



Barings Global Funds
Explanatory Memorandum

9 December 2019

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 Barings Global Funds (“**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 27 March 2015 (“**Trust Deed**”) between HSBC Institutional Trust Services (Asia) Limited (“**Trustee**”) as trustee and Baring Asset Management (Asia) Limited (“**Manager**”) as manager.

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

Distribution of this Explanatory Memorandum must be accompanied by a copy of the Product Key Facts Statement of each Sub-Fund and the latest available annual report and audited accounts of the Fund and the Sub-Fund(s) (if any) and any subsequent unaudited semi-annual accounts. 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 annual reports and audited accounts and unaudited semi-annual accounts. Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Explanatory Memorandum or the Product Key Facts Statement should be regarded as unauthorised and accordingly must not be relied upon.

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 person receiving either a copy of this Explanatory Memorandum or the Product Key Facts Statement(s) may treat this this Explanatory Memorandum or the Product Key Facts Statement(s) as constituting an invitation to them to purchase or subscribe for Units unless in the relevant territory such an invitation could lawfully be made to them without compliance with any registration or other legal requirements. Any person wishing to make an application should satisfy themselves as to the observance of the laws of any relevant territory, including the obtaining of any requisite governmental or other consents and the observing of any other formalities. Accordingly, neither this Explanatory Memorandum nor the Product Key Facts Statement may 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, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a 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.

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

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

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Investors should read 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 35th Floor, Gloucester Tower, 15 Queen's Road Central, Hong Kong); or
- call the Manager at telephone number at +852 2841 1411; or
- submit a facsimile to the Manager at +(852) 2845 9050.

The Manager will on a best effort basis, revert and address the investor's complaints and enquiries as soon as practicable.

Further Information

Investors may access the website of the Manager at www.barings.com for further information on the Fund and the Sub-Fund(s), including this Explanatory Memorandum and the Product Key Facts Statement, annual and semi-annual reports and latest Net Asset Values. This website has not been reviewed or authorised by the SFC and may contain information relating to funds which are not authorised in Hong Kong and not targeted to Hong Kong investors.

TABLE OF CONTENTS

IMPORTANT INFORMATION FOR INVESTORS	1
TABLE OF CONTENTS.....	3
DIRECTORY OF PARTIES.....	4
DEFINITIONS.....	5
THE FUND	12
MANAGEMENT AND ADMINISTRATION OF THE FUND.....	13
INVESTMENT CONSIDERATIONS.....	16
RISK FACTORS	21
INVESTING IN THE FUND.....	49
REDEMPTION OF UNITS.....	53
CONVERSION.....	58
VALUATION AND SUSPENSION.....	60
DISTRIBUTION POLICY	65
FEES AND EXPENSES	67
TAXATION	70
GENERAL INFORMATION.....	79
SCHEDULE 1 - INVESTMENT RESTRICTIONS.....	86
SCHEDULE 2 – COLLATERAL VALUATION AND MANAGEMENT POLICY	98
APPENDIX I - BARINGS GLOBAL MULTI ASSET INCOME FUND	100

DIRECTORY OF PARTIES

Manager

Baring Asset Management (Asia) Limited

Registered address:

Room 3401, 3409-3410 & 35th Floor,
Gloucester Tower
15 Queen's Road Central
Hong Kong

Business address:

35th Floor, Gloucester Tower
15 Queen's Road Central
Hong Kong

Directors of the Manager

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c/o Baring Asset Management (Asia) Limited,
35th Floor, Gloucester Tower, 15 Queen's Road
Central, Hong Kong"

Solicitors to the Manager

Deacons
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18 Chater Road
Central
Hong Kong

Trustee and Registrar

HSBC Institutional Trust Services (Asia)
Limited

1 Queen's Road Central
Central
Hong Kong

Auditor

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

DEFINITIONS

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

“Appendix”	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
“Accounting Date”	31 January 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.
“Accounting Period”	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
“Amortisation Period”	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
“Application Form”	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
“AUD”	refers to the Australian Dollar, the lawful currency of Australia
“Base Currency”	in relation to a Sub-Fund, means the currency of account of the Sub-Fund as specified in the relevant Appendix
“Business Day”	a day (other than a Saturday or Sunday) on which banks in Hong Kong and London are open for normal banking business or such other day or days in relation to a Sub-Fund as the Trustee and Manager may determine from time to time and as specified in the relevant Appendix. 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 or London are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
“Bond Connect”	the initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China as described below under “ Investment Considerations – China Interbank Bond Market ”
“CAD”	refers to Canadian Dollar, the lawful currency of Canada
“Cancellation Fee”	cancellation fee of such amount as the Manager and the Trustee may from time to time determine to represent the administrative costs involved in processing the application for such Units being cancelled
“CHF”	refers to the Swiss Franc, the lawful currency of Switzerland
“China”, “Mainland China” or “PRC”	the People’s Republic of China excluding Hong Kong, Macau and Taiwan for the purpose of this Explanatory Memorandum

“China A-Shares”	Shares traded in Renminbi issued by companies listed on Chinese stock exchanges such as the Shanghai Stock Exchange and the Shenzhen Stock Exchange
“China B-Shares”	Shares traded in foreign currencies issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies
“Class”	means any class of Units in issue in relation to a Sub-Fund
“Class Currency”	in relation to a Class in a Sub-Fund, means the currency of account of such Class as specified in the relevant Appendix
“CNY”	Onshore Chinese Yuan, traded in Mainland China, referred to along with CNH as Renminbi (RMB)
“CNH”	Offshore Chinese Yuan, mostly traded in Hong Kong, referred to along with CNY as Renminbi (RMB)
“Code”	the Overarching Principles Section and Section II- Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products or any handbook, guideline and code issued by the Commission, as may be amended from time to time
“Connected person”	<p>in relation to a company, means:</p> <ul style="list-style-type: none"> (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 (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c) above
“Connect Schemes”	Shanghai-Hong Kong Stock Connect Scheme and Shenzhen-Hong Kong Stock Connect Scheme
“Conversion Form”	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
“EUR”	Refers to the currency adopted by certain member countries of the European Union
“Explanatory Memorandum”	this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
“Fund”	Barings Global Funds

“Foreign Access Regime”	the regime for foreign institutional investors to invest in the China Interbank Bond Market as described below under “Investment Considerations – China Interbank Bond Market” .
“GBP”	refers to the British Pound, the lawful currency of the United Kingdom
“Government and other public securities”	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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$” or “HKD”	refers to Hong Kong Dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards
“Initial Offer Period”	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
“Initial Offer Price”	the price per Unit during the Initial Offer Period as determined by the Manager and as specified in the relevant Appendix (if applicable)
“IOP Deadline”	in relation to the Initial Offer Period of a Sub-Fund or a particular Class of Units, such time as the Manager may from time to time determine and as specified in the relevant Appendix
“Issue Price”	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 “Investing in the Fund - Issue Price”
“Manager”	Baring Asset Management (Asia) 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
“Minimum Initial Subscription Amount”	the minimum initial investment for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
“Minimum Initial Subscription Amount”	the minimum initial investment for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
“Minimum Holding Amount”	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
“Minimum Redemption Amount”	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
“Minimum Subsequent Subscription Amount”	the minimum additional subscriptions for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix

“Minimum Subscription Level”	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
“Net Asset Value”	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 “ Valuation and Suspension - Calculation of Net Asset Value ”
“NZD”	refers to the New Zealand Dollar, the lawful currency of New Zealand
“Payment Period”	means by the end of the Initial Offer Period or such other 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
“QFII Regulations”	refers to the measures issued by the relevant authorities in the People’s Republic of China with respect to the qualified foreign institutional investors
“Qualified Exchange Traded Funds”	exchange traded funds that are: (a) authorized by the SFC under 8.6 or 8.10 of the Code; or (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
“Redemption Charge”	the redemption charge (if any) payable upon redemption of Units and as specified in the relevant Appendix
“Redemption Day”	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, each Business Day or such Business Day as specified in the relevant Appendix or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in that Sub-Fund or the relevant Class or Classes
“Redemption Deadline”	means 5.00 p.m. (Hong Kong time) on the relevant Redemption Day 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 and 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 or such other time as may be specified in the relevant Appendix

“Redemption Form”	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
“Redemption Price”	the price at which Units will be redeemed as determined in accordance with the Trust Deed and as described below under “Redemption of Units - Redemption Price”
“Refund Period”	5 Business Days from the relevant Subscription Day or close of the relevant Initial Offer Period (as the case may be) or such other period as specified in the relevant Appendix within which subscription moneys in respect of an application which was rejected or a Sub-Fund or a Class of Units which was not launched will be returned to the relevant applicant
“Registrar”	HSBC Institutional Trust Services (Asia) Limited in its capacity as registrar of the Fund and its Sub-Funds
“REITS”	real estate investment trusts
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
RQFII Regulations	refers to the measures issued by the relevant authorities in the People’s Republic of China with respect to the Renminbi qualified foreign institutional investors
“Securities Market”	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
“Semi-Annual Accounting Date”	31 July 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.
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571), as amended
“Sub-Fund”	a sub-fund of the Fund representing the designation by the Manager as a sub-fund, the proceeds of issue of which are pooled separately and invested in accordance with the investment objective and policies applicable to such sub-fund and which is established by the Manager from time to time
“Subscription Charge”	the subscription charge (if any) payable on the issue of Units and as specified in the relevant Appendix
“Subscription Day”	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, each Business Day or such Business Day as specified in the relevant Appendix or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in that Sub-Fund or the relevant Class or Classes
“Subscription Deadline”	means 5.00 p.m. (Hong Kong time) on the relevant Subscription Day by which an application for subscription in respect of a Sub-Fund or a Class of Units must be received

	<p>either on such Subscription Day or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold or such other time as may be specified in the relevant Appendix</p>
“substantial financial institution”	<p>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</p>
“Sub-Investment Grade Debt Securities”	<p>mean debt securities rated below BBB- by Standard and Poor’s or Fitch, or below Baa3 by Moody’s or equivalent ratings by other internationally recognized credit rating agencies of similar standing (in the event of split rating, the highest credit rating accredited to the relevant instrument itself or the issuer will be deemed the reference credit rating)</p>
“Sub-Investment Manager”	<p>the sub-investment manager appointed in respect of a Sub-Fund, the details of which as specified in the relevant Appendix (if applicable)</p>
“Switching Fee”	<p>the switching fee (if any) payable on the conversion of Units and as specified in the relevant Appendix</p>
“Top Up Form”	<p>any application form for additional units in an existing Fund, to be completed by investors as prescribed by the Manager from time to time</p>
“Trust Deed”	<p>the trust deed dated 27 March 2015 establishing the Fund and entered into by the Manager and the Trustee and amended and restated on 6 December 2019 (as amended from time to time)</p>
“Trustee”	<p>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</p>
“Unit”	<p>a unit in a Sub-Fund</p>
“Unitholder”	<p>a person registered as a holder of a Unit</p>
“United States Person”	<p>any citizen or resident of the United States, any corporation, trust, partnership or other entity created or organised in or under the laws of the United States, any state thereof or any estate or trust the income of which is subject to United States federal income tax, regardless of source. The expression also includes any person falling within the definition of the term “U.S. Person” under Regulation S promulgated under the United States Securities Act of 1933</p>
“Unrated Debt Securities”	<p>mean debt securities which both the instrument itself and its issuer do not have a credit rating</p>
“U.S.”	<p>United States of America, its territories, and all areas subject to its jurisdiction</p>
“US\$” or “USD”	<p>US Dollars, the lawful currency of the United States of America</p>

“Valuation Day”

in relation to a Sub-Fund means each Business Day as at which the Net Asset Value of a Unit falls to be calculated or such other day as the Manager may from time to time determine and as are described in the Appendix for the relevant Sub-Fund; and

“Valuation Point”

in relation to a Sub-Fund, means the close of business in the last relevant market to close on each Valuation Day or such other time on such Business Day as the Manager may from time to time determine and as described in the Appendix for the relevant Sub-Fund.

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-Funds and 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 may determine to issue additional Classes in relation to each Sub-Fund in the future.

Each Sub-Fund is established as a separate trust under the Trust Deed, and the assets of each Sub-Fund will be invested and administered separately from the assets of, and shall not be used to meet liabilities of any other Sub-Funds.

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 is Baring Asset Management (Asia) Limited which was incorporated in Hong Kong on 15 March 1985. The Manager is licensed by the SFC to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities.

The Manager undertakes the management of the assets of the Fund and the Sub-Fund(s). The Manager may appoint a Sub-Investment Manager and delegate any of its management functions in relation to assets of specific Sub-Funds to such Sub-Investment Manager subject to prior SFC approval. In the event that a Sub-Investment Manager is appointed by the Manager (following prior SFC approval) to assume investment management discretion 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.

Sub-Investment Manager

The Manager may from time to time appoint a Sub-Investment Manager to provide asset management services for certain Sub-Fund(s). Any such appointment will be disclosed in the relevant Appendix.

Trustee and Registrar

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 Funds Scheme Authority as trustee of registered MPF 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 is responsible for the safe-keeping of the assets of the Fund and the Sub-Fund(s) and 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 thereof. The Trustee shall in respect of any asset of a Sub-Fund which by nature cannot be held in custody, maintain a proper record of such Investments or assets in its books under the name of that Sub-Fund.

The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, any of its Connected persons) to hold as custodian, delegate, nominee or agent, all or any of the investments, assets or other property comprised in the Fund or any of the Sub-Fund(s) and may empower any such person to appoint, with the prior consent in writing of the Trustee, sub-custodians (each such custodian, delegate, nominee, agent 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 and (b) be satisfied that each Correspondent retained remain suitably qualified and competent on an ongoing basis to provide the relevant services to the Fund or any Sub-Fund(s). The Trustee shall be liable 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 set out in (a) and (b) as set out 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 or Euroclear Bank S.A./N.V. or Clearstream Banking S.A. or any other recognised depository or clearing and settlement system.

Subject to the provisions contained 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.

Subject to the provisions contained in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Fund and/or the Sub-Fund 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-Fund. Subject to applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of breaches of trust through fraud or negligence or wilful default - on the part of the Trustee or any Correspondent 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 or any Unitholder.

The Trustee in no way acts as guarantor or offer or 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, 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 "Trustee 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 the Sub-Fund and 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-Fund, and they are not responsible for the preparation or issue of this Explanatory Memorandum other than the description under "The Trustee and Registrar" in the "Management and Administration of the Fund" section.

Distributors

The Manager may appoint one or more 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.

Investors who apply for subscription, redemption and/or conversion of Units through Distributor(s) should note that such Distributor(s) may impose earlier dealing deadlines for receiving instructions for subscriptions, redemptions or conversions. Investors should pay attention to the arrangements of the 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 Distributors. For the avoidance of doubt, any fees, costs and expenses payable to the 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 auditor of the Trust and the Sub-Funds are PricewaterhouseCoopers.

The auditors' maximum liability to the Manger and the Trustee for any reason relating to the services rendered to the sub-fund will be limited according to the terms of the engagement letter to be entered into with the auditor.

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 key operators (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.

Investment and Borrowing Restrictions

The Trust Deed sets out restrictions and prohibitions outlined in the Code on the acquisition of certain investments and borrowing restrictions by the Manager. 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 the Unitholders of the relevant Sub-Fund.

Securities Lending and Repurchase / Reverse Repurchase Transactions

Unless otherwise disclosed in the relevant Appendix, 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 any of the Sub-Funds. 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.

Liquidity Risk Management

The Manager has established a liquidity management policy which enables it, through the investment risk management team of Baring Asset Management Limited which is functionally independent from the portfolio investment team of the Manager and the Sub-Investment Manager(s) to identify, monitor and manage the liquidity risks of the Fund and Sub-Funds and to ensure the liquidity profile of the investments of each Sub-Fund will facilitate compliance with the Sub-Fund's underlying obligations. The liquidity management policy applicable to the Sub-Funds takes into account the investment strategy, the liquidity profile, redemption policy and other underlying obligations of the Sub-Funds. The liquidity management systems and procedures include appropriate escalation measures to address anticipated or actual liquidity shortages or other distressed situations of the Fund and Sub-Funds. Any deterioration in liquidity profile is communicated to the portfolio managers and the appropriate oversight committee.

In summary, the liquidity management policy monitors the profile of investments held by the Fund and each Sub-Fund and ensures that such investments are appropriate to the redemption policy as stated under the section headed "Redemption of Units", and will facilitate compliance with each Sub-Fund's underlying obligations. Further, the liquidity management policy includes details on periodic stress testing carried out by Baring Asset Management Limited to manage the liquidity risk of each Sub-Fund in exceptional and extraordinary circumstances.

The Manager seeks to ensure that the investment strategy, the liquidity profile and the redemption policy of each Sub-Fund are consistent. The investment strategy, liquidity profile and redemption policy of the Fund and Sub-Funds will be considered to be aligned when investors have the ability to redeem their investments in a manner consistent with the fair treatment of all investors and in

accordance with the Manager's redemption policy and its obligations. In assessing the alignment of the investment strategy, liquidity profile and redemption policy, the Manager shall have regard to the impact that redemptions may have on the underlying prices or spreads of the individual assets of each Sub-Fund.

Details of the redemption rights of Unitholders, including redemption rights of Unitholders in normal and exceptional circumstances and existing redemption arrangements are set out in the sections headed "Redemption of Units" and "Valuation and Suspension". More particularly, the tools which may be used to manage liquidity risk include the following:

(a) The Manager may with the approval of the Trustee limit the number of Units of such Sub-Fund redeemed on any Redemption Day to 10% of the total number of Units of the relevant Sub-Fund in issue. If such limitation is imposed, this would restrict the ability of a Unitholder to redeem in full the Units he intends to redeem on a particular Redemption Day.

(b) With the consent of the redeeming Unitholder, the Manager may determine that a redemption request will be made in specie. As a result, the redeeming Unitholder will receive redemption proceeds in the form of securities instead of in cash.

(c) The Manager may, in calculation of the Issue Price and the Redemption Price, add fiscal and purchase charges or deduct fiscal and sales charges, to protect the interest of Unitholders under exceptional circumstances as determined by the Manager from time to time. As a result of such adjustment, the Net Asset Value per Unit will be higher or lower than the Net Asset Value per Unit which otherwise would be if such adjustment has not been made.

(d) The Manager may borrow up to 10% of the latest available Net Asset Value of a Sub-Fund. There can be no assurance that the relevant Sub-Fund will be able to borrow on favourable term.

(e) The Manager may, after consulting with the Trustee, having regard to the best interests of Unitholders, declare a suspension of the redemption of Units during certain circumstances as set out under the section headed "Valuation and Suspension - Suspension". During such period of suspension, Unitholders would not be able to redeem their investments in the relevant Sub-Fund.

Shanghai-Hong Kong Stock Connect Scheme and Shenzhen-Hong Kong Stock Connect Scheme

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

The Shanghai-Hong Kong Stock Connect Scheme enables Hong Kong and overseas investors, to invest in China A-Shares listed in the SSE ("**SSE Securities**") through their Hong Kong brokers and a securities trading service company established by SEHK using the Northbound Shanghai Trading Link. Under the Northbound Shanghai Trading Link, investors, through their Hong Kong brokers and a securities trading service company established by the SEHK, may be able to trade SSE Securities, listed on the SSE, subject to the rules of the Shanghai-Hong Kong Stock Connect Scheme. SSE Securities, as of the date of this Explanatory Memorandum, include shares listed on the SSE that are (a) constituent stocks of SSE 180 Index; (b) constituent stocks of SSE 380 Index; (c) China A-Shares listed on the SSE that are not constituent stocks of the SSE 180 Index or SSE 380 Index but which have corresponding China H-Shares accepted for listing and trading on SEHK, provided that: (i) they are not traded on the SSE in currencies other than RMB (ii) they are not under risk alert. SEHK may include or exclude securities as SSE Securities and may change the eligibility of shares for trading on the Northbound Shanghai Trading Link.

