**HEPTAGON FUND ICAV**

(An open-ended Irish collective asset-management vehicle with registered number C67289 and established as an umbrella fund with segregated liability between sub-funds pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended))

**SUPPLEMENT**

# HARVEST CHINA A SHARES EQUITY FUND

**Dated 1 October 2021**

This Supplement contains information relating specifically to the **Harvest China A Shares Equity Fund** (the "Fund"), a Fund of Heptagon Fund ICAV (the "ICAV"), an open-ended umbrella fund with segregated liability between sub-funds, authorised by the Central Bank as a UCITS pursuant to the UCITS Regulations.

**This Supplement forms part of and should be read in the context of and in conjunction with the Prospectus for the ICAV dated 1 October 2021 (the "Prospectus") which is available from the Administrator at 30 Herbert Street, Dublin 2, Ireland.** Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

The Directors of the ICAV whose names appear under the heading "Management and Administration" in the Prospectus accept responsibility for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement and in the Prospectus is in accordance with the facts and does not omit anything likely to affect the importance of such information.

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. Investors should read and consider the section entitled "Risk Factors" before investing in the Fund.**

**Shareholders should note that for distributing Share Classes, dividends may be payable out of the capital of the Fund. As a result, capital will be eroded and distributions will be achieved by foregoing the potential for future capital growth and this cycle may continue until all capital is depleted.**

## 1. Interpretation

In this Supplement, the following words and phrases have the meanings set forth below, except where the context otherwise requires:

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| "Business Day" | means any day (except Saturday or Sunday) on which banks in Dublin, London, Hong Kong and China are generally open for business or such other day or days as may be determined by the Directors and notified to Shareholders. |
| "China A Shares" | shares denominated in Renminbi, issued by companies in the PRC and listed on PRC Exchanges, or such other shares that may in the future be defined as China A shares issued by companies in the PRC |

on the PRC Exchanges and available for investment in by a RQFII.

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| "Dealing Day" | means every Business Day or such other day or days as may be determined by the Directors and notified to Shareholders in advance, provided there shall be at least one Dealing Day per fortnight. |
| "Dealing Deadline" | means 4 p.m. GMT on the Business Day before the relevant Dealing Day or such other time as the Directors may determine and notify to Shareholders in advance, provided that the Dealing Deadline will always be prior to the Valuation Point. |
| "Equity Participation" | includes for the purpose of the investment restrictions set out in this Supplement: |

(1) shares in a company (which may not include depositary receipts and REITs) that are admitted to official trading on a stock exchange or admitted to, or included in another organized market which fulfils the criteria of a "regulated market" as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments; and/or

(2) shares in a company other than a real estate company which is (i) resident in a Member State or in a member state of the European Economic Area, and where it is subject to, and not exempt from corporate income tax; or (ii) is a resident in any other state and subject to corporate income tax of at least 15%; and/or

(3) units of a UCITS and/or of other collective investments schemes which fulfil the definition of an alternative investment fund ("AIF") pursuant to Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers, that are not partnerships, which, as disclosed in their respective investment terms, are permanently invested with a minimum of at least 51% of their values in equity participations (an "Equity Fund") with 51% of the units of Equity Funds held by the Fund being taken into account as equity participations; and/or

(4) units of a UCITS and/or of an AIF that are not partnerships, which, as disclosed in their respective investment terms, are permanently invested with a minimum of at least 25% of their values in equity participations (a "Mixed Fund") with 25% of the units of Mixed Funds held by the Fund being taken into account as equity participations; and/or

(5) units of Equity Funds or Mixed Funds that disclose their equity participation ratio in their respective investment terms; and/or
(6) units of Equity Funds or Mixed Funds that report their equity participation ratio on a daily basis.

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| “Global Custodian” | means Brown Brothers Harriman & Co. |
| “Minimum Holding” | means the minimum number of Shares required to be held by Shareholders having such value as may from time to time be specified by the Directors in relation to each Class and set out in this Supplement. |
| “Minimum Initial Subscription” | means the amount specified in respect of each Class in this Supplement. The Directors may, in their absolute discretion, waive such minimum initial subscription amount. |
| “Minimum Subsequent Subscription” | means the amount specified in respect of each Class in this Supplement. The Directors may, in their absolute discretion, waive such minimum subsequent subscription amount. |
| “PRC” | means the People’s Republic of China. |
| “PRC Bank” | means HSBC Bank (China) Company Limited. |
| “PRC Exchange(s)” | means the Shanghai Stock Exchange and/or the Shenzhen Stock Exchange. |
| “Recognised Market” | means any stock exchange or market set out in Appendix II to the Prospectus and the China Interbank Bond Market. |
| “RQFII” | means Renminbi Qualified Foreign Institutional Investor. |
| “RQFII Custodian” | means the Hong Kong And Shanghai Banking Corporation Limited. |
| “Sub-Investment Manager” | means Harvest Global Investments. |
| “Valuation Day” | means the relevant Dealing Day. |
| "Valuation Point" | means 4 p.m. HKT (8am GMT) on the Valuation Day (or such other time as the Directors may determine provided that this will always be after the Dealing Deadline). |

All other defined terms used in this Supplement shall have the same meaning as in the Prospectus.

## 2. Base Currency

The Base Currency shall be United States Dollars (USD). The Net Asset Value per Share will be published and settlement and dealing will be effected in the currency denomination of each Class as set out in Section 8 of this Supplement.

## 3. Investment Objective

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in China A-Shares listed on the PRC Exchanges.

## 4. Investment Policy

The Fund will (under normal circumstances) invest a minimum of 90% of its assets in China A-Shares (including initial public offerings) listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange through the RQFII quotas of the Sub-Investment Manager, China H shares traded in Hong Kong and China A-Shares ETFs. The Sub-Investment Manager has been granted a RQFII quota for the purposes of investing in securities issued in the PRC and will allocate RQFII quota to the Fund as necessary to meet the Fund's investment requirements. Investments in A-Shares ETFs, China H shares traded in Hong Kong and China A shares traded on the Shanghai-Hong Kong Stock Connect will not form part of the RQFII quota of the Sub-Investment Manager. Please see "RQFII Risk, "Sub-Custody Arrangements" and "Stock Connect" below for further information.

Subject to the investment restrictions set out below, the aim of the Fund is to invest, on an ongoing basis and directly, at least 51% of its Net Asset Value in Equity Participations (the "Equity Participation Ratio").

The Equity Participation Ratio does not include Equity Participations which are acquired pursuant to securities lending transactions which the Fund may participate in.

