



# China Southern Dragon Dynamic Fund

## Hong Kong Prospectus

China New Balance Opportunity Fund

31 December 2019

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# **China Southern Dragon Dynamic Fund**

## **Hong Kong Prospectus**

*Société d'Investissement à Capital Variable*  
established in Luxembourg

**CSOP Asset Management Limited**  
(Investment Manager and Hong Kong Representative)

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**31 December 2019**

## IMPORTANT INFORMATION

**IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS HONG KONG PROSPECTUS YOU SHOULD SEEK INDEPENDENT PROFESSIONAL FINANCIAL ADVICE AND CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER.**

This Hong Kong Prospectus has been prepared for investors residing in Hong Kong and with a view to complying with the requirements of the SFC. Each product key fact statement in relation to the relevant Sub-Fund forms part of this Hong Kong Prospectus, which should be read in entirety before making any application for Shares.

China Southern Dragon Dynamic Fund (the “**SICAV**”) and China New Balance Opportunity Fund, a Sub-Fund of SICAV (the “**CNBO Sub-Fund**”), have been authorised by the Securities and Futures Commission in Hong Kong under section 104 of Securities and Futures Ordinance. SFC authorization is not a recommendation or endorsement of the SICAV or the CNBO Sub-Fund nor does it guarantee the commercial merits of the SICAV or the CNBO Sub-Fund or their performance. It does not mean the SICAV or the CNBO Sub-Fund is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

The Directors, whose names appear on page iii, accept full responsibility for the accuracy of the information contained in this Hong Kong Prospectus and, confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

The SICAV is an investment company organised under the laws of the Grand Duchy of Luxembourg as a *société d'investissement à capital variable* under the form of a *société anonyme* and is governed by Part I of the UCI Law and qualifies as a UCITS.

No person has been authorised by the SICAV or the Management Company to give any information or make any representations in connection with the offering of Shares other than those contained in this Hong Kong Prospectus or any other document approved by the SICAV or the Management Company, and, if given or made, such information or representations must not be relied on as having been made by the SICAV or the Management Company.

The distribution of this Hong Kong Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Hong Kong Prospectus comes are required to inform themselves about and to observe any such restrictions. This Hong Kong Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. It is the responsibility of any person in possession of this Hong Kong Prospectus and of any person wishing to apply for Shares to inform himself of and to observe all applicable laws and regulations of the countries of his nationality, residence, ordinary residence or domicile. Investors should inform themselves and should take appropriate advice on the legal requirements as to possible tax consequences, foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence, or domicile and which might be relevant to the subscription, purchase, holding, conversion, redemption or disposal of the Shares of the SICAV. Investors should read and consider the section “Risk Factors”.

Applications for Shares will only be considered on the basis of this Hong Kong Prospectus (and any relevant Supplement, each relating to a separate Sub-Fund). The latest audited annual report and accounts and the latest unaudited semi-annual report may be obtained from the offices of the Administrator or the Investment Manager. The delivery of this Hong Kong Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the SICAV have not changed since the date hereof.

Potential investors should not treat the contents of this Hong Kong Prospectus as advice relating to legal, taxation, investment or any matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The investors' attention is drawn to the fact that any investor will only be able to fully exercise his investor rights directly against the SICAV, notably the right to participate in general shareholders' meetings, if the investor is registered himself and in his own name in the shareholders' register of the SICAV. In cases where an investor invests in the SICAV through an intermediary investing into the SICAV in his own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights directly against the SICAV. Investors are advised to take advice on their rights.

The provisions of the Articles are binding on each of the Shareholders.

This Hong Kong Prospectus is based on information, law and practice currently in force in Luxembourg (which may be subject to change) at the date hereof. The SICAV cannot be bound by an out of date Prospectus when it has issued a new Prospectus. The SICAV will ensure that the investors will be able to access the up-to-date Prospectus.

Personal data related to identified or identifiable natural persons provided to, collected or otherwise obtained by or on behalf of, the SICAV (the "Controller") will be processed by the Controller in accordance with the Privacy Notice referred to in the Application Form which is available upon request addressed at [thirdpartyfunds@lemanik.lu](mailto:thirdpartyfunds@lemanik.lu). All persons contacting, or otherwise dealing directly or indirectly with, the Controller are invited to read and carefully consider the Privacy Notice, prior to contacting or otherwise so dealing, and in any event prior to providing or causing the provision of any Data directly or indirectly to the Controller.

The value of the Shares may fall as well as rise and a Shareholder on transfer or redemption of Shares may not get back the amount he initially invested. Income from the Shares may fluctuate in money terms and changes in rates of exchange may cause the value of Shares to go up or down. The levels and basis of, and reliefs from taxation may change. There can be no assurance that the investment objectives of any Sub-Fund will be achieved.

This Hong Kong Prospectus and any Supplements may also be translated into other languages, including the Chinese language. Both the English and Chinese versions of this Hong Kong Prospectus are of equal standing.

Enquiries and complaints concerning the SICAV should be addressed to the SICAV (Attn.: Mr. Jin Wang), 31, Z.A. Bourmicht, L-8070 Bertange Grand Duchy of Luxembourg or the Hong Kong Representative by post to its address at Suite 2802, Two Exchange Square, 8 Connaught Place, Central, Hong Kong or by telephone on its Customer Service Hotline +852 3406 5688. All complaints will be dealt with strictly in accordance with the SICAV's complaint handling procedures. If a query or complaint is received by phone, the SICAV or the Hong Kong Representative (as the case may be) will respond orally. If a query or complaint is received in writing, the SICAV or the Hong Kong Representative (as the case may be) will respond in writing. Under normal circumstances the SICAV or the Hong Kong Representative (as the case may be) will respond to any query or complaint as soon as practicable.

## **DIRECTORY**

### **China Southern Dragon Dynamic Fund**

#### **Registered Office of SICAV**

31, Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg

#### **Directors of SICAV**

Ms. Ka Yan Wong (Chairman), CSOP Asset Management Limited  
Mr. Jin Wang, Independent Director  
Mr. Dimitri Brunwasser, Lemanik Asset Management  
S.A.

#### **Management Company**

Lemanik Asset Management S.A.  
106 route d'Arlon,  
L-8210 Mamer  
Grand Duchy of Luxembourg

#### **Conducting officers of the Management Company**

Mr. Philippe MELONI  
Mr. Marco SAGRAMOSO  
Mr. Jean Philippe CLAESSENS  
Mr. Alexandre DUMONT

#### **Investment Manager / Hong Kong Distributor (by delegation of the Management Company)/ Hong Kong Representative**

CSOP Asset Management Limited  
Suite 2802  
Two Exchange Square  
8 Connaught Place, Central  
Hong Kong S.A.R.

#### **Global Distributor**

Lemanik Asset Management S.A.  
106 route d'Arlon, L-8210 Mamer  
Grand Duchy of Luxembourg

**Administrator**

(by delegation of the Management Company)

Citibank Europe plc, Luxembourg Branch  
31, Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg

**Depositary and paying agent**

Citibank Europe plc, Luxembourg Branch  
31, Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg

**Legal Advisers**

As regards Luxembourg law:

Elvinger, Hoss & Prussen, société anonyme  
2, Place Winston Churchill  
L-1340 Luxembourg  
Grand Duchy of Luxembourg

As regards Hong Kong law: Baker & McKenzie  
23/F, One Pacific Place 88 Queensway  
Hong Kong S.A.R.

**Auditors**

PricewaterhouseCoopers S.c.  
2, rue Gerhard Mercator  
L-2182 Luxembourg  
Grand-Duchy of Luxembourg

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## DEFINITIONS

"1933 Act"	United States Securities Act of 1933, as amended
"1940 Act"	United States Investment Company Act of 1940, as amended
"Accumulation Shares"	Shares in respect of which income is accumulated and added to the capital property of a Sub-Fund
"Administration Agreement"	the fund administration services agreement entered into between the Administrator, the Management Company and the SICAV on or around 30 August 2013, as may be amended from time to time, pursuant to which the Administrator is appointed by the Management Company as administration agent, accounting and regulatory services provider, registrar and transfer agent and corporate and by the SICAV as domiciliary agent and paying agent
"Administrator"	Citibank Europe plc, Luxembourg Branch
"Articles"	articles of incorporation of the SICAV, as adopted by the Shareholders pursuant to the extraordinary shareholders' meeting held on 4 November 2011
"Auditors"	PricewaterhouseCoopers S.c.
"Board", "Board of Directors" or "Directors"	the members of the board of directors of the SICAV for the time being and any duly constituted committee thereof and any successors to such members as may be appointed from time to time
"Business Day"	in relation to a Sub-Fund means any day when the banks are fully open in Luxembourg, in the PRC and in the Hong Kong S.A.R. and/or such other place or places and such other day or days as the Directors may determine and notify to Shareholders in advance and as shall be specified in the relevant Supplement for that Sub-Fund
"CEA"	the US Commodity Exchange Act
"China A Share"	Mainland China's domestic shares listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, which are available to Mainland China's domestic investors, QFII and RQFII, and quoted in RMB
"China B Share"	Mainland China's domestic shares listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange and traded in USD (if they are listed on Shanghai Stock Exchange) or in HKD (if they are listed on Shenzhen Stock Exchange) and available for investment by Mainland China's domestic investors and foreign investors



“CNH”	the currency of RMB circulated outside of Mainland China
“CSRC”	the China Securities Regulatory Commission
“CSSF”	the Luxembourg authority, currently the <i>Commission de Surveillance du Secteur Financier</i> , or its successor in charge of the supervision of undertakings for collective investment in the Grand-Duchy of Luxembourg
“Cut-Off time”	such time in respect of any relevant Dealing Day as shall be specified in the relevant Supplement for that Sub-Fund or such other time as the Directors may determine and notify to Shareholders in advance provided always that the Cut-Off time is no later than the Valuation Point for the relevant Dealing Day
“Dealing Day”	such Business Day on which subscription requests or redemption requests or conversion requests shall be effected, as specified in the relevant Supplement for that Sub-Fund or any such other day or days as the Directors may determine and notify in advance to the Shareholders provided there is at least one every two weeks
“Depositary”	Citibank Europe plc, Luxembourg Branch or such other depositary from time to time appointed by the SICAV
“Depositary Agreement”	the custodian and paying agent services agreement pursuant to which the Depositary is appointed by the SICAV as custodian bank and paying agent
"Distributor"	any distributor appointed by the Global Distributor according to the terms of the relevant distribution agreement. For the avoidance of doubt, "Distributor" includes the Hong Kong Distributor.
"Distribution Agreement"	the distribution agreement entered into on or around 30 August 2013 between the Global Distributor, the SICAV and CSOP Asset Management Limited in relation to the distribution of the Shares of the SICAV
“Distribution Shares”	Shares in respect of which income is distributed periodically to Shareholders
“EU”	the European Union
"ERISA"	the U.S. Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder

"Euro" or "EUR" or "€"	the currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
"Eurozone"	the geographical area consisting of the member states of the European Union that have adopted the Euro as their national currency
"EUSD"	the EU Council Savings Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments, as amended
"EUSD Law"	the Luxembourg law dated 21 June 2005 implementing the EUSD, as amended
"Fiscal Year"	the period beginning on 1 January of each year and ending on 31 December of that year, or such other period or periods as the general meeting of shareholders may from time to time determine
"Group of Companies"	companies belonging to the same body of undertakings and which must draw up consolidated accounts in accordance with Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts and according to recognised international accounting rules, as amended
"Global Distributor"	Lemanik Asset Management S.A., appointed as global distributor pursuant to the Management Company Agreement
"Greater China"	for the purposes of this Hong Kong Prospectus only, Mainland China, the Hong Kong S.A.R., the Macau S.A.R. and the Taiwan.
"Hong Kong" or the "Hong Kong S.A.R."	the Hong Kong Special Administrative Region of the People's Republic of China
"HKD" or "HK Dollar" or "HK\$"	the currency of the Hong Kong S.A.R.
"Hong Kong Distributor"	the appointment of CSOP Asset Management Limited as the distributor of the Shares of the SICAV under the Distribution Agreement
"Hong Kong Prospectus"	this Hong Kong Prospectus, as may be amended or supplemented from time to time
"Hong Kong Representative"	the appointment of CSOP Asset Management Limited as the Hong Kong Representative of the SICAV under the Hong Kong Representative Agreement

“Hong Kong Representative Agreement

the Hong Kong Representative agreement entered between (i) the SICAV; (ii) the Management Company; and (iii) the Hong Kong Representative on or around 17 April 2014, as may be amended from time to time by the parties thereto, pursuant to which CSOP Asset Management Limited has been appointed as the Hong Kong Representative

“Ineligible Applicant”

any person subscribing, to whom a transfer of Shares (legally or beneficially) or by whom a holding of Shares (legally or beneficially) would or, in the opinion of the Directors, might:

- a) be in breach of any law (or regulation by a competent authority) of any country or territory by virtue of which the person in question is not qualified to hold such Shares; or
- b) require the SICAV, the Management Company or the Investment Manager to be registered under any law or regulation whether as an investment fund or otherwise, or cause the SICAV to be required to comply with any registration requirements in respect of any of its Shares, whether in the United States of America or any other jurisdiction; or
- c) cause the SICAV, its Shareholders, the Management Company or the Investment Manager some legal, regulatory, taxation, pecuniary or material administrative disadvantage which the SICAV, its Shareholders, the Management Company or the Investment Manager might not otherwise have incurred or suffered; or
- d) cause the SICAV to be in breach of any obligations under any agreement to which the SICAV is or will be a party thereof.

“Initial Offer Period”

the period set by the Directors in relation to any Sub-Fund or Class of Shares as the period during which Shares are initially on offer and as specified in the relevant Supplement

“Initial Offer Price”	the initial price payable for a Share as specified in the relevant Supplement for each Sub-Fund
“Investment Management Agreement”	the investment management agreement entered into between the Management Company, the SICAV and the Investment Manager on or around 30 August 2013, as may be amended from time to time, pursuant to which CSOP Asset Management Limited is appointed by the Management Company to provide discretionary investment management services to the SICAV in relation to all the Sub-Funds
“Investment Manager”	Any investment manager appointed by the Management Company in relation to any Sub-Funds present and future, in view of managing the assets of such Sub-Funds in accordance with an investment management agreement. At the date of this Hong Kong Prospectus, CSOP Asset Management Limited is appointed as Investment Manager for all the Sub-Funds
“Luxembourg”	the Grand Duchy of Luxembourg
"Mainland China" or "Mainland" or "China" or "PRC"	the People's Republic of China not including Hong Kong or Macau S.A.R.
“Management Company”	Lemanik Asset Management S.A., as designated by the Directors as management company of the SICAV pursuant to the Management Company Agreement, as may be amended from time to time
“Management Company Agreement”	the management company agreement entered into between the SICAV and the Management Company on or around 30 August 2013, as may be amended from time to time by the parties thereto, pursuant to which the Management Company has been appointed as designated management company of the SICAV as well as global distributor of the Shares of the SICAV.
“Market Timing / Excessive Trading Fee”	the fee which may be levied by the Board of Director for the benefit of the relevant Sub-Fund, in case of market timing and/or excessive trading, as set forth in the section “Prevention of Late Trading and Market Timing”
“Member State”	a member state of the European Union, and any state that is a contracting party to the agreement creating the European Economic Area other than the member states of the European Union, within the limits set forth by that agreement and related acts

“Minimum Holding”	the minimum holding for each class of Shares as specified in the relevant Supplement for each Sub-Fund
“Minimum Additional Subscription”	the minimum additional investment for each class of Shares as specified in the relevant Supplement for each Sub-Fund
“Minimum Subscription”	the minimum investment for each class of Shares as specified in the relevant Supplement for each Sub-Fund
“Money Market Instruments”	instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time, and instruments eligible as money market instruments, as defined by guidelines issued by the CSSF from time to time
“Net Asset Value”	the net asset value of the SICAV, a Sub-Fund or a Class (as the context may require) as calculated in accordance with the Articles
“Net Asset Value per Share”	the Net Asset Value in respect of any Sub-Fund or Class divided by the number of Shares of the relevant Sub-Fund or Class in issue at the relevant time
“Non-Member State”	any State of Europe, America, Africa, Asia, Australia and Oceania which is not a Member State
“OECD”	the Organisation for Economic Co-operation and Development
“Other Regulated Market”	market which is regulated, operates regularly and is recognized and open to the public, namely a market: (i) that meets the following cumulative criteria: liquidity, multilateral order matching (general matching of bid and ask prices in order to establish a single price) and transparency (the circulation of complete information in order to give clients the possibility of tracking trades, thereby ensuring that their orders are executed on current conditions); (ii) on which the securities are dealt in at a certain fixed frequency, (iii) which is recognized by a state or by a public authority which has been delegated by that state or by another entity which is recognized by that state or by that public authority such as a professional association and (iv) on which the securities dealt are accessible to the public, as those criteria are defined and/or amended by guidelines issued by the CSSF from time to time

"Performance Period"	such period as defined in the relevant Supplement of a Sub-Fund
"PRC Stock Exchanges"	the Shanghai Stock Exchange, the Shenzhen Stock Exchange and any other stock exchange that may open in the PRC in the future
"QFII"	a qualified foreign institutional investor approved pursuant to the relevant Mainland China's regulations (as amended from time to time)
"Redemption Price"	the price per Share at which Shares are redeemed
"Reference Currency"	as the context may require, the reference currency of the SICAV, which is the US Dollar, or of the relevant Sub-Fund, or of the relevant Class of Shares, as described in the Supplement of the relevant Sub-Fund
"Regulated Market"	a market in the meaning of Directive 2004/39/EC of the EC Parliament and Council on markets in financial instruments, namely a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in the system and in accordance with its non-discretionary rules in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of the Directive 2004/39/EC
"RESA"	the Recueil Electronique des Sociétés et Associations of Luxembourg
"RMB" or "Renminbi" or "CNY" or "¥"	the currency of Mainland China
"RQFII"	a Renminbi qualified foreign institutional investor approved pursuant to the relevant Mainland China's regulations (as amended from time to time)
"SAFE"	the State Administration of Foreign Exchange of the PRC
"Securities and Futures Ordinance"	the Securities and Futures Ordinance (Cap.571) of the laws of Hong Kong, as amended
"Securities Lending"	a transaction whereby securities are transferred on a temporary basis from a lender to a borrower with the latter obliged to return the securities either on demand or at the end of a specific period
"SEHK"	the Stock Exchange of Hong Kong Limited
"SFC"	the Securities and Futures Commission or its

	successor
"SICAV"	China Southern Dragon Dynamic Fund
"Share" or "Shares"	shares of any Class in the SICAV as the context requires
"Share Class" or "Class of Shares" or "Class"	all of the Shares issued by the SICAV as a particular class of Shares relating to a single Sub-Fund
"Shareholder"	a holder of Shares in the SICAV
"SSE"	the Shanghai Stock Exchange
"Sub-Fund"	a sub-fund of the SICAV representing the designation by the Directors of a particular class of Shares as a sub-fund the proceeds of issue of which are pooled separately and invested in accordance with the investment objective and investment policies applicable to such sub-fund and which is established by the Directors from time to time and subject to prior review of the home regulator of the SICAV
"Subscription Price"	the price per Share at which Shares may be issued after the close of the Initial Offer Period calculated in the manner described in the section "Subscriptions"
"Supplement"	a supplement to this Hong Kong Prospectus specifying certain information in respect of a Sub-Fund and/or one or more Classes
"SZSE"	the Shenzhen Stock Exchange
"Total Net Income"	means, in respect of a Sub-Fund, the aggregate investment income of such Sub-Fund, including dividends, interests, realised capital gains, any proceeds or revenues generated by investments of that Sub-Fund, net of fees, expenses, taxes or charges of whichever nature incurred by that Sub-Fund, which is available for distribution in accordance with laws and regulations of Luxembourg. For the avoidance of doubt, "total net income" cannot include net unrealised gains."
"Transferable Securities"	<p>(i) shares and other securities equivalent to shares ("shares");</p> <p>(ii) bonds and other debt instruments ("debt securities"); and</p> <p>(iii) any other negotiable securities that carry the right to acquire any such transferable securities by subscription or exchange, to the extent they do not qualify as Techniques and Instruments as described in Appendix 1 of this Hong Kong Prospectus</p>
"UCI"	undertaking for collective investment

“UCI Law”	the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended
“UCITS”	an undertaking for collective investment in transferable securities established pursuant to UCITS Directive
“UCITS Directive”	the Directive 2009/65/EC of the European Parliament and Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended from time to time
“US Person”	means (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organised in the United States or under the law of the United States or any state, (iii) a trust where (a) a US court is able to exercise primary supervision over the administration of the trust and (b) one or more US Persons have the authority to control all substantial decisions of the trust or (iv) an estate which is subject to US tax on its worldwide income from all sources. In addition, the term US Person includes any individual or entity that would be a US Person under Regulation S of the 1933 Act. The Regulation S definition is set out in full in each application form
“US Tax Exempt Investor”	a US person within the meaning of the United States Internal Revenue Code of 1986, as amended, that is subject to ERISA or is otherwise exempt from payment of US Federal income tax
“USD” or “US Dollar” or “US\$”	the currency of the United States of America
“UT Code”	the Code on Unit Trusts and Mutual Funds issued by the SFC, as amended
“Valuation Day”	the Business Day as of which the Administrator determines the Net Asset Value per Share of each Sub-Fund, as specified in the relevant Supplement for that Sub-Fund
“Valuation Point”	the point in time at which the value of the assets of a Sub-Fund is determined on a Valuation Day, as specified for each Sub-Fund in the relevant supplement to this Hong Kong Prospectus.

The singular shall include the plural and vice versa and references to one gender include any other gender.

In this Hong Kong Prospectus the words and expressions set out in the first column above shall have the meanings set opposite them unless the context requires otherwise. All references to “Euro”, “EUR” and “€” are to the unit of the European single currency, all references to “US Dollar”, “USD” and “US\$” are to the unit of the currency of the United States,



all reference to “HK Dollar”, “HKD” or “HK\$” are to the unit of the currency of the Hong Kong S.A.R. and all references to “Renminbi”, “RMB”, “CNY” and “¥” are to the unit of the currency of Mainland China.

## **THE SICAV AND THE SUB-FUNDS**

The SICAV is an open-ended investment company incorporated under the laws of Luxembourg as a Société d'Investissement à Capital Variable in accordance with the provisions of Part I of the UCI Law for an unlimited period of time.

The SICAV was originally incorporated as a specialized investment fund governed by the provisions of the law dated 13 February 2007 on specialized investment funds, as amended, on 3 December 2010, under the name of China Southern Dragon Dynamic Fund SICAV-FIS, and registered with the Luxembourg Trade and Companies' Register under the number B 157.189.

Further to the extraordinary general meeting of the shareholders in China Southern Dragon Dynamic Fund SICAV-FIS, held on 4 November 2011, the latter was converted into an investment company governed by the Part I of the UCI Law, and a revised version of the articles of incorporation, i.e. the Articles, was approved by the then shareholders. The revised Articles have been published in the Mémorial C, Recueil Spécial des Sociétés et Associations of the Grand Duchy of Luxembourg on 20 December 2011. The provisions of the Articles are binding on each of the Shareholders.

The SICAV is an umbrella fund designed to offer investors access to a variety of investment strategies through a range of separate Sub-Funds. At the date of this Hong Kong Prospectus, China New Balance Opportunity Fund is the only Sub-Fund under the SICAV that has been authorised by the SFC.

The SICAV has appointed Lemanik Asset Management S.A. as its designated management company, within the meaning of Part I of the UCI Law. Further details on the Management Company are provided below under the section "Management Company".

At all times the SICAV's capital will be equal to the Net Asset Value of the SICAV and will not fall below the minimum capital required by Luxembourg law.

The assets of each Sub-Fund will be segregated from one another and will be invested in accordance with the investment objectives and investment policies applicable to each such Sub-Fund and as set out in the relevant Supplement. Pursuant to Article 181 of the UCI Law, each Sub-Fund corresponds to a distinct part of the assets and liabilities of the SICAV, i.e. the assets of a Sub-Fund are exclusively available to satisfy the rights of Shareholders in relation to that Sub-Fund and the rights of creditors whose claims have arisen in connection with the creation and operation of that Sub-Fund.

The liabilities of a particular Sub-Fund (in the event of a winding up of the SICAV or a repurchase of the Shares in the SICAV or all the Shares of any Sub-Fund) shall be binding on the SICAV but only to the extent of the particular Sub-Fund's assets and in the event of a particular Sub-Fund's liabilities exceeding its assets, recourse shall not be made against the assets of another Sub-Fund to satisfy any such deficit.

Shares of a Sub-Fund may be listed on the Luxembourg Stock Exchange or on another investment exchange. The Board of Directors will decide whether Shares of a particular Sub-Fund are to be listed. The relevant Supplement will specify if the Shares of a particular Sub-Fund are listed.

The information in this Hong Kong Prospectus is only applicable to investors considering making an investment in the Sub-Fund(s) that have been authorised by the SFC for distribution in Hong Kong. Currently, the only Sub-Fund that has been authorised by the SFC is China New Balance Opportunity Fund (i.e. the CNBO Sub-Fund), although the Investment Manager

may apply to the SFC for authorisation of further Sub-Fund(s) in the future. SFC authorisation is not a recommendation or endorsement of the SICAV or the CNBO Sub-Fund nor does it guarantee the commercial merits of the SICAV or the CNBO Sub-Fund or their performance. It does not mean the SICAV or the CNBO Sub-Fund is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

### The Sub-Funds and their Investment Objectives and Policies

The Directors may establish additional Sub-Fund(s) from time to time and, where such Sub-Fund(s) have been authorised for distribution in Hong Kong by the SFC, this Hong Kong Prospectus with the relevant Supplement will be issued with the prior approval of the SFC.

Details of the investment objective, investment policies and certain terms (including its Reference Currency and its respective Class(es) relating to an investment in each Sub-Fund will be set out in the relevant Supplement.

### Classes of Shares

Each Sub-Fund may offer more than one Class of Shares. Each Class of Shares may have different features with respect to, among others, its criteria for subscription, redemption, Minimum Holding requirement, fee structure, currency, hedging strategy and dividend policy. A separate Net Asset Value per Share will be calculated for each Class. The Class(es) of Share currently available for each Sub-Fund are set out in the relevant Supplement. Further Classes may be created by the Board of Directors in accordance with the requirements of the CSSF and, where necessary, the SFC.

### Investment Restrictions

Investment of the assets of each Sub-Fund must comply with the UCI Law and, to the extent that a specific waiver has not been granted by the SFC, the applicable provisions of the UT Code. The investment and borrowing restrictions applying to the SICAV and each Sub-Fund are as set out in Appendix 1. Subject to prior review from the home regulator of the SICAV and the prior approval from the SFC, the Directors may impose further restrictions or change any investment restrictions in respect of the Sub-Fund(s) authorised by the SFC. The SICAV will provide prior notification of one month (or such other notice period as may be required or allowed by the SFC) to the investors concerned, and this Hong Kong Prospectus will be updated accordingly.

