

# **FIRST STATE UMBRELLA FUNDS (the “Trust”)**

## **First State Asian Bridge Fund (the “Fund”)**

### **NOTICE TO UNITHOLDERS**

Date: 4 December 2015

**This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should seek advice from your investment consultant, tax adviser and/or legal adviser as appropriate.**

**Unless otherwise defined herein, all capitalised terms used herein shall bear the same meaning as capitalised terms used in the latest Explanatory Memorandum of the Trust and the Fund dated 11 October 2013, as may be amended from time to time (the “Explanatory Memorandum”).**

**The Manager accepts responsibility for the accuracy of the information contained in this document. To the best of the knowledge and belief of the Manager (who has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.**

Dear Unitholder,

**RE: NOTIFICATION OF AMENDMENTS TO THE FUND**

We wish to notify you of the following principal changes to the Fund.

#### **1. Compulsory Redemption or Transfer of Units**

With effect from 4 January 2016, the Trust Deed will be updated (by way of insertion of a new definition of “U.S. Person” in sub-clause 1.1, insertion of a new sub-clause 4.16, and amendments to sub-clause 10.7 of the Trust Deed) such that the Manager may require compulsory redemption or transfer of units in the circumstances:-

- A. which might constitute a breach of the law or governmental authority or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- B. which might require the Trust, the Fund or any class or classes of Units or the Manager to be registered under any law or regulation of any country or territory or cause the Fund to apply for registration or comply with any registration requirements in respect of any of its Units whether in the United States or any other jurisdiction in which it is not currently registered; or
- C. which (or would if other Units were acquired or held in the circumstances), in the opinion of the Manager, might result in the Trust, the Fund, the Unitholders, the Manager or the Trustee incurring any liability to taxation or suffering any other legal, regulatory, pecuniary or other adverse consequences which it or they might not have otherwise incurred or suffered or which, in the opinion of the Manager, might result in the Manager, the Trustee, the Unitholders, the Fund or the Trust becoming subject to any law or regulation to which the Manager, the Trustee, the Unitholders, the Trust or the Fund might not otherwise have become subject: or
- D. where such person is a US Person or is holding the Units for the account or benefit of a US Person (other than pursuant to an exemption available under US federal and state securities laws); or

E. where such person is resident or otherwise located in Canada.

In respect of (E) above, please note that the Fund is not currently qualified for sale, and the Trust, the Fund or the Manager are neither registered nor exempt from registration as a dealer, adviser or investment fund manager, in any province or territory of Canada. Any investment in Units by or on behalf of a person resident or otherwise located in Canada is prohibited.

For the purpose of ensuring compliance with the provisions above, the Trust Deed has been amended (by insertion of new sub-clause 4.17) such that the Manager may at any time call upon any Unitholder (or any person who appears to the Manager to hold directly or beneficially any Units in the Fund), by notice in writing, to provide to the Managers such information and evidence as they shall require upon any matter concerned with or in relation to his / her interests in the Fund.

## **2. Publication of the Net Asset Value per Unit and Suspension Notice**

With effect from 4 January 2016, the Net Asset Value per Unit will be published daily on the website [www.firststateinvestments.com](http://www.firststateinvestments.com)\*. Any suspension notice of the Fund will also be published on the above website in accordance with the Explanatory Memorandum. The relevant sub-clauses of the Trust Deed will also be revised to provide for the above changes.

## **3. Availability of Audited Accounts and Half-Yearly Unaudited Interim Reports**

With effect from 4 January 2016, hardcopies of the audited accounts and half-yearly unaudited interim reports of the Trust will no longer be sent to investors. The Manager will notify Unitholders where the audited accounts (in English) can be obtained (in printed and electronic forms) within four months of the end of each financial year, and where the half-yearly unaudited interim reports (in English) made up to the end of December each year can be obtained (in printed and electronic forms) within two months of the end of the period which they cover. Once issued, hardcopies of the reports and accounts are available upon request of Unitholders free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager.

Sub-clauses 16.3 and 16.5 of the Trust Deed will be revised to provide for the above changes.

## **4. Deductions or Withholding of Distributions or Payments**

With effect from 4 January 2016, the sub-clause 17.4 of the Trust Deed will also be amended to expand the circumstances in which the Trustee or the Manager (acting in good faith and on reasonable grounds) may make deductions or withholdings before making any distribution or other payment in respect of any Unit.