The Fund's investment strategy combines both value and growth investing principles with the aim to identify undervalued companies with sustainable growth potential. The strategy includes both top-down industry selection and bottom-up stock picking approach. In the top-down approach, focus sectors are identified by observing current economic cycle, policy and structural reform trends, gross margin change of different industries and other relative factors to determine industries experiencing high growth or industries with growth momentum. In the bottom-up approach, emphasis is placed on business models, earning results, good corporate governance, financial statements, competitor analysis as well as long-term growth drivers and short term catalysts.

The investment process is research driven utilising an internal research infrastructure and platform as well as a combination of different research methodologies for example company visits, independent verification and financial model analysis. Research is performed on companies based on both qualitative and quantitative analysis to find out the long term potential value in the relevant stocks.

The Fund may invest in PRC companies of any capital size, including small and mid-cap companies. It does not have an investment focus on any particular sector or industry.

At all times the Fund will be subject to the UCITS Regulations, the Central Bank UCITS Regulations and the UCITS investment restrictions set out therein (including those relating to the eligibility of assets for investment by a UCITS) along with the following additional investment restrictions, measured at the time of purchase of the investments:

- No single security shall be greater than 10% of the Fund's NAV

- No single position shall be greater than 10% of a company's market capital

- The Fund will only take long positions and may not execute short sales for investment purposes. For clarity, 100% of the Fund's investments will be in long positions, with the exception of currency hedging

- The Fund will not invest in other funds managed by the Sub-Investment Manager, excluding ETFs managed by the Sub-Investment Manager

- The Fund will not invest more than 10% of its Net Asset Value in collective investment schemes, including exchange traded funds. Investment in collective investment schemes will provide the Fund with exposure to PRC equities and indices

In addition, the Fund's ability to make investments may be affected by local regulations such as:

- shares held by a single foreign investor in one company listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange should not exceed 10% of the total outstanding shares of the listed company

- aggregate China A-Shares held by all foreign investors in one company listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange shall not exceed 30% of total outstanding shares of the listed company

The Fund may hold cash and money market instruments, with a maximum maturity of 12 months, for ancillary purposes so that it can pay its expenses, satisfy redemption requests or take advantage of investment opportunities. The Fund shall only invest in money market instruments which are listed or traded on Recognised Markets such as short term government issued bills and notes (fixed or floating rate), certificates of deposit, money market funds, commercial paper and commercial paper master notes. The Fund shall only deposit cash with counterparties rated A, or better, by Standard & Poor's Corporation or rated A2 or better by Moody's Investors Service, Inc. The Fund may, in response to adverse market, economic, political or other conditions, take a temporary defensive position. This means the Fund may invest a significant portion of its assets in such money market instruments.

When the Fund is not taking a temporary defensive position, it will hold some cash and money market instruments for ancillary purposes so that it can pay its expenses, satisfy redemption requests or take advantage of investment opportunities. The Fund may also increase its cash position if the Sub-Investment Manager cannot find companies that meet its investment requirements. When the Fund holds a significant portion of assets in cash and cash reserves, it may not meet its investment objective and the Fund's performance may be negatively affected as a result.

***Further Detail on the Use of Financial Derivative Instruments***

The Fund will not use derivatives for investment purposes (with the exception of investments in stock index futures traded in the PRC or index futures traded outside of the PRC that provide exposure to PRC stock indices (such as futures contracts traded on the Hong Kong stock exchange) for the purpose of obtaining long exposure to such indices) but may use derivatives for the purposes of efficient portfolio management. The use of indices shall in each case be within the conditions and limits set out in the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1))(Undertakings for Collective Investment in Transferable Securities) Regulations 2015 and where indices are used, the Sub-Investment

Manager shall not use indices that rebalance more frequently than monthly. Equity securities will be the primary underlying asset where such instruments are used.

The Fund may employ techniques and instruments for the purposes of efficient portfolio management including using forwards, options and futures for the purpose of share class specific currency hedging, see below under "*Efficient Portfolio Management*" for further information.

***PRC Tax Provisions***

Currently, there is no income tax payable on capital gains arising from a disposal of PRC Securities. However, this position is subject to change and in order to meet any potential tax liability, the Sub-Investment Manager, with prior consent of the ICAV, reserves the right to provide for any withholding tax required ("WIT") on such gains or income and to withhold the tax for the account of the Fund. The Sub-Investment Manager will keep the PRC tax provision of the Fund under review taking into account various factors, including the PRC tax rules and practices, current market accounting practices and independent tax advice. Upon any further changes to tax law or policies, the Sub-Investment Manager will, as soon as practicable and with the prior approval of the ICAV, introduce a tax provision as it considers necessary.

Such a tax provision will be based on a percentage of any realized capital gains and a percentage of any dividends and interest income where the withholding tax has not been withheld at source out of the assets of the Fund for the account of the Fund in respect of any potential WIT on capital gains and on dividend and interest if the relevant WIT is not withheld at source.

The amount of any provision will be disclosed in the accounts of the Fund. Investors should note that such provision may be excessive or inadequate to meet actual PRC tax liabilities on investments made by the Fund. As a result, investors may be advantaged or disadvantaged depending on the final rules of the relevant PRC tax authorities. Where the provision is in excess of the Funds tax liability, the excess amount will be returned to the Fund. The Sub-Investment Manager, as holder of the RQFII license, is liable for the payment of any required WIT. Therefore, the Fund will indemnify the Sub-Investment Manager for any tax liability incurred by the Fund that is greater than the amount provisioned by the Sub-Investment Manager (arising in a prospective or retrospective manner) as a result of the Sub-Investment Manager's dealing in and holding of China A shares on behalf of the Fund. Such indemnification by the Fund is limited to and will be paid out of the amount of assets of the Fund.

***Sub-Custody Arrangements***

RQFII refers to the program that allows offshore/foreign investment in the domestic China A-share market via PRC brokerages and fund companies. The investment and trading in China A shares requires the Sub-Investment Manager to be granted a licence as a "Renminbi Qualified Foreign Institutional Investor" ("RQFII") by the China Securities Regulatory Commission ("CSRC"). The Sub-Investment Manager has been granted a licence as a RQFII and has obtained an investment quota from the State Administration of Foreign Exchange in the PRC ("SAFE").

There are specific risks associated with the RQFII regime and investors' attention is drawn to the section entitled "Risk Factors" below.