With the exception of permitted investments in unlisted securities or in units of open-ended collective investment schemes or in over-the-counter derivative contracts, investments will be made on Regulated Markets or on Other Regulated Markets. Each Sub-Fund may also hold ancillary liquid assets.

### Distribution Policy

The distribution policy of each Class of Shares within each Sub-Fund is set out in the relevant Supplement. In each Class of Shares within each Sub-Fund, the Board of Directors may issue Accumulation Shares and Distribution Shares, as more fully described in the relevant Supplement.

Distribution Shares may pay a dividend to their Shareholders whereas Accumulation Shares accumulate their entire income and added to the capital property attributable to the Class concerned (i.e. no distribution will be made in respect of Accumulation Shares and the entire income earned attributable to the Accumulation Shares will be reflected in the Net Asset Value of such Shares). Subject to any distribution policy as specified in the relevant Supplement, the annual general meeting shall decide, on recommendation of the Board of Directors, what

share of the SICAV's profits shall be distributed from each relevant Class of Shares. Distribution of a dividend may be decided independently of all capital gains or losses, realised or unrealised, subject to the rules governing the distribution of Total Net Income and distribution paid out or effectively paid out of capital. Consequently, the annual general meeting may approve, for each Sub-Fund or Class of Shares, the distribution of the net income and capital gains after deduction of capital losses. The amounts corresponding to income attributable to the Shares of a Class which are decided not to pay a dividend will be added to the capital property attributable to the Class concerned. Every resolution of the annual general meeting deciding the distribution of a dividend in a Sub-Fund must be approved by the Shareholders of that Sub-Fund by a simple majority of the votes validly cast at such meeting. In any event, no distribution may be made if, as a result thereof, the Net Asset Value of the Sub-Fund would fall below the equivalent of EUR 1,250,000.

The type of distribution (net investment income or capital) will be specified in the SICAV's financial statements.

Where the Board of Directors decide to pay dividends in respect of a Class of Shares of a Sub-Fund out of the capital of that Sub-Fund, or where the dividends in respect of a Class of Shares of a Sub-Fund are paid out of gross income of the Sub-Fund while such Sub-Fund's fees and expenses are charged to or paid out of the capital of such Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund, such payment of dividends are considered as a payment of dividends out of and effectively out of capital respectively, both of which would amount to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund's capital or payment of dividends effectively out of a Sub-Fund's capital (as the case may be) may result in an immediate reduction of the Net Asset Value per Share. Where an SFC authorised Sub-Fund is distributing out of capital or effectively distributing out of capital, this will be disclosed in the relevant Supplement of that Sub-Fund and, the requisite composition of the dividends (i.e. the relative amounts paid out of (i) Total Net Income and (ii) capital) for the last 12 months' period commencing from the date on which dividend is paid out of or effectively out of the capital of that Sub-Fund will be able to be obtained from the Hong Kong Representative upon request and also on the Sub-Fund's website at <http://www.csopasset.com>. Please note that the content of the above website has not been reviewed or approved by the SFC.

For each Sub-Fund, the Board of Directors may decide on the payment of interim dividends in compliance with the applicable legal requirements.

Payments of dividends will be made in the Reference Currency of the relevant Class. Entitlement to dividends not claimed within five years of the due date, i.e. the date on which the relevant shareholders' resolution (for annual dividends) or board resolution (for interim dividends) was passed, shall be forfeited and the corresponding assets shall revert to the Sub-Fund concerned or, in case of liquidation of such Sub-Fund, to the remaining Sub-Fund(s).

## DIRECTORS

The Board of Directors is responsible for the overall management and control of the SICAV in accordance with the Articles. The Board of Directors shall have the power to determine the corporate and investment objectives and policy of the SICAV and each Sub-Fund thereof, as well as the course of conduct of the management and business affairs of the SICAV. It shall be further responsible for oversight of the administration and operations of each Sub-Fund. The Board of Directors shall have the broadest powers to act in any circumstances on behalf of the SICAV, subject to the powers reserved by law to the Shareholders.

The members of the Board of Directors (the “**Directors**” and each a “**Director**”) will receive periodic reports from the Management Company in relation to the performance by the Management Company of its functions as per the Management Company Agreement.

The members of the Board of Directors as at the date of this Hong Kong Prospectus are:

### ***Mr. Jin Wang***

Mr. Jin Wang is working for EJP Capital, an SEC registered multibillion alternative investment company, as the Director for its Asia business and strategy. Prior to joining EJP Capital, Mr. Wang was the Managing Director of CSOP Asset Management Limited for three years. Before that, he worked at Rock Creek Group, a SEC registered investment advisory firm managing at that time USD 7 billion hedge fund investment. He was responsible for the Risk Management, Asset Allocation and hedge fund manager selection for three years.

From 2002 to 2007, Mr. Wang worked at the World Bank Treasury. He was part of the operation and risk management team to manage its global fixed income portfolios and Reserves Advisory and Management Program. Mr. Wang also worked at China Development Bank in China from 1997 to 2000, where he was the Assistant Accounting Manager.

Mr. Wang obtained his MBA degree from the George Washington University and BA of Economics from Beijing Jiaotong University.

Mr. Wang is CFA charterholder. He also received the CPA certificate from China and USA.

### ***Ms. Ka Yan Wong***

Ms. Wong is the General Counsel and Head of Legal and Compliance Department of CSOP Asset Management Limited (“CSOP”), responsible for providing strategic legal advice to the business teams and day to day legal support to CSOP.

She joined CSOP in October 2014. Prior to joining CSOP, Ms. Wong was an Associate at the Corporate Finance Department of Reed Smith Richards Butler since 2009. Before that, she was working as an Associate in other leading US law firms, including Hogan & Hartson (currently known as Hogan Lovells) and Jones Day.

She obtained her Master of Laws degree from the University College London, and holds two bachelor degrees in Business Administration (LAW) and LLB respectively from the University of Hong Kong.

### ***Mr. Dimitri Brunwasser***

Mr Brunwasser is in charge of Business and Product Development at Lemanik Asset Management S.A. and FATCA Responsible Officer for most of the firm’s clients. He originally joined the company in 2013 as Relationship Manager for Asian and UK customers and he has coordinated the fund launch and integration of several new customers.

Prior to this, Mr Brunwasser worked from 1999 to 2013 at State Street Bank Luxembourg. He started his career in Transfer Agency Services and worked successively as cash & reconciliation administrator, senior query desk investigator and Dealing Team Manager. In 2007, he became Sales & Marketing Manager for the bank and was in charge of RFP management, sales and cross-selling activities and new business on-boarding. He was a member of the Depository Steering Committee.

Mr Brunwasser holds a Master of Arts in American and British Literature and Civilization of the University of Metz (France) and the Medal of National Defense from the French Military.

## **MANAGEMENT COMPANY**

The SICAV has appointed Lemanik Asset Management S.A. as its designated management company within the meaning of the UCI Law. The Management Company is responsible, subject to the overall supervision of the Directors, for the provision of investment management services, administrative services and marketing services to the SICAV.

Lemanik Asset Management S.A. is a public limited company (*société anonyme*) incorporated under Luxembourg laws on 1 September 1993, authorised and regulated by the CSSF as a Chapter 15 management company under the UCI Law and registered with the Luxembourg register of trade and companies under number B 44870.

The board of directors of the Management Company is, at the date of this Hong Kong Prospectus, composed as follows:

- Mr. Gianluigi SAGRAMOSO (Chairman)
- Mr. Carlo SAGRAMOSO
- Mr. Philippe MELONI

The Management Company is managed by its board of directors.

The conducting officers of the Management Company are Mr. Philippe Meloni, Mr. Marco Sagramoso, Mr. Jean-Philippe Claessens and Mr. Alexandre Dumont.

In addition to the SICAV, the Management Company also acts as management company for other funds. The list of funds managed by the Management Company is set out in the Management Company's annual reports and may be obtained upon request from the Management Company.

With the written prior consent of the Directors and, to the extent required by applicable law, the approval of the CSSF, the Management Company is authorised to delegate all or part of its duties and powers to any person or entity, provided such duties and powers remain under the supervision and responsibility of the Management Company.

The relationship between the Management Company and the SICAV is subject to the terms of the Management Company Agreement which has been entered into for an unlimited period of time from the date of its execution. Each of the Management Company and the SICAV may terminate the Management Company Agreement on at least three (3) months prior written notice. The Management Company Agreement may also be terminated on shorter notice in certain circumstances.

Where the Management Company has delegated any of its functions to a third party, the relevant agreement shall contain a provision which allows the Management Company to give at any time further instructions to the entity(ies) to which those functions have been delegate and to terminate the relevant agreement without prior notice and with immediate effect as

provided for by article 110 (1) (g) of the UCI Law.

The Management Company has established and applies a remuneration policy and practices that are consistent with, and promote, sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profiles, rules, this Prospectus or the Articles nor impair compliance with the Management Company's obligation to act in the best interest of the SICAV (the Remuneration Policy).

The Remuneration Policy includes fixed and variable components of salaries and applies to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the Management Company, the SICAV or the Sub-Funds.

Details of the Remuneration Policy, including the persons in charge of determining the fixed and variable remunerations of staffs, a description of the key remuneration elements and an overview of how remuneration is determined, is available on the website [http://www.lemanikgroup.com/management-company-service\\_substance\\_governance.cfm](http://www.lemanikgroup.com/management-company-service_substance_governance.cfm). A paper copy of the detailed Remuneration Policy is available free of charge to the Shareholders upon request.

The Remuneration Policy is in line with the business strategy, objectives, values and interests of the Management Company, the SICAV and the Shareholders and includes measures to avoid conflicts of interest.

In particular, the Remuneration Policy will ensure that:

- a) the staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas that they control;
- b) the fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component;
- c) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks;

In context of delegation, the Remuneration Policy will ensure that the delegates comply with the following:

- a) the assessment of performance is set in a multi-year framework appropriate to the holding period recommended to the investors of the SICAV in order to ensure that the assessment process is based on the longer-term performance of the SICAV and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period;
- b) if at any point of time, the management of the SICAV were to account for 50 % or more of the total portfolio managed by the delegate, at least 50 % of any variable remuneration component will have to consist of Shares, equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments with equally effective incentives as any of the instruments referred to in this item (b); and
- c) a substantial portion, and in any event at least 40 % of the variable remuneration component, is deferred over a period which is appropriate in view of the holding period recommended to the Shareholders and is correctly aligned with the nature of the risks of the SICAV.

## INVESTMENT MANAGER

The Management Company has appointed CSOP Asset Management Limited as the Investment Manager to manage and invest the assets of the Sub-Funds pursuant to their respective investment objectives and policies pursuant to the Investment Management Agreement. Under the Investment Management Agreement, the Investment Manager has full discretion, subject to the overall review and control of the Management Company, to manage the assets of the SICAV on a discretionary basis.

The Investment Manager is a Hong Kong company incorporated and existing under the laws of Hong Kong S.A.R., having its registered office at Suite 2802, Two Exchange Square, 8 Connaught Place, Central, Hong Kong S.A.R., with the Business Registration Certificate number 38952269-000-01-11-A. The Investment Manager is licensed with the SFC to carry on Types 4 (Advising on Securities) and 9 (Asset Management) regulated activities in Hong Kong.

The Investment Manager provides the Management Company with advice, reports and recommendations in connection with the management of the assets of the Sub-Funds and shall advise the Management Company as to the selection of liquid assets and other securities and assets constituting the portfolios of the Sub-Funds and has discretion, on a day-to-day basis and subject to the overall control and responsibility of the Management Company, to purchase and sell such liquid assets and other securities and otherwise to manage the Sub-Funds' portfolios. Any management activities of the Investment Manager shall be subject to compliance with the investment objective, strategy and restrictions of the relevant Sub-Funds as set out in this Hong Kong Prospectus (including the relevant Supplement(s)) as well as with any additional restrictions and directions notified by the Management Company to the Investment Manager from time to time. Details of any sub-investment manager(s) appointed by the Investment Manager in respect of the assets of any Sub-Fund, if any, are set out in the relevant Supplement.

As of the date of this Hong Kong Prospectus, the directors of the Investment Manager are:

### ***Mr. Yi Zhou***

Mr. Zhou holds a degree in Computer Communication from the Nanjing University of Posts and Telecommunications and has 11 years of experience in the securities industry. Mr. Zhou once worked on technology management in the telecommunications center of Jiangsu Posts & Telecommunications Bureau and administrative management at Jiangsu Mobile Communication Co., Ltd. He served as the Chairman of the Board of Directors at Jiangsu Beier Co., Ltd. and Nanjing Xinwang Tech Co., Ltd., and the Deputy General Manager of Shanghai Beier Fortune Communications Company.

Mr. Zhou is the Chairman of the Board of Directors, President, and party secretary of Huatai Securities Co., Ltd. Mr. Zhou joined Huatai Securities in August 2006 and served as the Director and President of Huatai Securities Limited Liability Company and the Director, President, and deputy party secretary of Huatai Securities Co., Ltd.

### ***Ms. Chen Ding***

Ms. Ding joined CSOP Asset Management Limited in 2010 and is the Chief Executive Officer, overseeing the overall business of the Manager.

Ms. Ding, from 2003 to June 2013, was the Assistant CEO and Managing Director of China Southern Asset Management Co. Ltd., one of the largest fund management companies in China with assets under management of RMB160 billion (as at 30 June 2013), where she was accountable for international strategic planning, fund product development and relationship



management with various distribution channels and industry regulators for the company. She established and managed the first QDII mutual fund (assets under management RMB10 billion as at 30 June 2012), which she was also a member of the Investment Management Committee, from 2007 to June 2013. She was responsible for setting the investment policies and strategies of the fund, monitoring market, portfolio and systematic risk, asset allocation and stock selection in addition to reviewing and monitoring portfolio performance of the fund. She supervised five portfolio managers and two analysts.

Ms. Ding is the Chairperson of Chinese Asset Management Association of Hong Kong Limited, which promotes professional standards of practice in the fund management industry. She is also the Deputy Chairperson of the Chinese Securities Association of Hong Kong Company Limited. Ms. Ding was appointed under authority delegated by the Chief Executive and the Financial Secretary, as a member to the Securities and Futures Appeals Tribunal as of 1 April 2013. She was also appointed by the Securities and Futures Commission as a member of the Product Advisory Committee for two years with effect from 1 April 2014, a member to the Process Review Panel since 1 November 2014 and a member of the Advisory Committee since 1 June 2015. Ms. Ding is also a member of the Financial Reporting Review Panel of the Financial Reporting Council as well as a member of the New Business Committee of the Hong Kong Financial Services Development Council.

Prior to joining China Southern Asset Management Co. Ltd., Ms. Ding served from 2001 to 2003 as an Associate General Manager of China Merchants Securities Co. Ltd. in the PRC. She assumed key roles in building solid management infrastructure and repositioning the asset management business of the company.

Ms. Ding was also the Investment Manager of ML Stern & Co., in California, United States, which is a securities house. She was responsible for accounts management, where she provided investment solutions to high net worth and institutional investors; customer relationship development, where she conducted company research and profiling; communicated with sell-side analysts and prepared investment analyses for clients, and participated in the innovation of annuity product rollouts.

Ms. Ding holds a Master's Degree in Business Administration from the San Francisco State University in the United States and a Bachelor degree in Electrical Engineering from the China Chengdu Science and Technology University in the PRC.

### ***Mr. Gaobo Zhang***

Mr. Zhang is a founding partner and the Chief Executive Officer of Oriental Patron Financial Group and is responsible for formulating the investment strategies, monitoring the investment performance and approving investment decisions. Mr. Zhang was appointed as an executive director and the Chief Executive Officer of OP Financial Investments Limited, a company listed on the Hong Kong Stock Exchange, in February 2003. He joined CSOP Asset Management Limited in 2008.

From February 1988 to February 1991, Mr. Zhang was a deputy chief of the Policy Division of Hainan Provincial Government. From 1991 to 1993, Mr. Zhang was deputy chief of Financial Markets Administration Committee of the People's Bank of China Hainan Branch. He was chairman of Hainan Stock Exchange Centre from 1992 to 1994. Mr. Zhang is also an independent non-executive director of Beijing Enterprises Water Group Limited, a company listed on the Hong Kong Stock Exchange and a non-executive director of Vimetco N.V., a company listed on the London Stock Exchange.

Mr. Zhang obtained a Bachelor's degree in Science from Henan University in China in 1985 and later graduated from the Peking University in China with a Master's degree in Economics in 1988.

***Mr. Xiaosong Yang***

Mr. Yang is the Chief Executive Officer of China Southern Asset Management Co., Ltd where Mr. Yang has overall responsibility for the business. He joined China Southern Asset Management Co., Ltd as the Head of Compliance in 2012.

Prior to joining China Southern Asset Management Co. Ltd., Mr. Yang worked for China Securities Regulatory Commission where he served as the Deputy General Manager of the Supervision Department. Mr. Yang holds a Master's Degree in Accounting from Renmin University of China in the PRC.

***Mr. Zhongping Cai***

Mr. Cai is the Chief Financial Officer of China Southern Asset Management Co. Ltd. where he has the overall responsibility for supervising the finance unit.

Prior to joining China Southern Asset Management Co. Ltd., Mr. Cai served as the Chief Financial Officer of UBS SDIC in China. He joined the Manager in 2014.

Mr. Cai holds a Master's Degree from Zhongnan University of Economics and Law in PRC.

***Mr. Zhiwei Liu***

Dr. Liu was appointed as a non-executive Director of OP Financial Investments Limited in December 2015 and was re-designated to an executive Director in June 2016. Further, he has assumed an additional role as the president and serving as a member of the corporate governance committee of OP Financial Investments Limited since June 2016. Dr. Liu is responsible for building and expanding the investor relations and public relations platform of OP Financial Investments Limited to support the Group's domestic and international strategies. He is the Chairman of Shanghai Chunda Asset Management Co., Ltd., Dr. Liu served as the Vice-Chairman of Xi'an International Trust Co., Ltd from 2008 to 2011. He also served as a general manager of the merger and acquisition department of Guosen Securities Co., Ltd from 1997 to 1998.

Dr. Liu obtained a bachelor's degree in Industrial Management Engineering from Zhe Jiang University in 1989. He furthered his studies in the PBOC between 1989 and 1992 and obtained a master's degree in International Finance. In 2007, Dr. Liu obtained a doctoral degree in Economics & Law from Hunan University. He completed a professional programme in Finance CEO from Cheung Kong Graduate School of Business in 2010.

***Ms. Xiuyan Liu***

Ms. Liu joined China Southern Asset Management Co., Ltd in 2005. Ms. Liu serves as the General Manager of International Business Department and Executive Assistance to Chief Executive Officer of China Southern Asset Management Co., Ltd. She is also the Chairperson of the Board of Director of China Southern Capital Management Co., Ltd.

Prior to joining China Southern Asset Management Co., Ltd, Ms. Liu served as the General Manager of Legal Department of China Southern Securities Co., Ltd, the Vice President of Walstar Investment Holding Co., Ltd and the Vice President of Chinalin Securities Co., Ltd.

Ms. Liu is a qualified lawyer in China and holds an EMBA from Peking University in the PRC.

## **ADMINISTRATOR**

Citibank Europe plc, Luxembourg Branch has been appointed by the Management Company as the Administrator of the SICAV pursuant to the Administration Agreement entered into for an unlimited period of time from the date of its signature. The Administrator will carry out all administrative duties related to the administration of the SICAV, including the calculation of the Net Asset Value of the Shares and the provision of accounting services to the SICAV, in accordance with the provisions of the Articles. Citibank Europe plc, Luxembourg Branch is also the Depositary.

The Administrator is the Luxembourg branch of Citibank Europe plc, a public limited company domiciled in Ireland with registered number 132781 whose registered office is at 1 North Wall Quay, Dublin 1. It conducts its principal business in Luxembourg from its office at 31, Z.A. Bourmicht, L-8070 Bertrange, Grand Duchy of Luxembourg. Its Luxembourg branch was established on 20 August 2015 and is registered with the Luxembourg Registry of Companies and Trade under the number B 200204. Its Luxembourg branch is authorised to provide such services in accordance with the Luxembourg law of 5 April 1993 on the financial sector, as amended, and is specialised in fund custody and administration services.

The Administrator is not responsible for any investment decisions of the SICAV or the effect of such investment decisions on the performance of the SICAV.

The Administrator has also been appointed as the registrar and transfer agent of the SICAV pursuant to the Administration Agreement. In this function the Administrator will process all subscriptions, redemptions and transfers of Shares in accordance with the provisions of the Articles and will register these transactions in the share register of the SICAV.

Pursuant to a restructuring event which took place under Directive 2005/56/EC on 1 January 2016, all contractual obligations of Citibank International plc (Luxembourg Branch) (the former Administrator) were transferred by operation of law to Citibank Europe plc, Luxembourg Branch. Accordingly, the relationship between the SICAV, the Management Company and the Administrator is subject to the terms of the Administration Agreement. The SICAV, the Management Company and the Administrator may terminate the Administration Agreement on ninety (90) calendar days' prior written notice. The Administration Agreement may also be terminated on shorter notice in certain circumstances.

The Administration Agreement contains provisions indemnifying the Administrator, and exempting the Administrator from liability, in certain circumstances.

Subject to the prior written consent of the Directors, the Management Company reserves the right to change the administration arrangements described above by agreement with the Administrator and/or, subject to any applicable regulatory requirements and approvals, in its discretion to appoint an alternative administrator without prior notice to Shareholders. Shareholders will be notified as soon as reasonably practicable of any appointment of an alternative administrator and this Hong Kong Prospectus will be duly amended to reflect such a change, as appropriate.

The Administrator has also been appointed as corporate and domiciliary agent, accounting and regulatory services provider and paying agent pursuant to the Administration Agreement.

## **DEPOSITARY AND PAYING AGENT**

The SICAV has appointed Citibank Europe plc, Luxembourg Branch as the depositary of all of the SICAV's assets, including its cash and securities, which will be held either directly or through other financial institutions such as correspondent banks, subsidiaries or affiliates of the Depositary. The Depositary shall also be responsible for the oversight of the SICAV Fund to the extent required by and in accordance with applicable law, rules and regulations. The Depositary shall exercise the supervisory duties in accordance with applicable law, rules and regulations as well as the Depositary Agreement.

The Depositary is authorised by the Central Bank of Ireland but in respect of its services as depositary in Luxembourg is regulated by the Commission de Surveillance du Secteur Financier (CSSF).

The Depositary will further, in accordance with the UCI Law and the applicable provisions of the UT Code, perform the following duties:

- (a) monitoring and verifying the SICAV's cash flows;
- (b) safekeeping of the SICAV's assets, including inter alia holding in custody financial instruments that may be held in custody and verification of ownership of other assets;
- (c) ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with the Articles and applicable Luxembourg law, rules and regulations;
- (d) ensuring that the value of the Shares is calculated in accordance with the Articles and applicable Luxembourg law, rules and regulations;
- (e) ensuring that in transactions involving the SICAV's assets any consideration is remitted to the SICAV within the usual time limits;
- (f) ensuring that the SICAV's income is applied in accordance with the Articles, and applicable Luxembourg law, rules and regulations; and
- (g) carrying out instructions from the Management Company unless they conflict with the Articles or applicable Luxembourg law, rules and regulations.

The Depositary may entrust all or part of the assets of the SICAV, in particular securities traded abroad or listed on a foreign stock exchange or admitted to a clearing system, to such clearing system or to such correspondent banks as may be determined by the Depositary from time to time.

Pursuant to a restructuring event which took place under Directive 2005/56/EC on 1 January 2016, all contractual obligations of Citibank International plc (Luxembourg Branch) (the former depositary) were transferred by operation of law to Citibank Europe plc, Luxembourg Branch. Accordingly, the rights and duties of the Depositary are governed by the Depositary Agreement entered into for an unlimited period of time from the date of its signature. The SICAV and the Depositary may terminate the Depositary Agreement on ninety (90) calendar days' prior written notice; provided, inter alia, that a new depositary assumes the responsibilities and functions of the Depositary, and that the prior approval of the SFC and the home regulator of the SICAV has been obtained. The depositaryship shall, if terminated by the SICAV, however continue thereafter for such period as may be necessary for the complete delivery or transfer of all assets held by it.

### **Delegation**

Under the terms of the Depositary Agreement and in accordance with the UCI Law, the Depositary has power to delegate certain of its depositary functions. As of the date of this

Prospectus, the Depositary has entered into written agreements delegating the performance of its safekeeping function in respect of certain of the SICAV's assets to delegates.

Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix 2 to the Prospectus.

In order to discharge its responsibility in this regard, the Depositary must exercise due skill, care and diligence in the selection, continued appointment and ongoing monitoring of a third party as a safekeeping agent so as to ensure that the third party has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned; maintain an appropriate level of supervision over the safekeeping agent; and make appropriate inquiries from time to time to confirm that the obligations of the agent continue to be competently discharged.

The liability of the Depositary will not be affected by the fact that it has delegated to a third party certain of its safekeeping in respect of the SICAV's assets.

From time to time conflicts may arise between the Depositary and the delegates or sub-delegates, for example where an appointed delegate or sub-delegate is an affiliated group company which receives remuneration for another custodial service it provides to the SICAV. In the event of any potential conflict of interest which may arise during the normal course of business, the Depositary will have regard to the applicable laws.

In certain jurisdictions, where the local law requires that financial instruments are held by a local entity and no local entity satisfies the delegation requirements to which the Depositary is subject, the Depositary may delegate its functions to a local entity for as long as there are no local entities which satisfy the requirements. The Depositary will only do so where the Management Company has instructed it to do so and Shareholders are notified of such delegation prior to their investment, the reasons for it and the risks involved in the delegation. The rights and duties of the Depositary are governed by the Depositary Agreement entered into for an unlimited period of time from the date of its signature. The SICAV and the Depositary may terminate the Depositary Agreement on ninety (90) calendar days' prior written notice; provided, inter alia, that a new depositary assumes the responsibilities and functions of the Depositary and that the prior approval of the home regulator of the SICAV and, to the extent applicable the relevant Non-EU Regulator(s) has been obtained. In certain circumstances, the termination of the Depositary Agreement may be immediate such as in case of the insolvency of the Depositary. The depositaryship shall, if terminated by the SICAV, however continue thereafter for such period as may be necessary for the complete delivery or transfer of all assets held by it.

### **Conflicts of interest**

Actual or potential conflicts of interest may also arise between the SICAV, the Shareholders or the Management Company on the one hand and the Depositary on the other hand.