Under the revised Trust Deed, the Trustee or the Manager may make the relevant deductions or withholdings if they are required / entitled to make such deductions or withholdings in respect of any income, interest or other taxes, charges or assessments whatsoever by any applicable law of Hong Kong or elsewhere, or by any applicable regulation, or by any agreement with any tax or fiscal authority (whether within or outside Hong Kong).

This change is made for compliance with the fiscal or other obligations (including obligations under the U.S. Foreign Account Tax Compliance Act (“**FATCA**”)) pertaining to the Fund. Under FATCA, the Trustee and / or Manager (acting in good faith and on reasonable grounds) on the account of the Fund may be required, as permitted by applicable laws and regulations, to withhold parts of certain payments to certain Unitholders as required by local laws, regulations or contractual obligations with the United States (U.S) Inland Revenue Service. Details of the Fund’s tax position will be included in the updated Explanatory Memorandum.

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\* This website has not been reviewed by the SFC and may contain information on funds not authorised by the SFC.

## 5. Miscellaneous amendments to the Trust Deed pursuant to regulatory updates

- (i) Sub-clause 21.1 of the Trust Deed, which sets out the general obligations of the Trustee in relation to the safe-keeping of the investments of the Trust and its liability for acts and omissions of its nominees and agents in relation to the investments of the Trust, has also been amended to clarify the non-application of section 41O of the Trustee Ordinance to the extent that it is inconsistent with sub-clause 21.1 and / or with the Trustee's duties and responsibilities under the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products.
- (ii) Sub-clause 20.4 has also been updated to reflect, *inter alia*, that the Trustee / Manager may not be indemnified or exempted against any liability to Unitholders imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which they may be liable in relation to their duties. The amendments have been made to comply with the latest regulatory requirements.
- (iii) Sub-clause 30.1(a) has also been updated to reflect a minor clarificatory amendment.
- (iv) Clause 8 of Schedule 3 has also been updated to clarify that for so long as the Trust is authorised by the Hong Kong Securities and Futures Commission (“SFC”), at any meeting of Unitholders, any resolution put to the vote of the meeting shall be decided by way of poll and every Unitholder who is present or by proxy shall have one vote for every Unit of which he is the holder. The clarification has been made to demonstrate compliance with 6.15(b) of the SFC's Code on Unit Trusts and Mutual Funds (the “Code”).
- (v) Sub-clause 13.5.1 has been updated to clarify that the determination of any addition, deletion or modification of any of the investment restrictions set out in Clause 13 of the Trust Deed may only be made with the prior approval of the SFC (*where required*). This is consistent with recent regulatory updates introduced by the SFC pursuant to which certain immaterial scheme changes in relation to SFC-authorised funds may no longer be subject to prior approval by the SFC.

## 6. Minor Clarificatory Updates on Investment and Borrowing Restrictions

With effect from 4 January 2016, the section entitled “Investment and Borrowing Restrictions” of the Explanatory Memorandum will be updated for consistency with Chapter 7 of the Code, which has been amended since the date on which Trust Deed first came into effect. Please refer to [Appendix A](#) for the proposed amendments to be made to the aforementioned section of the Explanatory Memorandum.

The definition of “Collective Investment Scheme”, together with Sub-clauses 13.1 and 13.10 of the Trust Deed will be revised to provide for the above changes.

## 7. Additional Disclosures Regarding Conflicts of Interest - Cross Trade

With effect from 4 January 2016, the section entitled “Conflicts of Interest” of the Explanatory Memorandum will be updated to note that the Manager may from time to time undertake sale and purchase transactions in the same security between client accounts or funds (collectively referred to hereinafter as “clients”) (cross trades) under its management. This may give rise to potential conflicts of interest for example where there is a difference in the compensation the Manager receives for different clients. To manage this potential conflict, the Manager will only undertake cross trades where (i) the sale and purchase decisions are in the best interests of both clients and fall within the investment objectives and policies of both clients, (ii) the trades are executed on arm's length terms at current market value, (iii) the reason for such trades is documented prior to execution, and (iv) such activity is disclosed to the client. Any cross-trades conducted by the Manager must be undertaken in accordance with the SFC's Fund Manager Code of Conduct.