The Depositary has appointed the Global Custodian under a global custody agreement. The Global Custodian and the Sub-Investment Manager have appointed the RQFII Custodian to act through the PRC Bank as the local custodian responsible for the safe custody of the Fund's assets under the RQFII program pursuant to the terms of the RQFII custodian agreement (the "RQFII Custodian Agreement"). Under the RQFII Custodian Agreement, the Global Custodian and the Sub-Investment Manager appoint the RQFII Custodian to act through the PRC Bank as the local custodian of the Fund for the sole purpose of satisfying RQFII Regulations with respect to investments of the Fund.

The Fund is a party to the RQFII Custodian Agreement and has provided certain indemnities in the RQFII Custodian Agreement to the RQFII Custodian. In particular, the Fund has indemnified the RQFII Custodian for losses suffered by the RQFII Custodian (other than losses arising from the fraud, negligence or wilful default of the RQFII Custodian) in connection with trading accounts becoming overdrawn as a result of settlement of an order and for losses incurred by the RQFII Custodian as a result of any erroneous transactions that are executed by a PRC broker or settlement failures relating to execution of PRC securities that are not due to the fraud, negligence or wilful default of the RQFII Custodian. The Fund has also provided the RQFII Custodian with an indemnity in respect of any losses incurred by the RQFII Custodian when properly carrying out its obligations under the RQFII Agreement and has also provided the RQFII Custodian with an indemnity in respect of any actions taken against the RQFII Custodian by a regulatory authority in the PRC as a result of a breach of any applicable PRC rules or regulations by the Fund.

***Stock Connect***

Stock Connect is a securities trading and clearing linked programme operating between the Stock Exchange of Hong Kong Limited ("SEHK"), the Shanghai Stock Exchange ("SSE"), Hong Kong Securities Clearing Company Limited ("HKSCC") and China Securities Depository and Clearing Corporation Limited ("ChinaClear"), with an aim to achieve mutual stock market access between Mainland China and Hong Kong.

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

*Eligible securities*

Hong Kong and overseas investors will be able to trade certain stocks listed on the SSE market (i.e. "SSE Securities"). These currently include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except the following:

• SSE-listed shares which are not traded in Renminbi ("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.

*Trading quota*

Trading under Stock Connect is subject to a maximum cross-boundary investment quota ("Aggregate Quota") together with a daily quota ("Daily Quota"). Northbound trading will be subject to a separate set of Aggregate and Daily Quota. The Aggregate Quota caps the absolute amount of fund inflow into the PRC under Northbound trading. The Daily Quota limits the maximum net buy value of cross-boundary trades under Stock Connect each day. The quotas do not belong to the Fund and are utilised on a first-come-first-serve basis. The

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

*Trading day*

Investors (including the Fund) will only be allowed to trade on the other market on days where both markets are open for trading, and banking services are available in both markets on the corresponding settlement days.

*Settlement and custody*

The HKSCC, a 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 SSE Securities traded through Stock Connect are issued in scriptless form, so investors will not hold any physical SSE Securities. Hong Kong and overseas investors who have acquired A-Shares through Northbound trading should maintain the A-Shares 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).

*Currency*

Hong Kong and overseas investors (including the Fund) trade and settle SSE Securities in RMB only.

## 5. Profile of a Typical Investor

The Fund is suitable for investors seeking capital growth over a medium to long-term horizon who are prepared to accept a high level of risk. Investors should be willing to assume the potential political and market risks associated with a fund focusing on stocks of companies located in the PRC. The Fund is not designed for investors needing current income. The Fund is not a complete investment program. You should carefully consider your own investment goals and risk tolerance before investing in the Fund.

## 6. Investment and Borrowing Restrictions

The investment restrictions applicable to the Fund are set out in Appendix III to the Prospectus and in the investment policy above. The limits on investments are deemed to apply at the time of purchase of the investments. If these limits are subsequently exceeded for reasons beyond the control of the ICAV or as a result of the exercise of subscription rights, the ICAV will adopt as a priority objective the remedying of that situation, taking due account of the interests of Shareholders.

*Borrowing and Leverage Restrictions*

The ICAV may from time to time borrow up to 10% of the Net Asset Value of the Fund on a temporary basis if the Directors, in their absolute discretion, consider that such borrowing is necessary to cover subscriptions, redemptions and the Fund's operating expenses. The ICAV may from time to time secure such borrowings by pledging, mortgaging or charging the net assets of the Fund in accordance with the provisions of the UCITS Regulations.

## 7. Efficient Portfolio Management

The Fund may employ techniques and instruments (financial derivative instruments or "FDI") for the purposes of efficient portfolio management and share class specific currency hedging (including listed options) under the conditions and within the limits laid down by the Central Bank. Such techniques and instruments may include using forwards, currency options and currency futures exchange transactions (such as spot and forward foreign exchange contracts, currency futures and options) which may alter the currency exposure of specific share classes. The Fund may also employ techniques and instruments intended to provide protection against exchange risks in the context of the management of its assets and liabilities.

Index based financial derivative instruments may be used by the Fund to gain long exposure to markets where the Sub-Investment Manager views this as the most efficient means of obtaining the exposure. A description of derivative instruments and their commercial purposes is set out below.

*Futures*
Futures are contracts to buy or sell a standard quantity of a specific asset (or, in some cases, receive or pay cash based on the performance of an underlying asset, instrument or index) at a pre-determined future date and at a price agreed through a transaction undertaken on an exchange. Futures are primarily used to gain exposure to securities and indices for investment or hedging purposes. Unlike physical securities they are bought or sold on margin and thus require a smaller upfront payment to gain the same amount of exposure to the selected underlying investment. The Fund will primarily use futures on equity indices.

*Forwards*
A forward contract locks in the price at which an index or asset may be purchased or sold on a future date. In forward foreign exchange contracts, the contract holders are obligated to buy or sell from another a specified amount of one currency at a specified price (exchange rate) with another currency on a specified future date. Forward contracts cannot be transferred but they can be 'closed out' by entering into a reverse contract. The commercial purpose of a forward foreign exchange contract may include, but is not limited to, altering the currency exposure of securities held, hedging against exchange risks, increasing exposure to a currency, and shifting exposure to currency fluctuations from one currency to another. Forward foreign exchange contracts may only be used for hedging in connection with hedged currency classes of shares.

*Stock Index Futures*
Futures are contracts to buy or sell a standard quantity of a specific asset (or, in some cases, receive or pay cash based on the performance of an underlying asset, instrument or index) at a pre-determined future date and at a price agreed through a transaction undertaken on an exchange. Stock index futures are used to replicate the performance of an underlying stock market index. The commercial purpose of futures contracts can be to allow investors to hedge against market risk or gain exposure to the underlying market.