For example, such actual or potential conflict may arise because the Depositary is part of a legal entity or is related to a legal entity which provides other products or services to the Management Company. In particular, depositary and administration services are provided by the same legal entity, Citibank Europe plc, Luxembourg Branch. In practice, however, the depositary and administration lines of business are functionally and hierarchically separated and operate on an arm's length basis. In addition, the Depositary may have a financial or business interest in the provision of such products or services, or receives remuneration for related products or services provided to the SICAV, or may have other clients whose interests may conflict with those of the SICAV, the Shareholders or the Management Company. The Depositary and any of its affiliates may effect, and make a profit from, transactions in which the Depositary (or its affiliates, or another client of the Depositary or its affiliates) has

(directly or indirectly) a material interest or a relationship of any description and which involves or may involve a potential conflict with the Depositary's duty to the SICAV. This includes circumstances in which the Depositary or any of its affiliates or connected persons: acts as market maker in the investments of the SICAV; provides broking services to the SICAV and/or to other funds or companies; acts as financial adviser, banker, derivatives counterparty or otherwise provides services to the issuer of the investments of the SICAV; acts in the same transaction as agent for more than one client; has a material interest in the issue of the investments of the SICAV; or earns profits from or has a financial or business interest in any of these activities .

The group-wide conflict of interest policy provides that Citi manages conflicts through various policies, procedures and/or processes, which may, depending upon the conflict, include prevention or avoidance of conflicts, or appropriate disclosures, establishing information barriers, restructuring transactions, products or processes, and/or changing compensation incentives.

The Depositary has a conflict of interest policy in place to identify, manage and monitor on an on-going basis any actual or potential conflict of interest. The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the Depositary issues to be properly identified, managed and monitored.

Up-to-date information on delegations and sub-delegations and related conflicts of interest may be requested from the Depositary by Shareholders.

The Depositary Agreement is governed by the laws of Luxembourg and the courts of Luxembourg shall have exclusive jurisdiction to hear any disputes or claims arising out of or in connection with the Depositary Agreement.

As Paying Agent, Citibank Europe plc, Luxembourg Branch is responsible for the payment of dividends (if any) to the Shareholders and, as domiciliary agent, Citibank Europe plc, Luxembourg Branch provides the registered office of the SICAV as well as administrative, secretarial, and certain tax services to the SICAV. The Depositary shall in addition be responsible for the processing of the transfer of the redemption proceeds of the shares.

## **DISTRIBUTORS**

The SICAV has appointed Lemanik Asset Management S.A. as global distributor (the “**Global Distributor**”) under the terms of the Management Company Agreement.

Under the terms of the Management Company Agreement, the Global Distributor has the power to appoint Distributors in respect of the SICAV or specific Sub-Funds, subject to the Board of Directors being fully informed thereof, and determine dealing procedures thereof.

Under the terms of the Distribution Agreement entered into with CSOP Asset Management Limited, as Hong Kong Distributor, CSOP Asset Management Limited has the power to appoint sub-distributors in respect of the SICAV or specific Sub-Funds, subject to the Board of Directors and the Global Distributor being fully informed thereof, and determine dealing procedures.

As distributor, CSOP Asset Management Limited may decide to offer a contractual settlement in respect of applications for Shares, where the application is made by a professional investor, an institutional investor, or via a financial intermediary, in accordance with this Hong Kong

Prospectus, subject to the consent of the Board of Directors, and the Global Distributor being fully informed thereof.

The Management Company Agreement, with respect to the appointment of Lemanik Asset Management S.A. as Global Distributor, and the Distribution Agreement both contain provisions indemnifying the Global Distributor and CSOP Asset Management Limited, acting as distributor, and exempting the Global Distributor and CSOP Asset Management Limited, acting as distributor, from liability, in certain circumstances.

The Global Distributor, any Distributors, their respective directors, employees, related entities and connected persons and the directors and employees of any of the above-mentioned persons or entities may subscribe, directly or indirectly, for Shares during and after the relevant Initial Offer Period.

## **HONG KONG REPRESENTATIVE**

The SICAV and the Management Company have appointed CSOP Asset Management Limited as the Hong Kong Representative to inter alia, (i) receive applications for subscriptions, redemptions and conversion of Shares; and (ii) provide information to investors and to accept notices and other service in respect of one or more Sub-Funds authorised by the SFC for distribution in Hong Kong, pursuant to the Hong Kong Representative Agreement.

## **SUBSCRIPTIONS**

### Initial Offer

Shares in the SICAV may be subscribed for during the relevant Initial Offer Period at the Initial Offer Price and will be issued for the first time on the first Dealing Day after expiry of the relevant Initial Offer Period. The Directors may extend or shorten the Initial Offer Period at their discretion. In such a case, Shareholders having subscribed for Shares prior to the extension or shortening of the Initial Offer Period will have to be notified of such extension or shortening and be granted the possibility to redeem their Shares at no costs.

### Subsequent Subscriptions

Following the close of the relevant Initial Offer Period, Shares will be available for subscription at the Subscription Price on each Dealing Day on a forward pricing basis (see below under “**Procedure**”). The SICAV may also charge a preliminary charge on such a subscription for Shares as set out in the section “Fees and Expenses”. In case the relevant Sub-Fund is a master fund of another UCITS, the relevant feeder fund will not pay any preliminary charge. Shareholders may also be required to pay a dilution levy in addition to the Subscription Price as set out in the section “Dilution Levy” and the relevant Supplement.

The Directors are authorised from time to time to resolve to close a Sub-Fund or any Class of Shares to subscriptions on such basis and on such terms as the Directors may in their absolute discretion determine.

### Procedure

Applicants for Shares during the relevant Initial Offer Period should complete and sign an application form and send it to the Administrator by mail (or, subject to the following, by facsimile) so as to be received by the Administrator no later than the end of the Initial Offer

Period. Cleared funds (net of any transfer costs) in the relevant currency in respect of the subscription monies (including any preliminary charge) must be received by the Administrator by the relevant time as specified in the relevant Supplement on the second Business Day after the last day of the Initial Offer Period. If the relevant application form and/or subscription monies is/are not received by these times, the application will be held over until such application form and/or subscription monies is/are received and handled the relevant following Dealing Day. Shares will then be issued at the relevant Subscription Price on that Dealing Day.

Thereafter, applicants for Shares, and Shareholders wishing to apply for additional Shares, must send their completed and signed application form by mail (or, subject to the following, by facsimile) to the Administrator before the relevant Cut-Off time as described in the relevant Supplement, and ensure that cleared funds (net of any transfer costs) in the relevant currency in respect of the subscription monies (including any preliminary charge) are received by the Administrator by the relevant time as specified in the relevant Supplement on the second Business Day after the relevant Dealing Day. Applications accepted prior to the Cut-Off time will be processed on the same Dealing Day. Any applications received after the Cut-Off time for a particular Dealing Day will be processed on the following Dealing Day.

The Directors may decide, for e.g. Classes of Shares denominated in certain currencies, that the cleared funds (net of any transfer costs) in the relevant currency in respect of the subscription monies (including any preliminary charge) must be received by the Administrator by a determined time, referring to Luxembourg time, on the last day of the Initial Offer Period or on the relevant Dealing Day, as the case may be, as further described in the relevant Supplement.

Initial applications may be made by facsimile subject to the prompt receipt by the Administrator of the original signed application form and such other supporting documents (such as documentation in relation to money laundering prevention checks) as may be required. Thereafter, Shareholders wishing to apply for additional Shares may apply for Shares by facsimile and these applications may be processed without a requirement to submit original documentation. Amendments to a Shareholder's registration details and payment instructions will only be effected on receipt of original documentation.

Application forms may also be sent to Distributor(s), the Hong Kong Distributor or the Hong Kong Representative by the Cut-Off time as specified in the relevant Supplement. In such case, the Distributor(s), the Hong Kong Distributor or the Hong Kong Representative (as the case may be), once it has received all necessary documents (including the documentation in relation to money laundering prevention checks), shall send the completed application form to the Administrator no later than 9 am, Luxembourg time of the relevant Dealing Day. Submission of application forms via Distributors may be subject to a cut-off time earlier than the Cut-Off time as specified in the relevant Supplement. Similarly, the Hong Kong Distributor and/or the Hong Kong Representative may change the Cut-Off time to such other time. Investors should therefore check with the relevant Distributor(s), the Hong Kong Distributor or the Hong Kong Representative (as the case may be) on the timing and procedures for submission of any application forms. Payment of subscription monies (including any preliminary charge) must be made by wire transfer in cleared funds (net of any transfer costs) on a designated account, as referred to in the application form, in the Reference Currency of the relevant Class of Shares, as specified in the relevant Supplement.

Subscription amounts received in any convertible currency, other than the Reference Currency of the relevant Class of Shares, will be converted upon receipt of cleared funds (net of any transfer costs) by the Administrator acting on behalf of the investor and at his expense and risk, into the relevant Reference Currency.

Fractions of Shares to three decimal places will be issued if necessary. Interest on



subscription monies will accrue to the SICAV.

The SICAV reserves the right to reject any application in whole or in part at its absolute discretion, including but not limited to, in cases where the application is below the Minimum Subscription or the Minimum Additional Subscription, in which event the amount paid on application or the balance thereof (as the case may be) will be returned (without interest) to the applicant as soon as practicable in the relevant currency at the risk and cost of the applicant.

The SICAV may agree to the issue of Shares in respect of an investor in exchange for assets other than cash but will only do so where, in the absolute discretion of the Board of Directors, it is determined that: (i) the SICAV's acquisition of such assets in exchange for Shares complies with the investment policies and restrictions laid down in the relevant Supplement, (ii) such assets have a value equal to the relevant Subscription Price of the Shares (including any preliminary charge and/or dilution levy) and (iii) the SICAV's acquisition of such assets in exchange for Shares is not likely to result in any material prejudice to the interests of Shareholders. Such contribution in kind to any Sub-Fund will be valued independently in a special report from the Auditors, at the expense of the investor. Transaction charges incurred on the transfer of assets will be chargeable to the investor in respect of such contribution in kind.

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

#### Minimum Investment

The Minimum Holding, the Minimum Subscription and the Minimum Additional Subscription (if any) for each Class in respect of each Sub-Fund are set out in the relevant Supplement.

#### Ineligible Applicants

The application form requires each prospective applicant for Shares to represent and warrant to the SICAV that, among other things, any applicant is not an Ineligible Applicant.

For the avoidance of doubt, the SICAV reserves the right to reject any such application in case where the prospective applicant is an Ineligible Applicant and to apply the provisions set forth in the Articles regarding Prohibited Persons, as such terms is defined in the Articles.

In particular, the Shares may not be offered, issued or transferred to any person in circumstances which, in the opinion of the Directors, might result in the SICAV incurring any liability to taxation or suffering any other pecuniary disadvantage which the SICAV might not otherwise incur or suffer and, in particular, by any person due which the SICAV fails to comply with FATCA (please refer to section entitled "Taxation") or would result in the SICAV being required to register under any applicable US securities laws.

Shares may generally not be issued or transferred to any US Person, except that the Directors may authorise the issue or transfer of Shares to or for the account of a US Person provided that:

- (a) such US Person is a US Tax-Exempt Investor which certifies that it is an "accredited investor" and a "qualified purchaser", in each case as defined under applicable US federal securities laws;
- (b) such issue or transfer does not result in a violation of the 1933 Act or the securities laws of any of the states of the United States;

- (c) such issue or transfer will not require the Sub-Fund to register under the 1940 Act or to file a prospectus with the US Commodity Futures Trading Commission or the US National Futures Association pursuant to regulations under the CEA;
- (d) such issue or transfer will not cause any assets of the Sub-Fund to be “plan assets” for the purposes of Part 4 of Title 1 of the ERISA; and
- (e) such issue or transfer will not result in any adverse regulatory or tax consequences to the Sub-Fund or its Shareholders as a whole.

Each applicant for, and transferee of, Shares who is a US Person will be required to provide such representations, warranties or documentation as may be required by the Directors to ensure that these requirements are met prior to the issue, or the registration of any transfer, of Shares. If the transferee is not already a Shareholder, it will be required to complete the appropriate application form.

### Form of Shares

All the Shares will be registered Shares and will only be issued in bookstock form, meaning that a Shareholder’s entitlement will be evidenced by an entry in the SICAV’s register of Shareholders, as maintained by the Administrator, and not by a share certificate.

### Suspension

The Directors may declare a suspension of the issue of Shares in certain circumstances as described under the section “Suspension of Valuation of Assets”. No Shares will be issued during any such period of suspension.

### Anti-Money Laundering

Each applicant wanting to subscribe for Shares of the SICAV must provide the Distributor(s), the Hong Kong Distributor, the Hong Kong Representative and/or the Administrator (via the Distributor(s) or the Hong Kong Representative) (as the case may be) with all necessary information, which the Distributor(s), the Hong Kong Distributor, the Hong Kong Representative and/or the Administrator (as the case may be) may reasonably require to perform the customary due diligence on the applicant, in compliance with all applicable international, Hong Kong and Luxembourg laws, rules and regulations regarding the prevention of money laundering and including, but not limited to, the Luxembourg law dated 12 November 2004 against money laundering and terrorism financing, as amended by the law of 17 July 2008 and by the law of 27 October 2010, with the Grand-Ducal regulation dated 1 December 2009 abrogating the Grand-Ducal regulation dated 29 July 2008, the CSSF Regulation No 12-02 of 14 December 2012, and the CSSF Circulars 13/556 dated 16 January 2013 and 15/609 dated 27 March 2015, as they may be amended from time to time. Failure to do so may result in the SICAV refusing to accept the subscription for Shares in the SICAV.

Applicants must indicate whether they invest on their own account or on behalf of a third party.

The Distributor(s), the Administrator, and the Hong Kong Representative must in particular verify the identity of the applicant by effecting customer due diligence measures. In addition, the Distributor(s) and/or the Administrator may require any other information that the SICAV may require in order to comply with its legal and regulatory obligations, including but not limited to the CRS-Law and FATCA.

Except for applicants applying through companies which are regulated credit or financial

institutions bound in their country by legal provisions on the prevention of money laundering equivalent to those applicable in Luxembourg (in such case, the Administrator may apply simplified customary due diligence procedures) each applicant is obliged to submit to the Administrator in Luxembourg all necessary information, which the Administrator (as the case may be) may reasonably require to perform the customary due diligence.

In the case of an applicant on behalf of a third party, the Administrator must also verify the identity of the beneficial owner(s). In such context, any such applicant undertakes that it will notify the Administrator prior to the occurrence of any change in the identity of any such beneficial owner.

In addition, the Administrator are obliged to identify the source of funds from a financial institution which is not subject to an obligatory identification procedure equivalent to that required under Luxembourg law. The processing of a subscription may therefore be temporarily suspended until the source of the funds has been identified. Failure to provide such required information or documentation described in this section in a timely manner could result in delay in the allotment of Shares, or in a refusal to allot Shares and in the event of redemption, payment of redemption proceeds delayed.

### Data Protection

The SICAV (the “Controller”) processes information relating to several categories of identified or identifiable natural persons (including, in particular but not only, prospective or existing investors, their beneficial owners and other natural persons related to prospective or existing investors) who are hereby referred to as the “Data Subjects”. This information has been, is and/or will be provided to, obtained by, or collected by or on behalf of, the Controller directly from the Data Subjects or from other sources (including prospective or existing investors, intermediaries such as distributors, wealth managers and financial advisers, as well as public sources) and is hereby referred to as the “Data”.

Detailed and updated information regarding this processing of Data by the Controller is contained in a privacy notice (the “Privacy Notice”). All persons contacting, or otherwise dealing directly or indirectly with, the Controller or its service providers in relation to the SICAV are invited to obtain and take the time to carefully consider and read the Privacy Notice.

### **Obtaining and accessing the Privacy Notice**

The Privacy Notice is available upon request addressed to [thirdpartyfunds@lemanik.lu](mailto:thirdpartyfunds@lemanik.lu)

The Privacy Notice notably sets out and describes in more detail:

- the legal basis for processing; and where applicable the categories of Data processed, from which source the Data originate, and the existence of automated decision-making, including profiling;
- that Data will be disclosed to several categories of recipients; that certain of these recipients (the “Processors”) are processing the Data on behalf of the Controller; that the Processors include the majority of the service providers of the Controller; and that Processors shall act as processors on behalf of the Controller and may also process Data as controllers for their own purposes;
- that Data will be processed by the Controller and the Processors for several purposes (the “Purposes”) and that these Purposes include (i) the general holding, maintenance,

management and administration of prospective and existing investment and interest in the SICAV, (ii) enabling the Processors to perform their services for the SICAV, and (iii) complying with legal, regulatory and/or tax (including FATCA/CRS) obligations;

- that Data may, and where appropriate will, be transferred outside of Hong Kong and the European Economic Area, including to countries whose legislation does not ensure an adequate level of protection as regards the processing of personal data;
- that any communication (including telephone conversations) (i) may be recorded by the Controller and the Processors and (ii) will be retained for a period of 10 years from the date of the recording;
- that failure to provide certain Data may result in the inability to deal with, invest or maintain an investment or interest in the SICAV;
- that Data will not be retained for longer than necessary with regard to the Purposes, in accordance with applicable laws and regulations, subject always to applicable legal minimum retention periods;
- that Data Subjects have certain rights in relation to the Data relating to them, including the right to request access to such Data, or have such Data rectified or deleted, the right to ask for the processing of such Data to be restricted or to object thereto, the right to portability, the right to lodge a complaint with the relevant data protection supervisory authority, or the right to withdraw any consent after it was given.

All persons contacting, or otherwise dealing directly or indirectly with, the Controller or its service providers in relation to the SICAV, will likely be requested to formally acknowledge, agree, accept, represent, warrant and/or undertake (where applicable) that they have obtained and/or have been able to access the Privacy Notice; that the Privacy Notice may be amended at the sole discretion of the Controller; that they may be notified of any change to or update of the Privacy Notice by any means that the Controller deem appropriate, including by public announcement; that they have authority to provide, or to cause or allow the provision, to the Controller any Data relating to third-party natural persons that they provide, or cause or allow the provision, to the Controller; that, if necessary and appropriate, they are required to obtain the (explicit) consent of the relevant third-party natural persons to such processing; that these third-party natural persons have been informed of the processing by the Controller of the Data as described herein and their related rights; that these third-party natural persons have been informed of, and provided with, easy access to the Privacy Notice; that when notified of a change or update of the Privacy Notice they will continue this change or update to these third-party natural persons; that they and each of these third-party natural persons shall abide by any limitation of liability provision contained in the Privacy Notice; and that they shall indemnify and hold the Controller harmless for and against adverse consequences arising from any breach of the foregoing.

## REDEMPTIONS

Shareholders may request the redemption of all or any of their Shares on any Dealing Day specified for the relevant Class of Shares in the relevant Supplement for the Sub-Fund in question. Shareholders should send a completed redemption request in the form available from the Administrator to be received by the Administrator no later than 9 am Luxembourg time of the Dealing Day in question.

### Procedure

Redemption requests may be submitted to the Administrator by facsimile, provided that the original subscription application form has been received and all the documentation required by the SICAV (including any documents in connection with anti-money laundering procedures) and the anti-money laundering procedures have been completed.

Any redemption requests received after the Cut-Off time for a Dealing Day will be processed on the next Dealing Day.

Redemption requests may also be submitted to Distributor(s), Hong Kong Distributor or the Hong Kong Representative by the Cut-Off time as specified in the relevant Supplement. In such case, and provided that the original subscription application form has been received and all the documentation required by the SICAV (including any documents in connection with anti-money laundering procedures) and the anti-money laundering procedures have been completed, the Distributor(s), the Hong Kong Distributor or the Hong Kong Representative (as the case may be) shall send the signed redemption request to the Administrator no later than 9 am, Luxembourg time of the relevant Dealing Day. Submission of redemption requests via Distributors may be subject to a cut-off time earlier than the Cut-Off time as specified in the relevant Supplement; Similarly, the Hong Kong Distributor and/or the Hong Kong Representative may change the Cut-Off time to such other time. Investors should therefore check with the relevant Distributor(s), the Hong Kong Distributor or the Hong Kong Representative (as the case may be) on the timing and procedures for submission of any redemption requests.

A request by a Shareholder for a partial redemption of Shares will be refused, or the holding of the Shareholder will be redeemed in its entirety, if, as a result of such partial redemption, the Net Asset Value of the Shares retained by the Shareholder would be less than the Minimum Holding.

A redemption request, once given to the Administrator, the Hong Kong Representative, the relevant Distributor or the Hong Kong Distributor is irrevocable save with the consent of the Directors (which may be withheld in their discretion), provided that the Luxembourg principle of equal treatment of Shareholders is complied with at any time.

### Redemption Price

The Redemption Price per Share will be equal to the Net Asset Value per Share as of the relevant Valuation Day determined in accordance with the provisions of the section "Valuation". Where there is a performance fee accrued on that relevant Valuation Day, the Net Asset Value per Share (hence, the Redemption Price) as of that Valuation Day shall have taken into account the performance fee accrual. In the event of a partial redemption, Shares will be redeemed on a "first in first out" basis (provided that the Luxembourg principle of equal treatment of Shareholders is complied with at any time) unless the redeeming Shareholder advises the Administrator, the Hong Kong Distributor or the Hong Kong Representative otherwise.

The SICAV may charge a redemption fee as set out in the relevant Supplement. Shareholders may also be required to pay a dilution levy as set out in the section “Dilution Levy”. Both a redemption fee and/or a dilution levy would have the result of reducing the redemption proceeds. In case the relevant Sub-Fund is a master fund of another UCITS, the relevant feeder fund will not pay any redemption fee.

### Settlement

Payment of redemption proceeds will be made as soon as practicable after the relevant Dealing Day and normally within a maximum of 7 Business Days of the relevant Cut-Off time, except otherwise provided in the relevant Supplement. Payment will be made in the currency of denomination of the Shares being redeemed by direct transfer in accordance with instructions given by the redeeming Shareholder to the Administrator or the relevant Distributor(s), the Hong Kong Distributor or the Hong Kong Representative (as the case may be) and at the Shareholder’s risk. Payments made on receipt of faxed instructions will only be processed where payment is made to the account of record as provided on either (a) the original, duly signed, initial application form, or (b) the original, duly signed bank mandate change request.

### Suspension

The Directors may declare a suspension of the redemption of Shares in certain circumstances as described under the section “Suspension of Valuation of Assets”. No Shares will be redeemed during any such period of suspension.

### Compulsory Redemptions

The Directors may effect a compulsory redemption of any or all Shares (or, where applicable, Shares of the relevant Class) held by or for the benefit of a Shareholder at any time: (a) for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or the requirements of any country or governmental authority or by any person in circumstances which in the opinion of the Directors might result in the SICAV, the Management Company or the Investment Manager incurring any liability or taxation or suffering any other disadvantage which the SICAV, the Management Company or the Investment Manager may not otherwise have incurred or suffered (including, but not limited to, Shareholders who become Ineligible Applicants or US Persons who are not able to meet the conditions set out in this Hong Kong Prospectus); (b) in exceptional circumstances (e.g. subscription of the Shares of the SICAV by a US Person) where the Directors determine that such a compulsory redemption is in the interest of investors; (c) subject to the relevant Supplement, if the Net Asset Value of the Shares held by the Shareholder is less than the Minimum Holding. In case of (c), alternatively, the SICAV may effect a compulsory conversion of all Shares of the relevant Class held by the relevant Shareholder for Shares of another Class in the same Sub-Fund which have the same Reference Currency but a lower Minimum Holding. Where the Net Asset Value of the Shares held by a Shareholder is less than the Minimum Holding and the SICAV decides to exercise its right to compulsorily redeem for this reason, the SICAV will notify the Shareholder in writing and allow such Shareholder 30 calendar days to purchase additional Shares to meet the Minimum Holding requirement.

### Deferred Redemptions

The Directors may (but are not obliged to) defer redemptions at a particular Dealing Day to the next Dealing Day for the portion of the requested redemptions on any Dealing Day exceeds 10% of a Sub-Fund’s Net Asset Value. The Directors will ensure the consistent treatment of all Shareholders who have sought to redeem Shares at any Dealing Day at which redemptions that exceed the 10% limit are deferred. The Directors will pro-rate all such

redemption requests to the stated level (i.e. 10% of the Sub-Fund's Net Asset Value) and will defer the remainder until the next Dealing Day. The Directors will also ensure that all redemption requests relating to an earlier Dealing Day are completed before those relating to a later Dealing Day are considered.

The Directors currently expect not to exercise such power to defer redemptions except to the extent that they consider that existing Shareholders would otherwise be materially prejudiced or that such exercise is necessary to comply with applicable law or regulation.

#### In-Specie Redemptions

The SICAV shall have the right, if the Board of Directors so determines, to satisfy payment of the Redemption Price, to any Shareholder who agrees, in specie by allocating to such Shareholder investments from the portfolio of assets set up in connection with such Sub-Fund equal in value (calculated in the manner described in the Articles and in the section "Valuation") as of the Valuation Day, when the Redemption Price is calculated, to the value of the Shares to be redeemed. The nature and type of assets to be transferred in such case shall be determined on a fair and reasonable basis and without prejudicing the interests of the other Shareholders and the valuation used shall be confirmed by a special report of the Auditors at the expense of the relevant Shareholder. The costs of any such transfers shall be borne by the relevant Shareholder.

#### Anti-Money Laundering

Investors should note that the Directors may refuse to settle a redemption request if it is not accompanied by such additional information as they, or the Administrator on their behalf, may reasonably require. This power may, without limitation to the generality of the foregoing, be exercised where proper information has not been provided for anti-money laundering verification purposes as described under the section "Subscriptions".

### **CONVERSION BETWEEN SUB-FUNDS OR CLASSES**

Except when issues and redemptions of Shares have been suspended in the circumstances described under "Suspension of Valuation of Assets", Shareholders may request a conversion of some or all of their Shares in one Class or Sub-Fund (the "**Original Class**") for Shares in another Class or Sub-Fund (the "**New Class**"). Such conversions can only take place, if following the conversion, the Shareholder's holding in the New Class will satisfy the criteria and applicable Minimum Holding requirements of that Class or Sub-Fund.

#### Procedure

Shareholders should send a completed conversion request in the form available from the Administrator to be received by the Administrator prior to the earlier of the cut-off time for redemptions in the Original Class and the cut-off time for subscriptions in the New Class. Any applications received after such time will be dealt with on the next Dealing Day.

Shareholders may also send a completed conversion request to the Distributor(s), the Hong Kong Distributor, or the Hong Kong Representative, which shall, provided the relevant Distributor(s), the Hong Kong Distributor or the Hong Kong Representative (as the case may be) have received all requested documents, send such conversion request to the Administrator prior to the earlier of the cut-off time for redemptions in the Original Class and the cut-off time for subscriptions in the New Class. Submission of conversion requests via Distributors or the Hong Kong Representative may be subject to a cut-off time earlier than the Cut-Off time as specified in the relevant Supplement; investors should therefore check with the relevant Distributor(s) or the Hong Kong Representative (as the case may be) on the

timing and procedures for submission of any conversion requests.

The Directors may at their absolute discretion reject any request for the conversion of Shares in whole or in part.

Fractions of Shares to three decimal places may be issued by the SICAV on conversion where the value of Shares converted from the Original Class is not sufficient to purchase an integral number of Shares in the New Class and any balances representing entitlements of less than a fraction of a Share to three decimal places will be retained by the SICAV in order to discharge administration costs.