The Shenzhen-Hong Kong Stock Connect Scheme enables Hong Kong and overseas investors, to invest in China A-Shares listed in the SZSE ("**SZSE Securities**") through their Hong Kong brokers and a securities trading service company established by SEHK using the Northbound Shenzhen

Trading Link. Under the Northbound Shenzhen Trading Link, through their Hong Kong brokers and a securities trading service company established by SEHK, Hong Kong and overseas investors may be able to trade SZSE Securities, listed on the SZSE, subject to the rules of the Shenzhen-Hong Kong Stock Connect Scheme. SZSE Securities, as of the date of this Explanatory Memorandum, include (a) 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 (b) China-A Shares listed on the SZSE which have corresponding China HShares accepted for listing and trading on SEHK, provided that: (i) they are not traded on the SZSE in currencies other than RMB (ii) they are not under risk alert or under delisting arrangement.

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

SEHK may include or exclude securities as SZSE Securities and may change the eligibility of shares for trading on the Northbound Shenzhen Trading Link.

Under the Connect Schemes, the Hong Kong Securities Clearing Company Limited (“**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.

Details of the risks associated with investment in China A-Shares or China B-Shares are set out under the heading “Investment in China” under the section headed “Risk Factors” and specific risk factors regarding investment directly in China A-Shares via the Connect Schemes is set out under the heading “Risks associated with the Connect Schemes” under the section headed “Risk Factors”. Further details on the Connect Schemes are set out below.

China Interbank Bond Market

Overview

Foreign institutional investors (such as the Fund and the relevant Sub-Funds) can invest in the interbank bond markets in Mainland China (“**China Interbank Bond Market**”) via the Foreign Access Regime (as defined below) and/or the Bond Connect (as defined below).

Investment in China Interbank Bond Market via Foreign Access Regime

Pursuant to the “Announcement (2016) No 3” issued by the People’s Bank of China (“**PBOC**”) (中國人民銀行公告 [2016]第 3 號) on 24 February 2016, foreign institutional investors can invest in China Interbank Bond Market (“**Foreign Access Regime**”) subject to other rules and regulations as promulgated by the Mainland Chinese authorities, i.e., PBOC and the State Administration of Foreign Exchange (“**SAFE**”). Such rules and regulations may be amended from time to time and include (but are not limited to):

- (i) the “Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets” (境外機構投資者投資銀行間債券市場備案管理實施細則) issued by the Shanghai Head Office of PBOC on 27 May 2016;
- (ii) the “Circular concerning the Foreign Institutional Investors’ Investment in Interbank bond market in relation to foreign currency control” (國家外匯管理局關於境外機構投資者投資銀行間債券市場有關外匯管理問題的通知) issued by SAFE on 27 May 2016; and
- (iii) any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, foreign institutional investors who wish to invest directly in China Interbank Bond Market may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

In terms of fund remittance, foreign investors (such as the Fund and the relevant Sub-Funds) may remit investment principal in RMB or foreign currency into Mainland China for investing in the China Interbank Bond Market. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after the completion of the filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. For repatriation, where the Fund or the relevant Sub-Fund repatriates funds out of Mainland China, the ratio of RMB to foreign currency ("**Currency Ratio**") should generally match the original Currency Ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%.

Investment in China Interbank Bond Market via Northbound Trading Link under Bond Connect

Bond Connect is a new initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China ("**Bond Connect**") established by China Foreign Exchange Trade System & National Interbank Funding Centre ("**CFETS**"), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, HKEx and Central Moneymarkets Unit.

Bond Connect is governed by rules and regulations as promulgated by the Mainland Chinese authorities. Such rules and regulations may be amended from time to time and include (but are not limited to):

- (i) the "Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong (Decree No.1 [2017])" (內地與香港債券市場互聯互通合作管理暫行辦法(中國人民銀行令[2017]第 1 號)) issued by the PBOC on 21 June 2017;
- (ii) the "Guide on Registration of Overseas Investors for Northbound Trading in Bond Connect" (中國人民銀行上海總部“債券通“北向通境外投資者准入備案業務指引) issued by the Shanghai Head Office of PBOC on 22 June 2017; and
- (iii) any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the China Interbank Bond Market through the northbound trading of Bond Connect ("**Northbound Trading Link**"). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Pursuant to the prevailing regulations in Mainland China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the China Central Depository & Clearing Co., Ltd and Shanghai Clearing House). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

Renminbi Qualified Foreign Institutional Investor ("RQFII")

The RQFII regime allows qualified foreign institutional investors who raise Renminbi outside the PRC to invest in the securities markets in the PRC. The RQFII regime is governed by rules and regulations as promulgated by the relevant authorities in the PRC, i.e., the China Securities Regulatory Commission ("**CSRC**"), SAFE and the PBOC and/or other relevant authorities (the "**RQFII Regulations**"). Certain investment managers that meet the relevant prescribed eligibility requirements under the RQFII Regulations may apply to be granted a RQFII licence and quota (if necessary).

RQFII Regulations may be amended from time to time and include (but are not limited to):

- (i) the “Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors” (人民幣合格境外機構投資者境內證券投資試點辦法) issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013;
- (ii) the “Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors” (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定) issued by the CSRC and effective from 1 March 2013;
- (iii) the “Domestic Securities Investment Management through Renminbi Qualified Foreign Institutional Investors” (中國人民銀行國家外匯管理局關於人民幣合格境外機構投資者境內證券投資管理有關問題的通知) issued by the PBOC and the SAFE and effective from 5 September 2016; and
- (iv) any other applicable regulations promulgated by the relevant authorities.

Baring Asset Management (Asia) Limited, the Manager, has obtained an RQFII licence and may act as a qualified foreign investor for relevant Sub-Funds upon obtaining requisite RQFII quota (if necessary) from SAFE. As at the date of this Explanatory Memorandum, the Manager has not yet been allocated any RQFII quota and the relevant Sub-Funds will not be able to invest via the Manager's RQFII. Once the Manager has been allocated an RQFII quota or otherwise permitted to invest directly into the PRC via its RQFII licence, it may from time to time make necessary arrangements to enable a Sub-Fund to make direct investment into the PRC through its RQFII licence. The Manager may exercise such discretion without providing separate notification to Unitholders. There may be additional Barings entities licensed as RQFIIs from time to time which may, subject to applicable rules and regulations, also make available RQFII quota (if relevant) to relevant Sub-Funds.

Where relevant, the Manager (once it has obtained the requisite RQFII quota) may therefore allocate RQFII quota to a Sub-Fund, or allocate RQFII quota which may otherwise be available to a Sub-Fund to other products and/or accounts. In other words, the RQFII quota obtained by the Manager may not be used solely for the relevant Sub-Funds and there is no assurance that the Manager will make available RQFII quota that is sufficient for a relevant Sub-Fund's investment at all times.

RISK FACTORS

Not all risks apply to all Sub-Funds and the following table sets out the risks that, in the opinion of the Manager, could have an impact on the overall risk of a Sub-Fund. Investors should be aware that in a changing environment the Sub-Funds may be exposed to risks that were not envisaged at the date of the Explanatory Memorandum.

	Barings Global Multi Asset Income Fund
GENERAL RISKS	
<i>General</i>	✓
<i>Risks associated with Distributions out of Capital</i>	✓
<i>Counterparty Risk</i>	✓
<i>Credit Risk - General</i>	✓
<i>Currency Risk</i>	✓
<i>Sub-Fund Termination Risk</i>	✓
<i>Inflation Risk</i>	✓
<i>Investment in Europe- European Sovereign Debt Crisis</i>	✓
<i>Liquidity Risk</i>	✓
<i>Market Disruption Risk</i>	✓
<i>No Investment Guarantee</i>	✓
<i>Suspension of Trading</i>	✓
<i>Taxation</i>	✓
<i>Valuation Risk</i>	✓
<i>Risks of investing in other funds</i>	✓
<i>RMB Currency Risk and RMB Classes related risk</i>	✓
SUB-FUND SPECIFIC RISKS	
<i>Hedged Classes</i>	✓
<i>Liability of the Sub-Fund</i>	✓
<i>Investment in Smaller Companies</i>	✓
<i>Investment in Specific Industries, Sectors, Instruments, Countries, and Regions</i>	✓
<i>Investment in China</i>	✓
<i>Risks relating to investments in RMB denominated debt securities</i>	✓
<i>Risks associated with the China Interbank Bond Market</i>	✓
<i>Risks associated with the Connect Schemes</i>	✓
<i>Risks associated with the SME Board and/or ChiNext Board</i>	✓
<i>RQFII Risk</i>	✓
<i>Commodity based Risk</i>	✓
<i>Investment Trust and REITS related Risk</i>	✓
<i>Risk relating to dynamic asset allocation strategy</i>	✓
EQUITY RISKS	
<i>Investment in Equities and Equity Related Securities</i>	✓
EMERGING MARKETS	
<i>Investment in Emerging Markets (and/or Frontier Markets)</i>	✓
<i>Political, Social and Economic Instability</i>	✓
<i>Market Liquidity and Foreign Investment Infrastructure</i>	✓
<i>Corporate Disclosure, Accounting and Regulatory Standards</i>	✓
<i>Availability and Reliability of Official Data</i>	✓
<i>Legal Risk</i>	✓
<i>Taxation</i>	✓
<i>Settlement and Custody Risk</i>	✓

	Barings Global Multi Asset Income Fund
DEBT SECURITIES	
<i>Investment in Debt Securities</i>	✓
<i>Credit Risk- Debt Securities</i>	✓
<i>Interest Rate Risk</i>	✓
<i>Volatility and Liquidity risk – Debt securities</i>	✓
<i>Downgrading of Investment Grade Securities</i>	✓
<i>Zero Coupon Risk</i>	✓
<i>Investment in Asset-Backed and Mortgage-Backed Securities</i>	✓
<i>Sovereign Debt Risk</i>	✓
<i>Risks associated with investments in debt instruments with loss-absorption features</i>	✓
DERIVATIVE TECHNIQUES AND INSTRUMENTS	
<i>Investment in Derivatives</i>	✓
<i>Currency and Foreign Exchange risk</i>	✓
<i>Forward Foreign Exchange Transactions</i>	✓
<i>Futures Contracts</i>	✓
<i>Hedging Techniques</i>	✓
<i>Leverage Risk</i>	✓
<i>Over the Counter (OTC) Transactions</i>	✓
<i>Counterparty Default</i>	✓
<i>Options</i>	✓
<i>Legal Risks</i>	✓
<i>Risks Associated with Collateral Management and Re-investment of Cash Collateral</i>	✓

GENERAL RISKS

General

An investment in a Sub-Fund should be regarded as long-term in nature and only suitable for investors who understand the risks involved. As part of a long-term financial plan, investors should consider diversifying their portfolio by investing in a range of investments and asset Classes to spread and manage their overall investment risk.

The value of investments and any income from them can go down as well as up and an investor may not get back the amount invested. A Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in a Sub-Fund may suffer losses. There is no guarantee of the repayment of principal. Further, an investor who sells Units after a short period may not realise the amount originally invested in view of any Subscription Charge or market movements made on the issue of Units.

There is no assurance that the investment objective of any of the Sub-Funds will be achieved.

Risks associated with Distributions out of Capital

Distributions may be made in respect of the Distribution Classes. However, there is no guarantee that such distributions will be made. A high distribution yield does not imply a positive or high return.

Subject to the disclosure in the relevant Appendix, distributions may, at the Manager's discretion, be paid out of the capital of a Sub-Fund or out of gross income while charging/paying all or part of a Sub-Fund's management fee and other fees and expenses to/out of capital of such Sub-Fund (resulting in an increase in distributable income for the payment of distributions by a Sub-Fund, therefore effectively paying distributions out of capital of such Sub-Fund). Where the management fee and other fees and expenses are deducted from a Sub-Fund's capital rather than income generated by the relevant Sub-Fund or where distributions are paid out of capital of a relevant sub-

Fund, this may constrain growth and could erode capital, as the capital of the relevant Sub-Fund available for investment in the future and for capital growth may be reduced.

Payment of distributions 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 distributions out of a Sub-Fund's capital or payment of distributions effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit of the relevant Sub-Fund.

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

Counterparty Risk

Counterparty risk, otherwise known as default risk, is the risk that an organisation does not pay out on an equity-related security, equity based derivatives or a bond or other trade or transaction when it is supposed to. If a counterparty fails to honour its obligations in a timely manner and the Sub-Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and/or incur costs associated with asserting its rights which may ultimately lead to a fall in the Net Asset Value of the Sub-Fund.

Credit Risk - General

The Sub-Funds may be exposed to the credit/default risk of issuers of the debt securities that the Sub-Fund may invest in. The Sub-Funds may also be exposed to a credit risk in relation to the counterparties with whom they transact or place margin or collateral in respect of transactions in financial derivative instruments and may bear the risk of counterparty default. When a Sub-Fund invests in a security or other instrument which is guaranteed by a bank or other type of financial institution, there can be no assurance that such guarantor will not itself be subject to credit difficulties, which may lead to the downgrading of such securities or instruments, or to the loss of some or all of the sums invested in such securities or instruments, or payments due on such securities or instruments which may ultimately lead to a fall in the Net Asset Value of the Sub-Fund.

Currency Risk

The Sub-Funds may be susceptible to currency risk, either through Units in the Sub-Funds themselves issued in a currency other than the Base Currency, or through investing in securities denominated in currencies other than the Base Currency. The Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between the Base Currency and other currencies.

In particular, the assets of the Sub-Funds may be invested in securities in various countries and income from them will be received in a variety of currencies. A Sub-Fund (and its Net Asset Value) may be affected favourably or unfavourably by exchange control regulations. Changes in exchange rates between currencies may cause the value of the investments and/or income received to diminish or increase and may lead to a fall in the Net Asset Value of the Sub-Fund. A Class of Units of a Sub-Fund may be designated in a currency other than the Base Currency of the Sub-Fund. Changes in the exchange rate between the Base Currency and such designated currency may lead to a depreciation of the value of such Units as expressed in the designated currency. Unless the Class is specifically described as a hedged Class, no steps are taken to mitigate the effects of exchange rate fluctuations between the currency of denomination of the Units and the Base Currency.

Sub-Fund Termination Risk

In the event of the termination of a Sub-Fund, the Manager 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 Sub-Fund may be worth less than the initial cost of such investments, resulting in a substantial loss to the Unitholders. Moreover, any organisational

expenses with regard to the Sub-Fund that had not yet become fully amortised would be debited against the Sub-Fund's capital at that time.

The circumstances under which a Sub-Fund may be terminated are set out under the heading "Termination of Fund or a Sub-Fund".

Inflation Risk

A Sub-Fund's assets or income from a Sub-Fund's investments may be worth less in real terms in the future as inflation decreases the value of money. As inflation increases, the real value of a Sub-Fund's portfolio will decline unless it grows by more than the rate of inflation.

Investment in Europe -European Sovereign Debt Crisis

Some Sub-Funds may invest in Europe or in underlying funds which invest in Europe and may be exposed to risks relating to investment in securities of issuers located or incorporated in European markets. In light of the fiscal conditions and concerns on sovereign debt of certain European countries, the Eurozone crisis continues to raise uncertainty with some or no clarity on an enduring solution. Any adverse events, such as the downgrading of the credit rating of a European country, the default or bankruptcy of one or more sovereigns within the Eurozone, the departure of some, or all, relevant EU Member States from the Eurozone, or any combination of the above or other economic or political events may have a negative impact on the value of the Fund and the relevant Sub-Funds. In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, a Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks associated with investments in Europe.

If certain countries cease to use Euro as their local currency, the transition by an EU Member State away from the Euro or the dissolution of the Euro may require the redenomination of some, or all, Euro-denominated sovereign debt, corporate debt and securities (including equity securities). This may have an adverse impact on the liquidity of the Euro-denominated assets of the relevant Sub-Funds and on the performance of the relevant Sub-Funds which hold such assets. A Eurozone break-up or exit from the Euro might also lead to additional performance, legal and operational risks to the relevant Sub-Funds and may cause uncertainty as to the operation of certain terms of agreements that are governed by the law of an exiting EU Member State.

While the governments of many European countries, the European Commission, the European Central Bank, the International Monetary Fund and other authorities are taking measures (such as undertaking economic reforms and imposing austerity measures on citizens) to address the current fiscal conditions, there are concerns that these measures may not have the desired effect and the future stability and growth of Europe remains uncertain. If a crisis occurs, economic recovery may take some time and future growth will be affected. The performance and value of the relevant Sub-Funds may potentially be adversely affected by any or all of the above factors, or there may be unintended consequences in addition to the above arising from the potential European crisis that may adversely affect the performance and value of the relevant Sub-Funds. It is also possible that a large number of investors could decide to redeem their investments in the relevant Sub-Fund at the same time. Investors also need to bear in mind that the events in Europe may spread to other parts of the world, affecting the global financial system and other local economies, and ultimately adversely affecting the performance and value of the relevant Sub-Fund.

Liquidity Risk

Liquidity risk exists when a particular security or instrument is difficult to purchase or sell. If the size of a transaction would represent a relatively large proportion of the average trading volume in that security or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. In addition, if sizeable redemption requests are received, a Sub-Fund may need to liquidate its investment at a substantial discount in order to satisfy such requests and such Sub-Fund may suffer losses in trading such investments. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

Market Disruption Risk

The Sub-Funds may be exposed to the risk of incurring large losses in the event of disrupted markets. Disruptions can include the suspension or limit on trading of a financial exchange and disruptions in one market sector can have an adverse effect on other market sectors. If this happens, the risk of loss to a Sub-Fund can be increased because many positions may become illiquid, making them difficult to sell. Finance available to a Sub-Fund may also be reduced which can make it more difficult for a Sub-Fund to trade.

No Investment Guarantee

Investment in a Sub-Fund is not of the same nature as 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. Any investment in a Sub-Fund is subject to fluctuations in value and you may get back less than you invest.

Suspension of Trading

A securities exchange typically has the right to suspend or limit trading in any instrument traded on that exchange. The government or the regulators may also implement policies that may affect the financial markets. A suspension could render it impossible for the Manager, the Sub-Investment Manager (if any) or an underlying fund manager to liquidate positions and thereby expose a Sub-Fund to losses and may have a negative impact on the relevant Sub-Fund.

Taxation

Any change in the taxation legislation or the interpretation thereof in any jurisdiction where a Sub-Fund is registered, marketed or invested could affect the tax status of the Sub-Fund, and consequently the value of the Sub-Fund's investments in the affected jurisdiction, the Sub-Fund's ability to achieve its investment objective and/or to alter the post tax returns to shareholders.