For the purpose of providing margin or collateral in respect of transactions in financial derivative instruments, the Fund may transfer, mortgage, charge or encumber any assets or cash forming part of the Fund.

In pursuance of its investment policy, the Fund may purchase securities on a when issued or delayed delivery basis for the purposes of efficient portfolio management. Purchasing securities on a "when issued" basis signifies a conditional transaction in a security authorised for issue which has not yet been or may never be actually issued. Settlement occurs if and when the security is actually issued and/or the exchange rules that the trades are to be settled. Based on the nature of some securities, sometimes "when issued's" are never actually issued. When purchasing securities on a "delayed delivery" basis, the securities are expected to be delivered past normal timeframes/windows.

The Fund does not intend to, but may be leveraged up to 20% of its Net Asset Value as a result of its investment and efficient portfolio management. The ICAV will calculate leverage on the basis of the commitment approach.

The Fund employs a Risk Management Process which enables it to accurately measure, monitor and manage the various risks associated with financial derivative instruments and on the basis that the Fund may use a limited number of simple derivative instruments, the ICAV will use the commitment approach for the purpose of calculating global exposure in respect of the Fund's use of financial derivative instruments and such global exposure will not exceed the Funds total net asset value. Responsibility for the Risk Management Process lies with the ICAV which has delegated the day-to-day responsibilities, including oversight and reporting, to the Investment Manager.

## 8. Share Classes

Shares will be issued to investors as Shares of a Class in this Fund. The Directors may, whether on the establishment of this Fund or from time to time, with prior notification to, and clearance by the Central Bank, create more than one Class of Shares in this Fund. The Directors may in their absolute discretion differentiate between Classes of Shares, without limitation, as to currency denomination of a particular Class, dividend policy, hedging strategies, if any, applied to the designated currency of a particular Class, fees and expenses, rounding off of the Net Asset Value or the Minimum Initial Subscription or Minimum Holding applicable.

The following Classes of Shares in the Fund are available for subscription:

| **Class** | **Currency Denomination** | **Investment Management Fee (% of net asset value per annum)** | **Minimum Initial Subscription** | **Minimum Subsequent Subscription** | **Minimum Holding** | **Minimum Redemption** | **Accumulating/ Distributing** |
|---|---|---|---|---|---|---|---|
| A | USD | 1.50% | USD $15,000 | USD $2,500 | USD $15,000 | USD $2,500 | Accumulating |
| C | USD | 0.90% | USD $1,000,000 | USD $10,000 | USD $100,000 | USD $15,000 | Accumulating |
| I | USD | 1.15% | USD $2,000,000 | USD $10,000 | USD $100,000 | USD $15,000 | Accumulating |
| B | USD | 1.95% | USD $15,000 | USD $2,500 | USD $15,000 | USD $2,500 | Accumulating |
| A1 | USD | 1.50% | USD $15,000 | USD $2,500 | USD $15,000 | USD $2,500 | Accumulating |
| AD | USD | 1.50% | USD $15,000 | USD $2,500 | USD $15,000 | USD $2,500 | Distributing |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| AD1 | USD | 1.50% | USD $15,000 | USD $2,500 | USD $15,000 | USD $2,500 | Distributing |
| AE | EUR | 1.50% | EUR €15,000 | EUR €2,500 | EUR €15,000 | EUR €2,500 | Accumulating |
| AE1 | EUR | 1.50% | EUR €15,000 | EUR €2,500 | EUR €15,000 | EUR €2,500 | Accumulating |
| AED | EUR | 1.50% | EUR €15,000 | EUR €2,500 | EUR €15,000 | EUR €2,500 | Distributing |
| AED1 | EUR | 1.50% | EUR €15,000 | EUR €2,500 | EUR €15,000 | EUR €2,500 | Distributing |
| AG | GBP | 1.50% | GBP £15,000 | GBP £2,500 | GBP £15,000 | GBP £2,500 | Accumulating |
| AG1 | GBP | 1.50% | GBP £15,000 | GBP £2,500 | GBP £15,000 | GBP £2,500 | Accumulating |
| AGD | GBP | 1.50% | GBP £15,000 | GBP £2,500 | GBP £15,000 | GBP £2,500 | Distributing |
| AGD1 | GBP | 1.50% | GBP £15,000 | GBP £2,500 | GBP £15,000 | GBP £2,500 | Distributing |
| B1 | USD | 1.95% | USD $15,000 | USD $2,500 | USD $15,000 | USD $2,500 | Accumulating |
| I1 | USD | 1.15% | USD $2,000,000 | USD $10,000 | USD $100,000 | USD $15,000 | Accumulating |
| ID | USD | 1.15% | USD $2,000,000 | USD $10,000 | USD $100,000 | USD $15,000 | Distributing |
| ID1 | USD | 1.15% | USD $2,000,000 | USD $10,000 | USD $100,000 | USD $15,000 | Distributing |
| IE | EUR | 1.15% | EUR €2,000,000 | EUR €10,000 | EUR €100,000 | EUR €15,000 | Accumulating |
| IE1 | EUR | 1.15% | EUR €2,000,000 | EUR €10,000 | EUR €100,000 | EUR €15,000 | Accumulating |
| IED | EUR | 1.15% | EUR €2,000,000 | EUR €10,000 | EUR €100,000 | EUR €15,000 | Distributing |
| IED1 | EUR | 1.15% | EUR €2,000,000 | EUR €10,000 | EUR €100,000 | EUR €15,000 | Distributing |
| IG | GBP | 1.15% | USD $2,000,000 | USD $10,000 | USD $100,000 | USD $15,000 | Accumulating |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| IG1 | GBP | 1.15% | USD £2,000,000 | USD £10,000 | USD £100,000 | USD £15,000 | Accumulating |
| IGD | GBP | 1.15% | GBP £2,000,000 | GBP £10,000 | GBP £100,000 | GBP £15,000 | Distributing |
| IGD1 | GBP | 1.15% | GBP £2,000,000 | GBP £10,000 | GBP £100,000 | GBP £15,000 | Distributing |
| CD | USD | 0.90% | USD $1,000,000 | USD $10,000 | USD $100,000 | USD $15,000 | Distributing |
| CED | EUR | 0.90% | EUR €1,000,000 | EUR €10,000 | EUR €100,000 | EUR €15,000 | Distributing |
| CE | EUR | 0.90% | EUR €1,000,000 | EUR €10,000 | EUR €100,000 | EUR €15,000 | Accumulating |
| CG | GBP | 0.90% | GBP £1,000,000 | GBP £10,000 | GBP £100,000 | GBP £15,000 | Accumulating |
| CGD | GBP | 0.90% | GBP £1,000,000 | GBP £10,000 | GBP £100,000 | GBP £15,000 | Distributing |
| S | USD | 1% | USD $20,000,000 | USD $10,000 | USD $20,000,000 | USD $15,000 | Accumulating |
| SE | EUR | 1% | EUR €20,000,000 | EUR €10,000 | EUR €20,000,000 | EUR €15,000 | Accumulating |
| SED | EUR | 1% | EUR €20,000,000 | EUR €10,000 | EUR €20,000,000 | EUR €15,000 | Distributing |
| SD | USD | 1% | USD $20,000,000 | USD $10,000 | USD $20,000,000 | USD $15,000 | Distributing |
| SGB | GBP | 1% | GBP £20,000,000 | GBP £10,000 | GBP £20,000,000 | GBP £15,000 | Accumulating |
| SGD | GBP | 1% | GBP £20,000,000 | GBP £10,000 | GBP £20,000,000 | GBP £15,000 | Distributing |

