’s Ministry of Finance and the State Administration of taxation indicated in their Circular 108 that a 3-year WIT and value added tax (“**VAT**”) exemption, starting on 7 November 2018, would apply to foreign institutional investors on bond interest income derived from the holding of Mainland China debt securities.

Therefore, the Manager does not intend to make any WIT or VAT provision on the bond interest derived from trading of Mainland China debt securities.

It should be noted that the tax exemption granted under Circular 108 is temporary. As such, upon the expiry date of the exemption, the Sub-Fund may need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the Sub-Fund.

There is no specific rule governing taxes on capital gains derived by foreign investors from trading of Mainland China debt securities. In the absence of such specific rules, the WIT treatment should be governed by the general tax provisions of the PRC CIT Law. If a foreign investor is a non-tax resident enterprise without a PE in Mainland China, a 10% Mainland China WIT would be imposed on its Mainland China-sourced capital gains, unless there is exemption or reduction under the current Mainland China tax laws and regulations or relevant tax treaties.

Based on the current interpretation of the SAT and the local Mainland China tax authorities, gains derived by foreign investors from investment in Mainland China debt securities are not treated as Mainland China sourced income and thus not subject to WIT. However, there are no written tax regulations issued by the Mainland China tax authorities to confirm that interpretation. However, as a matter of practice, such 10% Mainland China WIT on capital gains realised by non-Mainland China tax resident enterprises from the trading of these securities has not been strictly enforced by the Mainland China tax authorities.

Based on professional and independent tax advice, the Manager will not provide for the withholding tax on gains or income on disposal of debt securities via CIBM, but reserves the right to do so and withhold 10% Mainland China WIT for the account of the Sub-Fund in respect of any potential tax on the gross realized and unrealized capital gains based on further updates to the relevant Mainland tax regulations and/or further professional and independent tax advice on the interpretation of such regulations, in order to meet the potential tax liability for such gains via CIBM if deemed required. In such case, the Manager will as soon as reasonably practicable inform investors of the change of WIT provisioning arrangement.

Please refer to the section headed “**Mainland China Taxation**” under the heading “**Taxation**” in the main part of the Explanatory Memorandum for further information on Mainland China taxation.



## FEES AND EXPENSES

Fees payable by investors:		
<b>Subscription Charge</b> (% of the total subscription amount)	Up to 5%	
<b>Redemption Charge</b> (% of the redemption amount)	Up to 1% in favour of intermediaries of no more than 1%	
<b>Switching Fee</b> (% of the subscription amount of the Sub-Fund being switched into)	Up to 1%	
Fees and expenses payable from assets of the Sub-Fund:		
	CURRENT	MAXIMUM
<b>Management Fee</b> (% Net Asset Value of the relevant Class per annum)	For Classes P and HP	
	1.00% p.a.	1.50% p.a.
	For Classes I and HI	
	0.50% p.a.	0.80% p.a.
<b>Trustee Fee</b> (% Net Asset Value of the Sub-Fund per annum)	<ul style="list-style-type: none"> <li>0.06% p.a., subject to an annual minimum fee of US\$60,000.</li> <li>An additional fee of 0.03% p.a. for providing accounting and valuation service, and administration of un-invested cash.</li> <li>An additional fee of US\$4,000 p.a. for providing oversight functions and additional processes for compliance with the Code.</li> <li>The Trustee is also entitled to receive fees for acting as Registrar, provision of various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the Sub-Fund for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred by it in the performance of its duties.</li> </ul>	1% p.a.
<b>Establishment Costs</b>	The establishment costs of the Sub-Fund are approximately US\$50,000 and will be borne by the Sub-Fund. The establishment costs will be amortised over the Amortisation Period.	
<b>General Expenses</b>	Please refer to the section headed " <b>General Expenses</b> " for further details.	

## GENERAL INFORMATION

### Financial Reports

The first Accounting Date of the Sub-Fund would be 30 September 2021 and the first Semi-Annual Accounting Date of the Sub-Fund would be 31 March 2022.