The Articles authorise the Directors to charge a conversion fee. The Directors shall only charge a conversion fee if a higher preliminary charge is applicable to the Shares of the Sub-Fund or the Class being acquired. In such case the conversion fee shall not exceed the difference between the preliminary charges applicable to the relevant Sub-Funds or Classes.

A conversion request, once given to the Administrator, the relevant Distributor, the Hong Kong Distributor or the Hong Kong Representative, is irrevocable save with the consent of the Directors (which may be withheld in their discretion but provided that the Luxembourg principle of equal treatment of Shareholders is complied with at any time) or in the event of a suspension of calculation of the Net Asset Value of the Shares in respect of which the conversion requests are made.

A conversion of Shares of one Sub-Fund or Class for Shares of another Sub-Fund or Class will be treated as a redemption of Shares and a simultaneous purchase of Shares. A converting Shareholder may, therefore, realise a taxable gain or loss in connection with the conversion under the laws of the country of the Shareholder's citizenship, residence or domicile. No redemption charge will be levied on a redemption of Shares for the purpose of any conversion.

The number of Shares of the New Class to be issued will be calculated in accordance with the following formula

$$S = \frac{(R \times NAV \times ER)}{SP}$$

where

S is the number of Shares of the New Class to be allotted.

R is the number of Shares in the Original Class to be redeemed.

NAV is the Net Asset Value per Share of the Original Class as at the relevant Dealing Day.

ER is the currency conversion factor (if any) as determined by the Administrator as representing the effective rate of conversion of settlement on the relevant Dealing Day applicable to the transfer of assets between the relevant Sub-Funds or Classes where the base currencies are different or, where the base currencies are the same, ER = 1.

SP is the Net Asset Value per Share of the New Class as at the relevant Dealing Day.



All terms and notices regarding the redemption of Shares shall equally apply to the exchange of Shares and, in particular, in respect of an exchange of Shares of one Sub-Fund for Shares of another Sub-Fund a dilution levy may be applied to “NAV” or “SP” above and the accrued performance fee would crystalize and payable to the Investment Manager after the end of the relevant Performance Period (for details, please refer to the relevant supplement of each Sub-Fund). For the avoidance of doubt, no redemption charge may apply to “NAV” above.

## **PREVENTION OF LATE TRADING AND MARKET TIMING**

Late trading is to be understood as the acceptance of a subscription, conversion or redemption order for shares in a fund after the time limit fixed for accepting orders on the relevant day and the execution of such order at the price based on the Net Asset Value applicable to such same day.

The SICAV considers that the practice of late trading not acceptable as it violates the provisions of this Hong Kong Prospectus which provide that an order received after the Cut-Off time is dealt with at a Subscription Price or Redemption Price based on the Net Asset Value calculated on the next applicable Dealing Day. As a result, subscriptions, conversions and redemptions of Shares shall be dealt with at an unknown Net Asset Value. The Cut-Off time is set out in the relevant Supplement for each Sub-Fund.

Market timing is to be understood as an arbitrage method through which an investor systematically subscribes and redeems or converts units or shares of the same undertaking for collective investment 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 undertaking for collective investment.

The SICAV considers that the practice of market timing not acceptable as it may affect the SICAV's performance through an increase of the costs and/or entail a dilution of the capital. As a result, the SICAV reserves the right to refuse any subscription, redemption or conversion of Shares which might or appears to be related to market timing practices and to take any appropriate measures in order to protect Shareholders against such practice, to the extent not prohibited by the applicable law.

As well as the general power of the Directors to refuse subscriptions at their discretion, the Directors may also levy, for the benefit of the relevant Sub-Fund, a Market Timing / Excessive Trading Fee with a maximum of 2%, which shall be calculated on the subscription or redemption amount of the relevant investors.

## VALUATION

### Net Asset Value and Valuation of Assets

The Net Asset Value of each Sub-Fund will be calculated by the Administrator on the Valuation Point of each Valuation Day, in accordance with the Articles.

The Net Asset Value of a Sub-Fund shall be determined on the Valuation Point of each Valuation Day by valuing the assets of the relevant Sub-Fund (including income accrued but not collected) and deducting the liabilities of the relevant Sub-Fund.

The Net Asset Value attributable to a Class shall be determined on the Valuation Point of the relevant Valuation Day by calculating that portion of the Net Asset Value of the relevant Sub-Fund attributable to the relevant Class on the Valuation Point of such a Valuation Day by reference to the number of Shares in issue in each Class as of the relevant Valuation Day subject to adjustment to take account of assets and/or liabilities attributable to the Class.

In the event that the Investment Manager hedges the foreign currency exposure of any Class of Shares denominated in a currency other than the Reference Currency of the relevant Sub-Fund, the costs and any benefit of such hedging will be allocated solely to the relevant Class of Shares to which the hedging relates. The Net Asset Value of a Sub-Fund will be expressed in the Reference Currency of the Sub-Fund, or in such other currency as the Directors may determine either generally or in relation to a particular Class or in a specific case.

The Net Asset Value per Share shall be calculated on the Valuation Point of each Valuation Day by dividing the Net Asset Value of the relevant Sub-Fund or attributable to a Class by the total number of Shares in issue or deemed to be in issue in such Sub-Fund or Class on the Valuation Point of the relevant Valuation Day and rounding the resulting total to two decimal places or such number of decimal places as the Directors may determine.

In determining the value of the assets of the SICAV:

- (a) Transferable Securities and Money Market Instruments which are quoted, listed or traded on a Regulated Market or on an Other Regulated Market save as hereinafter provided at (d), (e), (f), (g) and (h) will be valued at last traded market prices, which may be the closing market price, the mid-market price or the latest market price, as appropriate. Where a security is listed or dealt in on more than one Regulated Market or Other Regulated Market the relevant exchange or market shall be the principal stock exchange or market on which the security is listed or dealt on. Investments listed or traded on a Regulated Market or on an Other Regulated Market, but acquired or traded at a premium or at a discount outside or off the relevant exchange or market may be valued taking into account the level of premium or discount as of the Valuation Day provided that a competent person (having been appointed by the Directors and approved for such purpose by the Depositary) shall be satisfied that the adoption of such a procedure is justifiable in the context of establishing the probable realisation value of the security.
- (b) The value of any transferable security which is not quoted, listed or dealt in on a Regulated Market or on an Other Regulated Market or which is so quoted, listed or dealt in but for which no such quotation or value is available or the available quotation or value is not representative shall be the probable realisation value as estimated with care and good faith by (i) the Directors or (ii) a competent person, firm or corporation (including the Investment Manager) selected by the Directors and approved for the purpose by the Depositary or (iii) any other means provided that the value is approved by the Depositary. Where reliable market quotations are not available for fixed income securities, the value

of such securities may be determined using matrix methodology compiled by the Directors whereby such securities are valued by reference to the valuation of other securities which are comparable in rating, yield, due date and other characteristics.

- (c) Cash on hand or on deposit will be valued at its nominal / face value plus accrued interest, where applicable, on the Valuation Point of the relevant Valuation Day.
- (d) Derivative contracts traded on a Regulated Market or on an Other Regulated Market shall be valued at the settlement price on the relevant market. If the settlement price is not available, the value shall be the probable realisation value estimated with care and in good faith by (i) the Directors or the Investment Manager or (ii) a competent person, firm or corporation selected by the Directors and approved for the purpose by the Depositary or (iii) any other means provided that the value is approved by the Depositary. Derivative contracts which are traded 'over-the-counter' will be valued daily either (x) on the basis of a quotation provided by the relevant counterparty and such valuation shall be approved or verified at least weekly by a party who is approved for the purpose by the Depositary and who is independent of the counterparty; or (y) using an alternative valuation provided by a competent person appointed by the Directors and approved for the purpose by the Depositary or a valuation by any other means provided that the value is approved by the Depositary (the "**Alternative Valuation**"). Where such Alternative Valuation method is used the SICAV will follow international best practice and adhere to the principles on valuation of OTC instruments established by bodies such as the International Organisation of Securities Commissions or the Alternative Investment Management Association and the Alternative Valuation will be reconciled to the counterparty valuation on a monthly basis. Where significant differences arise these will be promptly investigated and explained.
- (e) Forward foreign exchange contracts shall be valued in the same manner as derivatives contracts which are not traded on a Regulated Market or by reference to freely available market quotations.
- (f) Notwithstanding paragraph (a) above units in collective investment schemes shall be valued at the latest available net asset value per unit or mid price as published by the relevant collective investment scheme or, if listed or traded on a Regulated Market or on an Other Regulated Market, in accordance with (a) above.
- (g) The Directors may value securities having a residual maturity not exceeding three months and having no specific sensitivity to market parameters including credit risk, using the amortised cost method of valuation.
- (h) The value of Money Market Instruments not listed or dealt in on any stock exchange or any other Regulated Market or on an Other Regulated Market and with remaining maturity of less than 12 months and of more than 60 days is deemed to be the market value thereof, increased by any interest accrued thereon. Money Market Instruments with a remaining maturity of 60 days or less will be valued by the amortized cost method, which approximates market value.
- (i) The Directors may, after consultation with the Depositary, adjust the value of any investment if having regard to its currency, marketability, applicable interest rates, anticipated rates of dividend, maturity, liquidity or any other relevant considerations, they consider that such adjustment is required to reflect the fair value thereof.

Fair value adjustments may also be employed where the market value of an investment is unavailable or where the Directors reasonably believes that no reliable price exists or the most recent price available does not reflect a price the relevant Sub-Fund would

expect to receive upon the current sale of the investment, and in such circumstances, the investment will be valued at a price which the Directors, after consultation with the Depositary, believe reflects a fair and reasonable price for that investment in the prevailing circumstances.

- (j) Any value expressed otherwise than in the base currency of the relevant Sub-Fund shall be converted into the base currency of the relevant Sub-Fund at the prevailing exchange rate (whether official or otherwise) that the Directors shall determine to be appropriate.
- (k) Where the value of any investment is not ascertainable as described above, the value shall be the probable realisation value estimated by the Directors with care and in good faith or by a competent person approved for the purpose by the Depositary.
- (l) If the Directors deem it necessary a specific investment may be valued under an alternative method of valuation chosen by the Directors in particular, if they consider that such method of valuation better reflects value generally or particular markets or market conditions and is in accordance with good practice.

In calculating the Net Asset Value of each Sub-Fund the following principles will apply:

- (A) in determining the value of investments of each Sub-Fund the Directors may at their discretion instead value the investments of each Sub-Fund (i) at lowest market dealing bid prices where on any Dealing Day the value of all redemption requests received exceeds the value of all applications for Shares received for that Dealing Day or at highest market dealing offer prices where on any Dealing Day the value of all applications for Shares received for that Dealing Day exceeds the value of all redemption requests received for that Dealing Day, in each case in order to preserve the value of the Shares held by existing Shareholders; or (ii) at bid and offer prices, where a fund is dual priced and bid and offer value is used to determine the price at which Shares are issued and redeemed;
- (B) every Share agreed to be issued by the Directors with respect to each Dealing Day shall be deemed to be in issue as of the Valuation Point of the relevant Valuation Day for the relevant Dealing Day and the assets of the Sub-Fund shall be deemed to include not only cash and property in the hands of the Depositary but also the amount of any cash or other property to be received in respect of Shares agreed to be issued after deducting therefrom (in the case of Shares agreed to be issued for cash) or providing for preliminary charges;
- (C) where investments have been agreed to be purchased or sold but such purchase or sale has not been completed, such investments shall be included or excluded and the gross purchase or net sale consideration excluded or included as the case may require as if such purchase or sale had been duly completed unless the Directors have reason to believe such purchase or sale will not be completed;
- (D) there shall be added to the assets of the relevant Sub-Fund any actual or estimated amount of any taxation of a capital nature which may be recoverable by the SICAV which is attributable to that Sub-Fund;
- (E) there shall be added to the assets of the relevant Sub-Fund a sum representing any interest, dividends or other income accrued but not received and a sum representing unamortised expenses;
- (F) there shall be added to the assets of the relevant Sub-Fund the total amount (whether actual or estimated by the Directors or their delegate) of any claims for repayment of any

taxation levied on income or capital gains including claims in respect of double taxation relief;

- (G) where notice of the redemption of Shares has been received by the SICAV with respect to a Sub-Fund for a particular Dealing Day and the cancellation of such Shares has not been completed, the Shares to be redeemed shall be deemed not to be in issue on the Valuation Point of the relevant Valuation Day and the value of the assets of the Sub-Fund, as of the Valuation Point of the relevant Valuation Day, shall be deemed to be reduced by the amount payable upon such redemption; and
- (H) there shall be deducted from the assets of the Sub-Fund:
  - (1) the total amount of any actual or estimated liabilities properly payable out of the assets of the Sub-Fund including any and all outstanding borrowings of the Sub-Fund, interest, fees and expenses payable on such borrowings and any estimated liability for tax and such amount in respect of contingent or projected expenses as the Directors consider fair and reasonable as of the Valuation Point of the relevant Valuation Day;
  - (2) such sum in respect of tax (if any) on income or capital gains realised on the investments of the SICAV or Sub-Fund as in the estimate of the Directors will become payable;
  - (3) the amount (if any) of any distribution declared but not distributed in respect thereof;
  - (4) the remuneration (if any) of the Management Company, the Administrator, the Depositary, the Investment Manager, the Hong Kong Representative, any Hong Kong Distributor and any other providers of services to the Sub-Fund accrued but remaining unpaid together with a sum equal to the value added tax chargeable thereon (if any);
  - (5) the total amount (whether actual or estimated by the Directors) of any other liabilities properly payable out of the assets of the Sub-Fund (including all establishment, operational and ongoing administrative fees, costs and expenses) as of the Valuation Point of the relevant Valuation Day;
  - (6) an amount as of the Valuation Point of the relevant Valuation Day representing the projected liability of the Sub-Fund in respect of costs and expenses to be incurred by the Sub-Fund in the event of a subsequent liquidation;
  - (7) an amount as of the Valuation Point of the relevant Valuation Day representing the projected liability of the relevant calls on Shares in respect of any warrants issued and/or options written by the Sub-Fund or Class of Shares; and
  - (8) any other liability which may properly be deducted.

The Directors may at their discretion, after consultation with the Depositary, permit any other method of valuation to be used if they consider that such method of valuation better reflects value generally or particular markets or market conditions and is in accordance with good practice.

In the absence of fraud, bad faith, gross negligence or manifest error, every decision taken by the Directors or any committee of the Directors or any duly authorised person on behalf of the SICAV in calculating the Net Asset Value of a Class or the Net Asset Value per Share shall be

final and binding on the SICAV and on present, past or future Shareholders, subject to the Articles.

The Directors have delegated to the Administrator the day to day responsibility for the calculation of the Net Asset Value and Net Asset Value per Share.

#### Publication of Net Asset Value per Share

The Net Asset Value per Share is available daily on the website of the Investment Manager [www.csopasset.com](http://www.csopasset.com). Please note that the content of the above website has not been reviewed or approved by the SFC.

#### **Suspension of Valuation of Assets**

The Directors may, after consultation with the Depositary, and having regard to the best interest of the Shareholders, at any time and from time to time temporarily suspend the determination of the Net Asset Value of the SICAV or a Sub-Fund and the issue, conversion and redemption of Shares in any Sub-Fund:

- (a) during the whole or part of any period (other than for ordinary holidays or customary weekends) when any of the Regulated Markets or an Other Regulated Markets on which the SICAV's investments are quoted, listed, traded or dealt are closed or during which dealings therein are restricted or suspended or trading is suspended or restricted; or
- (b) during the whole or part of any period when circumstances outside the control of the Directors exist as a result of which any disposal or valuation by the SICAV of investments of the Sub-Fund is not reasonably practicable or would be detrimental to the interests of Shareholders or it is not possible to transfer monies involved in the acquisition or disposition of investments to or from the relevant account of the SICAV; or
- (c) during the whole or part of any period when any breakdown occurs in the means of communication network normally employed in determining the price or value of any of the SICAV's investments of the relevant Sub-Fund; or
- (d) during the whole or any part of any period when for any other reason the price or value of any of the SICAV's investments cannot be reasonably, promptly or accurately ascertained; or
- (e) during the whole or any part of any period when subscription proceeds cannot be transmitted to or from the account of the SICAV or the Sub-Fund being unable to repatriate funds required for making redemption payments or when such payments cannot, in the opinion of the Directors, be carried out at normal rates of exchange; or
- (f) following a possible decision to merge, liquidate or dissolve the SICAV or, if applicable, one or several Sub-Funds; or
- (g) following the suspension of the calculation of the net asset value per share/unit, the issue price, redemption price and/or the conversion fee at the level of a master fund in which the Sub-Fund invests in the capacity as feeder fund of such master fund, to the extent applicable;
- (h) if any other reason makes it impossible or impracticable to determine the value of a portion of the investments of the SICAV or any Sub-Fund; or

- (i) if, in exceptional circumstances, the Directors determine that suspension of the determination of Net Asset Value is in the interest of Shareholders (or Shareholders in that Sub-Fund as appropriate); or
- (j) during any period when for any other reason the prices of any investments owned by the SICAV, in particular the derivative instruments and repurchase transactions which may be entered into by the SICAV in respect of any Sub-Fund, cannot be promptly or accurately ascertained;

provided that, where the Sub-Fund is authorised by the SFC, for so long as the Sub-Fund remains so authorised, the Directors may only suspend the determination of the Net Asset Value of that Sub-Fund and the issue, conversion and redemption of Shares in that Sub-Fund pursuant to (a), (c), (h) or (j) if the trading or dealing of a substantial part of the Sub-Fund's investments is suspended or restricted, or price or value of a substantial part of that Sub-Fund's investments cannot be determined or accurately ascertained.

The Investment Manager or the Hong Kong Representative must immediately notify the SFC of the suspension and publish notice of suspension following such suspension and at least once a month during the period of suspension on the website of the Investment Manager at [www.csopasset.com](http://www.csopasset.com). Please note that the content of the above website has not been reviewed or approved by the SFC. Any suspension of valuation of the Net Asset Value of the SICAV or a Sub-Fund and the issue, conversion and redemption of Shares in any Class shall be notified to Shareholders having made an application for subscription, redemption or conversion of Shares for which the calculation of the Net Asset Value has been suspended.

Such suspension as to any Sub-Fund shall have no effect on the calculation of the Net Asset Value per Share, the issue, redemption and conversion of Shares of any other Sub-Fund, if the assets within such other Sub-Fund are not affected to the same extent by the same circumstances.

## **DILUTION LEVY**

In certain circumstances, the value of the property of a Sub-Fund may be reduced as a result of charges incurred in dealings in the Sub-Fund's investments and of any spread between the buying and selling prices of these investments. In order to offset this effect, known as "dilution", and the consequent potential adverse effect on the existing or remaining Shareholders, the Board of Directors has the power to charge a "dilution levy" when Shares are bought or sold. If charged, the dilution levy will be shown in addition to (and not part of) the Subscription Price or Redemption Price of the Shares, as the case may be, in the relevant documentation, and will be paid to the SICAV and become part of the property of the relevant Sub-Fund thus protecting the value of the remaining Shareholders' interests. It is not, however, possible to predict accurately whether dilution will occur at any future point in time.

Any dilution levy charged must be fair to all Shareholders and potential Shareholders. In particular, the dilution levy may be charged in the following circumstances:

- (a) on a Sub-Fund experiencing large levels of net purchases (i.e. purchases less redemptions) relative to its size;
- (b) on a Sub-Fund experiencing large levels of net redemptions (i.e. redemptions less purchases) relative to its size;
- (c) in any other case where the Directors are of the opinion that the interests of existing/continuing Shareholders and potential Shareholders require the imposition of a dilution levy.



In order to reduce inconsistency in the application of any dilution levy, the Directors may take account of the trend of the Sub-Fund in question to expand or to contract; and the transactions in Shares as of a particular Valuation Day.

Details of the dilution levy for each Sub-Fund are set out in the relevant Supplement.

## **FEES AND EXPENSES**

Any fees or expenses payable by a Shareholder or out of the assets of the SICAV are set out in this section and the relevant Supplement. The preliminary charge, investment management fee, performance fee, Depositary and Paying Agent's fee, Administrator's fee and Directors' fees may be increased on at least one month's prior notice to Shareholders, subject to the maximum rate set out in this Hong Kong Prospectus or the relevant Supplement.

### **Preliminary Charge**

The SICAV is permitted to make a preliminary charge payable to CSOP Asset Management Limited as the Hong Kong Distributor and Hong Kong Representative on the subscription for Shares by an investor subscribing through CSOP Asset Management Limited, acting as the Hong Kong Distributor and Hong Kong Representative or one of its sub-distributors. The current percentage rates of charge are shown in the relevant Supplement for each Sub-Fund. The maximum amount for such preliminary charge will be 5% of the Net Asset Value or of the Initial Offer Price, as the case may be. The charge is calculated prior to the addition of any dilution levy.

### **Redemption Fee**

The SICAV is permitted to charge a redemption fee on the redemption of Shares by a Shareholder. The current percentage rates of fee are shown in the relevant Supplement for each Sub-Fund. The redemption fee is calculated prior to the deduction of any dilution levy, as set out in the relevant Supplement.

### **Management Company Fee**

Unless otherwise stated in the relevant Supplement, in consideration for the provision of the services under the Management Company Agreement, the Management Company will receive a management company fee for the provision of its services. The management company fee, which is expressed as a percentage of the Net Asset Value of the Sub-Funds and is calculated on the basis of the Net Asset Value of each Sub-Fund on the last Valuation Day of a given month, as specified in the Supplement.

The Management Company Fee shall be payable in EUR within thirty (30) days after receipt of the invoice provided that the amount of the Management Company Fee to be billed as set out in the invoice is undisputed.

### **Investment Management Fee**

Unless otherwise stated in the relevant Supplement, in consideration for the provision of the investment management services under the Investment Management Agreement, and all associated costs, the Investment Manager is entitled to receive an investment management fee, payable monthly in arrears as of the last Valuation Day of each month, calculated and accrued on each Valuation Day during the relevant month, on the basis of the Net Asset Value of the Shares of each Class (before deduction of that month's fees, expenses, borrowings and interest together with value added tax, if any, on such investment management fee and before

deduction for any accrued performance fees).

The Investment Manager may from time to time, and in its sole discretion, and out of its own resources decide to rebate to all Shareholders (including the Directors who are Shareholders), their agents or to intermediaries, part or all of the investment management fee and/or performance fee provided that the Investment Manager will endeavour to act in a commercially fair, reasonable and equitable manner in exercising such discretion.

#### Performance Fee

The Investment Manager may also be entitled to receive a performance fee from the SICAV, the details of which are set out in the relevant Supplement.

#### Depositary and Paying Agent's Fees

The Depositary and Paying Agent will be entitled to receive a fee from the SICAV in accordance with the terms of the Depositary Agreement, the details of which are set out in the relevant Supplement.

#### Administrator's Fees

The Administrator will be entitled to receive a fee from the SICAV in accordance with the terms of the Administration Agreement, the details of which are set out in the relevant Supplement.

#### Directors' Fees

The SICAV shall pay to Mr. Jin Wang out of the assets of the SICAV an annual fee, which shall not exceed USD 15,000 per annum, and which shall be published in the corresponding annual/semi-annual report of the SICAV. Ms. Ka Yan Wong and Mr. Dimitri Brunwasser shall not receive a fee for acting as Director. Changes to such a maximum annual fee shall be published in the relevant annual/semi-annual report of the SICAV.

#### Operating Expenses and Fees

The SICAV bears its own operating and other expenses. Where applicable, these expenses include (but are not limited to) (a) all investment expenses (including, but not limited to, specific expenses incurred in obtaining systems, research and other information utilised for portfolio management purposes, including the costs of statistics and services, service contracts for quotation equipment and related hardware and software), (b) all fees and expenses of transactional and trade-related services, (c) all administrative expenses and custody fees, (d) all of the charges and expenses of legal and professional advisers, accountants and auditors (including in connection with the preparation of the SICAV's tax returns), (e) all brokers' commissions, all fees for investment research and/or trade ideas, all borrowing charges on short positions taken through derivative instruments and any issue or transfer taxes or stamp duties chargeable in connection with securities transactions, (f) all taxes and corporate fees payable to governments or agencies, (g) all interest on borrowings (h) all communication expenses with respect to investor services and all expenses of meetings of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents, (i) the fees and expenses of the Directors (in accordance with the Articles), including the reasonable travel expenses of the Directors and all of the costs of insurance for the benefit of the Directors (if any), (j) all litigation, regulatory investigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, (k) the fees of the CSSF, (l) the cost of termination of the SICAV or any Sub-Fund, (m) the fees and expenses of any regulator (including the SFC), paying agent, representative, distributor or correspondent bank appointed in connection with the registration of the SICAV (or any Sub-Fund) or the application for and maintenance of

particular tax treatment for the Shares in any jurisdiction, (n) the costs of any liability insurance obtained on behalf of the SICAV, and (o) all other organisational and operating expenses.

Any such operating and other expenses may be deferred and amortised by the SICAV, in accordance with standard accounting practice, at the discretion of the Directors. An estimated accrual for operating expenses of the SICAV will be provided for in the calculation of the Net Asset Value of the SICAV. Operating expenses and the fees and expenses of service providers which are payable by the SICAV shall be borne by all Shares in proportion to the Net Asset Value of the SICAV or attributable to the relevant Class provided that fees and expenses directly or indirectly attributable to a particular Class shall be borne solely by the relevant Class.

For so long as the SICAV and any of its Sub-Funds remains authorised by the SFC, the SICAV has undertaken that no marketing or advertising expenses will be paid by the SICAV in respect of those Sub-Funds which are authorised by the SFC, and no commissions will be paid by the SICAV in respect of those Sub-Funds to any sales agents arising out of any dealing in Shares of those Sub-Funds. CSOP Asset Management Limited does not receive any remuneration from the SICAV in relation to the performance of its services under the Hong Kong Representative Agreement.

#### Allocation of Assets, Charges and Expenses

All fees, duties, charges and expenses are allocated to the relevant Sub-Fund or Class in connection to which they were incurred. In case such fees, duties, charges and expenses cannot be allocated to one or several Sub-Fund(s) or Classes, such fees, duties and expenses will be shared by all Sub-Funds or Classes on a pro-rata basis.

#### Costs of Establishment

The total costs and expenses of converting China Southern Dragon Dynamic Fund SICAV-FIS as described under "The SICAV and The Sub-Funds" were approximately USD 200,000 (the "**establishment costs**") , and the total costs for obtaining the SFC's authorisation for the SICAV and CNBO Sub-Fund comprising the legal and translation costs in preparing this Hong Kong Prospectus and the related auditor costs are estimated to be approximately USD148,140 (the "**SFC authorisation costs**") , and will be payable and borne by the SICAV. In accordance with the Luxembourg generally accepted accounting principles ("**Luxembourg GAAP**"), these costs and expenses may at the discretion of the Directors be amortised on a straight-line basis over a period of up to 5 years from, in the case of the establishment costs, the date on which the SICAV was converted into a UCITS, and in the case of the SFC authorisation costs, the date on which the SFC's authorisation for the SICAV and CNBO Sub-Fund is obtained. The Directors may, in their absolute discretion, shorten the period over which such costs and expenses are amortised. If any unamortised costs remain at the time of termination of the relevant Sub-Fund, such costs are recognised as a reduction to the Net Asset Value of that Sub-Fund realised at termination.