A Sub-Fund may be subject to withholding or other taxes on income and/or gains arising from its investments. Certain investments may themselves be subject to similar taxes on the underlying investments that they hold. Any investment in either developed or emerging markets, may be subject to new taxes or the rate of tax applicable to any income arising or capital gains may increase or decrease as a result of any prospective or retrospective change in applicable laws, rules or regulations or the interpretation thereof. It is possible that a Sub-Fund may or may not be able to benefit from relief under a double tax agreement between Hong Kong and the country where an investment is resident for tax purposes.

Certain countries may have a tax regime that is less well defined, may be subject to unpredictable change and may permit retroactive taxation thus the Sub-Funds could become subject to a local tax liability that had not reasonably been anticipated. Such uncertainty could necessitate significant provisions being made by any relevant Sub-Fund in the net asset values per Unit calculations for foreign taxes while it could also result in a Sub-Fund incurring the cost of a payment made in good faith to a fiscal authority where it was eventually found that a payment need not have been made.

Consequently, where through fundamental uncertainty as to the tax liability, or the lack of a developed mechanism for practical and timely payment of taxes, a Sub-Fund pays taxes relating to previous years, any related costs will likewise be chargeable to the Sub-Fund. Such late paid taxes will normally be debited to a Sub-Fund at the point the decision to accrue the liability in the Sub-Fund's accounts is made.

As a result of the situations referred to above, any provisions made by the Sub-Funds in respect of the potential taxation of and returns from investments held at any time may prove to be excessive or inadequate to meet any eventual tax liabilities. Consequently, investors in a Sub-Fund may be advantaged or disadvantaged when they subscribe or redeem their Units in the Sub-Fund.

For further information please see also the Taxation section, in particular, the sub-section headed "Foreign Account Tax Compliance Act ("FATCA")".

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 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 determinations.

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.

Risks of investing in other funds

A Sub-Fund may invest in underlying funds which are not regulated by the SFC. A Sub-Fund may invest in other funds and therefore will be subject to the risks associated with the underlying funds. A Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the relevant Sub-Fund. In addition to the expenses and charges charged by such Sub-Fund, investor should note that there may be additional fees involved when investing into 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 underlying funds will always be sufficient to meet redemption requests 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 PBOC. 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 a 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. In any event, for proper redemption requests received before the Redemption Deadline, redemption proceeds will be paid no later than one calendar month after the later of (i) the relevant Redemption Day and (ii) the day on which the Trustee receives the duly completed Redemption Form and such other documents and information as the Trustee and/or the Manager may require.

Units of “non-hedged” 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. The 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 “non-hedged” 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 depreciates 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.

For “hedged” RMB Classes, investors should take note of the risks relating to hedged Classes as set out in the risk factor headed “Hedged Classes” below.

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 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. Therefore, any divergence between CNH and CNY may adversely impact investors. 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 guarantee that the value of RMB will not depreciate. Any depreciation 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 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 Sub-Fund to satisfy payments to investors. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

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. Non-RMB based (e.g. Hong Kong) investors are therefore exposed to foreign exchange risk. 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 Sub-Fund. Please also refer to the risk factor headed “Currency Risk”.

Where subscription monies are denominated in non-RMB, such subscription monies will be converted into the Base Currency of the 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 Risk” and “Investment in China” for the risks relating to investments denominated in RMB (such as China A-Shares and RMB debt securities).

SUB-FUND SPECIFIC RISKS

Hedged Classes

Hedged Unit Classes attempt to mitigate the effect of fluctuations in the exchange rate of the currency of the relevant hedged Unit Class relative to the Base Currency of the Sub-Fund. The Manager may try but are not obliged to mitigate this risk by using financial derivative instruments such as those described under the heading “Investment Considerations – Investment Restrictions”. To the extent the Manager uses financial derivative instruments for currency hedging, the relevant Sub-Fund will be subject to the risks relating to such instruments as set out in the risk factors headed “Investment in derivatives”, “Hedging Techniques”, “Liquidity Risk” and “Counterparty Default”. If the counterparties of the instruments used for hedging purposes default, investors in the hedged Classes may be exposed to currency risk on an unhedged basis and may therefore suffer further losses.

Currency hedging also has potential downsides. Hedging techniques have transaction costs which are borne by the hedged Unit Class. In addition it is unlikely that the Manager will be able to achieve a perfect currency hedge, so there is no guarantee that a currency hedge will be entirely effective. Investors should also be aware that this strategy may substantially limit Unitholders of the relevant Class from benefiting if the designated currency falls against the Base Currency and/or the currency in which assets of the Sub-Fund are denominated. Further, some hedging techniques may rely on past information which is not a reliable indicator of future performance.

Liability of the Sub-Fund

Unitholders of the relevant Hedged Unit Class of a Sub-Fund may be exposed to fluctuations in the Net Asset Value per Unit reflecting the gains/losses on and the costs of the relevant financial instruments. However, the financial instruments used to implement such strategies shall be assets/liabilities of the Sub-Fund as a whole.

Investment in Smaller Companies

Smaller companies tend to be subject to greater risks than larger companies. These include economic risks, such as lack of product depth, limited geographical diversification and increased sensitivity to the business cycle. They also include organisational risk, such as concentration of management and shareholders and key-person dependence. The stock of small-capitalisation and mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general. Where smaller companies are listed on ‘junior’ sections of the stock exchange, they may be subject to a lighter regulatory environment. Furthermore, the shares in smaller companies can be more difficult to buy and sell, resulting in less flexibility, and sometimes higher costs, in implementing investment decisions.

Investment in Specific Industries, Sectors, Instruments, Countries and Regions

Country, region or sector specific Sub-Funds have a narrower focus than those which invest broadly across markets. A Sub-Fund’s investments may also be concentrated in specific industry, sectors, instruments, countries or regions. These Sub-Funds typically offer less diversification and are therefore considered to be more risky. These Sub-Funds may be adversely affected by or depend heavily on the performance of the relevant country, region or section. Investors should also be aware that the value of these Sub-Funds are likely to be more volatile than that of a broad-based fund having a more diverse portfolio of investments, such as a global or regional equity or bond fund, as they are more susceptible to fluctuations in value resulting from adverse conditions in their respective industry/sector/ instrument/country/region. In particular, the value of a Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the specific country or region market.

Investment in China

Investing in the Chinese securities markets (including markets on which China A-Shares and China B-Shares are traded) is subject to both emerging market risks as well as country specific risks. Political changes, restrictions on currency exchange, exchange monitoring, taxes, limitations on foreign capital investments and capital repatriation can also affect investment performance. Please also refer to the risk factor headed “RMB Currency risks and RMB Classes related risk”.

The legal and regulatory framework for capital markets and joint stock companies in China is less developed when compared with those of developed countries. In addition, Chinese accounting standards may differ from international accounting standards.

Investment in Chinese securities may involve certain custodial risks. For example, the evidence of title of exchange traded securities in the People’s Republic of China (“PRC”) consists only of electronic book-entries in the depository and/or registry associated with the relevant exchange. These arrangements of the depositories and registries are new and not fully tested with regard to their efficiency, accuracy and security.

The PRC markets on which China A-Shares and China B-Shares are traded have in the past experienced substantial price volatility and there can be no assurance that such volatility will not occur in the future. These markets may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than markets in more developed countries. Market volatility and potential lack of liquidity (for example, low liquidity in respect of China B-Shares due to low trading volume) may result in prices of securities traded on the PRC markets to fluctuate significantly. This may result in substantial changes to the prices of Units of a Sub-Fund which invests in China A-Shares and/or China B-Shares.

Investment in Mainland China remains sensitive to any major change in economic, social and political policy in the PRC. The capital growth and thus the performance of these investments may be adversely affected due to such sensitivity. The PRC government’s control of future movements in exchange rates and currency conversion may have an adverse impact on the operations and financial results of the companies in which these Sub-Funds invest.

With the potential uncertainty concerning the tax treatment of investments in Chinese securities, the possibility of tax rules being changed and the possibility of taxes or tax liabilities being applied retroactively, any provisions for taxation made by the relevant Sub-Funds at any time may prove to be excessive or inadequate to meet any eventual tax liabilities. Consequently, investors may be advantaged or disadvantaged depending on the position of the Chinese tax authorities in the future and the level of tax provisions proving to be either excessive or inadequate either when they subscribed or redeemed their Units in the relevant Sub-Funds.

Risks relating to China A-Shares market

The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. Whilst the number of available share issues continues to increase, availability remains limited as compared with the choice available in other developed financial markets. This can impact on the level of liquidity in the stock markets which in turn can lead to price volatility.

The price at which securities may be purchased or sold by a Sub-Fund and the Net Asset Value of the Sub-Fund may be adversely affected if trading markets for China A-Shares are limited or absent. High market volatility and potential settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of a Sub-Fund which invests in the China A-Shares market.

Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. In particular, trading band limits are imposed by the stock exchanges in China on China A-Shares, where trading in any China A-Share security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased

to the extent beyond the trading band limit. A suspension will render it impossible for the Manager, the Sub-Investment Manager (if any) or an underlying fund manager to liquidate positions (at all or at a favourable price when the suspension is subsequently lifted) and can thereby expose a Sub-Fund which invests in the China A-Share market to significant losses and may have a negative impact on the relevant Sub-Fund.

To the extent that a Sub-Fund invests in the China A-Share market via the Connect Schemes and/or invests in stocks listed on the Small and Medium Enterprise Board (“**SME Board**”) of the SZSE and/or the ChiNext Board, such Sub-Fund may be exposed to risks relating to the Connect Schemes, the SME Board and/or the ChiNext Board. Investors should also refer to the risk factors headed “Risks associated with the Connect Schemes” and “Risks associated with the SME Board and/or ChiNext Board”.

Short swing profit rule

According to the PRC Securities Law (中华人民共和国证券法), a shareholder of 5% or more of the shares of a PRC listed company (“**major shareholder**”) has to return any profits obtained from the purchase and sale of shares of such PRC listed company if both transactions occur within a six-month period. In the event of becoming a major shareholder of a PRC listed company, the profits that a Sub-Fund may derive from such investments may be limited, and thus the performance of a Sub-Fund may be adversely affected.

Under the prevailing PRC tax policy, there are certain tax incentives available to PRC companies with foreign investments. However, there is no assurance that tax incentives currently offered to foreign companies will not be abolished in the future. In addition, by investing in Chinese securities including A-Shares and B-Shares (indirectly through investment in other collective investment schemes or participation notes), these Sub-Funds may be subject to withholding and other taxes imposed in the PRC which cannot be eliminated by any applicable double taxation treaty. Therefore such uncertainty could necessitate significant provisions being made in the Net Asset Value per Unit calculations for foreign taxes.

Risks relating to investments in RMB denominated debt securities

A Sub-Fund which invests in RMB denominated debt securities that are issued or distributed outside of China (also commonly known as “Dim Sum” bonds) may be subject to additional liquidity risks. The offshore RMB debt securities market has continued to develop although the trading volume may be less than that of a more developed market. The market liquidity for RMB debt securities has enhanced following measures by the Chinese government to gradually expand the use of RMB outside the People’s Republic of China and the increased number of issues in RMB debt securities in the offshore primary market. However, the “Dim Sum” bond market is still a relatively small market which is more susceptible to volatility and illiquidity. There is no guarantee that there will be an active secondary market for all RMB debt securities. In the absence of an active secondary market, the relevant Sub-Fund or the underlying fund(s) may need to hold the relevant RMB debt securities until their maturity date. If sizeable redemption requests are received, the relevant Sub-Fund or the underlying fund(s) may need to liquidate its investments at a substantial discount in order to satisfy such requests and may suffer losses in trading such instruments.

Even if a secondary market exists for any RMB debt securities, the price at which such instruments are traded on the secondary market may be higher or lower than the initial issue price due to many factors including the prevailing interest rates. Further, the bid and offer spread of the price of RMB debt securities may be high, and the relevant Sub-Fund or underlying fund(s) may therefore incur significant trading costs and may even suffer losses when selling such investments. In respect of the listed debt instruments, the relevant Sub-Fund or underlying fund(s) may be subject to the risk of not being able to sell them over the exchange on a timely basis, or may have to sell at a substantial discount to their face values. The Sub-Fund and the relevant underlying fund(s) may also encounter difficulties or delays in enforcing their rights against the issuers of RMB debt securities as such issuers may be incorporated outside Hong Kong and subject to foreign laws. This may adversely affect the liquidity and net asset value of the relevant Sub-Fund or underlying fund(s).

Further, 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 relevant 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 the China Interbank Bond Market

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

To the extent that a Sub-Fund transacts in the China Interbank Bond Market, a 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 a Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via the Foreign Access Regime and/or Bond Connect, the relevant filings 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, a Sub-Fund is subject to the risks of default or errors on the part of such third parties.

The China Interbank Bond Market via 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 China Interbank Bond Market, a Sub-Fund's ability to invest in the China Interbank Bond Market will be adversely affected. In such event, a Sub-Fund's ability to achieve its investment objective will be negatively affected.

Risks associated with the Connect Schemes

The relevant rules and regulations on the Connect Schemes are subject to change which may have potential retrospective effect. Where a suspension in the trading through the programme is effected, a Sub-Fund's ability to invest in China A-Shares or access the PRC market through the programme will be adversely affected. In such event, a Sub-Fund's ability to achieve its investment objective could be negatively affected.

Quota limitations

Trading under the Connect Schemes will be subject to a daily quota ("Daily Quota"). The Northbound Shanghai Trading Link under the Shanghai Hong Kong Stock Connect Scheme, Northbound Shenzhen Trading Link under the Shenzhen-Hong Kong Stock Connect Scheme, Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect Scheme and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect Scheme 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 Connect Schemes each day. SEHK will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the HKEx's website.

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 a Sub-Fund's ability to invest in China A-Shares through the Connect Schemes on a timely basis, and the relevant Sub-Fund may not be able to effectively pursue its investment strategies.

Clearing and settlement risk

The China A-Shares traded through the Connect Schemes are issued in scriptless form, so investors will not hold any physical China A-Shares. Hong Kong and overseas investors who have acquired

SSE Securities and SZSE Securities through Northbound trading should maintain the SSE Securities and SZSE Securities with their brokers' or custodians' stock accounts with CCASS (i.e. the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK).

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 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, a Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

Currency risk

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

Trading fees and stamp duty

Under the Connect Schemes, Hong Kong and overseas investors will be subject to the fees and levies imposed by Shanghai Stock Exchange, 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

Hong Kong and overseas investors are required to pay stamp duty arising from the sale and purchase of SSE Securities and SZSE Securities and the transfer of SSE Securities and SZSE Securities by way of succession and gift in accordance with existing taxation rules in China. A Sub-Fund will be subject to PRC stamp duty on the contract for the sales of China A-Shares and China B-Shares traded on the PRC stock exchanges. Such stamp duty is currently imposed on the seller but not the purchaser, at the rate of 0.1%.

No protection by Hong Kong Investor Compensation Fund

Investment through the Connect Schemes is conducted through brokers, and is subject to the risks of default by such brokers' in their obligations.

A Sub-Fund's investments through Northbound trading under the Connect Schemes are not 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 the Northbound Trading Link via the Connect Schemes 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 a Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not the PRC brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金).

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 to take steps in order to participate in them.

SSE-/SZSE-listed companies usually announce information regarding their annual general meetings/extraordinary general meetings about two to 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, venue and the number of resolutions.

The HKSCC will keep CCASS Participants informed of corporate actions of SSE Securities and SZSE Securities (as defined above). 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 PRC regulations 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 Connect Schemes 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 a Sub-Fund may not be able to participate in some corporate actions in a timely manner.

Foreign shareholding restrictions

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

- shares held by a single foreign investor (such as a Sub-Fund) investing in a listed company must not exceed 10 % of the total issued shares of such listed company; and
- total shares held by all foreign investors (i.e. Hong Kong and overseas investors) who make investment in a listed company must not exceed 30 % of the total issued shares of such listed company.

When the aggregate foreign shareholding of an individual China A-Share reaches 26 %, SSE or SZSE, as the case may be, will publish a notice on its website (<http://www.sse.com.cn/disclosure/disclosure/qfii> for SSE and <http://www.szse.cn/main/disclosure/news/qfii/> for SZSE). If the aggregate foreign shareholding exceeds the 30% threshold, the foreign investors concerned will be requested to sell the shares on a last-in-first-out basis within five trading days.

Operational risk

The Connect Schemes provide a channel for investors from Hong Kong and overseas to access the China stock markets directly.

The Connect Schemes are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme 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-Shares through the Connect Schemes. However, it should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the program to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the “connectivity” in the Connect Schemes requires routing of orders across the border. SEHK has set up an order routing system (“**China Stock Connects System**”) to capture, consolidate and route the cross boundary orders input by exchange participants. There is no assurance that the systems of the 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 programme could be disrupted. A Sub-Fund’s ability to access the China A-Share market (and hence to pursue its investment strategy) will be adversely affected.

Regulatory risk

The Connect Schemes 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 the Connect Schemes.

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

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 Connect Schemes is effected, a Sub-Fund’s ability to access the PRC market will be adversely affected.

Restrictions on selling imposed by front-end monitoring

PRC regulations require that before an investor sells any share, 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 a Sub-Fund desires to sell certain China A-Shares it holds, it will be required to transfer those China A-Shares to the respective accounts of its brokers before the market opens on the day of selling (“**trading day**”) unless its broker can otherwise confirm that the Sub-Fund has sufficient shares in its account. If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, a Sub-Fund may not be able to dispose of holdings of China A-Shares in a timely manner.

However, a Sub-Fund may request a custodian to open a special segregated account (“**SPSA**”) in CCASS to maintain its 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 Connects System to verify the holdings of an investor such as a Sub-Fund. Provided that there is sufficient holding in the SPSA when a broker inputs a Sub-Fund’s sell order, the Sub-Fund will be able to dispose of its 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-Fund will enable it to dispose of its holdings of China A-Shares in a timely manner.

Differences in trading days

The Connect Schemes will only operate on days when both the PRC and the Hong Kong stock 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 the

PRC stock markets but Hong Kong investors (such as a Sub-Fund) cannot carry out any China A-Shares trading. Due to the differences in trading days, a Sub-Fund may be subject to a risk of price fluctuations in China A-Shares on a day that the PRC stock markets are open for trading but the Hong Kong stock market is closed.

Recalling of eligible stocks

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

Taxation risk

The Manager intends to manage and operate the Fund and the Sub-Funds in such a manner that the Fund and the Sub-Funds should not be treated as tax resident enterprises of the PRC or non-tax resident enterprises with a permanent establishment ("PE") in the PRC for Corporate Income Tax ("CIT") purposes, although this outcome cannot be guaranteed. If the Manager is successful, the Fund or the Sub-Funds should generally be subject to a withholding of PRC corporate income tax on the PRC-sourced income derived by it from the investment in PRC securities at the rate of 10% rather than the 25% rate of CIT that would be applicable to a tax resident enterprise of the PRC or the profits and gains attributable to the PRC PE of a non-tax resident enterprise.