Currency hedging may be undertaken to reduce the Fund's exposure to the fluctuations of the currencies in which the Fund's assets may be denominated against the Base Currency of the Fund or the denominated currency of a Class. The non-USD currency exposures of future Classes of Shares may be hedged back into USD. Such hedging will not exceed 105% of the Net Asset Value of the Fund or Net Asset Value attributable to the relevant Class. The hedged positions will be kept under review to ensure that over-hedged positions do not exceed the permitted level. This review will also incorporate a procedure to ensure that positions materially in excess of 100% will not be carried forward from month to month. Similarly, under-hedged positions will be monitored to ensure that such positions do not fall short of 95% of the Net Asset Value of the relevant Class. Under-hedged positions will be kept under review to ensure that they are not carried forward from month to month. Transaction costs may be incurred where currency hedging is undertaken. Any such costs will accrue solely to the relevant Class.

## 9. Offer

During the initial offer period, from 8 August 2014 to 1 December 2014, Shares in Classes A, C, I, B and S were issued at an initial price of US$100, Shares in Classes CG, IG, AG and SGB were offered at an initial price of GBP£100 and Shares in Classes CE, IE, AE and SE were offered at an initial price of EUR€100. During the initial offer period, from 20 January 2015 to 27 February 2015, Shares in Classes AE1, IE1, AED, IED, AED1, IED1, SED and CED were offered at an initial price of EUR €100; Shares in Classes A1, B1, I1, AD, ID, AD1, ID1, SD and CD were offered at an initial price of USD $100 and Shares in Classes AG1, IG1, AGD, IGD, AGD1, IGD1, SGD and CGD were offered at an initial price of GBP £100.

Shares in Classes A, C, I, B, S, CG, IG, AG, SGB, CE, IE, AE, SE, AE1, IE1, AED, IED, AED1, IED1, SED, CED, A1, B1, I1, AD, ID, AD1, ID1, SD, CD, AG1, IG1, AGD, IGD, AGD1, IGD1, SGD and CGD are currently available at prices calculated with reference to the Net Asset Value per Share.

## 10. Application for Shares

Applications for Shares may be made to the Administrator (whose details are set out in the Application Form). Applications received by the Administrator prior to the Dealing Deadline for any Dealing Day, or by an intermediary approved by the Directors for such purpose, provided such intermediary confirms to the Administrator that such Applications were received prior to the Dealing Deadline, will be processed on that Dealing Day. Any applications received after the Dealing Deadline for a particular Dealing Day will be processed on the following Dealing Day, unless the Directors in their absolute discretion, in exceptional circumstances, otherwise determine to accept one or more applications received after the Dealing Deadline for processing on that Dealing Day, provided that such application(s) have been received prior to the Valuation Point for the particular Dealing Day.

*Timing of Payment*

Payment in respect of subscriptions must be received in cleared funds by the Administrator 2 Business Days post the Dealing Deadline provided that the Directors reserve the right to defer the issue of Shares until receipt of cleared subscription monies by the Fund. If payment in cleared funds in respect of a subscription has not been received by the relevant time, the Directors or its delegate may cancel the allotment. In addition, the Directors have the right to sell all or part of the investor's holding of Shares in the Fund in order to meet such charges.

This section should be read in conjunction with the section headed “Application for Shares” in the Prospectus.

## 11. Redemption of Shares

Requests for the redemption of Shares should be made to the Administrator (whose details are set out in the Application Form) on behalf of the ICAV by facsimile or written communication and should be followed by an original signed Redemption Form and include such information as may be specified from time to time by the Directors or their delegate.

Requests for redemption received prior to the Dealing Deadline for any Dealing Day will be processed on that Dealing Day. Any requests for redemption received after the Dealing Deadline for a Dealing Day will be processed on the next Dealing Day, unless the Directors in their absolute discretion, in exceptional circumstances, determine otherwise provided that such redemption request(s) have been received prior to the Valuation Point for the particular Dealing Day. Redemption requests will only be accepted for processing where cleared funds and completed documents including documentation relating to money laundering prevention checks are in place from original subscriptions. No redemption payment will be made from an investor's holding until the original Application Form and all documentation required by or on behalf of the ICAV (including any documents in connection with anti-money laundering procedures) have been received from the investor and the anti-money laundering procedures have been completed. Redemption requests can be processed on receipt of electronic instructions only where payment is made to the account of record.

The minimum value of Shares which a Shareholder may redeem in any one redemption transaction is set out in Section 8 of this Supplement. In the event of a Shareholder requesting a redemption which would, if carried out, leave the Shareholder holding Shares of a Class having a Net Asset Value less than the relevant Minimum Holding, the ICAV may, if it thinks fit, redeem the whole of the Shareholder's holding.

The redemption price per Share shall be the Net Asset Value per Share. It is not the current intention of the Directors to charge a redemption fee, however, the Fund may, at the discretion of the Directors, impose a redemption fee of up to 3% of the redemption proceeds. **In the event of a redemption fee being charged, Shareholders should view their investment as medium to long-term.**

*Timing of Payment*

It is the intention that redemption proceeds in respect of Shares will be paid within 7 Business Days of the Dealing Day provided that all the required documentation has been furnished to and received by the Administrator. The maximum period between submission of a redemption request and payment of redemption proceeds cannot exceed 10 Business Days.