## **Impact of the above changes on Unitholders**

The above changes are not expected to have any impact on the investment policy or risk profile of the Fund or the way in which the Fund is currently being managed. Apart from the costs and expenses incurred in connection with the preparation of the supplemental deed (which will be borne by the Fund), the above changes will not result in any change in the current level of fees or expenses payable to or borne by the Fund.

Copies of the draft Supplemental Deed setting out the above amendments are available on request from the Manager.

## **8. Certification by the Trustee in respect of the amendments to the Trust Deed**

The Trustee has certified in writing that, in its opinion, the proposed modification, alteration or addition to the Trust Deed:-

- (a) does not materially prejudice the interests of the Unitholders, does not operate to release to any material extent the Trustee or the Managers or any other person from any responsibility to the Unitholders and will not result in any increase in the amount of costs and charges payable from the Trust Fund (other than the costs, charges, fees and expenses incurred in connection with the supplemental deed); or
- (b) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law).

As such, the sanction of an extraordinary resolution of Unitholders is not required for the proposed changes to the Trust Deed.

## **9. Availability of Updated Offering Documents**

The revised Explanatory Memorandum incorporating the above amendments will be available in due course at the office of the Manager, First State Investments (Hong Kong) Limited, at 6th Floor, Three Exchange Square, Central, Hong Kong.

## **10. Further Enquiries**

Should you have any questions relating to the above matters, you should contact the Manager's Investor Services Hotline on +852 2846 7566, fax +852 2868 4742 or alternatively you should contact your investment consultant.

Yours faithfully,



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For and on behalf of  
First State Investments (Hong Kong) Limited

## Appendix A

### INVESTMENT AND BORROWING RESTRICTIONS

#### Investment Restrictions

The Trust Deed imposes a number of restrictions and prohibitions on investment of the Fund. The following is a summary of the restrictions applicable to the Fund:-

- (1) not more than 10 per cent. of the Net Asset Value of the Fund may consist of securities (other than Government and other public securities) issued by a single issuer;
- (2) ~~the Fund's holding of securities of a single class (other than Government and other public securities) when aggregated with the holdings of the same class of securities held by all the other Sub-Funds may not exceed 10 per cent. of the nominal amount of the securities of the same class in issue; may not hold more than 10 per cent. of any ordinary shares issued by any single issuer;~~
- (3) not more than 15 per cent. of the Net Asset Value of the Fund may consist of securities of any company not listed ~~or~~ quoted or dealt in on a stock exchange, over-the-counter market or other organized securities market which is open to the international public and on which such securities are regularly traded;
- (4) not more than 30 per cent. of the Net Asset Value of the Fund may consist of Government and other public securities of a single issue;
- (5) subject to (4) above, the Fund may be fully invested in Government and other public securities issued by a single issuer provided that it holds Government and other public securities of at least six different issues;
- (6) not more than 15 per cent. of the Net Asset Value of the Fund may consist of warrants and options (in terms of the total amount of premium paid), other than warrants and options held for hedging purposes;
- (7) the net aggregate value of the futures contract prices, whether payable to or by the Fund, under all outstanding futures contracts ~~entered into for the account of the Fund~~ (other than futures contracts entered into for hedging purposes), together with the aggregate value of investments falling within paragraph (8) below held by the Fund, may not exceed 20 per cent. of the Net Asset Value of the Fund;
- (8) subject to paragraph (7) above, not more than 20 per cent. of the Net Asset Value of the Fund may consist of physical commodities (including gold, silver, platinum or other bullion) and commodity based investments (other than ~~securities issued by~~ shares in companies engaged in producing, processing or trading in commodities);
- (9) ~~not more than~~ (a) the value of the Fund's holding of shares or units in other Managed Funds which are non-recognised jurisdiction schemes (as permitted under the Code) and not authorised by the SFC may not in aggregate exceed 10 per cent. of the Net Asset Value of the Fund; (b) not more than 30% of the Net Asset Value of the Fund may consist of shares or units in Managed Funds provided that no investment may be made in a Managed Fund managed by the Manager or any of its connected persons if such investment would result in an increase in the overall total of the preliminary charge, manager's fee or other fees payable to the Manager or its connected persons which are borne by the Fund or investors in it. a Managed Fund which is a recognised jurisdiction scheme or an SFC-authorized scheme; provided that:
  - (i) no investment may be made in any Managed Funds the investment objective of which is to invest primarily in any investment prohibited under Chapter 7 of the Code;