Pursuant to Circular Caishui [2014] No. 81 ("**Notice No. 81**") dated 31 October 2014 jointly issued by the State Administration of Taxation, the Ministry of Finance and the China Securities Regulatory Commission, PRC corporate income tax, individual income tax and business tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the relevant Sub-Fund) on trading of China A-Shares via the Shanghai-Hong Kong Stock Connect Scheme with effect from 17 November 2014. Please note that from 1 May 2016, with the effect of Circular Caishui [2016] No.36 ("**Notice No. 36**") jointly issued by the Ministry of Finance and the State Administration of Taxation, value-added tax would replace business tax to cover all the sectors that used to fall under the business tax regime. According to Circular Caishui [2016] No. 36, gains derived by Hong Kong investors (including both entities and individuals) on trading of China A-shares via Shanghai-Hong Kong Stock Connect Scheme could be exempted from value-added tax with effect from 1 May 2016. Pursuant to Circular Caishui [2016] No. 127 ("**Notice No. 127**") dated 5 November 2016 jointly issued by the State Administration of Taxation, the Ministry of Finance and the China Securities Regulatory Commission, PRC corporate income tax, individual income tax and value-added tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the relevant Sub-Fund) on trading of China A-Shares via the Shenzhen-Hong Kong Stock Connect with effect from 5 December 2016.

Based on Notice No. 81 and Notice No. 127 and having consulted professional and independent tax adviser, the Manager will not make any tax provision for gross realized or unrealized capital gains derived from trading of China A-Shares via the Connect Schemes.

However, Hong Kong and overseas investors are required to pay withholding income tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant authority by the listed companies distributing the dividend. For investors who are tax residents of a country which has entered into a tax treaty with China for a lower withholding income tax rate on dividend, such investors may apply to the tax authority in-charge of the payer for a refund of the differences. The relevant Sub-Fund will also be subject to PRC stamp duty on the contract for the sales of A-Shares and B-Shares traded on the PRC stock exchanges. Such stamp duty is currently imposed on the seller but not the purchaser, at the rate of 0.1%.

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 the PRC 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. Any changes in tax policies may reduce the after-tax profits of the companies in the PRC which a Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

Risks associated with the SME Board and/or ChiNext Board

Certain Sub-Funds may have exposure to stocks listed on 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 SME Board and/or ChiNext Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation

The rules and regulations regarding companies listed on 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 a Sub-Fund if the companies that it invests in are delisted.

Investments in the SME Board and/or ChiNext Board may result in significant losses for a Sub-Fund and its investors.

RQFII Risk

Certain Sub-Funds may make investments that are tied economically to issuers from the PRC. This exposure to the Chinese market may be obtained via the RQFII regime or via the Connect Schemes within certain investment quotas as approved under and subject to applicable Chinese regulatory requirements.

RQFII Regulatory Risks

PRC investments through holders of an RQFII licence are subject to the RQFII Regulations, which are governed by PRC authorities, including the CSRC, SAFE and PBOC. As the RQFII Regulations have a relatively short history and their application and interpretation remain relatively untested, there is uncertainty as to how they will be applied and interpreted by the PRC authorities. The PRC 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.

A Sub-Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC, which are subject to change and such change may have potential retrospective effect. Any changes to the relevant rules may have a material adverse impact on Unitholders' investment in a Sub-Fund.

RQFII Quota Risks (if applicable)

Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or to make available its RQFII quota (if applicable), or a Sub-Fund will be allocated a sufficient portion of RQFII quotas (if applicable) from a RQFII to meet all applications for subscription to the Sub-Fund, or that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. A Sub-Fund may not have exclusive use of the entire RQFII quota (if applicable) granted by SAFE to the RQFII (i.e. the Manager), as the

RQFII may in its discretion allocate RQFII quota (if applicable) which may otherwise be available to the Sub-Fund to fund products under the Manager's management.

To the extent the RQFII (i.e. the Manager) has utilised its entire RQFII quota (if applicable), the Manager may, subject to any applicable regulations, apply for an increase of its RQFII quota (if applicable) which may be utilised by the relevant Sub-Funds, other clients or other products managed by the Manager. There can however be no assurance that additional RQFII quota (if applicable) can be obtained to fully satisfy subscription requests in the relevant Sub-Funds, which may result in a need to close such Sub-Funds to further subscriptions, to reject and/or (pending receipt of additional RQFII quota (if applicable)) to defer all or part of any new subscription requests, subject to the provisions of this Explanatory Memorandum. On the other hand, the size of the quota (if applicable) granted to a Barings RQFII may generally be reduced or cancelled by the relevant Chinese authorities if this Barings RQFII is unable to use its RQFII quota (if applicable) effectively within one (1) year since the quota is granted. RQFII quotas (if applicable) are generally granted to a RQFII. The rules and restrictions under RQFII regulations generally apply to the RQFII as a whole and not simply to the investments made by a Sub-Fund. Also, regulatory sanctions may be imposed on the Manager if the latter (or the RQFII local custodian) breach any provision of the RQFII Regulations, which could potentially result in the revocation of the RQFII quota (if applicable) or other regulatory sanctions that may impact on the portion of the quota made available for investment by the relevant Sub-Funds. Should the Manager lose its RQFII status or its investment quota (if applicable) is revoked or reduced, a Sub-Fund may no longer be able to invest directly in the PRC or may be required to dispose of its investments in the PRC domestic securities market held through the quota, which could have an adverse effect on its performance or result in a significant loss.

A Sub-Fund may suffer substantial losses if there is insufficient RQFII quota (if applicable) allocated for the Sub-Fund to make investments, the approval of the Manager is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including RQFII Custodian (as defined below)/PRC brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

RQFII Repatriation Risks

A Sub-Fund may be impacted by the rules and restrictions under the RQFII Regulations (including investment restrictions, limitations on foreign ownership or holdings), which may have an adverse impact on its performance and/or its liquidity. The SAFE regulates and monitors the repatriation of funds out of the PRC by RQFIIs pursuant to the RQFII Regulations. Repatriations by RQFIIs in respect of an open-ended RQFII fund (as defined under RQFII Regulations), such as the relevant Sub-Funds, conducted in RMB are currently conducted daily and are not subject to repatriation restrictions or prior approval. There is no assurance, however, that RQFII Regulations will not change or that repatriation restrictions will not be imposed in the future.

Any restrictions on repatriation of the invested capital and net profits may impact on the relevant Sub-Fund's ability to meet redemption requests from the Unitholders. In extreme circumstances, the relevant Sub-Funds may incur significant loss due to limited investment capabilities, or may not be able fully to implement or pursue its investment objectives or strategies, due to RQFII investment restrictions, illiquidity of the PRC's securities market, and delay or disruption in execution of trades or in settlement of trades.

RQFII Custody Risks

Where a Sub-Fund invests in fixed income securities traded on the interbank bond market and the exchange markets in the PRC through the Manager's RQFII quota, such securities will be maintained by a local custodian (the "RQFII Custodian") pursuant to PRC regulations through securities accounts with ChinaClear or the China Central Depository & Clearing Co. Ltd and/or the Shanghai Clearing House Co. Ltd. and such other relevant depositories in such name as may be permitted or required in accordance with PRC law. Cash shall be maintained in a cash account with the RQFII Custodian.

Under RQFII Regulations, any securities acquired by a Sub-Fund through a RQFII quota held by the Manager will be maintained by the RQFII Custodian and should be registered in the joint names of the Manager (as the RQFII licence holder) and the Sub-Fund and for the sole benefit and use of the Sub-Fund. However, it is possible that the judicial and regulatory authorities in China may interpret the position differently in future and determine that the Manager could be the party entitled to the securities in such securities trading account. Such securities may be vulnerable to a claim by a liquidator of the Manager and may not be as well protected as if they were registered solely in the name of the Sub-Fund. In particular, there is a risk that creditors of the Manager may incorrectly assume that the Sub-Fund's assets belong to the Manager and such creditors may seek to gain control of the Sub-Fund's assets to meet the Manager's liabilities owed to such creditors.

Investors should also note that cash deposited in the cash account of the relevant Sub-Funds with the RQFII Custodian will not be segregated but will be a debt owing from the RQFII Custodian to the relevant Sub-Funds as a depositor. Such cash will be co-mingled with cash belonging to other clients of the RQFII Custodian. In the event of bankruptcy or liquidation of the RQFII Custodian, the relevant Sub-Funds will not have any proprietary rights to the cash deposited in such cash account, and the relevant Sub-Funds will become an unsecured creditor, ranking *pari passu* with all other unsecured creditors, of the RQFII Custodian.

The relevant Sub-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 Sub-Fund will suffer losses. Also, the Sub-Fund may incur losses due to the acts or omissions of the RQFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities.

PRC Brokerage Risks under RQFII regime

The execution and settlement of transactions or the transfer of any funds or securities may be conducted by PRC brokers appointed by the Manager. There is a risk that a Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the PRC brokers. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

In selection of PRC brokers, the Manager will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards. If the Manager consider appropriate and if under market or operational constraints, it is possible that a single PRC broker will be appointed and the Sub-Fund may not necessarily pay the lowest commission or the trades may not be executed at the best price available in the market at the relevant time.

Commodity based risk

The value of commodities (which includes but is not limited to gold and natural resources) and the companies involved can be significantly affected (both negatively and positively) by world events, trade controls, worldwide competition, political and economic conditions, international energy conservation, the success of exploration projects, tax and other government regulations. Where the value of commodities falls due to any of the above, the value of a Sub-Fund may be adversely impacted.

The commodity markets generally are subject to greater risks than other markets. It is a feature of commodities generally that they are subject to rapid change and the risks involved may change relatively quickly.

In addition, the geographical distribution and concentration of commodities may expose a Sub-Fund to issues such as heightened political risks, sovereign intervention and the potential for sovereign claims to output, acts of war, or increase in resources-related rents and taxes. There is also the risk that industrial production may fluctuate widely, decline sharply, or be subject to waning secular consumption trends, adversely affecting the performance of a Sub-Fund.

Investment Trust and REITs related risk

Investment trusts including real estate investment trusts ("REIT"), 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 change 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 a Sub-Fund has invested may have a negative impact on the Net Asset Value of the relevant Sub-Fund.

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

A Sub-Fund may invest in investment trusts which may not necessarily be authorised by the SFC.

Risk relating to dynamic asset allocation strategy

The investments of a Sub-Fund may be periodically rebalanced and therefore the relevant Sub-Fund may incur greater transaction costs than a fund with static allocation strategy.

EQUITY RISKS

Investment in Equities and Equity Related Securities

A Sub-Fund's investment in equity and equity related securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. The equity markets may fluctuate significantly with prices rising or falling sharply, and this will have a direct impact on the Sub-Fund's Net Asset Value (i.e. a decrease in value of the equity securities in which a Sub-Fund has invested decreased in value, this may lead to a fall in the Net Asset Value of the relevant Sub-Fund). When the equity markets are extremely volatile the Sub-Fund's Net Asset Value may fluctuate substantially and may incur losses.

A Sub-Fund may invest in equity-related securities such as structured notes, participation notes or equity-linked notes. These are issued by a broker, an investment bank or a company and are therefore subject to the risk of insolvency or default of the issuer. If there is no active market in these instruments, this may lead to liquidity risk. Further, investment in equity-linked securities may lead to dilution of performance of the relevant Sub-Fund when compared to the other funds which invest directly in similar underlying assets due to fees embedded in the notes. The aforesaid circumstances may adversely affect the net asset value per share of the relevant Sub-Fund.

A Sub-Fund may also invest in debt securities convertible into equities. Such securities are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles will be exposed to equity movement and greater volatility than straight bond investments. Debt securities convertible into equities have the general characteristics of debt securities issued by companies and therefore investments in such securities are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

As such, such securities are interest rate sensitive, which means that their value and, consequently, the Net Asset Value of the Fund, may fluctuate as interest rates fluctuate. An increase in interest rates generally reduces the value of debt instruments. The value of debt securities convertible into equities may also fluctuate as the price of the underlying equity fluctuates. Debt securities are also subject to credit risk, which means that their value, and, consequently, the Net Asset Value of the Sub-Fund fluctuates as the credit worthiness of the issuer fluctuates.

EMERGING MARKETS

Investment in Emerging Markets (and/or Frontier Markets)

Where a Sub-Fund invests in emerging (or frontier) markets, investors should be aware that this is likely to entail increased risks and special considerations not typically associated with investment in

more developed markets such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

Issues can include less stability, lack of transparency and interference in political and bureaucratic processes and high levels of state intervention in society and the economy. Currency conversion and repatriation of investment income, capital and proceeds of sale by a Sub-Fund may be limited or require governmental consents. A Sub-Fund could be adversely affected by delays in, or refusal to grant, any such approval for the repatriation of funds or by any official intervention affecting the process of settlement of transactions. Stock exchanges and other such clearing infrastructure may lack liquidity and robust procedures and may be susceptible to interference. Such risks could affect adversely the economies of emerging markets or the value of the Sub-Funds' investments and the Net Asset Value of the relevant Sub-Fund.

Political, Social and Economic Instability

Some countries have a higher than usual risk of nationalisation, expropriation or confiscatory taxation, any of which might have an adverse effect on a Sub-Fund's investments in those countries. Emerging countries can be subject to a higher than usual risk of political change, government regulation, social instability or diplomatic developments (including war) which could adversely affect the economies of such countries and thus a Sub-Fund's investments in those countries. Furthermore, it may be difficult for the Sub-Fund to obtain effective enforcement of its rights in certain emerging countries. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

Market Liquidity and Foreign Investment Infrastructure

Trading volume on the stock exchange of most emerging countries can be substantially less than in the leading stock markets of the developed world, so that the purchase and sale of holdings may take longer. Volatility of prices can be greater than in the developed world. This may result in considerable volatility in the value of the Sub-Fund and, if sales of a significant amount of securities have to be effected at short notice in order to meet redemption requests, such sales may have to be effected at unfavourable prices which could have an adverse effect on the value of the Sub-Fund and therefore the Net Asset Value of such Sub-Fund.

In certain emerging countries, portfolio investment by foreign investors such as the Sub-Funds may require consent or be subject to restrictions. These restrictions and any further restrictions introduced in the future could limit the availability to the Sub-Funds of attractive investment opportunities.

Corporate Disclosure, Accounting and Regulatory Standards

Companies in emerging countries are generally not subject to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in the developed world. In addition, there is generally less government supervision and regulation of stock exchanges, brokers and listed companies in most emerging countries than in countries with more advanced securities markets. As a result, there may be less information available publicly to investors in emerging country securities; such information as is available may be less reliable.

Availability and Reliability of Official Data

Less statistical data is available in relation to the securities markets of emerging countries relative to the securities markets in, for example the United Kingdom; such data as is available may be less reliable.

Legal Risk

Many laws in emerging countries are new and largely untested. As a result the Sub-Fund may be subject to a number of risks, including but not limited to inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, lack of established avenues for legal redress

and a lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgement in certain countries in which assets of the Sub-Fund are invested. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

Taxation

Taxation of dividends, interest and capital gains received by foreign investors varies among emerging countries and, in some cases, is comparatively high. In addition, certain emerging countries are amongst those countries that have less well defined tax laws and procedures and such laws may permit retroactive taxation so that a Sub-Fund investing in such a country could in the future become subject to a local tax liability that could not have been reasonably anticipated and the Net Asset Value of the relevant Sub-Fund may be adversely impact when such tax is being imposed. Such uncertainty could necessitate significant provisions for foreign taxes being made by a Sub-Fund in its Net Asset Values calculations. The making and potential impact of such provisions is considered further under the “General Risks- Taxation” section above.

Settlement and Custody Risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, a 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, a Sub-Fund may even be unable to recover all of its assets.

As these Sub-Funds may invest in markets where the trading, settlement and custodial systems are not fully developed, there is an increased risk of the assets of a Sub-Fund which are traded in such markets being lost through fraud, negligence, oversight or catastrophe such as a fire. The costs borne by the Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets. As noted above, in the event of the insolvency of a sub-custodian or registrar, or retroactive application of legislation, the Sub-Funds may not be able to establish title to investments made and may suffer loss as a result. In such circumstances, the Sub-Fund may find it impossible to enforce its right against third parties. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

As these Sub-Funds may invest in markets where the trading, settlement and custodial systems are not fully developed, the assets of such Sub-Fund which are traded in such markets and which have been entrusted to sub-custodians in such markets may be exposed to risk in circumstances in which the Trustee will have no liability. Please refer to the section headed “**Management and Administration of the Fund – Trustee and Registrar**” for a summary of the Trustee’s power to appoint delegates and the Trustee’s liability in respect of such delegation.

Risks include but are not limited to:

- a non-true delivery versus payment settlement, which could increase the credit risk with the counterparty. Delivery versus payment is a settlement system that stipulates that cash payment must be made prior to or simultaneously with the delivery of the security;
- a physical market (as opposed to electronic book keeping of records) and, as a consequence, the circulation of forged securities;
- poor information in regards to corporate actions;
- registration process that impacts the availability of the securities;
- lack of appropriate legal/fiscal infrastructure advices;
- lack of compensation/risk fund with a central depository.

DEBT SECURITIES

Investment in Debt Securities

Investment in bonds or debt securities is subject to liquidity, interest rate and credit risks (i.e. the risk of default). The value of a bond will fall if an issuer defaults. A fall in the value of a bond in which a Sub-Fund invests in may adversely impact the Net Asset Value of such Sub-Fund.

Debt securities are often rated by credit rating agencies. Credit ratings indicate the probability that an issuer will fail to make timely payment of capital and/ or interest that is due to be paid to investors under the terms of the security, i.e. the risk of default.

Certain credit rating agencies are designated by the U.S. Securities and Exchange Commission as Nationally Recognized Statistical Rating Organizations (NRSROs). Each NRSRO has an alpha or alphanumerical scale that expresses their ratings. An example of an NRSRO is Standard and Poor's, their rating scale (expressed here in increasing order of default risk) is; AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C. The identifier D is also used, in order to signify that a security has already defaulted.

Securities rated between the AAA rating level and the BBB- rating level are commonly referred to as 'investment grade'. These securities would be expected to have a very low risk of default.

Securities with ratings of BB+, and lower, are commonly referred to as 'sub-investment grade'. These securities would be expected to have a higher risk of default, and a greater sensitivity to economic conditions, than 'investment grade' securities. Sub-Investment Grade Debt Securities or Unrated Debt Securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities. Investments in such securities involve greater risk of loss of principal and income, including the possibility of default or bankruptcy of the issuers of such securities, especially during periods of economic uncertainty or change. If the issuer of securities defaults, or such securities cannot be realized, or perform badly, a Sub-Fund's investment value in such securities or instruments may be adversely affected, which may in turn negatively affect the Sub-Fund's Net Asset Value and investors may suffer substantial losses. Sub-Investment Grade Debt Securities generally tend to reflect short-term corporate and market developments to a greater extent than higher grade securities which respond primarily to fluctuations in the general level of interest rates. There are fewer investors in lower-grade securities or Unrated Debt Securities and it may be harder to buy and sell such securities at an optimum time and hence investment in these securities may be more susceptible to liquidity risk.

A Sub-Fund may in accordance with its investment policy only be permitted to invest in securities / investments of a certain credit rating. Credit ratings may however not always be an accurate or reliable measure of the strength of the securities / investments being invested in. Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. In particular, the credit appraisal system and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by mainland Chinese rating agencies may therefore not be directly comparable with those given by other international rating agencies. Where such credit ratings prove inaccurate or unreliable, losses may be incurred by any Sub-Fund which has invested in such securities / investments.

The volume of transactions effected in certain international bond markets may be appreciably below that of the world's largest markets, such as the United States. Accordingly, a Sub-Fund's investment in such markets may be less liquid and their prices may be more volatile than comparable investments in securities trading in markets with larger trading volumes. Moreover, the settlement periods in certain markets may be longer than in others which may affect portfolio liquidity.