This section should be read in conjunction with the section headed "Redemption of Shares" in the Prospectus.

## 12. Sub-Investment Manager

The Investment Manager has appointed Harvest Global Investments (the "Sub-Investment Manager") of 31/F, One Exchange Square, 8 Connaught Place, Central Hong Kong to act as sub-investment manager pursuant to a Sub-Investment Management agreement dated April 17, 2014 (the "Sub-Investment Management Agreement"). The Sub-Investment Manager will provide discretionary investment management services in relation to the Fund subject to the overall supervision of the Investment Manager. The Sub-Investment Manager is a Hong Kong investment adviser and is registered with the Securities and Futures Commission ("SFC") in Hong Kong.

The Sub-Investment Manager's principal business and occupation is to provide investment management services to clients.

## 13. Fees and Expenses

*Investment Manager's Fees*

The fee applicable to each Class of Shares payable to the Investment Manager is as set out above in Section 8 of this Supplement. This fee shall accrue daily and be payable monthly.

*Sub-Investment Manager's Fees*

The Investment Manager shall pay the fees and expenses of the Sub-Investment Manager out of its own fees. The Fund will be liable for the dealing costs relating to the purchase and sale of investments by the Sub-Investment Manager.

*Administrator's Fees*

The Administrator shall be entitled to receive out of the assets of the Fund a maximum annual fee, accrued daily and calculated and paid at a rate of 0.05% per annum of the Net Asset Value of the Fund. The Administrator will also be entitled to registrar and transfer agency fees.

The Administrator will also be entitled to an annual aggregate fee of $10,000 for the preparation of the interim and year-end financial statements of the Fund.

The Administrator will also be entitled to recover out of pocket expenses (plus VAT, thereon, if any) reasonably incurred on behalf of the Fund out of the assets of the Fund on an actual cost basis.

*Depositary's Fees*

The Depositary shall be entitled to receive a maximum annual depositary fee in the range of 0.02% to 0.035% per annum of the Net Asset Value of the Fund, accrued at each Valuation Point and payable monthly in arrears subject to a minimum fee of US $7,500 per Fund per annum as aggregated across all sub-funds of the ICAV. The Fund shall also pay custody fees ranging from 0.01% to 0.60% calculated by reference to the market value of the investments that the Fund may make in each relevant market. The Depositary's fees are accrued at each Valuation Point, payable monthly in arrears and subject to a minimum charge of USD$12,000 per annum. The Depositary is also entitled to transaction and cash service charges and to recover properly vouched out-of-pocket expenses out of the assets of the Fund (plus VAT thereon, if any), including expenses of any sub-custodian appointed by it which shall be at normal commercial rates.

*Sub-Custodian Fees*

Fees and expenses of any Sub-Custodian appointed by the ICAV on behalf of the Fund will be at normal commercial rates and may be borne by the Fund.

*Distributors' Fees*

Fees and expenses of the Distributor and any further distributors (together the "Distributors") appointed by the ICAV on behalf of the ICAV or a Fund will be at normal commercial rates and may be borne by the ICAV or the Fund in respect of which the Distributors have been appointed. The fee payable to the Investment Manager will be reduced by the amount of the Distributors' fees paid, if any.

*General*

The Directors do not intend to charge any sales commission or conversion or redemption fee and will give one month's notice to Shareholders of any intention to charge any such fees, subject to the approval of the Central Bank.

The Fund shall bear (i) its proportion of the fees and expenses attributable to the establishment and organisation of the ICAV as detailed in the Section of the Prospectus headed “Establishment Expenses” for the remainder of the period over which such fees and expenses will continue to be amortised; (ii) the fees and expenses relating to the establishment of the Fund which are estimated to amount to approximately $75,000 and may be amortised over the first five Accounting Periods of the Fund or such other period as the Directors may determine and in such manner as the Directors in their absolute discretion deem fair; and (iii) its attributable portion of the fees and operating expenses of the ICAV.

Otherwise than as set out above, the fees and operating expenses of the ICAV are set out in detail under the heading "Fees and Expenses" in the Prospectus.

## 14. Dividends and Distributions

The income and earnings and gains of Classes which are accumulating classes per the table in Section 8 of this Supplement will be accumulated and reinvested on behalf of the Shareholders. It is not currently intended to distribute dividends to Shareholders in these Classes.

It is the Directors’ current intention to declare and distribute to Shareholders the income and earnings and gains of Classes which are distributing classes per the table in Section 8 of this Supplement.

The Accounting Date of the ICAV is currently the last day in September each year, and any dividend payable on the Shares of Classes which are distributing classes per the table in the section entitled “8. Share Classes” will normally be declared and paid within four months or at such other times as determined by the Directors in accordance with the provisions of the Prospectus and the Articles.

Any change to this dividend policy shall be set out in an updated Supplement and notified to Shareholders in advance.

This section should be read in conjunction with the section headed “Dividend Policy” in the Prospectus.

## 15. Risk Factors

The attention of investors is drawn to the section headed “Risk Factors” in the Prospectus.

In addition, investors in the Fund should be aware of the following risks associated with an investment in the People’s Republic of China ("PRC"):

***China market / Single country investment***

The Fund will invest a significant proportion or all of its assets in the PRC which is considered an emerging market. Investment in emerging markets involves risk factors and special considerations (including but not limited to those listed in this section) which may not be typically associated with investing in more developed markets. Insofar as the Fund invests substantially in securities issued in mainland China, it will be subject to risks inherent in the China market and additional concentration risks.

***Foreign exchange control risk***

The Renminbi is not currently a freely convertible currency and is subject to exchange control imposed by the Chinese government. Such control of currency conversion and movements in the Renminbi exchange rates may adversely affect the operations and financial results of companies in the PRC. Insofar as a Sub-Fund's assets are invested in the PRC, 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 the country, limiting the ability of the relevant Sub-Fund to satisfy payments to investors.

***Renminbi currency risk***

Starting from 2005, the exchange rate of the Renminbi is no longer pegged to the US dollar. The Renminbi 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 Renminbi against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for Renminbi against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. It should be noted that the Renminbi is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The possibility that the appreciation of Renminbi will be accelerated cannot be excluded. On the other hand, 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 investors' investments in the Fund. Investors whose base currency is not the Renminbi may be adversely affected by changes in the exchange rates of the Renminbi. Further, the PRC government's imposition of restrictions on the repatriation of Renminbi out of China may limit the depth of the Renminbi market in Hong Kong and reduce the liquidity of the Fund. The Chinese government's policies on exchange control and repatriation restrictions are subject to change, and the Fund's or the investors' position may be adversely affected.