- (ii) as per the Trust Deed, where the relevant Managed Fund(s)' objective is to invest primarily in any type of investment restricted under Chapter 7 of the Code, such holding may not be in contravention of the relevant limitation under Chapter 7 of the Code; and
- (iii) all initial charges on a Managed Fund must be waived if the relevant Managed Fund is managed by the Manager or any of its connected persons; and
- (iv) for so long as the Fund is authorized by the SFC in Hong Kong, the Manager may not obtain a rebate on any fees and charges levied by an underlying scheme or its management company.

In addition, the Manager shall not on behalf of the Fund:–

- (i) invest in a security of any class in any company or body if directors and officers of the Manager individually own more than 1/2 per cent. of the total nominal amount of all the issued securities of that class or collectively own more than 5 per cent. of those securities;
- (ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies and interests in real estate investment trusts ~~that are listed on a stock exchange~~);
- (iii) make short sales if as a consequence the liability of the Fund to deliver securities would exceed 10 per cent. of the Net Asset Value of the Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted);
- (iv) write uncovered options;
- (v) write a call option if the aggregate of the exercise prices of all such call options written on behalf of the Fund would exceed 25 per cent. of the Net Asset Value of the Fund;
- (vi) make a loan out of the Fund without the prior written consent of the Trustee except to the extent that the acquisition of an investment or the making of a deposit might constitute a loan;
- (vii) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in respect of borrowed money without the prior written consent of the Trustee;
- (viii) enter into any obligation on behalf of the Fund or acquire any asset for the account of the Fund which involves the assumption of any liability by the Trustee which is unlimited;
- (ix) apply any part of the Fund in the acquisition of any investments ~~which are for the time being nil paid or partly paid~~ in respect of which a call is due to be made for any sum unpaid on that investments unless such call could be met in full out of cash or near cash forming part by the investments of the Fund, the amount of which has not been appropriated and set aside for any other taken into account for the purposes of paragraph (v) above and shall not be entitled without the consent of the Trustee to apply any part of the Fund in the acquisition of any other investment which is in the opinion of the Trustee likely to involve the Trustee in any liability (contingent or otherwise).

The Manager also shall not on behalf of the Fund invest in any Managed Fund which invests primarily in investments prohibited by the Securities and Futures Commission.

Subject to the limitations noted below, the Manager may at any time by prior written notice to the Trustee determine that the Fund will be subject to investment restrictions in addition to those noted above or that an investment restriction will no longer apply to the Fund or will apply with such modifications as the Manager may determine. Any such determination may only be made with the prior approval of the Securities and Futures Commission (where required). In addition, any determination to remove or modify an investment restriction of the Fund may only be made if the Manager confirms in

writing to the Trustee that the Manager is satisfied that such determination will not materially prejudice Unitholders in the Fund. The Manager will give prior written notice to Unitholders of the Fund of any such determination.

### **Borrowing Restrictions**

The Manager may with the consent of the Trustee borrow up to 25 per cent. of the Net Asset Value of the Fund to acquire investments or for liquidity purposes to meet redemptions and other expenses of the Fund. The assets of the Fund may be charged or pledged as security for any such borrowings.

### **General**

All the above investment and borrowing restrictions shall be measured by reference to the latest available Net Asset Value at the time the relevant investment or borrowing is made.

If any of the investment and borrowing restrictions are breached, the Manager shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due regard to the interests of Unitholders. If any of the investment restrictions are exceeded as a result of changes in the value of the relevant Sub-Fund's investments, reconstructions or amalgamations, payments out of the assets of such Sub-Fund or redemptions of Units, then for so long as such limits are exceeded the Manager will not acquire any further investments subject to the relevant restriction and will take all reasonable steps to restore the position so that the limits are no longer exceeded.

The Manager does not intend to undertake securities lending, repurchase, reverse repurchase or similar over-the-counter transactions on behalf of the Fund.