Credit Risk- Debt securities

A Sub-Fund may invest in debt securities which have low credit status which may represent a higher credit risk than Sub-Funds which do not invest in such securities. Investment in securities issued by corporations may also represent a higher credit risk than investment in securities issued by governments.

There can be no assurance that the issuers of debt securities in which a Sub-Fund may invest will not be subject to credit difficulties, leading to either the downgrading of such securities or instruments, or to the loss of some or all of the sums invested in or payments due on such securities or instruments. As a result, this may adversely impact the Net Asset Value of a Sub-Fund.

Interest Rate Risk

The debt instruments in which a Sub-Fund may invest are interest rate sensitive, which means that their value and, consequently, the Net Asset Value of a Sub-Fund will fluctuate as interest rates fluctuate. An increase in interest rates will generally reduce the value of the debt instruments, which may lead to a decrease in the Net Asset Value of a Sub-Fund.

Volatility and Liquidity risk – Debt securities

The debt instruments in which a Sub-Fund invests may not be traded on an active secondary market. In addition, debt instruments in certain markets may be subject to higher volatility and lower liquidity when compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and a Sub-Fund may incur significant trading costs.

Downgrading of Investment Grade Securities

The credit rating of debt securities or its issuer may subsequently be downgraded. Investment grade securities may be subject to risk of being downgraded to Sub-Investment Grade Debt Securities. In the event of a downgrading in the credit rating of such securities or instruments or the issuers of securities or instruments in which a Sub-Fund may invest, the Sub-Fund's investment value in such securities or instruments may be adversely affected which may in turn negatively affect the Sub-Fund's Net Asset Value and adversely affect the value of the Sub-Fund. The Manager may or may not be able to dispose of the securities or instruments that are being downgraded.

Zero Coupon Risk

Relative to interest paying securities of similar maturity, the market prices of securities structured as zero coupon are generally affected to a greater extent by interest rate changes. These securities tend to be more volatile than securities which pay interest periodically.

Investment in Asset-Backed Securities and Mortgage-Backed Securities

A Sub-Fund may invest in asset-backed securities and/or mortgage-backed securities which may be highly illiquid and prone to substantial price volatility. An asset-backed security is a security whose value and income payments are derived from and collateralised (or "backed") by a specified pool of underlying assets. The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can include common payments from credit cards, auto loans, and mortgage loans, to esoteric cash flows from aircraft leases, royalty payments and movie revenues.

The value and the quality of such securities depends on the value and the quality of the underlying assets against which such securities are backed. These securities may also be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Issuers of asset-backed and mortgage-backed securities may have limited ability to enforce the security interest in the underlying assets, and credit enhancements provided to support the securities, if any, may be inadequate to protect investors (such as a Sub-Fund) in the event of default.

Changes in interest rates may have a significant effect on investments in asset-backed securities and mortgage-backed securities. The return on, for example, holdings of mortgage-backed securities can reduce if the owners of the underlying mortgages repay their mortgages sooner than anticipated when interest rates go down. Investment in mortgage-backed securities may be subject to extension risk and prepayment risk, which are both a type of interest rate risk. Like mortgage-backed securities, asset-backed securities generally decrease in value when interest rates increase

which may adverse the impact of the relevant Sub-Fund.

Asset-backed securities and mortgage-backed securities may also be less liquid than other securities.

Sovereign Debt Risk

Certain emerging countries and certain developed countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations ("sovereign debt") issued or guaranteed by governments or their agencies ("government entities") of such countries involves a higher degree of risk. A Sub-Fund's investment in such sovereign debt may be exposed to political, social and economic risks. In adverse situations, a government entity may not be able or willing to repay the principal and/or interest when due.

A government entity's willingness or ability 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, the relative size of the debt service burden to the economy as a whole, the government entity's policy towards the International Monetary Fund and the political constraints to which a government entity may be subject. Government entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. Such commitments may be conditioned on a government entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the government entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis.

In the event that a government entity defaults on its sovereign debt, holders of sovereign debt, including a Sub-Fund, may be requested to participate in the rescheduling or restructuring of such debt. Such events may negatively impact the performance of a Sub-Fund which may suffer significant losses.

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 certain 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.

A Sub-Fund may invest in contingent convertible debt securities (e.g. AT1 securities) which are highly complex and are of high risk. Upon the occurrence of the trigger event, contingent convertible debt securities may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on contingent convertible debt securities are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

A Sub-Fund may invest in senior non-preferred debts (e.g. Tier 3 securities). While these instruments 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.

DERIVATIVE TECHNIQUES AND INSTRUMENTS

Investment in Derivatives

A Sub-Fund may invest in derivatives **including** but not limited to forwards, futures, options, swaps and warrants. The risks associated with derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk.

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.

Currency and foreign exchange risk

A Sub-Fund may also issue Classes denominated in a currency other than the Base Currency of that 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.

Forward Foreign Exchange Transactions

Forward contracts, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis, and therefore have an increased counterparty risk. If a counterparty defaults, the Sub-Fund may not get the expected payment or delivery of assets. This may result in the loss of the unrealised profit and may have adverse impact on the relevant Sub-Fund and its investors.

Futures Contracts

A futures contract is a standardised contract between two parties to exchange a specified asset of standardized quantity and quality for a price agreed today (the futures price or the strike price) with delivery occurring at a specified future date, the delivery date. The contracts are normally traded on a futures exchange. The amount of loss or profit on the contracts (not necessarily the overall portfolio) is unlimited.

For example, where the underlying specified asset is a commodity, the futures contract may be illiquid because certain commodity exchanges limit fluctuations in certain future contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to affect trades at or within the limit.

A Sub-Fund may also be exposed to a credit risk in relation to the counterparties with whom they transact or place margin or collateral in respect of transactions and may bear the risk of counterparty default. A Sub-Fund may be invested in certain futures contracts which may involve the assumption of obligations as well as rights and assets. Assets deposited as margin with brokers may not be held in segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy which may cause significant losses to the Sub-Fund.

Hedging Techniques

The Sub-Fund may utilise a variety of financial instruments, such as options, swaps, futures and forward contracts etc. to seek to hedge against declines in the values of the Sub-Fund's positions as a result of changes in currency exchange rates, equity markets, market interest rates and other events. Hedging against a decline in the value of Sub-Fund's positions will not eliminate fluctuations in the values of the Sub-Fund's positions or prevent losses if the values of such positions decline, but it does establish other positions designed to gain from those same developments, thus reducing the decline in the Sub-Fund's value. However, such hedging transactions also limit the opportunity for gain if the value of the Sub-Fund's positions should increase. It may not be possible for the Sub-Fund to hedge against a change or event at a price sufficient to protect its assets from the decline in value of the Sub-Fund's positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all or the Investment Manager may choose not to. Furthermore, there is no guarantee that a Sub-Fund's use of financial derivatives for hedging will be entirely effective and the use of financial derivatives will be subject to additional risks (e.g. counterparty risk) as further described below. In adverse situations, where the use of financial derivatives becomes ineffective, a Sub-Fund may suffer significant loss.

Leverage Risk

When a Sub-Fund purchases a security, the risk to the Sub-Fund is limited to the loss of its investment. In the case of a transaction involving futures, forwards, swaps or options, that Sub-Fund's liability may be potentially unlimited until the position is closed.

The leverage element/component of derivatives can result in a loss significantly greater than the amount invested in such derivatives by a Sub-Fund. As such, exposure to derivatives may lead to a high risk of significant loss by a Sub-Fund.

Over the counter (OTC) transactions

An OTC transaction takes place when a financial instrument is traded directly between two parties rather than through a stock exchange. This typically occurs in markets which are still at an early stage of development and there is not a stock exchange, or for securities which have limited liquidity. 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 general, there is less regulation and supervision of OTC transactions than for transactions entered into on some stock exchanges. In addition, many of the protections afforded to participants on some stock exchanges might not be available in connection with OTC transactions.

Counterparty Default

A Sub-Fund may also have credit exposure to counterparties by virtue of positions in swap agreements, repurchase transactions, forward exchange rate and other financial or derivative contracts held by the Sub-Fund. OTC transactions are executed in accordance with an agreed terms and conditions drawn up between the Sub-Fund and the counterparty. If the counterparty experiences credit issues and therefore defaults on its obligation and a Sub-Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights. Counterparty exposure will be in accordance with the Sub-Fund's investment restrictions. Regardless of the measures a Sub-Fund may implement to reduce counterparty risk, there can be no assurance that a counterparty will not default or that the Sub-Fund will not sustain losses on the transactions as a result.

Options

Transactions in options may also carry a high degree of risk. For purchased positions the risk to the option holder is limited to the purchase cost of establishing the position. Out of the Money (OTM) positions will see the value of the options position decrease, especially as the position nears expiry, and may adversely impact the Net Asset Value of the relevant Sub-Fund.

Where a Sub-Fund invests in derivatives, the issues described in the "General Risks - Taxation" section above may also apply to any change in the taxation legislation or interpretation thereof of the governing law of the derivative contract, the derivative counterparty, the market(s) comprising the underlying exposure(s) of the derivative or the markets where a Sub-Fund is registered or marketed.

Legal Risks

OTC derivatives are generally entered into pursuant to contracts based on the standards set by the International Swaps and Derivatives Association for derivatives master agreements which are negotiated by the parties. The use of such contracts may expose a Sub-Fund to legal risks such as the contract may not accurately reflect the intention of the parties or the contract may not be enforceable against the counterparty in its jurisdiction of incorporation. This may have adverse impact on the relevant Sub-Fund and its investors.

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

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

Notwithstanding that a Sub-Fund may only accept non-cash collateral which is highly liquid, the relevant Sub-Fund is subject to the risk that it will be unable to liquidate collateral provided to it to cover a counterparty default. The relevant Sub-Fund is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

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 also be reinvested in order to generate additional income. In such circumstances, the relevant 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.

The use of OTC derivatives and the management of collateral received are also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The management of operational risk is established through policies set by the Manager. These policies set standards for the high level assessment of risk and, monitoring and reporting of risk within the business and analysis of reported operational risk events.

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 four decimal places. 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 up to 5% 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. For the avoidance of doubt, a lower maximum rate of Subscription Charge may be imposed in relation to the issue of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

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

The Manager may on any day differentiate between applicants or Classes of Units as to the amount of the Subscription Charge. 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 or rebate to approved intermediaries, including banks, brokers, recognized securities dealers and other investment advisers, 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 Trustee by completing the Application Form and sent by post or by facsimile to the Trustee at the business address or facsimile number on the Application Form. The Manager and/or the Trustee 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 Distributors.

The signed original Application Form together with supporting documentation in relation to anti-money laundering requirements must be received before the application will be accepted. Subsequent subscriptions may be made on the Top Up Form and submitted by facsimile or SWIFT messaging to the Trustee (with the original to follow by post).

Applications by facsimile will be treated by the Manager as definitive orders even if not subsequently confirmed in writing and will not be capable of withdrawal after acceptance by the Manager.

In respect of Application Forms and subscription moneys in cleared funds which are received on or before the IOP Deadline, Units will be issued following the close of the Initial Offer Period. If Application Forms and/or application monies in cleared funds are received after the IOP Deadline, the relevant applications shall be carried forward to the next 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 Trustee 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) is due at the expiry of the Payment Period.

If payment in full in cleared funds has not been received by the IOP Deadline or the relevant Payment Period (or such other period as the Manager may determine and disclose to the applicants), the Manager may (without prejudice to any claim in respect of the failure of the applicant to make payment when due) refuse the application or 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. Alternatively, the Manager may treat the application as an application for such number of Units as may be purchased or subscribed with such payment. Alternatively, the Manager reserves the right, in the event of non-receipt of cleared funds by the Payment Period and cancellation of a subscription, to charge the applicant for losses accruing. The Manager reserves the right to limit deals without prior receipt of cleared funds.

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. Should investors prefer to make payment in any currency other than the currency of the relevant Class of Unit they are advised to make direct contact with the Manager. 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 electronic transfer as specified in the Application Form (or other manner as may be agreed by the Manager). Payments by electronic transfer should quote the applicant's name, bank, bank account number, Sub-Fund name and confirmation note number (if one has already been issued). 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 Trustee may from time to time require.

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

General

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

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

Fractions of not less than one-thousandth of a Unit may be issued.

Application moneys representing smaller fractions of a Unit will not be returned to the applicant but will be retained as part of the relevant Sub-Fund's assets.

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.

The Manager and the Trustee retain the right to seek such evidence of identity from applicants as they deem appropriate to comply with their obligations under anti-money laundering legislation and, in the absence of satisfactory evidence, or for any other reason, to reject any application in whole or in part (as detailed below under the section headed “***General Information - Anti-Money Laundering Regulations***”). If an application is rejected the Manager and the Trustee, at the risk of the applicant, may return application moneys or the balance thereof at the cost of the applicant, by electronic transfer.

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. Partial redemptions of holdings are permitted provided that this will not result in the Unitholder holding a number of Units of a Class of a value which is less than the Minimum Holding Amount for the relevant Class. A contract note confirming the new unitholding will be posted to the Unitholder. 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) any 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 four decimal places. 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 not exceeding 1% 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. For the avoidance of doubt, a lower maximum rate of Redemption Charge may be imposed in relation to the redemption of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

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

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 Trustee by completing the Redemption Form and sent by post or by facsimile to the Trustee at the business address or facsimile number on the Redemption Form. The Redemption Form is available from the Manager and/or the Distributors. No redemption payments shall be made until the original subscription Application Form (and supporting documentation) has been received by the Manager. Units also need to be fully registered and settled before redemption payments can be made.

A Redemption Form received by the Trustee 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. Requests by fax will be treated by the Manager as definitive orders even if not subsequently confirmed in writing and will not be capable of withdrawal after acceptance by the Manager.

The Manager and the Trustee will withhold payment of the proceeds of redemption and income on Units and may automatically reinvest dividend entitlements until the original signed Application Form has been received from the investor and where it is considered necessary or appropriate to carry out or complete identification procedures in relation to the Unitholder pursuant to a statutory, regulatory or other obligation.

Payment of Redemption Proceeds

Redemption proceeds will normally be paid by electronic transfer in the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class of Units to the pre-designated bank account of the Unitholder (at his risk and expense) or if the Unitholder so directs, the bank account which subscription monies are to be paid) for the account of another collective investment scheme managed by the Manager or a company of the group of which the Manager forms part in connection with a subscription for units or shares in the collective investment scheme by the Unitholder provided that the collective investment scheme is eligible for subscription by the Unitholder having regard to applicable laws and regulations. No third party payments will be permitted except as specified in the aforesaid. 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, arrangements can be made for Unitholders wishing to redeem their Units to receive payment in currencies other than the currency of the relevant Class of Unit. In such circumstances the Unitholder is advised to make direct contact with the Manager in order to facilitate payment. In addition, the Manager may after consultation with the Trustee 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 large 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 (normally within 3 Business Days) 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 Trustee 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).

Instructions for the redemption of Units must be signed by the Unitholder before payment of redemption proceeds can be made. Payment of redemption proceeds will be made in accordance with initial redemption payment instructions as notified to the Manager. If investors wish to make any change in the redemption payment instructions, such change must be by written notice to the Manager signed by the sole Unitholder or all joint Unitholders. The Manager will be deemed to be authorised to act on any redemption instruction received from any person purporting to be the Unitholder and reciting the relevant account number.

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 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 electronic 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 with the approval of 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 within 5 Business Days.

Compulsory redemption of Units

If the Manager or the Trustee suspects that Units of any Class are owned directly or beneficially by any United States Person or by any person:

- (a) in contravention of any laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed;
- (b) in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager or the Trustee to be relevant) which in their opinion might result in the relevant Sub-Fund, the Fund, the Trustee and/or the Manager incurring any liability to taxation or suffering any regulatory, pecuniary, legal, taxation or material administrative disadvantage or would be subjected to any additional regulation which the Sub-Fund, the Fund, the Trustee and/or the Manager might not otherwise have incurred or suffered;
- (c) in contravention of any restrictions as referred to in the Trust Deed;
- (d) if in its opinion of the Manager and the Trustee, it is in the interests of a Sub-Fund to do so;

the Manager or the Trustee may:

- (i) give notice requiring the relevant Unitholder to transfer the Units to a person who would not be in contravention of the above restrictions within 30 days of the date of the notice; or
- (ii) deem receipt of a redemption request in respect of such Units; or
- (iii) if a Unitholder currently resident outside the United States becomes resident in the United States, the Manager reserves the right to compulsorily redeem or require the transfer of Units held by the Unitholder.

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.

The Manager may deem a Unitholder to have given a redemption request in respect of Units held by such Unitholder and compulsorily redeem Units held by such Unitholder:

- (a) on the termination date or maturity date of a Sub-Fund having a fixed life or maturity date, in respect of Units relating to such Sub-Fund;
- (b) where the Unitholder has refused or failed to provide or produce any document or information required to ensure compliance with any anti-money laundering laws or regulations in any applicable jurisdiction;
- (c) where the Trustee or its delegate(s) or agent(s) have notified the Manager that they are not able to confirm the identity of the Unitholder to their satisfaction;
- (d) in any other circumstances set out in this Explanatory Memorandum relating to such Units.

CONVERSION

Conversion of Units

Unless otherwise specified in the section headed “Conversion” and/or in the relevant Appendix, the general provisions and procedures relating to redemption will apply equally to conversions. Unless otherwise specified in the relevant Appendix, Unitholders shall be entitled (subject to such limitations as the Manager after consulting with the Trustee may impose) 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.

Unless otherwise agreed by the Manager, either generally or in a particular case, 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.

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 Trustee by completing the Conversion Form and sent by post or by facsimile to the Trustee at the business address or facsimile number on the Conversion Form. The Conversion Form is available from the Manager and/or the Distributors.

Conversion Forms which are received by the Trustee 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

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

The 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 unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market but excluding 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) midway between the latest available market dealing offer price and the latest available market dealing bid 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 after consultation with the Trustee if the Trustee so requires.
- (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) Interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made shall be taken into account 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). In respect of investments which are not listed or quoted or normally dealt in on a Securities Market, such 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 shall be valued at their 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.

(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, the last published net asset value per unit, share or other interest in such collective investment scheme (where available) or (if the same is not available) the latest available bid price for such a unit, share or other interest at or immediately preceding the Valuation Point.

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

(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 may be relied upon without verification, further enquiry or liability notwithstanding that the prices so used are not the last traded prices or closing prices.

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

(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 that 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 NAV 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.

Net Asset Value per Unit of a Class

In order to determine the Net Asset Value of a Unit of a Class of a Sub-Fund, the Net Asset Value attributable to such Class shall be divided by the number of Units of that Class in issue immediately prior to the relevant Subscription Day or Redemption Day (as the case may be) for such Class of Units.

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 exceptional circumstances as determined by the Manager from time to time. The Manager will consult 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. Exceptional circumstances for adjusting the Issue Price or Redemption Price may include (a) the aggregate net transactions (either net subscriptions or net redemptions) in Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an 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 (normally, it is expected that any such adjustment should not exceed 1% of that Net Asset Value; however, this may be exceeded if deemed appropriate in order to protect interests of Unitholders) which reflects the dealing costs that may be incurred by the relevant Sub-Fund and the estimated bid/offer spread of the assets in which the relevant Sub-Fund invests. As any price adjustments as set out in this paragraph is directly related to inflows and outflows of monies in a Sub-Fund or market conditions, it is not possible to accurately predict when and the extent of which prices will be adjusted in the future.