These establishment expenses are being charged as between the various Sub-Funds established by the SICAV within the amortisation period on such terms and in such manner as the Directors (with the consent of the Depositary) deem fair and equitable and provided that each Sub-Fund bears its own direct establishment costs and costs of listing its Shares on any stock exchange. It is expected that such accounting treatment will not be material to the financial statements of the SICAV. If the effect of the accounting treatment becomes material in the future and there is a requirement to write off any unamortised balance of establishment expenses in the financial statement, the Directors will reconsider this policy.

#### Dividends paid out of or effectively out of capital

The SICAV may decide to pay dividends in respect of a Class of Shares of a Sub-Fund out of the capital of such Sub-Fund. In addition, where the SICAV determines that the generation of income in a Sub-Fund has equal or higher priority to capital growth, all or part of the fees and expenses of that Sub-Fund may be charged against capital instead of against income in order to manage the level of income paid and / or available to Shareholders. The payment of dividends of a Sub-Fund out of the capital of such Sub-Fund, or charging all or part of the fees and expenses of a Sub-Fund to the capital of such Sub-Fund will result in reduction of the capital that the Sub-Fund has available for investment in the future and the capital growth may be reduced. Where the dividends in respect of a Class of Shares of a Sub-Fund are paid out of the capital of such Sub-Fund, or where the dividends in respect of a Class of Shares of a Sub-Fund are paid out of gross income of the Sub-Fund while such Sub-Fund's fees and expenses are charged to or paid out of the capital of such Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund, such payment of dividends are considered as a payment of dividends out of and effectively out of capital respectively, both of which would amount to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of or effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. Where an SFC authorised Sub-Fund is distributing dividends out of or effectively out of capital, this will be disclosed in the relevant Supplement of that Sub-Fund and , the requisite composition of the dividends (i.e. the relative amounts paid out of (i) Total Net Income and (ii) capital) for the last 12 months' period commencing from the date on which dividend is paid out of or effectively out of the capital of that Sub-Fund will be able to be obtained from the Hong Kong Representative upon request and also on the Sub-Fund's website at <http://www.csopasset.com>. Please note that the content of the above website has not been reviewed or approved by the SFC.

The Sub-Fund may amend the dividend distribution policy with respect to the matters mentioned in the paragraph immediately above subject to the SFC's prior approval and by giving not less than one month's prior notice to the Shareholders.

## **TAXATION**

### **General**

The sections below on taxation are brief summaries of the tax advice received by the SICAV relating to current law and practice which may be subject to change and interpretation.

The information given below does not constitute legal or tax advice and prospective investors should consult their own professional advisers on the possible tax consequences of buying, selling, exchanging, holding or redeeming Shares under the laws of the jurisdictions in which they may be subject to tax. Investors are also advised to inform themselves as to any exchange control regulations applicable in their country of residence.

Generally the tax consequences of acquiring, holding, converting/exchanging, redeeming or disposing of Shares in the SICAV will depend on the relevant laws of the jurisdiction to which the Shareholder is subject. Shareholders resident in or citizens of certain countries which have anti-offshore fund legislation may have a current liability to tax on the undistributed gains of the SICAV. These consequences will vary with the law and practice of the Shareholder's country of residence, domicile or incorporation and with his personal circumstances. The Directors, the SICAV and each of the SICAV's agents shall have no liability in respect of the individual tax affairs of Shareholders.

### **Luxembourg and Hong Kong Taxation**

The following summary is based on the law and practice currently applicable in Luxembourg and Hong Kong and is subject to changes therein.

## **Luxembourg Taxation**

The following is given on a general tax perspective and is based on the SICAV's understanding of, and advice received on, certain aspects of the law and practice currently in force in Luxembourg as of the date of the Prospectus. It does not purport to be a complete analysis of all possible tax situations that may be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the Shares and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to Shareholders. This summary is based upon the Luxembourg law and regulations as in effect and as interpreted by the Luxembourg tax authorities on the date of the Prospectus and is subject to any amendments in law (or in interpretation) later introduced, whether or not on a retroactive basis.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), personal income tax (*impôt sur le revenu*), as well as a temporary equalisation tax (*impôt d'équilibrage budgétaire temporaire*). Corporate taxpayers may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably applies to most corporate taxpayers' resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax, to the solidarity surcharge and to the temporary equalisation tax. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

## **Taxation of the SICAV in Luxembourg**

### *Subscription tax*

The SICAV is not liable to any Luxembourg tax on profits or income. The SICAV is, however, liable in Luxembourg to a subscription tax (*a taxe d'abonnement*) of 0.05% per annum on its Net Asset Value, such tax being payable quarterly on the basis of the value of the aggregate Net Asset Value of the Sub-Funds at the end of the relevant calendar quarter. No such tax is payable on the value of assets which consist of units or shares of other Luxembourg funds that have already been subject to such tax.

Pursuant to article 174 (2) a) and c) of the UCI Law, a reduced subscription tax rate of 0.01% per annum is applicable to certain Classes of Shares reserved to institutional investors as well as to certain Sub-Funds investing exclusively in Money Market Instruments, placing of deposits with credit institutions, or both. The effective rate applicable to the various Classes of Shares or Sub-Funds is disclosed in the relevant Supplement of each Sub-Fund.

A subscription tax exemption applies to:

- The portion of any Sub-Fund's assets (pro rata) invested in a Luxembourg investment fund or any of its sub-fund to the extent it is subject to the subscription tax;

- Any Sub-Fund (i) whose securities are only held by institutional investor(s), and (ii) whose sole object is the collective investment in money market instruments and the placing of deposits with credit institutions, and (iii) whose weighted residual portfolio maturity does not exceed 90 days, and (iv) that have obtained the highest possible rating from a recognised rating agency. If several Classes of Shares are in issue in the relevant Sub-Fund meeting (ii) to (iv) above, only those Classes of Shares meeting (i) above will benefit from this exemption;
- Any Sub-Fund, whose main objective is the investment in microfinance institutions; and
- Any Sub-Fund, (i) whose securities are listed or traded on a stock exchange and (ii) whose exclusive object is to replicate the performance of one or more indices. If several Classes of Shares are in issue in the relevant Sub-Fund meeting (ii) above, only those Classes of Shares meeting (i) above will benefit from this exemption.

#### *Withholding tax*

Under current Luxembourg tax law, there is no withholding tax on any distribution, redemption or payment made by the SICAV to its Shareholders under the Shares. There is also no withholding tax on the distribution of liquidation proceeds and capital gains derived therefrom to the Shareholders.

#### *Other taxes*

No stamp duty or other tax is payable in Luxembourg on the issue of Shares in the SICAV against cash. However, the SICAV is liable to a fixed registration duty of EUR 75.- on the registration of its incorporation or on any amendment to its articles of incorporation.

Dividends, interest and capital gains (if any) which the SICAV receives with respect to investments may be subject to taxes, including withholding taxes, in the countries of origin. It is anticipated that the SICAV may not be able to benefit from reduced rates of withholding tax in double taxation agreements between Luxembourg and such countries. As the SICAV itself is exempt from income tax, withholding tax levied at source, if any, is not refundable in Luxembourg. If this position changes in the future and the application of a lower rate results in a repayment to the SICAV the Net Asset Value will not be re-stated and the benefit will be allocated to the existing Shareholders rateably at the time of the repayment.

### **Taxation of the SICAV in Hong Kong**

The SICAV should not be liable to any tax in Hong Kong on its income or capital.

### **Taxation of Shareholders**

It is expected that Shareholders in the SICAV will be resident for tax purposes in many different countries. Consequently, no attempt is made in this Hong Kong Prospectus to summarize the taxation consequences for each investor of subscribing, converting, holding or redeeming or otherwise acquiring or disposing of Shares in the SICAV. These consequences will vary in accordance with the law and practice currently in force in a Shareholder's country of citizenship, residence, domicile and/or incorporation and with his personal circumstances. Shareholders resident in or citizens of certain countries which have anti-offshore fund legislation may have a current liability to tax on the undistributed income and gains of the SICAV.

Investors should inform themselves of, and when appropriate consult their professional advisers on, the possible tax consequences of subscribing for, buying, holding, converting,

redeeming or otherwise disposing of Shares under the laws of their country of citizenship, residence, domicile and/or incorporation.

Investors resident in Hong Kong for tax purposes will not be subject to any Hong Kong tax on capital gains realised on the sale of any Shares, nor should any stamp duty be payable on the issue or transfer of Shares. If the subscription for or redemption or transfer of Shares forms part of a trade, profession or business carried on in Hong Kong by an investor, any gains may be subject to Hong Kong profits tax.

## **FATCA**

The Foreign Account Tax Compliance Act ("FATCA"), a portion of the 2010 Hiring Incentives to Restore Employment Act, became law in the United States of America in 2010. It requires financial institutions outside the U.S. ("foreign financial institutions" or "FFIs") to pass information about "Financial Accounts" held by "Specified U.S. Persons", directly or indirectly, to the U.S. tax authorities, the Internal Revenue Service ("IRS") on an annual basis. A 30% withholding tax is imposed on certain U.S. source income of any FFI that fails to comply with this requirement.

On 28 March 2014, the Grand-Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement ("IGA") with the United States of America implemented by the Luxembourg law dated 24 July 2015 (the "FATCA Law"), and a memorandum of understanding in respect thereof. The IGA and the FATCA Law require Financial Institutions located in Luxembourg to report, when required, information on Financial Accounts held by U.S. Specified Persons (within the meaning of the IGA) and non-U.S. Financial Institutions that do not comply with FATCA and, if any, to the competent authorities. Any such information on Financial Accounts provided by the SICAV will be shared with the Government of the United States of America pursuant to Article 28 of the convention between the Government of the United States of America and the Government of the Grand-Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with the respect to Taxes Income and Capital entered into in Luxembourg on 3 April 1996.

Being established in Luxembourg and subject to the supervision of the CSSF in accordance with the UCI Law, the SICAV may be treated as a FFI (within the meaning of the IGA).

This status includes the obligation of the SICAV to regularly obtain and verify information on all of its investors. Upon request of the SICAV, each investor shall agree to provide certain information, including, in case of a Non-Financial Foreign Entity ("NFFE" - within the meaning of the IGA), the direct or indirect owners above a certain threshold of ownership of such NFFE, along with the required supporting documentation. Similarly, each investor shall agree to actively provide to the SICAV within thirty days any information that would affect its status, as for instance a new mailing address or a new residency address.

FATCA, the IGA and the FATCA Law may result in the obligation for the SICAV to disclose the name, address and taxpayer identification number (if available) of the investor as well as information such as account balances, income and gross proceeds (non-exhaustive list) to the Luxembourg tax authorities (*administration des contributions directes*) under the terms of the IGA. Such information will be onward reported by the Luxembourg tax authorities to the IRS.

To ensure the SICAV's compliance with FATCA, the Luxembourg IGA and the FATCA Law in accordance with the foregoing, the SICAV, the Management Company, in its capacity as the SICAV's management company, the Administrator and/or any of their respective agents or representatives may:

- a. request information or documentation, including withholding certificate (e.g. W-9 or W-8 tax forms), a Global Intermediary Identification Number, if applicable, or any other valid evidence of a Shareholder's FATCA registration with the IRS or a corresponding exemption, in order to ascertain such Shareholder's FATCA status;
- b. report information concerning a Shareholder and his account holding in the SICAV to the Luxembourg tax authorities if such account is deemed a FATCA reportable account under the FATCA Law and the Luxembourg IGA;
- c. report information to the Luxembourg tax authorities (*Administration des Contributions Directes*) concerning payments to Shareholders with FATCA status of non-participating foreign financial institution;
- d. deduct applicable U.S. withholding taxes from certain payments made to a Shareholder by or on behalf of the SICAV as required for the SICAV to comply with FATCA, the FATCA Law and the Luxembourg IGA; and
- e. Divulge any such personal information to any immediate payor of certain U.S. source income as may be required for withholding and reporting to occur with respect to the payment of such income.

In certain situations, a Shareholder's Shares in the SICAV may be redeemed compulsorily in accordance with the Articles of Incorporation and this Hong Kong Prospectus (in doing so, the SICAV will observe the relevant legal requirements and will act in good faith and on reasonable grounds). For more information, please refer to the sub-section headed "Compulsory Redemptions" under the section headed "REDEMPTIONS" on page 27 of this Hong Kong Prospectus.

Although the SICAV will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the SICAV will be able to satisfy these obligations. If the SICAV becomes subject to a withholding tax on certain U.S. source income as a result of the FATCA regime, the Net Asset Value of the Shares held by Shareholders may suffer material losses.

If any Shareholder has any doubt on the possible implications of FATCA on the SICAV or itself / himself / herself, the Shareholder should seek independent professional advice.

The SICAV has registered with the IRS and intends to comply with the provisions of the Luxembourg IGA and the FATCA Law to be deemed compliant with FATCA such that it will not be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the SICAV.

THE TAX DESCRIPTION CONTAINED IN THIS SECTION "FATCA" (1) MAY NOT BE RELIED UPON, AND WAS NOT INTENDED TO, PROVIDE PENALTY PROTECTION UNDER THE U.S. INTERNAL REVENUE CODE AND (2) IS WRITTEN TO MARKET THE SHARES. ALL PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT WITH THEIR OWN PERSONAL LEGAL AND TAX ADVISERS CONCERNING ANY TAX CONSEQUENCES, WHICH MAY ARISE FROM THEIR INVESTMENT, OWNERSHIP, OR BENEFICIAL INTEREST IN THE SICAV.

## **CRS**

Capitalized terms used in this section should have the meaning as set forth in the CRS-Law (as defined below), unless provided otherwise herein.

On 9 December 2014, the Council of the European Union adopted the Directive 2014/107/EU amending the Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the



field of taxation which provides for an automatic exchange of financial account information between Member States (“DAC Directive”). The adoption of the aforementioned directive implements the OECD’s common reporting standard (“CRS”) and generalizes the automatic exchange of information as of 1 January 2016.

In addition, Luxembourg signed the OECD’s multilateral competent authority agreement (“Multilateral Agreement”) to automatically exchange information under the CRS. Under this Multilateral Agreement, Luxembourg will automatically exchange financial account information with other participating jurisdictions as of 1 January 2016. The Luxembourg law dated 18 December 2015 (“CRS-Law”) implements this Multilateral Agreement, jointly with the DAC Directive introducing the CRS in Luxembourg law.

Under the CRS-Law, the first exchange of information will be applied by 30 September 2017 for information related to the calendar year 2016. Under the DAC Directive, the first exchange must be applied by 30 September 2017 to the local tax authorities of the Member States for the data relating to the calendar year 2016.

Under the terms of the CRS-Law, the SICAV may be required to annually report to the Luxembourg tax authorities, the name, address, Member State(s) of residence, tax identification number(s), as well as the date and place of birth of i) each Reportable Person that is an Account Holder within the meaning of CRS-Law, ii) and, in the case of a Passive NFE within the meaning of the CRS-Law, of each Controlling Person(s) that is a Reportable Person. Such information may be disclosed by the Luxembourg tax authorities to foreign tax authorities.

The SICAV’s ability to satisfy its reporting obligations under the CRS-Law will depend on each investor providing the SICAV with the information, including information regarding direct or indirect owners of each investor, along with the required supporting documentary evidence. Upon request of the SICAV, each investor shall agree to provide the SICAV such information in order to ascertain their CRS status. Responding to CRS-related questions is mandatory. The personal data obtained will be used for the purpose of the CRS-Law or such other purposes indicated by the Company in accordance with applicable law in the data protection section. Information regarding an investor and his/her/its account will be reported to the Luxembourg tax authorities (*Administration des Contributions Directes*), if such an account is deemed a CRS reportable account under the CRS-Law. The SICAV is responsible for the treatment of the personal data provided for in the CRS-Law.

Although the SICAV will attempt to satisfy any obligation imposed on it to avoid any taxes or penalties imposed by the CRS-Law, no assurance can be given that the SICAV will be able to satisfy these obligations. If the SICAV becomes subject to a tax or penalty as result of the CRS-Law, the value of the Shares held by the investors may suffer material losses.

Any investor that fails to comply with the SICAV’s documentation requests may be charged with any taxes and penalties imposed on the SICAV attributable to such investor’s failure to provide the information and the SICAV may, in its sole discretion, redeem the Shares of such investor.

Investors should consult their own tax advisers or otherwise seek professional advice regarding the impact of the CRS-Law on their investment.

### **Value added tax**

The SICAV is considered in Luxembourg as a taxable person for value added tax (“VAT”) purposes without any input VAT deduction rights. A VAT exemption applies in Luxembourg for services qualifying as fund management services. Other services supplied to the SICAV could potentially trigger VAT and require the VAT registration of the SICAV in Luxembourg. As a result of such VAT registration, the SICAV will be in a position to fulfil its duty to self-assess

the VAT regarded as due in Luxembourg on taxable services (or goods to some extent) purchased from abroad.

No VAT liability in principle arises in Luxembourg in respect of any payments by the SICAV to its Shareholders to the extent such payments are linked to their subscription to the SICAV's Shares and do not therefore constitute the consideration received for any taxable services supplied.

## **RISK MANAGEMENT PROCESS**

In accordance with the UCI Law, the SICAV must employ a risk-management process which enables it to monitor and measure at all times the risks associated with each Sub-Fund's investments and their contribution to the overall risk profile of the investment portfolio.

As part of the risk management process the SICAV uses the commitment approach to monitor and measure the SICAV's global exposure in accordance with the CSSF's requirements.

The commitment approach measures the global exposure related to positions on financial derivative instruments (FDIs) and other efficient portfolio management techniques (if used), under consideration of netting and hedging (if used). Under the commitment approach, the derivative positions of a Sub-Fund will be converted into the equivalent position in the underlying assets. FDI transactions are valued daily. A Sub-Fund cannot have global exposure greater than its NAV and therefore its leverage is limited to 100% of NAV. The SICAV ensures that each Sub-Fund's global exposure relating to FDI does not exceed its total NAV. The Administrator is responsible for valuing the FDIs.

Responsibility for the risk management process of the SICAV has been delegated to the Management Company which is also in charge of the permanent risk management function.

## **LIQUIDITY RISK MANAGEMENT OF THE INVESTMENT MANAGER**

The Investment Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of each Sub-Fund and to ensure that the liquidity profile of the investments of each Sub-Fund will facilitate compliance with the Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools that may be employed by the Investment Manager, also seeks to achieve fair treatment of Shareholders and safeguard the interests of remaining Shareholders in case of sizeable redemptions. The Investment Manager's liquidity risk management committee issues, oversees and implements the policy. The committee meets regularly and will hold ad hoc meeting if certain liquidity events occur.

The Investment Manager's liquidity policy takes into account qualitative and quantitative metrics to determine the liquidity profile of funds, such as the investment strategy, the redemption policy, days required to liquidate securities, structure of fund and credit quality. The committee monitors liquidity profile of each Sub-Fund, so as to facilitate compliance with each Sub-Fund's obligation to meet redemption requests.

Further, the liquidity management policy includes details on periodic stress testing carried out by the risk management function of the Investment Manager, to manage the liquidity risk of the Sub-Funds under normal and exceptional market conditions.

As a liquidity risk management tool, redemptions at a particular Dealing Day may be deferred to the next Dealing Day for the portion of the requested redemptions on any Dealing Day exceeds 10% of a Sub-Fund's Net Asset Value. Please refer to the section "Deferred Redemptions" for further details. A Sub-Fund may also borrow up to a certain limit to fulfil redemption obligations. Please refer to the Appendix I for further details.

## **RISK FACTORS**

This section sets out all the risk factors pertaining to each Sub-Fund that the SICAV is aware of. Specific risks in relation to a particular Sub-Fund which are additional to those described in this section will be disclosed in the relevant Sub-Fund Supplement. Prospective investors should review this Hong Kong Prospectus and the relevant Supplement carefully and in its entirety and consult with their professional and financial advisers before making an application

for Shares.

Prospective investors should consider, among others, the following factors before subscribing for Shares:

## **General Risks**

### **Currency Risk**

A Sub-Fund may be exposed to currency exchange risks where the assets and income are denominated in currencies other than the base currency of the Sub-Fund. Changes in exchange rates between currencies or the conversion from one currency to another may cause the value of a Sub-Fund's investments to decline or increase. Currency exchange rates may fluctuate significantly over short periods of time. They are generally determined by supply and demand in the currency exchange markets and the relative merits of investment in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates can also be affected unpredictably by intervention (or failure to intervene) by governments or central banks, or by currency controls or political developments.

### **Operational Risk**

The SICAV's operations (including investment management) are carried out by the service providers mentioned in this Hong Kong Prospectus. In the event of a bankruptcy or insolvency of a service provider, investors could experience delays (for example, delays in the processing of subscriptions, conversions and redemption of Shares) or other disruptions.

### **Market Crisis and Governmental Intervention**

The global financial markets are currently undergoing pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis without much or any notice with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the Investment Manager's ability to fulfil a Sub-Fund's investment objective. However, the Investment Manager believes that there is a high likelihood of significantly increased regulation of the global financial markets, and that such increased regulation could be materially detrimental to the performance of a Sub-Fund's portfolio.

### **Hedging Risk**

The Investment Manager may, if set out in the relevant sections of the relevant Supplement, enter into certain transactions using futures, forwards or other exchange-traded or over-the-counter instruments or by the purchasing of securities ("**Hedging transactions**") to hedge the Sub-Fund's exposure to foreign exchange risk where Classes of Shares are denominated in currencies other than Reference Currency of the relevant Sub-Fund and/or certain other exposures including the risk of the value of a Class of Shares, or any increase thereto, being reduced by inflation in the underlying currency of the relevant Class.

Hedging transactions, while potentially reducing the risk of currency and inflation exposure to which a Class of Shares may otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty. There is no guarantee that a Hedging Transaction will fully protect a Class of Shares against foreign exchange and/or inflation risks.

Also, there is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. In adverse situations, the use of hedging instruments may become ineffective in hedging and the relevant Sub-Fund may suffer significant losses.

Please refer to the section “Risk Warnings” in the relevant sections in the relevant Supplement for further risks associated with hedging transactions.

#### Depository – Segregation, Correspondents and Insolvency

The SICAV is at risk of the Depository or a correspondent entering into an insolvency procedure. During such a procedure (which may last many years) the use by the SICAV of assets held by or on behalf of the Depository or the relevant correspondent, as the case may be, may be restricted and accordingly (a) the ability of the Investment Manager to fulfil the investment objective of each Sub-Fund may be severely constrained, (b) the Sub-Funds may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Shares, and/or (c) the Net Asset Value may be otherwise affected. During such a procedure, the SICAV is likely to be an unsecured creditor in relation to certain assets, e.g. cash and accordingly the SICAV may be unable to recover such assets from the insolvent estate of the Depository or the relevant sub-depositary, as the case may be, in full, or at all.

#### Depository Liability

The Depository is liable to the SICAV or to the Shareholders for the loss by the Depository or a third party to whom the custody of financial instruments that can be held in custody has been delegated. In the case of such a loss of a financial instrument held in custody, the Depository shall return a financial instrument of identical type or the corresponding amount to the SICAV or the Management Company acting on behalf of the SICAV without undue delay. The Depository is not liable if it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The Depository is also liable to the SICAV or the Shareholders for all other losses suffered by them as a result of the Depository's negligent or intentional failure to properly fulfill its obligations under the UCI Law and the Depository Agreement. In case of direct liability of the Depository vis-à-vis the Shareholders they shall, in line with the terms of the Depository Agreement, exercise any claims on the Depository directly or indirectly through the Management Company. The Depository Agreement contains indemnities in favour of the Depository excluding matters arising by reason of its failure to satisfy its obligation of due skill, care and diligence, or by reason of its negligence, intentional failure or fraud.

#### Country risk linked to the custody

The Investment Manager may wish to invest in a country where the Depository has no correspondent. In such a case, the manager will need to seek for the approval of the Depository. If such approval is obtained, the process may take time and deprive in the meantime the Investment Manager of investment opportunities.

In the same manner, the Depository shall assess on an ongoing basis the custody risk of the country where the SICAV's assets are safe-kept. The Depository may identify from time to time a custody risk in a jurisdiction and recommends to the Investment Manager to realize the

investments immediately. In doing so, the price at which such assets will be sold may be lower than the price the SICAV would have received in normal circumstances, potentially affecting the performance of the relevant Sub-Funds.

### Pledge

As a continuing security for the payment of its duties under the Depositary Agreement (like the fees to be paid to the Depositary for its services or also overdraft facilities offered by the Depositary), the Depositary shall have a first ranking pledge granted by the SICAV over the assets the Depositary or any third party may from time to time hold directly for the account of the SICAV in any currency.

### Cash

Under the UCITS V Directive, cash is to be considered as a third category of assets beside financial instruments and other assets, where the UCITS V Directive related obligations are only those covered by the cash flow monitoring obligations. On the other side, non-short term cash deposits could be considered as an investment and consequently should fall within the category of other assets.

### Market Crisis and Governmental Intervention

The global financial markets are currently undergoing pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an “emergency” basis without much or any notice with the consequence that some market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the Investment Manager’s ability to fulfil a Sub-Fund’s investment objective. However, the Investment Manager believes that there is a high likelihood of significantly increased regulation of the global financial markets, and that such increased regulation could be materially detrimental to the performance of a Sub-Fund’s portfolio.

### Taxation Risk

Where the SICAV or a Sub-Fund invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The SICAV or the Sub-Fund will not be able to recover such withheld tax and so any such change would have an adverse effect on the Net Asset Value of the relevant Shares. Where the SICAV or the Sub-Fund sells instruments short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in the future such instruments cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not to the SICAV or the Sub-Fund.

The attention of potential investors is drawn to the taxation risks associated with investing in any Sub-Fund. Please see the section “Taxation” above.

### FATCA/CRS

The SICAV may be subject to regulations imposed by foreign regulators, in particular, the United States Hiring Incentives to Restore Employment Act (Hire Act) which was enacted into U.S. law on 18 March 2010. It includes provisions generally known as FATCA. FATCA provisions generally impose a reporting to the IRS of non-U.S. financial institutions that do not comply with FATCA and U.S. persons' (within the meaning of FATCA) direct and indirect ownership of non-U.S. accounts and non-U.S. entities. Failure to provide the requested information will lead to a 30% withholding tax applying to certain U.S. source income (including dividends and interest) and gross proceeds from the sale or other disposal of property that can produce U.S. source interest or dividends.