***Dependence upon Trading Market for A shares***

The existence of a liquid trading market for the A shares may depend on whether there is supply of, and demand for, A shares. Investors should note that the Shanghai Stock Exchange and Shenzhen Stock Exchange on which A shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those exchanges are lower than those in more developed financial markets. Market volatility and settlement difficulties in the A share markets may result in significant fluctuation in the prices of the securities traded on such markets and thereby changes in the Net Asset Value of the Fund.

***Taxation in the PRC***

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. Any changes in tax policies may reduce the after-taxation profits of the companies in the PRC to which the performance of the Fund is linked.

***RQFII risk***

The Fund is not a RQFII but may obtain access to China A-Shares, or other permissible investments directly using RQFII quotas of a RQFII. The Fund may invest directly in RQFII eligible securities investment via the RQFII status of the Sub-Investment Manager.

Investors should note that RQFII status could be suspended or revoked in the case of the Sub-Investment Manager's insolvency or breach of the RQFII Measures (as defined below), which may have an adverse effect on the Fund's performance as the Fund may be required to dispose of its securities holdings. In addition, restrictions may be imposed by the Chinese government on RQFIIs that may have an adverse effect on the Fund's liquidity and performance.

SAFE regulates and monitors the repatriation of funds out of the PRC by the RQFII pursuant to its "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors (the "RQFII Measures"). Repatriations by RQFIIs in respect of an open-ended RQFII fund (such as the Fund) conducted in RMB are currently permitted daily and are not subject to repatriation restrictions or prior approval from the SAFE, although authenticity and compliance reviews will be conducted by the Depositary, and monthly reports on remittances and repatriations will be submitted to SAFE by the PRC Custodian. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Further, such changes to the PRC rules and regulations may take effect retrospectively. Any restrictions on repatriation of the invested capital and net profits may impact on the Fund's ability to meet redemption requests from the Shareholders. Furthermore, as the PRC Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the PRC 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 Shareholder as soon as practicable, and within 3 Business Days, and after the completion of the repatriation of funds concerned.

The rules and restrictions under RQFII Regulations generally apply to the RQFII as a whole and not simply to the investments made by the Fund. It is provided in the RQFII Measures that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year since the quota is granted. If SAFE reduces the RQFII's quota, it may affect the Sub-Investment Manager's ability to effectively pursue the investment strategy of the Fund. On the other hand, the SAFE is vested with the power to impose regulatory sanctions if the RQFII or the PRC Custodian violates any provision of the RQFII Measures. Any violations could result in the revocation of the RQFII's quota or other regulatory sanctions and may adversely impact on the portion of the RQFII's quota made available for investment by the Fund.

***Fund's RQFII Quota Limitation***

Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or be able to acquire additional RQFII quota. The Sub-Investment Manager may not have sufficient portion of RQFII quotas to meet all Subscription Applications to the Fund and as a result it may be necessary to reject such a Subscription Application and/or lead to a suspension of dealings of the Fund. Furthermore, the Fund is investing in the PRC via the Sub-Investment Manager's RQFII quota, such part of which is made available by the Sub-Investment Manager (as RQFII holder) to the Fund on an exclusive basis. Accordingly the Fund's investments in the PRC will be limited by the allocated RQFII quota amount. It is possible that the Fund may not be able to accept additional subscriptions due to any inability of the Sub-Investment Manager to acquire an additional RQFII quota and as such the Fund may not be able to achieve further economies of scale or otherwise take advantage of an increased capital base.

***Application of RQFII rules***

The RQFII Regulations are in the early stages of operation and there may be uncertainties as to its operation and development. The application of the rules may depend on the interpretation given by the relevant Chinese authorities. The Chinese authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future.

Any changes to the relevant rules may have an adverse impact on investors' investment in the Fund. In the worst scenario, the Investment Manager may determine that the Fund shall be terminated if it is not legal or viable to operate the Fund because of changes to the application of the relevant rules.

***Political and Social Risks***

Any political changes, social instability and unfavourable diplomatic developments which may take place in or in relation to the PRC could result in the imposition of additional governmental restrictions including expropriation of assets, confiscatory taxes or nationalisation of some of the companies in which the Fund has invested. Investors should also note that any change in the policies of the PRC may adversely impact on the securities markets in the PRC as well as the performance of the Fund.

***Economic Risks***

The recent rapid growth experienced in the PRC may or may not continue, and may not apply evenly across different sectors of the PRC economy. The PRC government has also implemented various measures from time to time to prevent overheating of the economy. Furthermore, the transformation of the PRC from a socialist economy to a more market-oriented economy has led to various economic disruptions in the PRC and there can be no assurance that such transformation will continue or be successful. All these may have an adverse impact on the performance of the Fund.

***Legal Risks***

The legal system of the PRC is based on written laws and regulations. However, many of these laws and regulations are still untested and the enforceability of such laws and regulations remains unclear. In particular, the PRC regulations which govern currency exchange in the PRC are relatively new and their application is uncertain. Such regulations also empower the CSRC and the State Administration of Foreign Exchange ("SAFE") to exercise discretion in their respective interpretation of the regulations, which may result in increased uncertainties in their application.

***Accounting and Reporting Standards***

Accounting, auditing and financial reporting standards and practices applicable to companies in the PRC may differ from those in countries that have more developed financial markets.

***Custodial risk***

The PRC Custodian, or its delegate, shall take into its custody or under its control property of the Fund and hold it on trust for Shareholders. The assets held/credited in the securities account(s) are segregated and independent from the proprietary assets of the PRC Custodian. However, investors should note that, under PRC law, cash deposited in the cash account(s) of the Fund with the PRC Custodian (which is/are maintained in the joint names of the Sub-Investment Manager (as the RQFII holder) and the Fund (as a sub-fund of the ICAV) will not be segregated but will be a debt owing from the PRC Custodian to the Fund as a depositor. Such cash will be co-mingled with cash that belongs to other clients or creditors of the PRC Custodian. In the event of bankruptcy or liquidation of the PRC Custodian, the Fund will not have any proprietary rights to the cash deposited in such cash account(s), and the Fund will become an unsecured creditor, ranking pari passu with all other unsecured creditors, of the PRC Custodian. The Fund 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 Fund will suffer.