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 consultation with the Trustee, reasonably, promptly or fairly be ascertained; or
- (c) circumstances exist as a result of which, in the opinion of the Manager after consultation with the Trustee, it is not reasonably practicable to 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 Class; 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 consultation with the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner; or
- (f) when, in the opinion of the Manager after consultation with the Trustee, such suspension is required by law or applicable legal process; or
- (g) where that Sub-Fund is invested in one or more collective investment schemes and the 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 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 is 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 (i) shall immediately after any such declaration notify the SFC of such suspension and (ii) shall immediately after any such declaration and at least once a month during the period of such suspension, publish in an appropriate manner (including via the Manager's website www.baring.com) that such declaration has been made. Investors may also contact the Manager in respect of such suspension. 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

Unless otherwise stated in the relevant Appendix of a Sub-Fund, the distribution policy adopted by a Sub-Fund is set out below. 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, it is the current intention of the Manager to 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 paid out.

Distributions may, at the Manager's discretion, be paid out of gross income of a Sub-Fund while charging/paying all or part of a Sub-Fund's management fee and other fees and expenses to/out of capital of such Sub-Fund, resulting in an increase in distributable income for the payment of distributions by a Sub-Fund (therefore effectively paying distributions out of capital of such Sub-Fund). The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant Distribution Class.

In the event that the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared, the Manager may in its discretion determine such distributions be paid from capital. Payment of distributions 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 distributions out of a Sub-Fund's capital or payment of distributions effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit of the relevant Distribution Class.

The composition of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and also on the Manager's website www.barings.com. 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 in accordance with the number of Units held by them on the record date as determined by the Manager 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.

Equalisation arrangements will be effected by the Manager with a view to ensuring that the level of distributions payable on any Class of Units is not affected by the issue, conversion or redemption of Units of that Class during the relevant accounting period.

Distributions may be paid in cash by electronic transfer or may be re-invested to subscribe for additional Units in the relevant Class of the relevant Sub-Fund at the option of the Unitholder as indicated in its Application Form.

The Manager may amend the distribution policy subject to obtaining the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

Reinvestment of income distributions

The Manager will automatically re-invest any distribution entitlements in further Units of the relevant Class of the relevant Sub-Fund:-

- (i) unless instructions in writing to the contrary are received from the Unitholder at least 21 Business Days prior to the relevant distribution date; and
- (ii) where the Unitholder's anti-money laundering documentation has been completed to the satisfaction of the Trustee.

Further Units will be issued on the date of distribution or, if that is not a Subscription Day, on the next following Subscription Day at a price calculated in the same way as for other issues of Units but without incurring any Subscription Charge. There is, however, no minimum number of such further Units which may be so subscribed and fractions of Units will be issued if necessary.

Where a Unitholder has fully redeemed its unitholding prior to the distribution payment date, the Manager may in its discretion determine to pay the relevant distributions in cash instead of reinvesting the same and issuing further Units to such Unitholder.

Unitholders may also when applying for Units or subsequently, request the Manager in writing to pay them all distributions to which they are entitled; every such request by a Unitholder will remain effective until countermanded in writing or, if earlier, the person making the request ceases to be a Unitholder. Any payment of distributions in cash will normally be paid by electronic transfer in the Class Currency of the relevant Distribution Class to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted.

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 the relevant Sub-Fund (or the relevant Class) on each Valuation Day at the rates as specified in the relevant Appendix subject to a maximum fee rate of 2.5% per annum.

The Manager will bear the fees of any sub-manager or investment adviser in managing the investment of the Sub-Fund.

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 reserves the right to waive or rebate any fees to which it is entitled, whether in part or in full and whether in respect of a particular investor or generally. 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 trustee and administration 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 of 1% per annum.

The Trustee is also entitled to receive a fee for acting as Registrar. It is also entitled to receive various transaction, processing, preparation of financial statements, 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) 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 to the maximum level. Any increase in the maximum level of the management fee, performance fee or Trustee's fee of a Sub-Fund (or any Class thereof) shall be subject to the SFC's prior approval and the sanction of extraordinary resolution of the Unitholders of such Sub-Fund (or such Class).

Establishment Costs

The establishment costs of the Fund and the initial Sub-Funds are of such amount as set out in the Appendix of the initial Sub-Fund and will be borne by the initial Sub-Funds. 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.

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 and the Trustee in establishing the Fund and Sub-Funds and costs in connection with the initial issue of Units or a Class of Units, 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, accounts and reports, the expenses of preparing and printing any offering document, and any other expenses, deemed by the Manager, after consulting the Auditors, to have been incurred in compliance with or connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with any code relating to unit trusts.

For so long as the Fund and such Sub-Funds are 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 Sub-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 Sub-Investment Manager, 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 ensures 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.

Neither the Manager, the Sub-Investment Manager nor 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 Sub-Investment Manager and/or any of their Connected person reserves the right to effect transactions by or through a broker or dealer with whom the Manager, the Sub-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 Sub-Investment Manager and/or any of their Connected person goods or services for which no direct payment is made but instead the Manager, the Sub-Investment Manager and/or any of their Connected person undertakes to place business with that broker or dealer. The Manager shall procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager or the Sub-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 Sub-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

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

The following summary of Hong Kong tax law is of a general nature, is for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of Unitholders. Prospective Unitholders should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the law and practice of Hong Kong and the law and practice of the jurisdictions in which they are citizens, resident, and / or domiciled. The information below is based on the law and practice in force in Hong Kong at the date of this Explanatory Memorandum. The relevant law, 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 law 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. In particular, where reliance is placed on the published practice of the Hong Kong Inland Revenue Department, it is important to note that such practice is indicative only, does not have the force of law, and may be unilaterally amended or rescinded without prior notice.

Hong Kong Taxation

The Fund/ Sub-Fund(s)

(a) *Profits Tax:*

As the Fund and the Sub-Fund(s) have been authorised, as a collective investment scheme constituted as a unit trust by the SFC under Section 104 of the SFO, profits of the Fund and the Sub-Fund(s) are exempt from Hong Kong profits tax.

(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. However, many transfers of such Units are specifically exempted from Hong Kong stamp duty by statute or by extra-statutory concession. The most relevant of these exemptions are summarised below.

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

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

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, transfer of Hong Kong stocks to the Fund / Sub-Fund(s) in exchange for issue of Units or transfer of Hong Kong stocks from the Fund / Sub-Fund(s) in consideration for redemption of Units is exempt from Hong Kong stamp duty.

The Unitholders

(a) *Profits Tax:*

In general, Unitholders should not be subject to any Hong Kong profits tax on distributions by the Fund or Sub-Fund(s) in accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Explanatory Memorandum). Hong Kong profits tax will

arise on any profits made by a Unitholder on the sale, redemption or other disposal of the Units where such profits arise in or are derived from Hong Kong from a trade, profession or business carried on by the Unitholder in Hong Kong and such Units are not capital assets in the hands of that Unitholder.

A two-tiered profits tax regime was enacted on 29 March 2018. It will be applicable to any year of assessment commencing on or after April 1, 2018. Under the two-tiered tax rates, for corporations, the first HK\$2 million of assessable profits of a nominated corporation within the group will be subject to a reduced tax rate at 50% of the standard profits tax rate for corporations (i.e. 8.25%), with certain exceptions, and the remaining profits will be subject to the standard rate of 16.5%. For individuals and unincorporated business, the first HK\$2 million of assessable profits will be subject to a reduced tax rate at 50% of the standard profits tax rate for individuals and unincorporated business (i.e. 7.5%), and the remaining profits will be subject to the standard rate of 15%.

Otherwise, there is no capital gains tax, estate tax, or wealth tax in Hong Kong. There is no withholding tax on dividends and interest in Hong Kong.

Unitholders should take advice from their own professional advisers as to their particular tax position.

(b) *Stamp Duty.*

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

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

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, transfer of Hong Kong stocks to the Fund / Sub-Fund(s) (which have been authorised under Section 104 of the SFO) in exchange for issue 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.

Other transfers of Units by the Unitholders, whether on a sale or purchase or otherwise, should be liable to Hong Kong stamp duty of 0.2% (of which 0.1% is borne by each of the transferor / transferee or buyer / seller) on the higher of the amount or value of the consideration or the market value of the Units. In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of Units.

PRC Tax

a) **China A-Shares via RQFII, the Connect Schemes and A-Share Access Products**

Corporate Income Tax ("CIT"):

If the Fund and / or a Sub-Fund is considered as a tax resident enterprise of the PRC, it should be subject to CIT at 25% on its worldwide taxable income. If a Sub-Fund is considered a non-tax resident enterprise with an establishment or place of business ("PE") in the PRC, the profits and gains attributable to that PE should also be subject to CIT at 25%.

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

Capital gains

(a) *Direct China A-Shares investment via RQFII and the Connect Schemes*

Pursuant to the Notice No. 81 and Notice No. 127, CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the relevant Sub-Fund) on the trading of China A-Shares through the Connect Schemes.

On 31 October 2014, the Ministry of Finance, the State of Administration of Taxation and the China Securities Regulatory Commission have also jointly released Caishui [2014] No.79 (**"Notice No. 79"**) which specifies that capital gains realized from trading of PRC equity investments (including A-shares) by "qualified foreign institutional investors" ("QFIs") and "Renminbi qualified foreign institutional investors" ("RQFIs"), which do not have an establishment or place in China or have an establishment or place in China but the income so derived in China is not effectively connected with such establishment, will be temporarily exempted from PRC CIT from 17 November 2014 onwards.

Based on Notice No.79, Notice No. 81 and Notice No. 127 and having consulted professional and independent tax adviser, the Manager will not make any tax provision for gross realized or unrealized capital gains derived from trading of China A-Shares via RQFI and the Connect Schemes.

(b) Indirect China A-Shares investment via A-Share Access Products

In light of Notice No. 79, withholding income tax (**"WIT"**) on capital gain attributable to a Sub-Fund's investment in A-Share access products realized from 17 November 2014 onwards should be exempted if the A-Share access products issuers do not have an establishment or place in China or have an establishment in China but the income so derived in China is not effectively connected with such establishment. Based on Notice No. 79 and having consulted professional and independent tax adviser, the Manager will not make any tax provision for gross realized or unrealized capital gains derived from investment in A-Share access products.

Please note that it is possible that under the terms of an agreement between the A-Share access products issuers and a Sub-Fund, the A-Share access products issuers may pass on any tax liability that they incur to the Sub-Fund. If this is the case, the Sub-Fund could be the ultimate party which bears the PRC tax risks on the investment in the PRC securities.

Dividend income

Unless a specific exemption or reduction is available under current Corporate Income Tax Law ("CIT Law") and regulations or relevant tax treaties, non-tax resident enterprises without PE in the PRC are subject to WIT, generally at a rate of 10% on dividend income arising from investments in the PRC securities. The entity distributing such dividends is required to withhold such tax on behalf of the recipients. The Sub-Fund is subject to WIT at 10 % on dividends received from China A-Shares traded via RQFI and the Connect Schemes.

Under current regulations in the PRC, foreign investors (such as a Sub-Fund) may invest in onshore PRC securities (i.e. China A-Shares), generally, only through a QFI or a RQFI (in this section referred to as the "relevant QFI") and the Connect Schemes. For China A-Shares invested via relevant QFI, since only the relevant QFI's interests in China A-Shares are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFI, subject to further interpretations and rules that may be issued in the future. However under the terms of the arrangement between the relevant QFI (i.e. the QFI Holder or the issuers of A-Share Access Products) and a Sub-Fund, the relevant QFI will pass on any tax liability to the Sub-Fund. As such, the Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Under current PRC tax laws and regulations, the relevant QFI (if without a PE in China) is subject to WIT of 10 % on dividends from China A-Shares unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

VAT and other surtaxes

The Ministry of Finance and the State of Administration of Taxation issued the "Notice on the Comprehensive Roll-out of the B2V Transformation Pilot Program (the **"B2V Pilot Program"**)"

(Caishui [2016] No. 36) (the “**Notice No. 36**”) on 23 March 2016. The Notice No. 36 sets out that the B2V Pilot Program covers all the remaining industries of the program, including financial services. The Notice No. 36 has taken effect from 1 May 2016, unless otherwise stipulated therein.

The Notice No. 36 provides that VAT at 6% shall be levied on the difference between the selling and buying prices of those marketable securities, e.g. China A-Shares, unless there is specific exemption. The Notice No. 36 also provides that gains derived by QFIs from trading of marketable securities are exempt from VAT. Pursuant to the “Supplementary Notice on the VAT Policy on Interbank Transactions and Other Financial Institutions” (Caishui [2016] No. 70) jointly issued by Ministry of Finance and the State of Administration of Taxation on 30 June 2016 and which took effect retrospectively on 1 May 2016, gains derived by RQFIs from the trading of marketable securities are also exempt from VAT.

Based on the prevailing VAT regulations, capital gains derived by (i) QFIs / RQFIs on trading of marketable securities and (ii) investors via the Connect Schemes are exempted from VAT. Therefore, to the extent that the Sub-Fund's key investments (such as China A-Shares through RQFII, the Connect Schemes and A-Share Access Products) are conducted through these channels, either by the Sub-Fund directly or via issuers of A-Share Access Products, the capital gains should be exempted from VAT.

Dividend income or profit distributions on equity investment derived from China are not included in the taxable scope of VAT.

Stamp duty:

Stamp duty under the PRC 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 China of certain documents, including contracts for the sale of China A-Shares traded on the PRC stock exchanges. In the case of contracts for sale of China A-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

b) China B-Shares and H-shares

CIT:

Capital gains

Under current PRC tax law, there are no specific rules or regulations governing the taxation of the disposal of these securities. Hence, the tax treatment for investment in China B-shares and H-shares is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, a Sub-Fund could be technically subject to 10% WIT on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties.

However, for China B-Shares and H-Shares invested by a Sub-Fund directly, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. The 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non-tax resident enterprises of the PRC from the trading of these securities.

Dividends

Unless a specific exemption or reduction is applicable, for recipients that are non-tax resident enterprises and without PE in the PRC under the CIT Law (such as the Sub-Fund), WIT is levied on the payment of dividend on China B-shares and H-shares. The general rate applicable is 10% (for non-residents) and the entity distributing such dividend is required to withhold such WIT for the non-PRC resident recipients.

Value Added Tax (“VAT”) and other surtaxes

The current VAT regulations do not provide VAT exemption on capital gains derived from trading of China B-Shares. Having said that, the PRC tax authorities have not actively

collected VAT from non-tax resident enterprises of the PRC on gains realized from China B-Shares in practice. Where capital gains are derived from trading of H-Shares, VAT in general is not imposed as the purchase and disposal are often concluded and completed outside the PRC.

Stamp duty:

Stamp duty under the PRC 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 China of certain documents, including contracts for the sale of China B-Shares traded on the PRC stock exchanges. In the case of contracts for sale of China B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

c) Renminbi Instruments issued outside China by non-PRC tax resident enterprises

Income (including interest and capital gains) derived from a Sub-Fund's investments in Renminbi denominated instruments issued by non-PRC tax resident enterprise outside the PRC should not be subject to PRC taxes, unless the Sub-Fund is considered as a tax resident enterprise of the PRC.

d) Renminbi denominated debt securities via the China Interbank Bond Market

CIT:

Capital gains

There is no specific rules governing the PRC taxes on capital gains derived by foreign investors from the trading of China Interbank Bond Market bonds in the PRC. Based on verbal comments from the PRC tax authorities, gains realized by foreign investors from investment in PRC debt securities are non-PRC sourced income and thus should not be subject to PRC WIT. However, there are no written tax regulations issued by the PRC tax authorities to confirm that interpretation. As a matter of practice, the PRC tax authorities have not levied PRC WIT on capital gains realised by foreign investors from the trading of debt securities. Based on the current interpretation of the SAT and having consulted professional and independent tax adviser, the Manager will not make any tax provision for gross realized or unrealized capital gains derived from disposal of China Interbank Bond Market bonds.

In light of the uncertainty on the income tax treatment on capital gain derived from trading of bonds via RQFII or China Interbank Bond Market and for the purpose of meeting this potential tax liability of Sub-Fund for capital gains derived from bonds traded via RQFII or China Interbank Bond Market, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax from the account of the relevant Sub-Fund based on new developments and interpretation of the relevant regulations (after taking professional tax advice).

Interests

Unless a specific exemption or reduction is applicable, for recipients that are non-tax resident enterprises and without PE in the PRC under the CIT Law (such as the Sub-Fund), WIT at 10% is levied on the payment of interest received by the Sub-Fund from debt instruments issued by PRC tax resident enterprises. The entity distributing such interests is required to withhold such tax. If the foreign corporate investor is a tax resident of a country that has signed a tax treaty with China with a reduced treaty rate on interest income, it may apply for the reduced CIT rate under the tax treaty.

Interest derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council is exempt from CIT (or CIT on a withholding basis) under the CIT Law.

On 7 November, 2018, the Ministry of Finance ("MOF") and SAT issued Caishui [2018] No.108 ("Circular 108"), which stipulated that foreign institutional investors are exempted from China

WIT and Value Added Tax ("VAT") in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the China bond market."

In view of the foregoing, having consulted professional and independent tax adviser, the Manager will not make any WIT provision on interest from its investments in PRC debt securities issued by PRC tax resident enterprises. The Manager will provide appropriate notification to affected Unitholders accordingly should there be a change to such provisioning policy.

VAT and other surtaxes

Interest income

Pursuant to Notice No. 36, interest income derived from bonds issued by PRC tax resident enterprise should be subject to 6% VAT plus local surcharge, unless specifically exempted. Coupon derived from PRC government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council are exempted from VAT. On 7 November, 2018, the MOF and SAT issued Circular 108 which stipulated that foreign institutional investors are exempted from China WIT and VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the China bond market.

If VAT is payable on interest and/or capital gains, there are also other surtaxes (which include Urban Construction and Maintenance Tax at 1%, 5% or 7% depending on location of taxpayer, Education Surcharge at 3% and Local Education Surcharge at 2%) that would also be charged at an amount as high as 12% of the 6% VAT payable (or an additional 0.72%).

In view of the foregoing, having consulted professional and independent tax adviser, the Manager will not make any VAT and local surtaxes provision on interest from its investments in PRC debt securities issued by PRC tax resident enterprises. The Manager will provide appropriate notification to affected Unitholders accordingly should there be a change to such provisioning policy.

Capital gains

Under The Notice 36 and Caishui [2016] No. 70, gains realised by QFII and RQFII from trading of PRC marketable securities are exempt from VAT. Gains realized by approved foreign investors from trading of RMB denominated debt securities in the China Interbank Bond Market are also exempt from VAT.

Based on the aforesaid tax regulations and having consulted professional and independent tax adviser, the Manager will not make any VAT and local surtaxes provision for gross realized or unrealized capital gains derived from disposal of China Interbank Bond Market bonds. The Manager will review the tax provisioning policy from time to time and reserves the right to provide for VAT for the account of the relevant Sub-Fund (after seeking professional and independent tax advice) based on the new developments and interpretation of the relevant regulations, for the purpose of meeting the relevant Sub-Fund's tax liabilities.

Stamp duty:

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty.