Under the terms of FATCA, the SICAV may be treated as a FFI (within the meaning of FATCA). As such, the SICAV may require all investors to provide documentary evidence of their tax residence and all other information deemed necessary to comply with the above mentioned regulations.

Should the SICAV become subject to a withholding tax as a result of FATCA, the value of the Shares held by all investors may be materially affected.

The SICAV and/or its investors may also be indirectly affected by the fact that a non U.S. financial entity does not comply with FATCA regulations even if the SICAV satisfies with its own FATCA obligations.

The SICAV may also be subject to the Standard for Automatic Exchange of Financial Account Information in Tax matters (the "Standard") and its CRS as set out in the CRS-Law implementing Council Directive 2014/107/EU of 9 December 2014 as regards mandatory automatic exchange of information in the field of taxation. The SICAV's ability to satisfy its reporting obligations under the CRS-Law will depend on each investor providing the SICAV with the Information, along with the required supporting documentary evidence (within the meaning of the CRS-law). In this context, the investors are hereby informed that, as data controller, the SICAV will process the Information for the purposes as set out in the CRS-Law. The investors undertake to inform their Controlling Persons (within the meaning of the CRS-Law), if applicable, of the processing of their Information by the SICAV.

Under the terms of the CRS-Law, the SICAV is likely to be treated as a Luxembourg Reporting Financial Institution (within the meaning of the CRS-Law).

The investors undertake to inform the SICAV within thirty (30) days of receipt of the statements reporting the operation performed by them, should any included personal data be not accurate. The investors further undertake to inform the SICAV within thirty (30) days of, and provide the SICAV with all supporting documentary evidence of any changes related to the Information after occurrence of such changes.

Any investor that fails to comply with the SICAV's Information or documentation requests may be held liable for penalties imposed on the SICAV and attributable to such investor's failure to provide the Information.

Despite anything else herein contained, the SICAV shall have the right to:

- withhold any taxes or similar charges that it is legally required to withhold by applicable laws and regulations in respect of any shareholding in the SICAV;
- require any investor or beneficial owner of the Shares to promptly furnish such personal data as may be required by the SICAV in its discretion in order to comply with applicable laws and regulations and/or to promptly determine the amount of withholding to be retained;
- divulge any such personal information to any tax authority, as may be required by applicable laws or regulations or requested by such authority; and

- delay payments of any dividend or redemption proceeds to an investor until the SICAV holds sufficient information to comply with applicable laws and regulations or determine the correct amount to be withheld.

#### Segregation of liabilities between Sub-Funds

As a matter of Luxembourg law, the assets of each Sub-Fund will not be available to meet the liabilities of another. However, the SICAV is a single legal entity which may operate or have assets held on behalf of or be subject to claims in other jurisdictions which may not necessarily recognise such ring-fencing and, in such circumstances, the assets of one Sub-Fund may be exposed to the liabilities of another.

#### US Tax-Exempt Investors

Certain prospective investors may be subject to US federal and state laws, rules and regulations which may regulate their participation in the SICAV, or their engaging directly or indirectly through an investment in a Sub-Fund in investment strategies of the types which the Sub-Funds may utilise from time to time. While the SICAV believes that the Sub-Funds' investment programs are otherwise generally appropriate from a tax perspective for the US Tax Exempt Investors for which an investment in the Sub-Funds would be suitable, each type of such investor may be subject to different laws, rules and regulations and should consult with their own advisers as to the advisability and tax consequences of an investment in a Sub-Fund. Investment in a Sub-Fund by tax-exempt entities subject to ERISA and other tax-exempt investors requires special consideration. Trustees or administrators of such investors are urged carefully to review the matters discussed in this Hong Kong Prospectus and the relevant application form.

#### Business Risk

While the investment results of a Sub-Fund are reliant upon the success of the Investment Manager, neither the SICAV, nor the Management Company nor the Investment Manager guarantees the performance of any Sub-Fund. Prospective investors should be aware that the prices of the Shares in a Sub-Fund may go down as well as up. There can be no assurance that the SICAV will achieve its investment objective in respect of any of the Sub-Funds.

#### Lack of Operating History

The SICAV is a recently formed entity and has no operating history upon which prospective investors can evaluate the likely performance of the SICAV. The past investment performance of the Investment Manager or any of its affiliates, or entities with which it has been associated, may not be construed as an indication of the future results of an investment in the SICAV. The Sub-Funds' investment policies should be evaluated on the basis that there can be no assurance that the assessment of the investment of the short-term or long-term prospects of investments will prove accurate or that the Sub-Funds will achieve their investment objectives.

#### Amortisation of Organisational Costs

The SICAV's financial statements will be prepared in accordance with Luxembourg generally accepted accounting principles ("**Luxembourg GAAP**"). All expenses incurred in the formation of the SICAV or the relevant Sub-Fund will be amortised over a period of not exceeding 5 years, and this amortisation is consistent with Luxembourg GAAP. Any organisational expenses (such as establishment costs) with regard to the relevant Sub-Fund that had not yet been fully amortised at the time of termination of that Sub-Fund will be recognised as a reduction to the Net Asset Value of the Sub-Fund at that time.

#### Suspension of Dealings in Shares



Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of exchanging) may be suspended (see “Suspension of Valuation of Assets”).

#### Dividends paid out of or effectively out of capital

The dividends in respect of any Class of Shares of a Sub-Fund may be paid out of the capital of such Sub-Fund. Where all or part of fees and/or charges in respect of any Class of a Sub-Fund may be charged against capital rather than income, charging all or part of the fees and expenses to the capital will result in income being increased for distribution. In both such circumstances, the capital that the Sub-Fund has available for investment in the future and capital growth may be reduced. Where the dividends in respect of a Class of Shares of a Sub-Fund are paid out of the capital of such Sub-Fund, or where the dividends in respect of a Class of Shares of a Sub-Fund are paid out of gross income of the Sub-Fund while such Sub-Fund's fees and expenses are charged to or paid out of the capital of such Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund, such payment of dividends are considered as a payment of dividends out of and effectively out of capital respectively, both of which would amount to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of or effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. Where an SFC authorised Sub-Fund is distributing dividends out of or effectively out of capital, this will be disclosed in the relevant Supplement of that Sub-Fund and the requisite composition of the dividends (i.e. the relative amounts paid out of (i) Total Net Income and (ii) capital) for the last 12 months' period commencing from the date on which dividend is paid out of or effectively out of the capital of that Sub-Fund will be able to be obtained from the Hong Kong Representative upon request and also on the Sub-Fund's website at <http://www.csopasset.com>. Please note that the content of the above website has not been reviewed or approved by the SFC.

The Sub-Fund may amend the dividend distribution policy with respect to the matters mentioned in the paragraph immediately above subject to the SFC's prior approval and by giving not less than one month's prior notice to the Shareholders.

#### Effect of Dilution Levy

In certain circumstances, e.g. where the Sub-Fund experiences large levels of net purchases relative to its size or large levels of net redemptions relative to its size, the Directors may charge a “dilution levy” when Shares are bought or sold. If charged, the dilution levy will be in addition to (and not part of) the Subscription Price (in case of subscription) or the Redemption Price (in case of redemption) of the Shares. Also, in case of redemption, the dilution levy, if charged, will reduce the amount of the redemption proceeds. Any dilution fee paid will become part of the property of the relevant Sub-Fund thus protecting the value of the remaining Shareholders' interests. It is not, however, possible to predict accurately whether dilution will occur at any future point in time.

#### Effect of Preliminary Charge

Where an initial charge is imposed, an investor who realises Shares after a short period may not (particularly in the absence of a rise in the value of the relevant investments) realise the amount originally invested. The Shares therefore should be viewed as medium to long-term investments.

In addition, investors should be aware that there are risks inherent in the holding of securities:-

- (a) There is no assurance that any appreciation in the value of Investments will occur, or that the investment objectives of any Sub-Fund will be achieved. Past performance is no guide to the future performance. The value of Shares, and any income from them, can go down as well as up, particularly in the short term, meaning that an investment may not be returned in full.
- (b) The tax treatment of the Sub-Funds may change and such changes cannot be foreseen.
- (c) Where regular investments are made with the intention of achieving a specific capital sum in the future, this will normally be subject to maintaining a specified level of investment.
- (d) The difference at any one time between subscription and redemption prices for Shares means that any investment should be viewed as medium to long term. An investment should only be made by those persons who are able to sustain a loss on their investment.
- (e) The value of the Shares may fall as well as rise and a Shareholder on transfer or redemption of Shares may not get back the amount he initially invested. Income from the Shares may fluctuate in money terms and changes in rates of exchange may cause the value of Shares to go up or down. The levels and basis of, and reliefs from taxation may change. There can be no assurance that the investment objectives of any Sub-Fund will be achieved.

## **Specific Risks**

### **Concentration of Investments**

A Sub-Fund may at certain times hold relatively few investments. Such a Sub-Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

### **Credit Spreads**

A Sub-Fund may make investments that expose it to corporate credit spreads and movements in such spreads will thus impact on the Net Asset Value per Share of each Class.

### **Debt Securities**

The Sub-Funds may invest in debt securities which may not be rated by a recognised credit-rating agency or are below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. Because investors generally perceive that there are greater risks associated with unrated and below investment grade securities, the yields and prices of such securities may fluctuate more than those for higher-rated securities. The market for non-investment grade securities may be smaller and less active than that for higher-rated securities, which may adversely affect the prices at which these securities can be sold and result in losses to the Sub-Funds. The Sub-Funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Sub-Funds may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Sub-Funds will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial

instruments.

### Equity securities

A Sub-Fund may invest directly in equity securities. The risks associated with investments in equity securities are high, because the investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might decrease in value.

Where the equity securities are traded in a developing securities market, the choice of investments will be limited as compared with other developed securities markets. The trading volumes of a developing securities market may be much lower than those in developed markets. The prices of the equity securities invested by a Sub-Fund and the Net Asset Value of that Sub-Fund may be adversely affected if the markets for the equity securities are illiquid. Further, market volatility may result in significant fluctuations in the prices of the equity securities held by a Sub-Fund and hence in the value of the Sub-Fund. Potential illiquidity and volatility may have an adverse impact on the prices of the equity securities in which a Sub-Fund may invest.

### Deferred Redemptions

In the event that redemption requests are received on a Dealing Day for redemption of Shares representing in aggregate more than 10% of the total number of Shares representing interests in a single Sub-Fund then in issue, redemption requests may be reduced rateably and pro rata and the redemption of Shares may be carried forward to the next following Dealing Day. In the event of a large number of redemptions, this power to defer redemptions could be exercised on a number of successive Dealing Days and materially restrict a Shareholder's ability to redeem his Shares.

### Credit Default Swaps

The SICAV may take positions in credit default swaps. A credit default swap is a type of credit derivative which allows one party (the "**protection buyer**") to transfer credit risk of a reference entity (the "**reference entity**") to one or more other parties (the "**protection seller**"). The protection buyer pays a periodic fee to the protection seller in return for protection against the occurrence of a number of events (each, a "**credit event**") experienced by the reference entity. Credit default swaps carry specific risks including high levels of gearing, the possibility that premiums are paid for credit default swaps which expire worthless, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to fulfil its obligations to the SICAV if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by claiming that there is a lack of clarity in, or an alternative meaning of, language used in the contract, most notably the language specifying what would amount to a credit event.

### Swap Agreements

The SICAV may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the SICAV's exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take

many different forms and are known by a variety of names. The SICAV is not limited to any particular form of swap agreement if consistent with the terms of this Hong Kong Prospectus and the investment objective and policy of a Sub-Fund.

Swap agreements tend to shift the SICAV's investment exposure from one type of investment to another. For example, if the SICAV agrees to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease the SICAV's exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the SICAV's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the SICAV. If a swap agreement calls for payments by the SICAV, the SICAV must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the SICAV.

#### Use of Swaps and Other Derivatives

The Investment Manager may make use of swaps and other forms of derivative contracts. In general, a derivative contract typically involves leverage (within the permitted limits), i.e., it provides exposure to potential gain or loss from a change in the level of the market price of a security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the relevant price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in the derivative contract. Many of the derivative contracts used by the SICAV will be privately negotiated in the over-the-counter market. These contracts also involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty. These transactions are also expected to involve significant transaction costs.

#### Currency Exposure

The Shares are denominated in the currencies specified for each Class of Shares in the Supplement for the relevant Sub-Fund and the Reference Currency of the Sub-Funds is specified in the Supplement for each Sub-Fund. The Investment Manager may seek to hedge out currency exposure at Sub-Fund level by entering into forward foreign exchange transactions. The Investment Manager may use spot currency transactions, forward currency contracts and options when available on acceptable terms to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Notwithstanding the foregoing, and noting that hedging techniques may not be completely effective, where the currency exposure of the Sub-Fund is not fully hedged, the value of the assets of the Sub-Fund may be affected favourably or unfavourably by fluctuations in currency rates. To the extent that hedging policy is successful, performance of the Class is likely to move in line with the performance of the underlying assets and investors in a hedged class will not benefit if the Class currency falls against the base currency of the Sub-Fund. Furthermore, prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between the Reference Currency and such other currencies. Performance of a Sub-Fund may be strongly influenced by movements in foreign exchange rates because currency positions held by a Sub-Fund may not correspond with the securities positions held.

#### Currency Options Trading

The Sub-Funds may acquire and sell currency options, the value of which depend largely

upon the likelihood of favourable price movements in the underlying currency in relation to the exercise (or strike) price during the life of the option. Many of the risks applicable to trading the underlying currencies are also applicable to over-the-counter options trading. In addition, there are a number of other risks associated with the trading of options including the risk that the purchaser of an option may at worst lose his entire investment (the premium he pays).

### Derivatives

The Sub-Funds may utilise both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of their investment policies. These instruments can be highly volatile and expose investors to a high risk of loss.

Derivatives, in particular derivatives which are negotiated “over-the-counter” (which are particularly described under the paragraph “Particular Risks of OTC Derivatives”) are subject to legal risks including the uncertainty in the applicability of laws, or the interpretation or enforceability of contracts or an action by a court or regulatory body that could invalidate a derivative contract entered into by the SICAV.

The prices of financial derivative instruments may be imperfectly correlated to the prices of the underlying securities, for example, because of transaction costs and interest rate movements. The prices of exchange traded financial derivative instruments may also be subject to changes in price due to supply and demand factors.

### Particular Risks of OTC Derivatives

Unlike exchange-traded options, which are standardised with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC derivatives are generally established through negotiation with the other party to the instrument. While this type of arrangement allows a Sub-Fund greater flexibility to tailor the instrument to its needs, OTC derivatives may involve greater legal risk than exchange-traded instruments, as there may be a risk of loss if OTC derivatives are deemed not to be legally enforceable or are not documented correctly.

Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in Net Asset Value, incorrect collateral calls or delays in collateral recovery.

There also may be a legal or documentation risk that the parties to the OTC derivatives may disagree as to the proper interpretation of its terms. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for the SICAV to enforce its contractual rights may lead the SICAV to decide not to pursue its claims under the OTC derivatives. The SICAV thus assumes the risk that it may be unable to obtain payments owed to it under OTC arrangements, that those payments may be delayed or made only after the SICAV has incurred the costs of litigation.

### Counterparty Risk

The Sub-Funds will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to its own insolvency or that of others, bankruptcy, market illiquidity or disruption or other causes and whether resulting from systemic or other reasons. Some of the markets in which a Sub-Fund may effect transactions are “over-

the-counter” (or “interdealer”) markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of “exchange-based” markets. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, might not be available in connection with such “over-the-counter” transactions. This exposes the relevant Sub-Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the relevant Sub-Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the relevant Sub-Fund has concentrated its transactions with a small group of counterparties. Moreover, although the Sub-Funds shall only transact with eligible counterparties, the Investment Manager has no formal credit function which evaluates the creditworthiness of the relevant Sub-Fund’s counterparties. While the SICAV has delegated the counterparty monitoring to MDO Services, S.A. in accordance with the Guidelines on Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS issued by the Committee of European Securities Regulators (CESR), the ability of a Sub-Fund to transact business with any one or number of counterparties, the absence of a regulated market to facilitate settlement may increase the potential for losses by the Sub-Funds.

### Synthetic Short Selling

Typically, UCITS, such as the SICAV, invest on a “long only” basis. This means that the respective net asset value will rise (or fall) in value based on the market value of the assets held. A “short” sale involves the sale of a security that the seller does not own in the hope of purchasing the same security (or a security exchangeable for such security) at a later date at a lower price. To make a delivery to the buyer, the seller must borrow the security and is obligated to return the security (or a security exchangeable for such security) to the lender, which is accomplished by a later purchase of said security. Although the SICAV is not permitted to enter into short sales under the UCI Law, a Sub-Fund may, by employing certain derivative techniques (such as contracts for difference) designed to produce the same economic effect as a short sale (a “synthetic short”), establish both “long” and “short” positions in individual stocks and markets. As a result, as well as holding assets that may rise or fall with markets, a Sub-Fund may also hold positions that will rise as the market value falls, and fall as the market value rises. Taking synthetic short positions involves trading on margin and accordingly can involve greater risk than investments based on a long position. Investors should also consider the risk factors under “Derivatives” and “Particular Risks of OTC Derivatives” above.

### Options

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (paid to establish the short position) of the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk

of decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

#### Emerging / Developing Markets Risk

The Sub-Funds may invest in developing market debt securities, foreign exchange instruments and equities which may lead to additional risks being encountered when compared with investments in developed markets.

Investment in developing market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, developing market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favourable tax provisions, and a greater likelihood of severe inflation, unstable or not freely convertible currency, war and expropriation of personal property to a greater extent than investments in securities of issuers based in developed countries. In addition, the investment opportunities of the Sub-Funds in certain developing markets may be restricted by legal limits on foreign investment in local securities.

Developing markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighbouring exchange. Volume and liquidity levels in developing markets are lower than in developed countries. When seeking to sell developing market securities, little or no market may exist for the securities. In addition, issuers based in developing markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in developing markets may not accurately reflect the actual circumstances being reported.

Some developing markets securities may be subject to brokerage or stock transfer taxes levied by governments, which would have the effect of increasing the cost of investment and which may reduce the realised gain or increase the loss on such securities at the time of sale. The issuers of some of these securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and therefore potentially carry greater risk. In addition, settlement of trades in some developing markets is much slower and subject to a greater risk of failure than in markets in developed countries. To manage this risk, the Depositary is required under the Depositary Agreement to use reasonable care in selecting, monitoring (i.e. having due regard to the reputation, competence and financial status) and appointing any agents and utilising clearing systems.

With respect to any developing market country, there is the possibility of nationalisation, expropriation or confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of the SICAV, political changes, government regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of the Sub-Funds' investments in those countries. Further, the economies of developing countries generally are heavily dependent upon international trade and, accordingly, have been, and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of certain of these countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

### Effect of Substantial Redemptions

Substantial redemptions by Shareholders within a short period of time could require a Sub-Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the assets of the Sub-Fund and/or disrupting the Investment Manager's investment strategy. Reduction in the size of a Sub-Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in a Sub-Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

### Event Driven Investing

Event driven investing requires the investor to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's financial instruments. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Investment Manager had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganisation, the risk exists that the reorganisation either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the SICAV of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event driven investing, the results of the SICAV's operations may be expected to fluctuate from period to period. Accordingly, Shareholders should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

### Forward Foreign Exchange Contracts

A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not uniform as to the quantity of or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are generally affected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Sub-Funds are subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Sub-Funds to cover their commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.



### Investment Management Risk

The investment performance of a Sub-Fund is substantially dependent on the services of certain individuals. In the event of the death, incapacity, departure, insolvency or withdrawal of these individuals, the performance of the Sub-Fund may be adversely affected.

### Legal Risk

The Sub-Funds may be subject to a number of unusual risks, including contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of the developing countries in which assets of the Sub-Funds may be invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Sub-Funds and their operations.

### Net Asset Value Considerations / Accounting Standard Risk

The Net Asset Value per Share is expected to fluctuate over time with the performance of the Sub-Fund's investments. A Shareholder may not fully recover his initial investment when he chooses to redeem his Shares or upon compulsory redemption, if the Net Asset Value per Share at the time of such redemption is less than the Subscription Price paid by such Shareholder or if there remain any unamortised costs and expenses of establishing the SICAV. In addition, where there is any conflict between Luxembourg GAAP and the valuation principles set out in the Articles and this document in relation to the calculation of Net Asset Value, the latter principles shall take precedence. However, in such case, if the Net Asset Value calculated in accordance with the valuation principles set out in the Articles and this document differs from that calculated in accordance with Luxembourg GAAP, such difference will need to be disclosed in the financial statements of the SICAV and the Directors of the SICAV may be required to make adjustments in the annual financial statements of the SICAV in order to comply with Luxembourg GAAP, and if relevant will include a reconciliation note in the annual financial statements of the SICAV to reconcile values shown determined under Luxembourg GAAP to those arrived at by applying the SICAV's valuation rules. The directors however do not consider that the difference (if any) would be material.

In calculating a Sub-Fund's Net Asset Value, the Administrator may consult the Investment Manager with respect to the valuation of certain investments. Whilst there is an inherent conflict of interest between the involvement of the Investment Manager in determining the valuation price of each Sub-Fund's investments and the Investment Manager's other duties and responsibilities in relation to the Sub-Funds, the Investment Manager will endeavour to resolve any such conflict of interest fairly and in the interest of investors. In addition, the section "Valuation" of this Hong Kong Prospectus contains provisions on the valuation of, among others, any derivative contracts and unquoted or unlisted securities, which provide additional safeguards against any potential or inherent conflict of interest, and ensure that fair valuation will be obtained.

### Price Fluctuations

It should be remembered that the value of Shares and the income (if any) derived from them can go down as well as up.

### Strategy Risk

Strategy risk is associated with the failure or deterioration of an entire strategy such that most

or all investment managers employing that strategy suffer losses. Strategy specific losses may result from excessive concentration by multiple investment managers in the same investment or general economic or other events that adversely affect particular strategies (e.g., the disruption of historical pricing relationships). The strategies employed by the Sub-Funds may be speculative and involve substantial risk of loss in the event of such failure or deterioration, in which event the performance of the Sub-Funds may be adversely affected.

### Transaction Costs

The investment policies of the Sub-Funds may involve a high level of trading and turnover of the investments of the Sub-Funds which may generate substantial transaction costs which will be borne by each Sub-Fund separately.

### Clearing House Protections

On many exchanges, the performance of a transaction by a broker (or a third party with whom it is dealing on the SICAV's behalf) is "guaranteed" by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover the SICAV and may not protect the SICAV if a broker or another party defaults on its obligations to the SICAV.

### Performance fee risk

In addition to receiving an investment management fee, the Investment Manager may also receive a performance fee based on the appreciation in the Net Asset Value per Share and accordingly the performance fee will increase with regard to unrealised appreciation, as well as realised gains. Accordingly, a performance fee may be paid on unrealised gains, which may subsequently never be realised. The performance fee may create an incentive for the Investment Manager to make investments for a Sub-Fund, which are riskier than would be the case in the absence of a fee based on the performance of a Sub-Fund.

Investors should note that, unless specified otherwise, there is no equalization arrangement in respect of the calculation of the performance fees, that means, there is no adjustment of gains or losses on an individual Shareholder's basis based on the timing the relevant Shareholder subscribes or redeems the relevant Shares during the course of a Performance Period. The Shareholder may be advantaged or disadvantaged as a result of this method of calculating the performance fee. There is a risk that a charge of performance fee may have been borne by a Shareholder notwithstanding the Shareholder concerned may have suffered a loss in investment in the Shares. On the other hand, a Shareholder may not be subject to any performance fee notwithstanding the Shareholder concerned may have realized a gain in investment in the Shares.

### Redemption Risks

Payment of redemption proceeds may be delayed if the Directors declare a temporary suspension of the determination of the Net Asset Value of the SICAV or a Sub-Fund in any of the exceptional circumstances as described under "Determination of the Net Asset Value of Shares – Suspension of Valuation of Assets" (below).

### Undervalued/Overvalued Securities

One of the key objectives of a Sub-Fund may be to identify and invest in undervalued and overvalued securities ("**misvalued securities**"). The identification of investment opportunities in misvalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognised. While purchases of undervalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the investments

of the Sub-Funds may not adequately compensate for the business and financial risks assumed.

The Sub-Funds may make certain speculative investments in securities which the Investment Manager believes to be misvalued; however, there can be no assurance that the securities purchased and sold will in fact be misvalued. In addition, the Sub-Funds may be required to maintain positions in such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the capital of the Sub-Funds may be committed to the securities, thus possibly preventing the Sub-Funds from investing in other opportunities.

### Volatility

Futures prices are highly volatile. Such prices are influenced by, amongst other things: government trade, fiscal, monetary and exchange control programmes and policies; national and international political and economic events; and changes in interest rates. In addition, governments from time to time intervene, directly and by regulation, in the foreign exchange markets with the specific intention of influencing exchange rates. The effect of such intervention is often heightened by a group of governments acting in concert. The other investments in which the Sub-Funds may invest, principally debt securities, will be subject to their own fluctuations in value as a result of, amongst other things, market, interest rate and currency movements. The Sub-Funds may be exposed to adverse changes in their Net Asset Value as a result of these factors.

### Availability of Investment Strategies

The success of the investment activities of the Sub-Funds will depend on the Investment Manager's ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by the Sub-Funds involves a high degree of uncertainty. No assurance can be given that the Investment Manager will be able to locate suitable investment opportunities in which to deploy all of the Sub-Funds' assets or to exploit discrepancies in the securities and derivatives markets. A reduction in money market liquidity or the pricing inefficiency of the markets in which the Sub-Funds seek to invest, as well as other market factors, will reduce the scope for the implementation of the Sub-Funds' investment strategies.

The Sub-Funds may be adversely affected by unforeseen events involving such matters as changes in interest rates, exchange rates or the credit status of an issuer, forced redemptions of securities or acquisition proposals, break-up of planned mergers, unexpected changes in relative value, short squeezes, inability to short stock or changes in tax treatment.

### Other Activities of the Investment Manager and the Management Company

The Investment Manager and its members, officers, employees and affiliates, including those involved in the investment management of the Sub-Funds may be engaged in businesses in addition to the investment management of the Sub-Funds. The Investment Manager may have proprietary interests in, and manage and advise, other accounts or funds which may have investment objectives similar or dissimilar to those of the Sub-Funds and/or which may engage in transactions in the same types of securities and instruments as the Sub-Funds. The Sub-Fund's performance may differ significantly from the results achieved by the Investment Manager for other accounts managed or advised by the Investment Manager. When making an investment where conflicts of interest arise, the Investment Manager will endeavour to act in a fair, reasonable and equitable manner as between the SICAV and its other clients. Personnel of the Investment Manager are not required to devote all or any specified portion of

their time to managing the affairs of the SICAV and are not required to accord exclusivity or priority to the SICAV in the event of limited investment opportunities, but will devote to the SICAV so much of their time as the Investment Manager deems necessary or appropriate. The Investment Manager may choose to trade or rebalance separate products with similar strategies at different times. Investment activities by the Investment Manager on behalf of other clients may give rise to additional conflicts of interest and demands on their time and resources. The Investment Manager may from time to time act as directors, investment managers, administrators or prime brokers in relation to or otherwise be involved with other companies established by parties other than the SICAV. In such event, should a conflict of interest arise, the Investment Manager will endeavour to ensure that it is resolved fairly.