***PRC brokerage risk***

The execution of transactions may be conducted by PRC Broker(s) appointed by the RQFII. As a matter of practice, only one PRC Broker is appointed in respect of each stock exchange in the PRC. Thus, the Fund will rely on only one PRC Broker for each stock exchange in the PRC, which may be the same PRC Broker. If the Sub-Investment Manager is unable to use its designated PRC Broker in the PRC, the operation of the Fund will be adversely affected.

If a single PRC Broker is appointed, the Fund may not necessarily pay the lowest commission available in the market. The RQFII Holder however, in the selection of PRC Brokers will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards.

There is a risk that the Fund may suffer losses from the default, bankruptcy or disqualification of the PRC Brokers. In such event, the Fund may be adversely affected in the execution of any transaction. As a result, the net asset value of the Fund may also be adversely affected.

Subject to the applicable laws and regulations, the Sub-Investment Manager will make arrangements to satisfy itself that the PRC Brokers have appropriate procedures to properly segregate the Fund's securities from those of the relevant PRC Brokers.

***Share Currency Designation Risk***

A Class of Shares of the Fund may be designated in a currency other than the Base Currency of the Fund. Changes in the exchange rate between the Base Currency and such designated currency may lead to a depreciation of the value of such Shares as expressed in the designated currency. The Sub-Investment Manager may try but is not obliged to mitigate this risk by using financial instruments such as those described under the heading “Currency Risk” as set out in the Prospectus, provided that such instruments shall in no case exceed 105% of the Net Asset Value attributable to the relevant Class of Shares of the Fund. Investors should be aware that this strategy may substantially limit Shareholders of the relevant Class from benefiting if the designated currency falls against the Base Currency and/or the currency/currencies in which the assets of the Fund are denominated. In such circumstances Shareholders of the relevant Class of Shares of the Fund may be exposed to fluctuations in the Net Asset Value per Share reflecting the gains/losses on and the costs of the relevant financial instruments. Financial instruments used to implement such strategies shall be assets/liabilities of the Fund as a whole. However, the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Class of Shares of the Fund.

***Stock Connect Risk***

(a) *Quota limitations*

Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound 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 Fund's ability to invest in A-Shares through the Stock Connect on a timely basis.

(b) *Suspension risk*

It is contemplated that both SEHK and the SSE would reserve 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 Connect is effected, the Fund's ability to access the PRC market will be adversely affected.

(c) *Regulatory risk*

Stock Connect is a relatively new development, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC 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 Stock Connect. It should be noted that the regulations are untested in any judicial precedent and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that Stock Connect will not be abolished. The Fund, which may invest in the PRC markets through the Stock Connect, may be adversely affected as a result of such changes.

(d) *Beneficial ownership of A-Shares through Stock Connect*

A-Shares traded through Stock Connect are held in ChinaClear. HKSCC will become a direct participant in ChinaClear and A-Shares acquired by the Fund via the Stock Connect will be:

- recorded in the name of HKSCC in the nominee securities account opened by HKSCC with ChinaClear and HKSCC will be nominee holder of such A-Shares; and

- held in custody under the depository of ChinaClear and registered under the name of HKSCC in the shareholders' register of the listed companies on the SSE. HKSCC will record interests in such A-Shares in the CCASS stock account of the relevant clearing participant.

It should be noted that, under PRC laws, the rights and interests over SSE Securities are owned by Hong Kong and overseas investors (including the Fund) and shall be exercised through HKSCC as the shareholder of SSE Securities. However, under the CCASS rules, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors (including the the Fund) in respect of the SSE Securities in Mainland China or elsewhere. HKSCC as nominee holder will, upon request of a participant holding SSE Securities through HKSCC, provide certification of a CCASS participant's holdings of SSE Securities in CCASS.

Therefore, although the Fund's ownership of rights and interests of SSE Securities may be ultimately recognised under PRC laws, the Fund may suffer difficulties or delays in enforcing its rights in SSE Securities given HKSCC shall have no obligation to participate in any legal action or court proceeding to enforce any rights on behalf of the investors.

Although the relevant CSRC regulations and ChinaClear rules generally provide for the concept of a "nominee holder" and recognise the Hong Kong and overseas investors (including the Fund) as the "ultimate owners" of the rights and interests of A-Shares traded via Stock Connect, the precise nature and rights of the Hong Kong and overseas investors (including the Fund) as the beneficial owners of A-Shares through HKSCC as nominee are less well defined under PRC law. There is lack of a clear definition of, and distinction between, "legal ownership" and "beneficial ownership" under PRC law and there have been few cases involving a nominee account structure in the PRC courts.

Despite the legal terminology issues, it is well clarified in the relevant CSRC regulations that the rights and interests of SSE Securities are vested in Hong Kong and overseas investors. However, with respect to certain rights and interests of SSE Securities (such as some minority shareholders' rights) that can only be exercised via bringing legal actions to PRC competent courts, it is uncertain whether such rights could be enforced since HKSCC has made it clear in CCASS rules that HKSCC shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors. In the absence of HKSCC's participation in the legal actions or court proceedings, the way to enforce such rights by Hong Kong and overseas investors is untested. Whether the PRC competent courts will accept the lawsuit directly initiated by Hong Kong and overseas investors to enforce the rights and interests over SSE Securities are to be tested.

(e) *Differences in trading days*

Due to the differences in trading days, the Fund may be subject to a risk of price fluctuations in A-Shares on a day that the PRC market is open for trading but the Hong Kong market is closed.

(f) *Recalling of eligible stocks*

Hong Kong and overseas investors will be able to trade certain stocks listed on the SSE market (i.e. "SSE Securities"). When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can be sold but is restricted from being bought. This may affect the investment portfolio or strategies of a Fund, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

(g) *Clearing and settlement risk*

HKSCC and ChinaClear will establish the clearing links and each will become 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 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 Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

(h) *No Protection by Investor Compensation Fund*

The Fund's investments through the Stock Connect 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 Connect 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 Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, they are not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in the PRC. Therefore the Fund is exposed to the risks of default of the broker(s) it engages in its trading in A-Shares through the programme.

***Capital Erosion Risk***

Certain Share Classes may make distributions from capital. Investors should note that the focus on income may erode capital and diminish the Fund's ability to sustain future capital growth. In this regard, distributions from capital made during the life of the Fund to an applicable Share Class should be understood as a type of capital reimbursement.

## 16. Publication of Net Asset Value per Share

In addition to the publication of the Net Asset Value per Share on the internet at www.bloomberg.com, information relating to the Fund will be made available on Fundinfo.com, which is a publication organisation in Switzerland and Germany (www.fundinfo.com).