Tax provision

In order to meet the potential tax liability on capital gains arising from disposal of PRC securities, the Manager reserves the right to provide for taxes on capital gains and withhold the taxes for the account of the relevant Sub-Fund. Unless otherwise specified in the relevant Appendix, the Manager does not currently intend to make WIT provision for gross realized and unrealized capital gains derived from trading of China A-Shares via the Connect Schemes, RQFII or A-Share access products, China B-Shares, H-shares and RMB denominated debt securities. The Manager in

deciding not to make provision on the relevant Sub-Fund's investments, has consulted independent and professional tax advice.

Further, the Manager does not currently intend to make any WIT provision on interests from investments in PRC debt securities issued by PRC tax resident enterprises and will not make any VAT and local surtaxes provision on interest from its investments in PRC debt securities issued by PRC tax resident enterprises. Notwithstanding the foregoing, the Manager reserves the right to make provisions in the future in order to meet any potential tax liability on interests from its investments in PRC debt securities issued by PRC tax resident enterprises.

The Manager may in the future decide to change the PRC tax provisioning policy (whether relating to realised and unrealised capital gains and/or interests derived from investments in PRC) if it deems appropriate.

General

There is a possibility of the PRC tax rules, regulations and practice being changed and taxes being applied retrospectively. Any tax provision made by the Manager in respect of the Sub-Funds may be more than or less than the Sub-Funds' respective actual tax liabilities, which may potentially cause substantial loss to the Sub-Funds. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the withholding policy of the Sub-Funds accordingly

If it is subsequently determined that PRC tax is payable and that no PRC tax has been provisioned for, investors should note that the Net Asset Value of a Sub-Fund may fall significantly as the relevant Sub-Fund will have to bear the tax liabilities. If a Sub-Fund had made a PRC tax provision, upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, any sums withheld in excess of the tax liability incurred or is expected to be incurred by a Sub-Fund shall be released and transferred to the Sub-Fund's accounts forming part of the Sub-Fund's assets. It should also be noted that the actual applicable tax amount imposed on the income and/or gains derived from investment held by a Sub-Fund may be different and may change from time to time due to the uncertainties under the applicable PRC tax laws and the possibility of such laws being changed and taxes being applied retrospectively. As such, the amount of such provisions (if any) may not be sufficient to meet the actual tax liabilities. With the uncertainties under the applicable PRC 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 PRC tax liabilities on income and/or gains derived from investments held by a Sub-Fund. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how such income and/or gains will be taxed, the level of provision and when they subscribed and/or realized their Units in/from a Sub-Fund. If the actual applicable tax amount levied by the State Administration of Taxation of the PRC ("SAT") 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 a Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new investors will be disadvantaged. On the other hand, if the actual applicable tax amount levied by SAT is lower than that provided for by the Manager so that there is an excess in the tax provision amount, investors who have redeemed the Units before any SAT ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. 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 rate can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, Unitholders who have already redeemed their Units in a Sub-Fund will not be entitled or have any right to claim any part of such overprovision.

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 the PRC will be changed with retrospective effect in the future and any such change may have an adverse effect on the asset value of a 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 the PRC which a Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

Unitholders should seek their own tax advice on their tax position with regard to their investment in a Sub-Fund and the possible implications of PRC profit capital gain tax on an investment in the Sub-Fund.

Foreign Account Tax Compliance Act (“FATCA”)

Subject to the discussion regarding the intergovernmental agreement (“**IGA**”) below, the US Foreign Account Tax Compliance Act and Sections 1471 – 1474 of the US Internal Revenue Code of 1986, as amended (the “**IRC**”) (collectively referred to as “**FATCA**”) impose rules with respect to US and certain non US persons, such as the Fund and/or each Sub-Fund, on payments including but not limited to interest, dividends from securities of US issuers. All such payments (“**Withholdable 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 “**IRS**”) to identify US persons (within the meaning of the **IRC**) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (“**FFI**”), such as the Fund and/or each Sub-Fund (and, generally, other investment funds organised outside the US), generally will be required to be FATCA compliant and agree to, amongst other things, conduct certain due diligence procedures and identify its direct or indirect account holders who are US persons and report certain information concerning such US account holders to the IRS.

On 13 November 2014, Hong Kong entered into an IGA for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under these “Model 2” IGA arrangements, FFIs in Hong Kong would be required to register with the IRS to obtain a Global Intermediary Identification Number (“**GIIN**”) and comply with the terms of an FFI Agreement with the IRS (“**FFI Agreement**”). Otherwise the FFI may be subject to a 30% FATCA withholding on Withholdable Payments it receives. The Sub-Fund has been registered with the IRS to obtain a GIIN and intends to comply with FFI Agreement.

Under the IGA, FFIs in Hong Kong (such as the Fund and/or each Sub-Fund) complying with the 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 Withholdable Payments made to non-consenting accounts (including accounts of which the holders are US persons and do not provide their US taxpayer identification number or consent to the FFI to report their information to the IRS).

The Manager, the Fund and each Sub-Fund intend to satisfy the requirements imposed under FATCA, the IGA, and the terms of the FFI Agreement to avoid any FATCA withholding tax. In the event that the Fund and/or any relevant Sub-Fund are not able to comply with the requirements imposed by FATCA, the IGA, or the FFI Agreement, the Fund or the relevant Sub-Fund may be subject to FATCA withholding tax on Withholdable Payments. The Net Asset Value of the Fund or the relevant Sub-Fund may be adversely affected and the Fund or the relevant 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 compliance failures by the Fund or the relevant Sub-Fund, or a risk of the Fund or the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Fund and each of such relevant Sub-Fund, reserves the right to, after completing due process to ascertain and confirm that the Unitholder has failed to cooperate and provide the required information, take any action against the Unitholder and/or pursue all remedies at its disposal including, without limitation, to the extent permitted by applicable laws and regulations, (i) reporting the relevant information of such Unitholder to the IRS or Hong Kong Inland Revenue Department (“**IRD**”); (ii) withholding or deducting from such Unitholder’s redemption proceeds or distributions, or otherwise collecting any such tax liability from such Unitholder, 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 Fund or 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 and in compliance with all applicable laws and regulations.

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

Automatic Exchange of Financial Account Information

(a) General Information

The Inland Revenue (Amendment) (No.3) Ordinance 2016, the Inland Revenue (Amendment) (No.2) Ordinance 2017 and the Inland Revenue (Amendment) (No.2) Ordinance 2019 (collectively referred to as the “**CRS Ordinance**”) provide 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 Hong Kong FIs, and report such information to the IRD which in turn will exchange such information with the reportable jurisdiction(s) in which that account holder is resident. The Fund and/or its agents may adopt the wider approach in collecting residency information of account holders.

The Fund and Sub-Fund are required to comply with the requirements of AEOI as implemented by Hong Kong, which means that the Fund, the Sub-Fund, the Manager and/or any of their agents shall collect and provide to the IRD the required tax information relating to Unitholders and prospective investors.

The AEOI rules as implemented by Hong Kong require the Fund to, amongst other things: (i) register the Fund's status as a “Reporting Financial Institution” with the IRD; (ii) conduct due diligence on its accounts (i.e. Unitholders) to identify whether any such accounts are considered “Reportable Accounts” for AEOI purposes; and (iii) report to the IRD the required information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the required information reported to it to the government authorities of reportable jurisdictions. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax residents in a reportable jurisdiction for Hong Kong AEOI's purposes; and (ii) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the CRS Ordinance, details of Unitholders, including but not limited to their name, date and place of birth, address, tax residence, tax identification number (if any), 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.

(b) Impact to the Fund and Unitholders

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

In such case, the Fund, the Sub-Fund, the Manager and/or any of their agents shall act in good faith on reasonable grounds when exercising its discretion to mandatorily redeem or withdraw a Unitholder.

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.

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

Reports and Accounts

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 accounts and unaudited semi-annual reports, the Manager will notify Unitholders where the annual report and audited accounts (in English only) can be obtained (in printed and electronic forms) within four months after the Accounting Date, and where the unaudited semi-annual accounts (in English only) can be obtained (in printed and electronic forms) within two months after the Semi-Annual Accounting Date in each year. Once issued, hardcopies of the 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. Copies of the accounts and reports may be posted to investors on request. The Manager intends to adopt IFRS in drawing up the annual accounts of the Fund and 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 accounts in order to comply with IFRS and to include a reconciliation note in the Fund's audited accounts.

Publication of Prices

The Issue Price and Redemption Price for each Class of a Sub-Fund will be published on every Subscription Day and Redemption Day in an appropriate manner (including on the Manager's website www.barings.com). Investors may also contact the Manager to obtain the Issue Price and Redemption Price on every Subscription Day and Redemption Day. 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 and information which is not targeted to Hong Kong investors.

Prices can also be ascertained at the registered office of the Manager.

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.

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\$2 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) the Fund ceases to be authorised or otherwise officially approved or if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund and/or any Sub-Fund and / or any Class of Units of a Sub-Fund; or
- (d) 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 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.

An extraordinary resolution may be required under the Trust Deed for certain purposes, and is a resolution proposed as such and passed by a majority of 75% of the total number of votes of those present and entitled to vote in person or by proxy at a duly convened meeting of the Unitholders of the Fund or relevant Sub-Fund.

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. A purported transfer of Units will not become effective and binding upon the Manager until such time as the transferee has completed the prescribed Application Form and any attendant documentation, such as anti-money laundering documentation, and the Trustee has received the originals thereof. In this regard the rights and obligations of the purported transferor will subsist and the purported transferor will continue to be regarded as the registered holder of Units, to the exclusion of the purported transferee, until receipt by the Trustee of the documentation outlined above and the name of the transferee is entered in the register of Unitholders in respect of such Units. In the case of the death of one of joint Unitholders, the survivor or survivors will be the only person or persons recognised by the Trustee and the Manager as having any title to or interest in the Units registered in the names of such joint Unitholders. 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 contravention of any applicable laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed, including without limitation any anti-money laundering or anti-terrorist financial laws or regulations.

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. Accordingly 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 or the Trustee may

refuse to accept the application and the subscription moneys relating thereto. Further, they may delay in paying any redemption proceeds if an applicant for Units delays in producing or fails to produce any documents or information required for the purposes of verification of identity and may automatically re-invest distribution entitlements proceeds where the requisite information for verification purposes has not been produced by a Unitholder. The Manager and the Trustee may compulsorily redeem such Unitholder's Units and/or payment of redemption proceeds may be delayed (no redemption proceeds will be paid if the Unitholder fails to produce such information). Neither the Manager nor the Trustee shall be liable to the subscriber or Unitholder where an application for Units is not processed or Units are compulsorily repurchased or payment of repurchase proceeds is delayed in such circumstances. If an application is rejected, the Trustee will return application monies or the balance thereof by electronic transfer in accordance with any applicable laws to the account from which it was paid at the cost and risk of the applicant. The Manager or the Trustee may refuse to make payment to the Unitholder if either of them suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee or other service providers with any such laws or regulations in any relevant jurisdiction and may automatically re-invest distribution entitlements proceeds where the requisite information for verification purposes has not been produced by a Unitholder.

The Manager and the Trustee reserve the right to obtain any additional information from investors so that it can monitor the ongoing business relationship with such investors. The Manager and the Trustee cannot rely on third parties to meet this obligation, which remains their ultimate responsibility.

Conflicts of Interest

The Manager, the Sub-Investment Manager (if any), the Trustee and the Custodian (if any) and their respective Connected persons may from time to time act as trustee, administrator, registrar, manager, custodian or sub-investment manager, investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients including those which have similar investment objectives to those of any Sub-Fund 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 will endeavour to ensure that such conflicts are managed and minimised so far as reasonably practicable and that measures are adopted that seek to ensure such conflicts are resolved fairly, taking into account the interests of Unitholders of the relevant Sub-Fund as a whole.

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 fairly between the relevant Sub-Fund and other clients. Where the Manager invests the assets of 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 and redemption charge which it is entitled to charge for its own account in relation to such investment by the relevant Sub-Fund.

The Manager reserves the right for itself and its Connected persons to co-invest on its own or for other funds and/or other clients with any Sub-Fund, although any such co-investment must be made on terms no better than those in which the relevant Sub-Fund is investing and the Manager will ensure that the Sub-Funds participate fairly in such investment opportunities and that such opportunities are fairly allocated. Further, the Manager and any of its Connected persons may hold and deal in Units of any

Sub-Fund or in investments held by any Sub-Fund either for their own account or for the account of their clients.

Subject to the restrictions and requirements applicable from time to time, the Manager, any Sub-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 Sub-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 Sub-Investment Manager or the Trustee of such Sub-Fund or their Connected persons; and
- (b) transactions by or through a broker or dealer with whom the Manager, the Sub-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 Sub-Investment Manager and/or any of their Connected persons goods or services for which no direct payment is made.

The Manager may enter into trades for the account of a Sub-Fund with the accounts of other clients of the Manager or its affiliates ("**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. 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 regulation.

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-Fund, 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 or as required by any applicable laws and regulations for the time being in force. 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 Sub-Investment Manager or with any Connected person of these companies (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.

Facsimile Instructions

Investors should be reminded that if they choose to send the Application Forms, Redemption Forms or Conversion Forms by facsimile or such other means, they bear their own risk of such Application Forms, Redemption Forms or Conversion Forms not being received. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee and their respective agents and delegates accept

no responsibility for any loss caused as a result of non-receipt or illegibility of any Application Form, Redemption Form or Conversion Form sent by facsimile or other means, or for any loss caused in respect of any action taken as a consequence of such instructions believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager or the Trustee 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 investor (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 the IRC and the United States Treasury Regulations promulgated under the IRC, 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 (including any law, rule and requirement relating to AEOI) or any other jurisdiction, 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, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Fund or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA). The investor shall be required to waive, and/or shall cooperate with the Fund to obtain a waiver of, the provisions of any law which prevents compliance by the Fund or the relevant Sub-Fund with its obligations under FATCA.

Subject to compliance with any applicable laws and regulations, the Manager, the Trustee or any of their affiliates may also provide such information to any custodian, prime broker, distributor of Units or other person receiving payments from or for the account of, or making payments to or for the account of, the Trust, any Sub-Fund or any Unitholder (each such custodian, prime broker, distributor and other Persons, a "relevant party"), if the Manager, Trustee or any of their affiliates reasonably determines that any such action is required by, or would mitigate an adverse result under, any applicable law, regulation or any agreement with any tax or fiscal authority (including, without limitation, the application of a withholding or the reporting of information).

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 investors in the Fund and the Sub-Funds only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

Personal data may be processed, transferred, and/or disclosed by the Data Users, for the following purposes:

- Subscribing, redeeming, or transferring Units and complying with your instructions in connection therewith;
- Providing ancillary administrative and management services in connection with your investment;
- Analysis of the Sub-Funds or Baring Asset Management Group companies services;
- Compliance with anti-money laundering and other domestic and foreign legal and regulatory obligations;
- Compliance with disclosure obligations under domestic and foreign laws and regulations.
- Monitoring and/or recording of telephone calls and emails in order to detect and prevent fraud and/or to confirm and aid the accurate implementation of your instructions;
- To send you information on other products and service which may be of interest to you (if you have indicated on the Application Form that you wish to receive such information).

Failure to provide information may result in the Manager being unable to provide services to the investors or taking appropriate action or reporting to tax authorities.

The investors have the right to request access to and correction of any personal data or to request the personal data not to be used for direct marketing purposes.

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 annual reports and audited accounts and unaudited semi-annual accounts (if any) of the Fund and the Sub-Funds (available in English only).

SCHEDULE 1 - INVESTMENT RESTRICTIONS

1. Investment limitations applicable to each Sub-Fund

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

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

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

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

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

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

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

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

- (c) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund provided that the 20% limit may be exceeded in the following circumstances:
 - (i) cash held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or

- (ii) cash proceeds from liquidation of investments prior to the merger or termination of the Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of investors; or
- (iii) cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions would be unduly burdensome and the cash deposits arrangement would not compromise investors' interests.

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

- (d) the Sub-Fund's holding of any ordinary shares (when aggregated with all other Sub-Funds' holdings of such ordinary shares) exceeding 10% of any ordinary shares issued by any single entity.
- (e) the value of the Sub-Fund's 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 (save that 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 or such other percentage as may be permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the

SFC from time to time, 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 (where applicable) 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. Where a Sub-Fund has the power to invest in physical commodities this will be indicated in the Appendix of the relevant Sub-Fund;
- (b) invest in any type of real estate (including buildings) or interests in real estate (including any options or rights but excluding shares in real estate companies and interests in REITs);
- (c) make short sales unless (i) the liability of the relevant Sub-Fund to deliver securities does not exceed 10% of its latest available Net Asset Value; (ii) the security which is to be sold short is actively traded on a Securities Market where

short selling activity is permitted; and (iii) the short sales are carried out in accordance with all applicable laws and regulations;

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

3. **Feeder Funds**

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

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

4. **Use of financial derivative instruments**

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

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and

return, and involve taking opposite positions, in respect of the investments being hedged; and

- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

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

- 4.2 A Sub-Fund may also acquire financial derivative instruments for non-hedging purposes ("**investment purposes**") subject to the limit that such Sub-Fund's net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed 50% of its latest available Net Asset Value provided that such limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under sub-paragraph 4.1 of this Schedule 1 will not be counted towards the 50% limit referred to in this sub-paragraph 4.2 so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.
- 4.3 Subject to sub-paragraphs 4.2 and 4.4 of this Schedule 1, a Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs 1(a), (b), (c), (f), (g)(i) and (ii), proviso (A) to (C) to sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1.
- 4.4 The financial derivative instruments invested by a Sub-Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions:
 - (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other public securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies;
 - (b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;
 - (c) subject to sub-paragraphs 1(a) and (b) of this Schedule 1, a Sub-Fund's net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its latest available Net Asset Value provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
 - (d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) independent of the issuer

of the financial derivative instruments through measures such as the establishment of a valuation committee or engagement of third party service. 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 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.

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

5. Securities financing transactions

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

- 5.4 A Sub-Fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the Sub-Fund at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction or terminate the securities financing transaction(s) into which it has entered.

6. Collateral

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

- (a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- (b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;
- (c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;
- (d) Haircut – the collateral is subject to a prudent haircut policy;
- (e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A Sub-Fund's exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs 1(a), 1(b), 1(c), 1(f), 1(g)(i) and (ii) and provisos (A) to (C) of sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1;
- (f) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- (g) Management of operational and legal risks – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;
- (h) Independent custody – the collateral is held by the Trustee or by duly appointed nominee, agent or delegate;
- (i) Enforceability – the collateral is readily accessible or enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions;
- (j) Re-investment of collateral – any re-investment of collateral received for the account of the relevant Sub-Fund shall be subject to the following requirements:
 - (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this

purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;

- (ii) non-cash collateral received may not be sold, re-invested or pledged;
- (iii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs 7(b) and 7(j) of this Schedule 1;
- (iv) cash collateral received is not allowed to be further engaged in any securities financing transactions;
- (v) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
- (k) the collateral is free of prior encumbrances; and
- (l) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

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

7. **Money Market Funds**

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

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

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

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

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

- (iii) collateral received may only be cash, high quality money market instruments and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and
 - (iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions of this paragraph 7 of this Schedule 1;
- (h) a Money Market Fund may use financial derivative instruments for hedging purposes only;
- (i) the currency risk of an Money Market Fund should be appropriately managed and any material currency risk that arises from investments of the Money Market Fund that are not denominated in its Base Currency shall be appropriately hedged;
- (j) a Money Market Fund must hold at least 7.5% of its latest available Net Asset Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets. For the purposes herein:
 - (i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and
 - (ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities.
- (k) for the avoidance of doubt, the purchase of units in a Money Market Fund is not the same as placing funds on deposit with a bank or deposit-taking company. The Manager has no obligation to redeem units at the offer value and a Money Market Fund is not subject to the supervision of the Hong Kong Monetary Authority.