The Management Company is an independent entity, appointed under the terms of a Management Company Agreement. This Management Company Agreement includes provisions regulating the standards to which the Management Company is required to act, the conflicts of interest to which it may be subject and the circumstances in which it can be removed or can resign. Any such resignation or removal or any other premature termination of the appointment of the Management Company as well as any breach of duty by the Management Company will trigger the termination of the Management Company Agreement and may materially adversely affect the SICAV and the Sub-Funds.

#### Interest Rate Risk

The SICAV is subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The SICAV may attempt to minimize the exposure of the portfolio to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Investment Manager will be successful in fully mitigating the impact of interest rate changes on the portfolio.

#### Securities Lending, Repurchase or Reverse Repurchase Transactions, Re-used Collateral

The principal risk when engaging in Securities Lending, repurchase or reverse repurchase transactions is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the SICAV in a timely manner as required by the terms of the transaction. Counterparty risk is mitigated by the transfer or pledge of collateral in favour of the SICAV. However, Securities Lending, repurchase or reverse repurchase transactions may not be fully collateralised. Fees and returns due to the SICAV under Securities Lending, repurchase or reverse repurchase transactions may not be collateralised. In addition, the value of collateral may decline in between collateral rebalancing dates or may be incorrectly determined or monitored. In such a case, if a counterparty defaults, the SICAV may need to sell non-cash collateral received at prevailing market prices, thereby resulting in a loss to the SICAV.

A SICAV may also incur a loss in reinvesting cash collateral received. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the SICAV to the counterparty as required by the terms of the transaction. The SICAV would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the SICAV.

Securities Lending, repurchase or reverse repurchase transactions also entail operational risks such as the non-settlement or delay in settlement of instructions and legal risks related to the documentation used in respect of such transactions.

Certain transactions are entered into on the basis of complex legal documents. Such documents may be difficult to enforce or may be the subject of a dispute as to interpretation in certain circumstances. Whilst the rights and obligations of the parties to a legal document may be governed by foreign law, in certain circumstances (for example insolvency proceedings) other legal systems may take priority which may affect the enforceability of existing transactions.

A Sub-Fund may, to the extent expressly provided for in the relevant Supplement, enter into Securities Lending, repurchase or reverse repurchase transactions with other companies in the same group of companies as the Investment Manager. Affiliated counterparties, if any, will perform their obligations under any Securities Lending, repurchase or reverse repurchase transactions concluded with the Sub-Fund in a commercially reasonable manner. In addition, where a Sub-Fund engages in Securities Lending, repurchase or reverse repurchase transactions as specified in the relevant Supplement, the Investment Manager will select counterparties and enter into transactions in accordance with best execution and at all times in the best interests of the Sub-Fund and its investors. However, investors should be aware that the Investment Manager may face conflicts between its role and its own interests or that of affiliated counterparties.

#### Liquidity risk

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

#### **Sub-Fund Specific Risks**

Please review the relevant Supplement for specific risks associated with each Sub-Fund.

### **CONFLICTS OF INTEREST**

The Directors, the Management Company, the Investment Manager, any sub-investment manager, the Depositary, the Hong Kong Representative and the Administrator and/or their respective affiliates or any person connected with them (together the **"Relevant Parties"**) may from time to time act as directors, management company, investment manager, manager, distributor, trustee, custodian, depositary, registrar, broker, administrator, investment adviser or dealer in relation to, or be otherwise involved in, other investment funds which have similar or different objectives to those of the Sub-Funds or which may invest in the Sub-Funds or which the Sub-Funds may invest in. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Sub-Funds. The Board of Directors and each of the Relevant Parties will, at all times, have regard in such event to its obligations to the Sub-Funds and will endeavour to ensure that such conflicts are resolved fairly. In addition, subject to applicable law and, where applicable, with the prior consent of the Depositary, any Relevant Party may deal, as principal or agent, with the Sub-Funds, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. Any Relevant Party may deal with the SICAV as principal or as agent, provided that it complies with applicable law and regulation and the provisions of the Management Company Agreement, the Investment Management Agreement, the Administration Agreement, the Hong Kong Representative Agreement or the Depositary Agreement and has obtained the prior consent of the Depositary, to the extent applicable.

The Management Company, the Investment Manager, any sub-investment manager, the

Hong Kong Representative or any of its or their affiliates or any person connected with the Management Company, the Investment Manager, any sub-investment manager or the Hong Kong Representative 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 the Sub-Funds. Neither the Management Company, the Investment Manager, any sub-investment manager, the Hong Kong Representative nor any of their respective affiliates nor any person connected with the Management Company, the Investment Manager, any sub-investment manager or the Hong Kong Representative is under any obligation to offer investment opportunities of which any of them becomes aware to the SICAV or to account to the SICAV in respect of (or share with the Sub-Funds or inform the SICAV of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the SICAV and other clients.

In the event that a potential conflict of interests arises between the Relevant Parties, the Relevant Parties shall have regard to their respective obligations in respect of the SICAV (or the Sub-Fund, as the case may be) under the applicable agreement or instrument and endeavour to act, so far as practicable, in the best interests of the SICAV (or the Sub-Fund, as the case may be) and the Shareholders. Compliance procedures and measures such as segregation of duties and responsibilities together with different reporting lines and “Chinese walls” have been put in place to minimise potential conflicts of interest. In any event, the Investment Manager will ensure that all investment opportunities will be fairly allocated.

In calculating a Sub-Fund's Net Asset Value, the Administrator may consult with the Investment Manager and/or the Management Company or any sub-investment manager with respect to the valuation of certain investments. There is an inherent conflict of interest between the involvement of the Investment Manager and/or the Management Company or any sub-investment manager in determining the Net Asset Value of a Sub-Fund and the entitlement of the Investment Manager and/or the Management Company or any sub-investment manager to a management fee, a performance fee and/or a management company fee which is calculated on the basis of the Net Asset Value of the Sub-Fund. The Investment Manager and/or the Management Company will endeavour to resolve any such conflict of interest fairly and in the interest of investors. In addition, the section “Valuation” of this Hong Kong Prospectus contains provisions on the valuation of, among others, any derivative contracts and unquoted or unlisted securities, which provide additional safeguards against any potential or inherent conflict of interest, and ensure that fair valuation will be obtained.

The foregoing does not purport to be a complete list of all potential conflicts of interest involved in an investment in the Sub-Fund.

The Directors will seek to ensure that any conflict of interest of which they are aware is resolved fairly.

## USE OF DEALING COMMISSIONS

The Investment Manager does not intend to agree to incur higher commissions or spreads for securities transactions effected through brokerage firms that provide it with research or other products or services. However, the Investment Management Agreement authorizes the use of “soft dollars” to the extent permitted by applicable law. (The term “**soft dollars**” refers to the receipt by an investment manager of products and services provided by broker-dealers without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager.) The products and services available from broker-dealers include both internally generated items (such as research reports prepared by employees of the broker-dealers) as well as items acquired by the broker-dealers from third parties (such as quotation equipment). Research services delivered by broker-dealers may include written information and analyses

concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services, discussion with research personnel, and invitations to attend conferences or meetings with management or industry consultants. The Investment Manager is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by the Investment Manager and the Investment Manager's fee is not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers may be used by the Investment Manager or its affiliates in connection with its investment services for other accounts and, likewise, research services provided by broker-dealers used for transactions of other accounts may be utilized by the Investment Manager in performing its services for the SICAV.

The SICAV's soft dollar arrangements are subject to the following conditions: (i) the Investment Manager will act at all times in the best interest of the SICAV when entering into soft commission arrangements; (ii) the services provided will be in direct relationship to the activities of the Investment Manager for the SICAV and are of demonstrable benefits to the Shareholders of the SICAV; (iii) brokerage commissions on portfolio transactions for the SICAV will be directed by the Investment Manager to broker-dealers that are entities and not to individuals; (iv) transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (v) the Investment Manager will provide periodic reports to the Management Company with respect to soft commission arrangements including the nature of the services it receives; (vi) soft commission agreements will be listed in such periodic reports; (vii) periodic disclosure is made in the SICAV's annual report in the form of a statement describing the soft dollar policies and practices of the Investment Manager, including a description of the goods or services received by it; (viii) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transactions with such broker-dealers; and (ix) such other conditions as the applicable legal or regulatory requirements may require.

In no circumstances will the Investment Manager or its connected persons (as defined in the UT Code) retain cash rebates from any broker or dealer that it uses in connection with its obligations to the SICAV, and any such cash rebates received from any such broker or dealer will be for the account of the SICAV. Also, the Investment Manager or any person acting on behalf of the SICAV or the Investment Manager shall not obtain any rebate on any fees or charges levied by a collective investment scheme in which a Sub-Fund invests, or any such fees or charges levied by the management company of such scheme, or any quantifiable monetary benefits in connection with investments in any such scheme.

## **CO-MANAGEMENT AND POOLING**

To ensure effective management of the SICAV, the Directors may decide to manage all or part of the assets of one or more Sub-Funds with those of other Sub-Funds in the SICAV (so-called "pooling") or, where applicable, to co-manage all or part of the assets, except for a cash reserve, if necessary, of one or more Sub-Funds with the assets of other Luxembourg investment funds or of one or more funds of other Luxembourg investment funds (hereinafter referred to as the "**Party(ies) to the Co-Managed Assets**") for which the Depositary is the appointed depositary bank. These assets will be managed in accordance with the respective investment policies of the Parties to the Co-Managed Assets, each of which is pursuing identical or comparable objectives. Parties to the Co-Managed Assets will only participate in co-managed assets which are in accordance with the stipulations of their respective prospectuses and investment restrictions.

Each Party to the Co-Managed Assets will participate in the co-managed assets in proportion to the assets it has contributed to the co-management. Assets will be allocated to each Party to the Co-Managed Assets in proportion to its contribution to the co-managed assets. Each Party's rights to the co-managed assets apply to each line of investment in the said co-

managed assets. The aforementioned co-managed assets will be formed by the transfer of cash or, where applicable, other assets from each of the Parties participating in the co-managed assets. Thereafter, the Directors may regularly make subsequent transfers to the co-managed assets. The assets can also be transferred back to a Party to the Co-Managed Assets for an amount not exceeding the participation of the said Party to the Co-Managed Assets. Dividends, interest and other distributions deriving from income generated by the co-managed assets will accrue to each Party to the Co-Managed Assets in proportion to its respective investment. Such income may be kept by the Party to the Co-Managed Assets or reinvested in the co-managed assets. All charges and expenses incurred in respect of the co-managed assets will be applied to these assets. Such charges and expenses will be allocated to each Party to the Co-Managed Assets in proportion to its respective entitlement to the co-managed assets.

In the case of an infringement of the investment restrictions affecting a Sub-Fund of the SICAV, when such a Sub-Fund takes part in co-management and even if the Investment Manager has complied with the investment restrictions applicable to the co-managed assets in question, the Investment Manager shall reduce the investment in question in proportion to the participation of the Sub-Fund concerned in the co-managed assets or, where applicable, reduce its participation in the co-managed assets to a level that complies with the investment restrictions of the Sub-Fund.

When the SICAV is liquidated or when the Board of Directors of the SICAV decide to withdraw the participation of the SICAV or a Sub-Fund of the SICAV from co-managed assets, the co-managed assets will be allocated to the Parties to the Co-Managed Assets in proportion to their respective participation in the co-managed assets.

The investor must be aware of the fact that such co-managed assets are employed solely to ensure effective management in as much as all Parties to the Co-Managed Assets have the same depositary bank. Co-managed assets are not distinct legal entities and are not directly accessible to investors. However, the portion of assets and liabilities attributable to each Sub-Fund of the SICAV will be constantly identifiable.

Notwithstanding that the Sub-Funds may participate in pooling and co-management as described in this section, there is no current intention to do so for the account of those Sub-Funds that are authorised in Hong Kong. In respect of a Sub-Fund that is authorised in Hong Kong, such Sub-Fund may only participate in pooling or co-management with prior approval of the SFC and by giving prior written notification to the relevant Shareholders and updating this Hong Kong Prospectus.

## **GENERAL INFORMATION**

### **1. Shareholder meetings and reports to Shareholders**

#### **1.1 Shareholders' meetings**

Notice of any general meeting of Shareholders (including those considering amendments to the Articles or the dissolution and liquidation of the SICAV or of any Sub-Fund) shall be sent to each registered Shareholders at least 21 days prior to the meeting (if a special resolution is to be proposed at such meeting) or at least 14 days prior to the meeting (if an ordinary resolution is to be proposed at such meeting). If all shares are in registered form, notices may be sent to Shareholders by registered letter or any other means of communication (including without limitation e-mails) as set forth by law to the extent such other means of communication has been individually accepted by such Shareholder.

The annual general meeting shall take place in Luxembourg City at a place specified in the notice of meeting within six (6) months following the end of each financial year.



## 1.2 Amendments to the Articles

If the Articles are amended, such amendments shall be filed with the Luxembourg Trade and Companies' Register and published in the *RESA*. Any such amendments will be subject to the approval of the SFC and the CSSF, and the Shareholders will be given not less than one month's notice (or such longer period as required by the applicable laws and regulations or the provisions set out in this Hong Kong Prospectus or the Articles) before any such amendments take effect.

## 1.3 Accounting Year, Reports and Accounts

The accounting year of the SICAV commences on 1 January of each year and terminates on 31 December of each year. Within four months of the close of each accounting year, the SICAV will publish and make available to Shareholders an annual report for the period ending on 31 December of that accounting year, and within two months of the close of the first half of each accounting year, a semi-annual report drawn up for the period ending 30 June of that accounting year.

The first accounting year of the SICAV started on the date of incorporation of the SICAV and ended on 31 December 2011.

The annual reports of the SICAV will be audited by the Auditors and will provide information on its activities and on the management of its assets; such audited annual reports shall include, *inter alia*, the combined accounts relating to all the Sub-Funds, a detailed description of the assets of each Sub-Fund and a report from the Auditors.

The semi-annual unaudited reports of the SICAV will provide information on its activities including, *inter alia*, a description of the investments underlying the portfolio of each Sub-Fund and the number of Shares issued and redeemed since the last publication.

The SICAV's financial statements will be prepared in accordance with Luxembourg GAAP.

The annual and semi-annual reports will be published in English. Upon request to CSOP Asset Management Limited (which is the Investment Manager and the Hong Kong Representative), these reports will be sent free of charge to any Shareholder and copies may be obtained free of charge by any Shareholder at the registered office of CSOP Asset Management Limited (which is the Investment Manager and the Hong Kong Representative). The SICAV will notify the Shareholders of where such reports can be obtained when the reports are available. These reports will be posted at the website of CSOP Asset Management Limited at [www.csopasset.com](http://www.csopasset.com) (which is the Investment Manager and the Hong Kong Representative). Please note that the content of the above website has not been reviewed or approved by the SFC.

The combined accounts of the SICAV are maintained in USD being the Reference Currency of the SICAV. The financial statements relating to the separate Sub-Funds shall also be expressed in the Reference Currency of the relevant Sub-Fund.

## 2. **Dissolution and Liquidation of the SICAV**

The SICAV may be dissolved at any time by a resolution of the general meeting of Shareholders subject to the quorum and majority requirements applicable for amendments to the Articles, as well as, where applicable, the prior approval of the SFC.

Whenever the share capital of the SICAV falls below two-thirds of the minimum capital

indicated in the Articles, the question of the dissolution of the SICAV shall be referred to a general meeting of Shareholders by the Board of Directors. The general meeting, for which no quorum shall be required, shall decide by simple majority of the Shares represented at the meeting.

The question of the dissolution of the SICAV shall also be referred to a general meeting of Shareholders whenever the share capital of the SICAV falls below one quarter of the minimum capital set by the Articles; in such event, the general meeting shall be held without any quorum requirement and the dissolution may be decided by Shareholders holding one quarter of the Shares represented at the meeting.

The meeting must be convened so that it is held within a period of 40 days from the date that the share capital of the SICAV has fallen below two-thirds or one quarter of the legal minimum, as the case may be.

Liquidation shall be carried out by one or several liquidators, who may be physical persons or legal entities, duly approved by the CSSF and appointed by the general meeting of Shareholders that shall determine their powers and their compensation.

The net proceeds of liquidation of each Sub-Fund shall be distributed by the liquidators to the holders of Shares of each Class of the relevant Sub-Fund in proportion to their holding of such Class.

Should the SICAV be voluntarily or compulsorily liquidated, its liquidation will be carried out in accordance with the provisions of Luxembourg law. Such law specifies the steps to be taken to enable Shareholders to participate in the distribution of the liquidation proceeds and provides for a deposit in escrow at the *Caisse de Consignations* at the time of the close of liquidation. Amounts not claimed from escrow within the applicable statute of limitation period shall be liable to be forfeited in accordance with the provisions of Luxembourg law.

### **3. Closure of Sub-Funds and Classes**

#### **3.1 Closure decided by the Board of Directors**

In the event that for any reason the value of the total net assets in any Class or Sub-Fund has not reached or has decreased to an amount determined by the Board of Directors to be the minimum level for such Class or Sub-Fund to be operated in an economically efficient manner, or in case of a substantial modification in the political, economic or monetary situation or as a matter of economic rationalisation, the Board of Directors may decide to compulsorily redeem all the Shares of the relevant Class or Sub-Fund at the Net Asset Value per Share (taking into account actual realisation prices of investments and realisation expenses) determined as of the Valuation Day at which such decision shall take effect and therefore close the relevant Sub-Fund.

The SICAV shall serve a written notice to the Shareholders of the relevant Class or Sub-Fund one month prior to the effective date for the compulsory redemption. This notice will indicate the reasons and the procedure for the compulsory redemption operations. Unless it is otherwise decided in the interests of the SICAV, or to keep equal treatment between the Shareholders, the Shareholders of the Class or the Sub-Fund concerned may continue to request redemption or conversion of their Shares free of charge (but taking into account actual realisation prices of investments and realisation expenses) prior to the effective date of the compulsory redemption.

#### **3.2 Closure decided by the Shareholders**

Notwithstanding the powers conferred to the Board of Directors by paragraph 3.1 above, the general meeting of Shareholders of any Class within any Sub-Fund may, upon a proposal from the Board of Directors, redeem all the Shares of the relevant Class within the relevant Sub-Fund and refund to the Shareholders the Net Asset Value of their Shares (taking into account actual realisation prices of investments and realisation expenses) calculated as of the Valuation Day at which such decision shall take effect. There shall be no quorum requirements for such general meeting of Shareholders which shall decide by resolution taken by simple majority of those present or represented and voting.

### 3.3 Consequences of the closure

Assets which may not be distributed to their beneficiaries upon the implementation of the redemption will be deposited with the Depositary for the period required by Luxembourg law; after such period, the assets will be deposited with the *Caisse de Consignation* on behalf of the persons entitled thereto.

All redeemed Shares shall be cancelled.

The liquidation of the last remaining Sub-Fund of the SICAV will result in the liquidation of the SICAV as referred to in Article 145(1) of the UCI Law.

## 4. Mergers

### 4.1 Mergers decided by the Board of Directors

The Board of Directors may decide to proceed with a merger (as defined by the UCI Law) as follows:

#### (A) SICAV

The Board of Directors may decide to proceed with a merger (within the meaning of the UCI Law) of the SICAV, either as receiving or absorbed UCITS, with (i) another Luxembourg or foreign UCITS (the “**New UCITS**”); or (ii) a sub-fund thereof, and, as appropriate, to redesignate the Shares of the SICAV concerned as shares of this New UCITS, or of the relevant sub-fund thereof as applicable.

In case where the SICAV is the receiving UCITS in the proposed merger (within the meaning of the UCI Law), solely the Board of Directors will decide on the merger and effective date thereof.

In case where the SICAV is the absorbed UCITS in the proposed merger (within the meaning of the UCI Law), and hence ceases to exist, the general meeting of the Shareholders, rather than the Board of Directors, has to approve, and decide on the effective date of, such merger by a resolution adopted with no quorum requirement and by a simple majority of the votes cast at such meeting.

Such merger shall be subject to the conditions and procedures imposed by the UCI Law and, in particular concerning the merger project and the information to be provided to the Shareholders.

#### (B) Sub-Funds

The Board of Directors may decide to proceed with a merger (within the meaning of the UCI Law) of any Sub-Fund, either as receiving or absorbed Sub-Fund, with (i) another existing or new Sub-Fund within the SICAV or another sub-fund within a New UCITS (the “**New Sub-**

**Fund**"); or (ii) a New UCITS, and, as appropriate, to redesignate the Shares of the Sub-Fund concerned as shares of the New UCITS, or of the New Sub-Fund as applicable.

Such a merger shall be subject to the conditions and procedures imposed by the UCI Law, in particular concerning the merger project and the information to be provided to the Shareholders.

#### **4.2 Mergers decided by the Shareholders**

Notwithstanding the powers conferred onto the Board of Directors by the preceding section 4.1, a merger (within the meaning of the UCI Law) may also be decided upon by the Shareholders as follows:

##### **(A) SICAV**

The general meeting of Shareholders may decide on the merger (within the meaning of the UCI Law) of the SICAV, either as receiving or absorbed UCITS, with (i) a New UCITS; or (ii) a sub-fund thereof.

There shall be no quorum requirement to decide on such a merger and its effective date. However, the merger and the effective date thereof shall be accepted by resolution adopted by a simple majority of the votes validly cast at such meeting.

Such a merger shall be subject to the conditions and procedures imposed by the UCI Law, in particular concerning the merger project and the information to be provided to the Shareholders.

##### **(B) Sub-Funds**

The general meeting of the Shareholders of a Sub-Fund may also decide a merger (within the meaning of the UCI Law) of the relevant Sub-Fund, either as receiving or absorbed Sub-Fund, with (i) any New UCITS or (ii) a New Sub-Fund by a resolution adopted with no quorum requirement by a simple majority of the votes validly cast at such meeting.

Such a merger shall be subject to the conditions and procedures imposed by the UCI Law, in particular concerning the merger project and the information to be provided to the Shareholders.

#### **4.3 General**

Notwithstanding any provisions of section 4.1 and 4.2 above, any merger as described in these sections shall be subject to the prior approval of the SFC and such other regulatory approval. Where the merger falls under section 4.1, in addition to the regulatory approvals as described above, not less than one month's notice (or such other period as may be required or allowed by the SFC) will be given to the Shareholders.

Shareholders will in any case be entitled to request, without any charge other than those retained by the SICAV or the Sub-Fund to meet disinvestment costs, the repurchase or redemption of their Shares, in accordance with the provisions of the UCI Law.

### **5. Directors' Interests**

The interests of the Directors and their interests in companies associated with the management, administration, promotion and marketing of the SICAV and the Shares are set out below:

- (A) Ms. Ka Yan Wong is an employee of the Investment Manager.
- (B) Mr. Dimitri Brunwasser is an employee of the Management Company.
- (C) The Directors or companies of which they are officers or employees may subscribe for Shares in the SICAV. Their applications for Shares will rank *pari passu* with all other applications.

## **6. Indemnity**

The Articles provide that every Director, agent, auditor, or officer of the SICAV and his personal representatives shall be indemnified and secured harmless out of the assets of the SICAV against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in or about the conduct of the SICAV business or affairs or in the execution or discharge of his duties, powers, authorities or discretions, including actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the SICAV in any court whether in Luxembourg or elsewhere. No such person shall be liable: (i) for the acts, receipts, neglects, defaults or omissions of any other such person; or (ii) by reason of his having joined in any receipt for money not received by him personally; or (iii) for any loss on account of defect of title to any property of the SICAV; or (iv) on account of the insufficiency of any security in or upon which any money of the SICAV shall be invested; or (v) for any loss incurred through any bank, broker or other agent; or (vi) for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers, authorities, or discretions of his office or in relation thereto, unless the same shall happen through his own gross negligence or wilful misconduct against the SICAV.

## **7. General**

Copies of the following documents may be inspected free of charge during usual business hours on any full bank business day in Hong Kong at the registered office of CSOP Asset Management Limited (which is the Investment Manager and the Hong Kong Representative):

- (A) the latest Hong Kong Prospectus of the SICAV (including any product key facts statements for the Sub-Funds);
- (B) the Articles and any amendments thereto;
- (C) the risk management process (as described in the section “Risk Management Process” and the applicable measures employed by the SICAV associated with investments in financial derivative instruments; and);
- (D) the latest reports and accounts referred to under the section “Shareholder meetings and reports to Shareholders”;
- (E) the Management Company Agreement between the Management Company and the SICAV;
- (F) the Depositary Agreement between the SICAV and the Depositary;
- (G) the Investment Management Agreement between the Management Company, the SICAV and the Investment Manager; and
- (H) the Administration Agreement between the Management Company, the SICAV and

the Administrator.

The agreements referred to above may be amended by mutual consent between the parties thereto.

Furthermore:

- (1) a person having an enquiry or complaint to make about the operation of the SICAV may submit such enquiry or complaint in writing to (i) Lemanik Asset Management SA, by post to its address at 41 Op Bierg, L-8217 Mamer Grand Duchy of Luxembourg until 31 December 2014. As from 1 January 2014, complaints should be submitted in writing to Lemanik Asset Management SA, 106 route d'Arlon, L-8210 Mamer, Grand Duchy of Luxembourg; or (ii) CSOP Asset Management Limited (which is the Investment Manager and the Hong Kong Representative), by post to its address at Suite 2802, Two Exchange Square, 8 Connaught Place, Central, Hong Kong or by telephone on its Customer Service Hotline +852 3406 5688. The details of the Management Company's enquiry and complaint handling procedures may be obtained free of charge during any full bank business day in Hong Kong at the registered office of CSOP Asset Management Limited (which is the Investment Manager and the Hong Kong Representative).
- (2) the Management Company has a strategy for determining when and how voting rights attached to ownership of the SICAV's investments are to be exercised for the exclusive benefit of the SICAV. A summary of this strategy may be obtained free of charge during any full bank business day in Hong Kong at the registered office of CSOP Asset Management Limited (which is the Investment Manager and the Hong Kong Representative) and is available at [http://www.lemanikgroup.com/management-company-service\\_substance\\_governance.cfm](http://www.lemanikgroup.com/management-company-service_substance_governance.cfm).
- (3) the best execution policy sets out the basis upon which transactions and orders in relation to the SICAV will be placed in compliance with the CSSF Regulation No. 10-4 and the CSSF Circular 11/508 to obtain the best possible result for the SICAV and its Shareholders. Details of the best execution policy in relation to the SICAV may be obtained free of charge during any full bank business day in Hong Kong at the registered office of CSOP Asset Management Limited (which is the Investment Manager and the Hong Kong Representative).