8. **Index Funds**

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

exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature,

8.3 Investment restrictions in sub-paragraphs 8.2(a) and (b) of this Schedule 1 do not apply if:

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

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

9. Borrowing and Leverage

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

Cash borrowing

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

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

Leverage from the use of financial derivative instruments

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

9.4 In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the relevant Sub-Fund are converted into their equivalent positions in their underlying assets. The net derivative exposure is calculated in accordance with the requirements and guidance by the SFC which may be updated from time to time.

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

10. Name of Sub-Fund

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

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

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

SCHEDULE 2 – COLLATERAL VALUATION AND MANAGEMENT POLICY

The Manager will employ a collateral management policy for and on behalf of the Fund and each Sub-Fund in respect of collateral received in respect of OTC financial derivative transactions whether used for investment or for efficient portfolio management purposes and for repurchase agreements, reverse repurchase agreements and/or securities lending agreements (if applicable for the relevant Sub-Fund).

The collateral management policy employed by the Manager in respect of the Fund and each Sub-Fund provides that cash and highly liquid assets which meet with the regulatory criteria in respect of valuation, issue credit quality, correlation and collateral diversification will be permitted collateral for each proposed financial derivative transaction. The collateral received other than cash, will be highly liquid and trade on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Cash collateral may include cash, cash equivalents and money market instruments. Non-cash collateral may comprise of government or corporate bonds whether investment grade, long / short term bonds, listed or traded in any regulated markets. Collateral will be valued daily by the counterparty and the Investment Manager (or any parties which are appointed by the aforesaid parties, including valuation agent or an entity that is independent from the counterparty) at mark-to-market prices and daily variation margin will be used if the value of the collateral falls below coverage requirements. Collateral received will be issued by an entity that is independent from the counterparty and is not expected to display a high correlation with the performance of the counterparty. Collateral will be sufficiently diversified in terms of country, markets and issuers and shall be subject to the investment restrictions set out in Schedule 1.

The collateral policy operated by the Manager will set appropriate levels of collateral required by the Manager in respect of derivative transactions. The Manager will also employ a clear haircut policy (i.e. a policy in which a pre-determined percentage will be subtracted from the market value of an asset that is being used as collateral) for each class of assets received as collateral taking account of the characteristics of the assets received as collateral such as the credit standing or the price volatility and the outcome of any liquidity stress testing policy.

Up to 100% of cash collateral received for and on behalf of a Sub-Fund may be re-invested. Invested cash collateral will be diversified in accordance with the diversification requirements applicable to non-cash collateral and may not be placed on deposit with the counterparty or a related entity.

Counterparties selection: The counterparties that a Sub-Fund may only enter into OTC derivatives and repurchase/reverse repurchase agreements with are entities with legal personality typically located in OECD jurisdictions. A Sub-Fund may only enter into OTC derivatives, repurchase/reverse repurchase agreements and securities lending arrangements (if applicable for the relevant Sub-Fund) with counterparties where a credit assessment has been undertaken in accordance with relevant regulatory requirements. Where the counterparty is subject to a credit rating, that rating shall be taken into account in the credit assessment. Where a counterparty is downgraded to A2 or below (or comparable rating) by such a credit rating agency, a new credit assessment in respect of the counterparty will be undertaken without delay.

Valuation of collateral: Collateral that is received by a Sub-Fund will be valued on at least a daily basis and assets that exhibit high price volatility will not be accepted as collateral unless suitably conservative haircuts are in place. The non-cash collateral received by a Sub-Fund will be at mark to market given the required liquid nature of the collateral.

Safe-keeping of collateral received by a Sub-Fund: Collateral received by a Sub-Fund on a title transfer basis shall be held by the Trustee or a duly appointed sub-custodian of the Trustee. For other types of collateral arrangements, the collateral can be held by the Trustee, a duly appointed sub-custodian of the Depositary or by a third party custodian which is subject to prudential supervision and which is unrelated to the provider of the collateral.

Posting of collateral by a Sub-Fund: Collateral provided by a Sub-Fund to a counterparty shall be agreed with the relevant counterparty and may comprise of cash or any types of assets held by the relevant Sub-Fund in accordance with its investment objective and policies and shall comply with relevant regulatory requirements. Collateral may be transferred by a Sub-Fund to a counterparty on

a title transfer basis where the assets are passed outside of the custody network and are no longer held by the Trustee or its sub-custodian. In such circumstances the counterparty to the transaction may use those assets in its absolute discretion. Where collateral is posted by a Sub-Fund to a counterparty under a security collateral arrangement where title to the relevant securities remains with the relevant Sub-Fund, such collateral must be safe-kept by the Trustee or its sub-custodian, however, subject to relevant regulatory requirements, such assets may be subject to a right of re-use by the counterparty. Risks associated with re-use of collateral are set down in “Risks Associates with Collateral Management and Re-investment of Cash Collateral”.

Enforceability of collateral: Collateral must be immediately available to the Fund, without recourse to the counterparty, in the event of a default by that entity.

The Fund shall take into account all collateral passed to an OTC derivative counterparty in calculating the exposure of the Fund to counterparty risk. Collateral passed to an OTC derivative counterparty shall be taken into account on a net basis only if the Fund is able to legally enforce netting arrangements with this counterparty.

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

APPENDIX I

BARINGS GLOBAL MULTI ASSET INCOME FUND

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

1. Definitions

For the purposes of this Sub-Fund, “Payment Period” means no more than 3 Business Days after the relevant Subscription Day on which the relevant Units are issued.

2. Unit Classes

Units in the Sub-Fund are available in the following Classes and have the following features:-

The Manager intends to offer A Class (the “Class A”), which may be denominated in HKD, RMB, USD or such other currencies as may be determined by the Manager (including but not limited to AUD, NZD, GBP, CAD, EUR, CHF from time to time, hedged or unhedged, and designated as Accumulation Units or Distribution Units. The Manager may in future determine to offer other Class of Units pursuant to the provisions of the Trust Deed.

As at the date of this Explanatory Memorandum, the following currency Unit Classes are available:

HKD, USD and RMB Hedged, accumulation and distribution unit classes.

The Manager will provide a full list of Classes of Units with currency denomination that are available for sale to the public in Hong Kong, upon request of an investor.

In addition, the Manager may create and establish new Class(es) denominated in RMB and will offer such Class(es) of Units to investors in the PRC only for subscription after the Sub-Fund obtains the approval of the CSRC for distribution in the PRC under the Mainland-Hong Kong Mutual Recognition of Funds initiative and will not be offered in Hong Kong. Investors in the PRC should refer to the supplementary offering document of the Sub-Fund distributed in the PRC for details of such Class(es).

The Minimum Initial Subscription Amount, the Minimum Holding Amount and the Minimum Subsequent Subscription Amount is HKD10,000 or its equivalent value for other available currency share classes. The Minimum Redemption Amount is HKD5,000 or its equivalent value for other available currency.

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

Subject to the agreement of the Manager, the Manager and the Trustee may accept payments in other currencies, but such payments will be converted into the currency of the relevant Class and only the proceeds of such conversion (after deducting expenses relating to such conversion) will be applied by the Company towards payment of the subscription moneys. Please refer to the section headed ‘Risk Factors’ in this Explanatory Memorandum.

3. Base Currency

US Dollars (USD)

4. Investment Objective and Policies

Investment Objective

The Sub-Fund seeks primarily to generate income, and in addition to provide medium to longer term capital growth, primarily through investing in a diversified portfolio of equities, other listed securities, debt securities and cash. Investors should note that the Sub-Fund will invest in multiple asset classes with no formal limits on investment in asset classes, sectors or regions.

Investment Policies

The Sub-Fund will seek to achieve its investment objective through investment in a diversified portfolio of equities, listed securities including equity related securities and listed investment trusts, as set out below, which in the Manager's opinion offer attractive yields and/or sustainable dividend payments and/or capital growth, bonds and other fixed or floating rate debt securities, of investment grade, Sub-Investment Grade Debt Securities and/or Unrated Debt Securities, issued by governments, government agencies, supra-national and corporate issuers, which in the Manager's opinion offer attractive yields and/or capital growth, cash and near cash instruments.

Notwithstanding paragraph 2(a) of Schedule 1 to this Explanatory Memorandum, the Sub-Fund may, if the Manager considers fit and to a limited extent, also seek exposure to commodities. The Sub-Fund's exposure to physical commodities (which includes gold, silver, platinum or other bullion) and net total aggregate value of future contracts prices, whether payable to or by the Sub-Fund under all outstanding future contracts (other than futures contracts entered into for hedging purposes) will not exceed 20% of the Net Asset Value of the Sub-Fund.

The Sub-Fund may invest in American Depositary Receipts, Global Depositary Receipts and other equity related securities including but not limited to structured notes, participation notes, equity-linked notes and debt securities convertible into equities. These instruments shall generally comprise securities of the issuer, notwithstanding that their value is linked to an underlying equity or equity index. The participation notes, structured notes and equity linked notes will be liquid, unleveraged and capable of free sale and transfer to other investors. In practice, the Sub-Fund will purchase such instruments from an issuer and the instrument will track the underlying equity or equity index. It should be noted that the Sub-Fund's exposure in relation to these instruments will be to the issuer of the instruments. However, it will also have an economic exposure to the underlying securities themselves. Such structured products involve special types of risk, including credit risk, interest rate risk, counterparty risk and liquidity risk. Investment in participation notes, equity-linked notes, structured notes and debt securities convertible into equities as referenced above which are not listed, quoted or dealt on a regulated market is restricted to 15% of the Sub-Fund's Net Asset Value.

Listed investment trusts may include, but are not limited to, real estate investment trusts, commodity investment trusts, infrastructure investment trusts in accordance with the requirements of the Code. The Sub-Fund may invest in securities issued by companies of any market size and in such proportions as the Manager deems appropriate. Further, there is no minimum credit rating requirement in respect of the bonds and other fixed or floating rate debt securities in which the Sub-Fund may invest in. There are no pre-determined limits on the Sub-Fund's investments in Sub-Investment Grade Debt Securities and/or Unrated Debt Securities. However, the Sub-Fund is not expected to invest more than 20% of its Net Asset Value in asset-backed securities and mortgage-backed securities.

Also, the Sub-Fund is not expected to invest more than 10% of its Net Asset Value in securities issued and/or guaranteed by a single sovereign (including its government, a public or local government of that country) which is rated below investment grade by an internationally recognised rating agency. In the event of split rating, the highest credit rating accredited to the relevant sovereign issuer will be deemed the reference credit rating.

Cash (including near cash instruments such as deposits, short term government bonds or short-term money market instruments) will be treated as a separate asset class and holdings of cash and near cash instruments may be substantial under certain circumstances. In addition to holdings in cash and near cash instruments for liquidity and cash management purposes, substantial investment in cash and near cash instruments may be made temporarily, if necessary to limit downside risk during adverse market conditions and/or periods of increased market volatility such as during periods of political or economic instability (for example an upcoming election, bankruptcy of a large financial institution etc).

Exposure to all asset classes may be sought through collective investment schemes (including exchange traded funds), listed securities, derivatives, and/or similar instruments in accordance with the requirements of the Code. The Sub-Fund may invest up to 50% of its Net Asset Value in collective investment schemes (not more than 10% of the Net Asset Value of the Sub-Fund may in aggregate consist of shares or units in other collective investment schemes which are non-eligible schemes (the list of “eligible schemes” is as specified by the SFC from time to time) and not authorised by the SFC and not more than 30% of the Net Asset Value of the Sub-Fund may consist of shares or units in a single underlying scheme which is an eligible scheme (the list of “eligible schemes” is as specified by the SFC from time to time) or an SFC-authorised scheme). The investment objective and policies of the collective investment schemes the Sub-Fund may invest in will be in line with the investment objective and policies of the Sub-Fund and will generally be income generating.

The Sub-Fund will actively allocate between asset classes and countries, including emerging markets, in order to achieve the investment objective. There are no pre-determined limits on investment in any particular country, geographical region, industry or sector. The allocation between different asset classes, geographical region and industry sectors will change from time to time according to the Manager’s assessment of investment prospects. The Sub-Fund’s exposure to currencies may vary over time.

The Sub-Fund may, within the respective investment limits stated above, invest extensively in, or have limited exposure to, RMB denominated investments. RMB denominated investments may include but are not limited to China A-Shares (as detailed below), RMB denominated debt securities or RMB denominated collective investment schemes. Direct exposure to China A-Shares and/or RMB denominated fixed income and debt instruments issued, quoted or traded in Mainland China may be obtained via the Shanghai-Hong Kong Stock Connect Scheme (for China A-Shares only), Shenzhen-Hong Kong Stock Connect Scheme (for China A-Shares only), the Foreign Access Regime (for RMB denominated bonds only), the Bond Connect (for RMB denominated bonds only), RQFII (as and when RQFII quota becomes available for the Sub-Fund), and/or such other means as may be permitted by the relevant regulations from time to time. The Sub-Fund’s aggregate exposure to securities and other financial instruments permitted under applicable PRC regulations issued, traded or quoted in Mainland China will not exceed 20% of the non-cash assets value of the Sub-Fund. Should this intended level change in the future, the change will be subject to the applicable notice requirements required by the SFC and this Explanatory Memorandum and KFS will be updated accordingly.

The Sub-Fund may use derivatives for hedging or investment purposes. The use of derivatives for investment purposes will be subject to the applicable investment restrictions as set out in Schedule 1 to the Explanatory Memorandum and the relevant provisions of the Code. There can be no assurance that any hedging strategy employed by the Manager will fully and effectively eliminate the risk exposure of the Sub-Fund.

The Sub-Fund may invest less than 30% of its Net Asset Value in debt instruments with loss-absorption features (“LAP”) (e.g. Additional Tier 1 (AT1), Tier 2, Tier 3, external LAC debt instruments and certain similar debt instruments issued by a holding company of a financial institution which exhibit LAP features) out of which no more than 10% of the Fund’s assets may be invested in AT1 securities. LAP is intended to capture debt instruments with features of contingent write-down or contingent conversion to ordinary shares on the occurrence of (a) when a financial institution is near or at the point of non-viability or (b) when the capital ratio of a financial institution falls to meet a specified level.

5. Investment Restrictions

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

6. Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging and investment purposes. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value provided that such limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time.

7. Securities Lending and Repurchase / Reverse Repurchase Agreements

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.

8. Risk Factors

Investors should refer to the risk factors under the heading “**Risk Factors**” of the Explanatory Memorandum.

9. Distribution Policy

Save as otherwise specified below, the distribution policy as set out in the section entitled “Distribution Policy” in the main section of the Explanatory Memorandum shall apply. Unitholders should also refer to the said section for details in respect of the Fund policy in respect of re-investment of distributions.

It is intended that distributions, if any, in relation to the Fund will be paid as set out in the table below:

Accumulation Units (Acc) The Manager shall not make any distributions of income or net capital gains realized on the sale of investment in respect of the Accumulation Units. Any income and net capital gains in respect of the Accumulation Units shall be accumulated and capitalized.

Distribution Units (Dist) In respect of Distribution Units, the Manager will declare (if any) and pay distributions (if any) monthly.

Monthly distributions will be paid no later than the last Business Day of each month.

There is no guarantee of regular distributions and if distributions are made, the amount being distributed. The Manager has the discretion to determine if and to what extent distributions will be paid out of capital of the Sub-Fund.

The Sub-Fund normally pays some or all of the management fee and other fees and expenses out of capital.

Where distributions are paid out of gross income of the Sub-Fund while the management fee and other fees and expenses are expensed to/out of capital, this will result in an increase in distributable income for the payment of distributions by a Sub-Fund (therefore effectively paying distributions out of capital of such Sub-Fund). 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.

Payment of dividends out of capital equates 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 the Sub-Fund's capital or payment of distributions effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit. Compositions of the dividend distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months will be available from the Manager upon request and on the website of the Manager www.barings.com on a regular basis. Please note that the aforesaid website has not been reviewed by the SFC. Please refer to the risk factor headed "Distributions Risk" in the section headed "Risk Factors" in the main part of the Explanatory Memorandum for the relevant risks.

The Manager may change the distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

10. Issue of Units

Class A HKD Dist Units, Class A US\$ Dist Units, Class A RMB Hedged Dist Units, Class A HKD Acc Units, Class A US\$ Acc Units and Class A RMB Hedged Acc Units of the Sub-Fund have been issued and are available at the Issue Price per Unit calculated by reference to the Net Asset Value per Unit of that Class in respect of that Subscription Day (for further details, see "Valuation and Suspension – Calculation of Net Asset Value" in the main part of this Explanatory Memorandum). Remaining Classes of Units will continue to be offered at the Initial Offer Price of HKD10 per Unit or its currency equivalent price in an available Unit Class until such time an investor invests into such Class of Units or as otherwise agreed between the Trustee and the Manager. Following such subscription, Units of the relevant Class will be issued at the prevailing Issue Price.

Application Procedure

The procedures to be followed in applying for Units are set out in the section headed "Investing in the Fund" in the main part of this Explanatory Memorandum.

11. Redemption of Units

For details relating to the redemption of Units in the Sub-Fund, please refer to the section headed "Redemption of Units" in the main part of this Explanatory Memorandum.

12. Conversion of Units

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 by submitting a Conversion Form in the manners set out in the section headed "Conversion" in the main part of this Explanatory Memorandum. Unless the Manager otherwise agrees, units of a Class can only be converted into Units of the same Class of another Sub-Fund.

13. Fees and Expenses

Class A Units	Management Fee	Trustee Fee	
	1.25% per annum.	<i>Net Asset Value</i>	
		Less than US\$300 million	0.12% per annum
		More than US\$300 million	0.10% per annum
		Monthly minimum fee of US\$5000	

Notes: (1) The rate of the management fee may be increased up to or towards a maximum rate of 2.5% per annum on giving not less than 1 months' notice to affected

Unitholders

- (2) The rate of the trustee fee may be increased up to or towards a maximum rate of 1% per annum on giving not less than 1 months' notice to affected Unitholders.
- (3) The Manager does not currently impose any performance fee in respect of the Sub-Fund.

Subscription Charge	Current (and maximum) Up to 5% of the total subscription amount received in relation to an application.	
Redemption Charge	Current Nil	Maximum Up to 1% of the total redemption amount in relation to a redemption request.
Switching Fee	Current (and maximum) Up to 1% of 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 of the total amount being converted into.	

14. Establishment Cost

The cost of establishing the Sub-Fund will be amortised over the first five accounting periods of the Sub-Fund ("Amortisation Period") for the purposes of Net Asset Value calculation. The remaining unamortised cost is approximately USD43,369.42. The establishment expenses will include legal, regulatory expenses and initial market registration charges.

15. Taxation

Investors should refer to the risk factors under the heading "Taxation" of the main Explanatory Memorandum.

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