## **APPENDIX 1: INVESTMENT RESTRICTIONS AND POWERS**

The Board of Directors shall, based upon the principle of risk spreading, have power to determine the corporate and investment policy for the investments for each Sub-Fund, the Reference Currency of a Sub-Fund and the course of conduct of the management and business affairs of the SICAV. Subject to the prior review of the home regulator of the SICAV and the prior approval of the SFC, the Board of Directors may change the investment restrictions and/or policy for each Sub-Fund that is SFC authorised. In such case, the Sub-Fund concerned will provide prior notification of one month (or such other period as may be required or allowed by the SFC and/or the CSSF) to the Shareholders concerned and this Hong Kong Prospectus will be updated accordingly.

Except to the extent that more restrictive rules are provided for in connection with a specific Sub-Fund under the relevant Supplement, the investment policy shall comply with the investment rules and restrictions laid down hereafter:

### **1. Permitted Investments**

The investments of a Sub-Fund must comprise only one or more of the following:

- 1.1** Transferable Securities and Money Market Instruments admitted to or dealt in on a Regulated Market;
- 1.2** Transferable Securities and Money Market Instruments dealt in on another market in a Member State that is regulated, operates regularly and is recognised and open to the public;
- 1.3** Transferable Securities and Money Market Instruments admitted to official listing on a stock exchange in a Non-Member State or dealt in on another market in a Non-Member State which is regulated, operates regularly and is recognised and open to the public (i.e. an Other Regulated Market);
- 1.4** recently issued Transferable Securities and Money Market Instruments, provided that:
  - (A) the terms of issue include an undertaking that application will be made for admission to official listing on a Regulated Market, stock exchange or on another regulated market as described under 1.1 to 1.3 above;
  - (B) such admission is secured within one year of issue;
- 1.5** units of UCITS and/or other UCIs within the meaning of Article 1 (2), points a) and b) of the UCITS Directive, whether or not established in a Member State, provided that:
  - (A) such other UCIs are authorised under laws which provide that they are subject to supervision considered by the CSSF to be equivalent to that laid down in Community law, and that cooperation between authorities is sufficiently ensured;
  - (B) the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of Transferable Securities and Money Market Instruments are equivalent to the requirements of the UCITS Directive;

- (C) the business of the other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period;
  - (D) no more than 10% of the assets of the UCITS or of the other UCIs whose acquisition is contemplated, can, according to their management regulations or articles of incorporation, be invested in aggregate in units of other UCITS or other UCIs;
- 1.6** deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than twelve (12) months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in a Non-Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law;
- 1.7** financial derivative instruments, in particular options and futures, including equivalent cash-settled instruments, dealt in on a Regulated Market or Other Regulated Market referred to in 1.1 to 1.3 above, and/or financial derivative instruments dealt in over-the-counter ("over-the-counter derivatives" / "OTC")), provided that:
- (A)
    - the underlying consists of instruments covered by this section 1, financial indices, interest rates, foreign exchange rates or currencies, in which the Sub-Funds may invest according to their investment objectives;
    - the counterparties to over-the-counter derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF, and
    - the over-the-counter derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the SICAV's initiative;
    - exposure to the underlying assets does not exceed the investment restrictions set out in 2.12 below
  - (B) Under no circumstances shall these operations cause the Sub-Fund to diverge from its investment objectives.
- 1.8** Money Market Instruments other than those dealt in on a Regulated Market, and which fall within the definition given in the section "Definitions", to the extent that the issue or the issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that such instruments are:
- (A) issued or guaranteed by a central, regional or local authority or by a central bank of a Member State, the European Central Bank, the EU or the European Investment Bank, a Non-Member State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more Member States of the EU belong, or
  - (B) issued by an undertaking any securities of which are dealt in on Regulated Markets or Other Regulated Markets referred to in 1.1, 1.2 or 1.3 above, or



- (C) issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by Community law; or
- (D) issued by other bodies provided that investments in such instruments are subject to investor protection equivalent to that laid down in paragraphs 1.8 (A), (B) or (C) above and provided that the issuer is a company whose capital and reserves amount to at least ten million Euro (EUR 10,000,000) and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC, is an entity which, within a Group of Companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

**1.9** shares issued by one or several other Sub-Funds of the SICAV (the “Target Fund”), under the following conditions:

- (A) the Target Fund does not invest in the investing Sub-Fund;
- (B) not more than 10% of the assets of the Target Fund may be invested in other Sub-Funds of the SICAV;
- (C) the voting rights linked to the transferable securities of the Target Fund are suspended during the period of investment;
- (D) in any event, for as long as these securities are held by the SICAV, their value will not be taken into consideration for the calculation of the Net Asset Value for the purposes of verifying the minimum threshold of the net assets imposed by the UCI Law; and
- (E) there is no duplication of management/subscription or repurchase fees between those at the level of the Sub-Fund of the SICAV having invested in the Target Fund and this Target Fund.

**1.10** However, each Sub-Fund:

- (A) shall not invest more than 10% of its net assets in Transferable Securities or Money Market Instruments other than those referred to above under 1.1 to 1.4 and 1.8 above;
- (B) shall not acquire either precious metals or certificates representing them;
- (C) may hold cash and cash equivalents on an ancillary basis; such restriction may exceptionally and temporarily be exceeded if the Board of Directors considers this to be in the best interest of the shareholders;
- (D) may acquire movable and immovable property which is essential for the direct pursuit of its business;
- (E) may borrow up to 10% of its net assets, provided that such borrowings (i) are made only on a temporary basis or (ii) enable the acquisitions of immovable property essential for the direct pursuit of its business. Where a Sub-Fund is authorised to borrow under points (i) and (ii), that borrowing shall not exceed 15%

of its assets in total. Collateral arrangements with respect to the writing of options or the purchase or sale of forward or futures contracts are not deemed to constitute "borrowings" for the purpose of this restriction; and

(F) may acquire foreign currency by means of a back-to-back loan.

## **2. Investment Restrictions**

**2.1** For the purpose of calculating the restrictions described in 2.3 to 2.7 and 2.10 below, companies which are included in the same group of companies are regarded as a single issuer.

**2.2** To the extent an issuer is a legal entity with multiple sub-funds where the assets of a sub-fund are exclusively reserved to the investors in such sub-fund and to those creditors whose claim has arisen in connection with the creation, operation and liquidation of that sub-fund, each sub-fund is to be considered as a separate issuer for the purpose of the application of the risk diversification rules.

### **Transferable Securities and Money Market Instruments**

**2.3** No Sub-Fund may purchase additional Transferable Securities and Money Market Instruments of any single issuer if:

(A) upon such purchase more than 10% of its net assets would consist of Transferable Securities and Money Market Instruments of such issuer; or

(B) the total value of all Transferable Securities and Money Market Instruments of issuers in which it invests more than 5% of its net assets would exceed 40% of the value of its net assets. This limitation does not apply to deposits and over-the-counter derivative transactions made with financial institutions subject to prudential supervision.

**2.4** A Sub-Fund may invest on a cumulative basis up to 20% of its net assets in Transferable Securities and Money Market Instruments issued by the same group of companies.

**2.5** The limit of 10% set forth above under 2.3(A) above is increased to 35% in respect of Transferable Securities and Money Market Instruments issued or guaranteed by a Member State, by its local authorities, by any Non-Member State or by a public international body of which one or more Member State(s) are member(s).

**2.6** The limit of 10% set forth above under 2.3(A) above is increased up to 25% in respect of qualifying debt securities issued by a credit institution which has its registered office in a Member State and which, under applicable law, is submitted to specific public control in order to protect the holders of such qualifying debt securities. For the purposes hereof, "qualifying debt securities" are securities the proceeds of which are invested in accordance with applicable law in assets providing a return which will cover the debt service through to the maturity date of the securities and which will be applied on a priority basis to the payment of principal and interest in the event of a default by the issuer. To the extent that a relevant Sub-Fund invests more than 5% of its net assets in debt securities issued by such an issuer, the total value of such investments may not exceed 80% of the net assets of such Sub-Fund.

- 2.7** The securities specified under 2.5 and 2.6 above are not to be included for purposes of computing the ceiling of 40% set forth above under 2.3(B) above.
- 2.8** **Notwithstanding the ceilings set forth above, each Sub-Fund is authorised to invest, in accordance with the principle of risk spreading, up to 100% of its net assets in Transferable Securities and Money Market Instruments issued or guaranteed by a Member State of the EU, by its local authorities, by any non-EU Member State accepted to that effect by the CSSF, including Member State of the OECD such as the U.S., Singapore and any Member State of the G20 or by a public international body of which one or more Member State(s) of the EU are member(s), provided that (i) such securities are part of at least six different issues and (ii) the securities from any or such issue do not account for more than 30% of the net assets of such Sub-Fund.**
- 2.9** Without prejudice to the limits set forth hereunder under 2.22 and 2.23 below, the limits set forth in 2.3 above are raised to a maximum of 20% for investments in shares and/or bonds issued by the same body when the aim of the Sub-Fund's investment policy is to replicate the composition of a certain stock or debt securities index which is recognised by the CSSF, on the following basis:
- (A) the composition of the index is sufficiently diversified,
  - (B) the index represents an adequate benchmark for the market to which it refers,
  - (C) it is published in an appropriate manner.

The limit of 20% is raised to 35% where that proves to be justified by exceptional market conditions in particular in regulated markets where certain Transferable Securities or Money Market Instruments are highly dominant, provided that any investment up to this 35% limit is only permitted for a single issuer.

### **Bank Deposits**

- 2.10** A Sub-Fund may not invest more than 20% of its net assets in deposits made with the same body.

### **Derivative Instruments**

- 2.11** The risk exposure to a counterparty in an over-the-counter derivative transaction may not exceed 10% of the Sub-Fund's net assets when the counterparty is a credit institution referred to in 2.8 above or 5% of its net assets in other cases.
- 2.12** Investment in financial derivative instruments shall only be made provided that the exposure to the underlying assets does not exceed in aggregate the investment limits set out in this section. When the Sub-Fund invests in index-based financial derivative instruments, these investments do not have to be combined with the limits set out above.
- 2.13** When a Transferable Security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements of 1.7 above as well as with the risk exposure and information requirements laid down in the present Prospectus.

## Units of open-ended Sub-Funds

- 2.14** Unless otherwise provided in the relevant Supplement, a Sub-Fund may not invest in aggregate more than 10% of its net assets in the units of other UCITS or other UCIs. If a Sub-Fund is authorised to invest in aggregate more than 10% of its net assets in the units of other UCITS or other UCIs, the investment in the units of a single other UCITS or a single other UCI may however not exceed 20% of the relevant Sub-Fund's net assets.
- 2.15** When a Sub-Fund invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the same management company or by any other company with which the management company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge subscription or redemption fees on account of the Sub-Fund's investment in the units of such other UCITS and/or other UCIs.
- 2.16** A Sub-Fund that invests a substantial proportion of its assets in other UCITS and/or other UCIs shall disclose in the relevant Supplement the maximum level of the management fees that may be charged both to the Sub-Fund itself and to the other UCITS and/or other UCIs in which it intends to invest. In its annual report, the SICAV shall indicate the maximum proportion of management fees charged both to the Sub-Fund itself and to the UCITS and/or other UCIs in which it invests.

## Master-Feeder structure

- 2.17** Each Sub-Fund may act as a feeder fund (the “**Feeder**”) of a master fund. In such case, the relevant Sub-Fund shall invest at least 85% of its assets in shares/units of another UCITS or of a sub-fund of such UCITS (the “**Master**”), which is not itself a Feeder nor holds units/shares of a Feeder. The Sub-Fund, as Feeder, may not invest more than 15% of its assets in one or more of the following :
- (A) ancillary liquid assets in accordance with Article 41 second indent of second paragraph of the UCI Law ;
  - (B) financial derivative instruments, which may be used only for hedging purposes, in accordance with Article 41 first indent, point g) and Article 42 second and third indents of the UCI Law;
  - (C) movable and immovable property which is essential for the direct pursuit of the SICAV's business.
- 2.18** When a Sub-Fund invests in the shares/units of a Master which is managed, directly or by delegation, by the same management company or by any other company with which the management company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge subscription or redemption fees on account of the Sub-Fund's investment in the shares/units of the Master.
- 2.19** A Feeder Fund that invests into a Master shall disclose in the relevant Sub-Fund's Supplement to this Hong Kong Prospectus the maximum level of the management fees that may be charged both to the Feeder Fund itself and to the Master in which it intends to invest. In its annual report, the SICAV shall indicate the maximum proportion of management fees charged both to the Sub-Fund itself and to the Master. The

Master shall not charge subscription or redemption fees for the investment of the Feeder into its shares/units or the divestment thereof.

### **Combined limits**

**2.20** Notwithstanding the individual limits laid down in 2.3, 2.10 and 2.11 above, a Sub-Fund shall not combine, where this would lead to investing more than 20% of its assets in a single body, any of the following:

- (i) investments in Transferable Securities or Money Market Instruments issued by that body,
- (ii) deposits made with that body, and/or
- (iii) exposures arising from over-the-counter derivative transactions undertaken with that body.

**2.21** The limits set out in 2.3, 2.5, 2.6, 2.10, 2.11 and 2.20 above may not be combined, and thus investments in Transferable Securities or Money Market Instruments issued by the same body, in deposits or derivative instruments made with this body carried out in accordance with 2.3, 2.5, 2.6, 2.10, 2.11 and 2.20 above may not exceed a total of 35% of the net assets of each Sub-Fund.

**2.22** The SICAV may not acquire such amount of shares carrying voting rights which would enable the SICAV to exercise legal or management control or to exercise a significant influence over the management of an issuer.

**2.23** The SICAV may acquire no more than (i) 10% of the outstanding non-voting shares of the same issuer; (ii) 10% of the outstanding debt securities of the same issuer; (iii) 10% of the Money Market Instruments of any single issuer; or (iv) 25% of the outstanding shares or units of the same UCITS or other UCI.

The limits set forth in (ii) to (iv) may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the Money Market Instruments or the net amount of the instruments in issue cannot be calculated.

**2.24** The limits set forth above under 2.22 and 2.23 do not apply in respect of:

- (A) Transferable Securities and Money Market Instruments issued or guaranteed by a Member State or by its local authorities;
- (B) Transferable Securities and Money Market Instruments issued or guaranteed by any Non-Member State;
- (C) Transferable Securities and Money Market Instruments issued by a public international body of which one or more Member State(s) are member(s); or
- (D) Shares in the capital of a company which is incorporated under or organised pursuant to the laws of a state which is not a Member State provided that (i) such company invests its assets principally in securities issued by issuers having their registered office in that state, (ii) pursuant to the laws of that State a participation by the relevant Sub-Fund in the equity of such company constitutes the only possible way to purchase securities of issuers of that state,

and (iii) such company observes in its investments policy the restrictions set forth under 2.3, 2.7, 2.10, 2.11 and 2.14 to 2.23.

- (E) Shares held by one or more Sub-Funds in the capital of subsidiary companies which carry on the business of management, advice or marketing in the country where the subsidiary is established, in regard to the redemption of shares at the request of shareholders exclusively on its or their behalf.

### **3. Additional investment restrictions**

- 3.1** No Sub-Fund may acquire commodities or precious metals or certificates representative thereof.
- 3.2** No Sub-Fund may invest in real estate or any option, right or interest therein provided that investments may be made in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.
- 3.3** The investment policy of a Sub-Fund may replicate the composition of an index of securities or debt securities, in compliance with the Grand-Ducal Regulation of 8 February 2008 relating to certain definitions of the UCI Law and implementing the UCITS Directive.
- 3.4** A Sub-Fund may not grant loans or guarantees in favour of a third party, provided that such restriction shall not prevent each Sub-Fund from investing in non fully paid-up Transferable Securities, Money Market Instruments or other financial instruments, as mentioned in 1.5, 1.7 and 1.8 above.
- 3.5** The SICAV may not enter into uncovered sales of Transferable Securities, Money Market Instruments or other financial instruments as listed in 1.5, 1.7 and 1.8 above.
- 3.6** The ceilings set forth above may be disregarded by each Sub-Fund when exercising subscription rights attaching to securities in such Sub-Fund's portfolio.
- 3.7** If such ceilings are exceeded for reasons beyond the control of a Sub-Fund or as a result of the exercise of subscription rights, such Sub-Fund must adopt as its priority objective in its sale transactions the remedying of such situation, taking due account of the interests of its shareholders.
- 3.8** The Board of Directors has the right to determine additional investment restrictions to the extent that those restrictions are necessary to comply with the laws and regulations of countries where Shares of the SICAV are offered or sold.

### **4. Techniques and Instruments**

#### **4.1 General**

The SICAV may employ techniques and instruments relating to Transferable Securities and Money Market Instruments provided that such techniques and instruments are used for the purposes of efficient portfolio management within the meaning of, and under the conditions set out in, applicable laws, regulations and circulars issued by the CSSF or other competent authority from time to time. In particular, those techniques and instruments should not result in a change of the declared investment objective of the Sub-Fund or add substantial supplementary risks in comparison to the stated risk profile of the Sub-Fund. If the SICAV decides to employ such techniques and instruments, the Prospectus will be amended accordingly. However, a Sub-Fund may employ techniques and instruments for hedging

purposes as disclosed in the relevant Sub-Fund's Supplement.

The risk exposure to a counterparty generated through efficient portfolio management techniques and OTC financial derivatives must be combined when calculating counterparty risk limits referred to under Appendix 1 “*investment restrictions and powers*”.

All revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs and fees, will be returned to the Sub-Fund. In particular, fees and cost may be paid to agents of the SICAV and other intermediaries providing services in connection with efficient portfolio management techniques as normal compensation for their services. Such fees may be calculated as a percentage of gross revenues earned by the Sub-Fund through the use of such techniques. Information on direct and indirect operational costs and fees that may be incurred in this respect as well as the identity of the entities to which such costs and fees are paid – as well as any relationship they may have with the custodian of the SICAV or the Investment Manager – will be available in the annual report of the SICAV.

#### **4.2 Securities Lending and reverse repurchase / repurchase agreement transactions**

A Sub-Fund may only engage in Securities Lending, reverse repurchase / repurchase agreements or other similar OTC transactions if it is expressly stated in its Supplement and provided that:

- (A) in the case of Securities Lending, it is entitled at any time under the terms of the agreement to request the return of the securities lent or to terminate the agreement;
- (B) in the case of reverse repurchase agreement and/or repurchase agreement transactions, it is able at any time (i) to recall the full amount of cash in a reverse repurchase agreement or any securities subject to a repurchase agreement or (ii) to terminate the agreement in accordance with applicable regulations. However, fixed-term transactions that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Sub-Fund;
- (C) direct and indirect operational costs and fees arising from Securities Lending transactions may be deducted from the revenue delivered to the relevant Sub-Fund. These costs and fees shall not include hidden revenue. All the revenues arising from such transactions, net of direct and indirect operational costs, will be returned to the relevant Sub-Fund. The annual report and semi-annual report of the SICAV shall contain details of the revenues arising from Securities Lending transactions for the entire reporting period together with the direct and indirect operational costs and fees incurred. The entities to which direct and indirect costs and fees may be paid include banks, investment firms, broker-dealers or other financial institutions or intermediaries and may be related parties to the Management Company and/or the Depositary Bank. With respect to the relevant Sub-Fund, the lending agent is entitled to receive a fee up to 30% of the gross revenue. The remainder of the gross revenue, i.e. 70%, is received by the lending Sub-Fund i.e. to the benefit of shareholders;
- (D) the borrower in a Securities Lending transaction must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law and will comply with Article 3 of the Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648 / 2012 (the “SFTR”). While there are no predetermined legal status, credit rating or geographical criteria applied in the selection of the

counterparties, these elements will be taken into account in the selection process;

- (E) where any Securities Lending transaction has been arranged through the affiliate of the Management Company or the Investment Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement (the Securities Lending fee will be disclosed in the connected party transaction section of the relevant Sub-Fund's annual financial reports);
- (F) the use by any Sub-Fund of Securities Lending will be specified in each Sub-Fund annex in this Hong Kong Prospectus, within the meaning of, and under the conditions set out in, applicable laws, regulations and CSSF circulars issued from time to time, in particular, but not limited to Regulation (EU) 2015/2365.

### **4.3 Financial derivative instruments**

Please refer to each strategy and investment policy applicable to the various Sub-Funds as described in the Supplement(s) of this Hong Kong Prospectus.

#### **Information on the counterparty(ies) of the transactions**

OTC financial derivative instruments (including total return swaps and other derivatives with similar characteristics) used by a Sub-Fund to gain exposure to underlying assets will be entered into with counterparties selected among first class financial institutions specialised in the relevant type of transaction, subject to prudential supervision and belonging to the categories of counterparties approved by the CSSF. Information on the counterparty of any such investments will be disclosed in the annual report of the SICAV. At no time will a counterparty in a transaction have discretion over the composition or the management of a Sub-Fund's investment portfolio or over the underlying of the total return swap. If a Sub-Fund is allowed to use total return swap instruments and other derivatives with similar characteristics, any additional information as required by the CSSF Circular 14/592 dated 30 September 2014 will be disclosed in the relevant Sub-Fund's Supplement.

#### **Counterparty Risk**

In accordance with its investment objective and policy, a Sub-Fund may trade OTC financial derivative instruments such as non-exchange traded futures and options, forwards, swaps or contracts for difference. OTC derivatives are instruments specifically tailored to the needs of an individual investor that enable the user to structure precisely its exposure to a given position. Such instruments are not afforded the same protections as may be available to investors trading futures or options on organised exchanges, such as the performance guarantee of an exchange clearing house. The counterparty to a particular OTC derivative transaction will generally be the specific entity involved in the transaction rather than a recognised exchange clearing house. In these circumstances the Sub-Fund will be exposed to the risk that the counterparty will not settle the transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. This could result in substantial losses to the Sub-Fund.

Participants in OTC markets are typically not subject to the credit evaluation and regulatory oversight to which members of 'exchange-based' markets are subject. Unless otherwise indicated in the Hong Kong Prospectus for a specific Sub-Fund, the SICAV will not be restricted from dealing with any particular counterparties. The SICAV's evaluation of the



creditworthiness of its counterparties may not prove sufficient. The lack of a complete and foolproof evaluation of the financial capabilities of the counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses. The counterparties to Securities Lending transactions shall be financial institutions which are subject to ongoing prudential regulation and supervision.

The SICAV may select counterparties located in various jurisdictions. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Sub-Fund and its assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize the effect of their insolvency on a Sub-Fund and its assets. Investors should assume that the insolvency of any counterparty would generally result in a loss to a Sub-Fund, which could be material.

If there is a default by the counterparty to a transaction, the SICAV will under most normal circumstances have contractual remedies and in some cases collateral pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays and costs. If one or more OTC counterparties were to become insolvent or the subject of liquidation proceedings, the recovery of securities and other assets under OTC derivatives may be delayed and the securities and other assets recovered by the SICAV may have declined in value.

Regardless of the measures that the SICAV may implement to reduce counterparty credit risk there can be no assurance that a counterparty will not default or that a Sub-Fund will not sustain losses on the transactions as a result. Such counterparty risk is accentuated for contracts with longer maturities or where the Sub-Fund has concentrated its transactions with a single or small group of counterparties.

#### **4.4 Collateral and Reinvestment of Collateral**

In the context of OTC financial derivatives transactions and efficient portfolio management techniques, the SICAV may receive collateral with a view to reduce its counterparty risk. This section sets out the collateral policy applied by the SICAV in such case.

##### **Eligible collateral**

Collateral received by the SICAV may be used to reduce its counterparty risk exposure if it complies with the criteria set out in applicable laws, regulations and circulars issued by the CSSF from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability. In particular, collateral should comply with the following conditions:

- (a) Any collateral received other than cash should be of high quality, highly liquid and traded 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;
- (b) It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- (c) It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- (d) It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the Sub-Fund's net asset value to any single issuer on

an aggregate basis, taking into account all collateral received. By way of derogation, collateral posted in favour of a Sub-Fund under a title transfer arrangement should be held by the Depositary or one of its correspondents or sub-custodians. Collateral posted in favour of a Sub-Fund under a security interest arrangement (e.g., a pledge) can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

To the extent permitted by the applicable regulation and by way of derogation, a Sub-Fund may be fully collateralised in transferable securities and money market instruments issued by a Member State, one or more of its local authorities, by any other member state of the OECD, by certain non-member states of the OECD (currently Brazil, Indonesia, Russia and South Africa) or a public international body to which one or more Member States belong. In that case, the relevant Sub-Fund shall receive securities from at least six different issuers, but securities from any single issuer shall not amount for more than 30% of the Net Asset Value of the Sub-Fund;

- (e) It should be capable of being fully enforced by the relevant Sub-Fund at any time without reference to or approval from the counterparty.

Subject to the abovementioned conditions, collateral received by the SICAV may consist, in particular of:

- (i) liquid assets, liquid assets include not only cash and short term bank certificates, but also money market instruments such as defined within the UCITS Directive. A letter of credit or a guarantee at first-demand given by a first class credit institution not affiliated to the counterparty are considered as equivalent to liquid assets;
- (ii) bonds issued or guaranteed by a member state of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or world-wide scope;
- (iii) shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent;
- (iv) shares or units issued by UCITS investing mainly in bonds/shares mentioned in (v) and (vi) below;
- (v) bonds issued or guaranteed by first class issuers offering an adequate liquidity, or
- (vi) shares admitted to or dealt in on a regulated market of a Member State or on a stock exchange of a member state of the OECD, on the condition that these shares are included in a main index.

### **Level of collateral**

The SICAV will determine (for each Sub-Fund) the required level of collateral for OTC financial derivatives transactions and efficient portfolio management techniques by reference to the applicable counterparty risk limits set out in this Hong Kong Prospectus and taking into account the nature and characteristics of transactions, the creditworthiness and identity of counterparties and prevailing market conditions.

With respect to Securities Lending, the SICAV will generally require the borrower to post collateral representing, at any time during the lifetime of the agreement, at least 90% of the total value of the securities lent. Repurchase agreement and reverse repurchase agreements will generally be collateralised, at any time during the lifetime of the agreement, at a minimum of 90% of their notional amount. Those minimums shall be increased based, in particular, on

the quality of the counterparty, in line with the requirements set out in applicable laws, regulations and circulars issued by the CSSF, from time to time, in particular the CSSF Circular 08/356 dated 4 June 2008, as amended from time to time and as clarified by the CSSF Circular 14/592 dated 30 September 2014.

### Haircut policy

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate discounts which will be determined by the SICAV for each asset class based on its haircut policy. The policy takes into account a variety of factors, depending on the nature of the collateral received, such as the issuer's credit standing, the maturity, currency and price volatility of the assets and, where applicable, the outcome of liquidity stress tests carried out by the SICAV under normal and exceptional liquidity conditions. No haircut will generally be applied to cash collateral.

The following table lists the type of securities that may be held as collateral and the applicable haircuts.

TYPE OF SECURITY	Minimum Valuation Percentage
<p>Bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or world wide scope;</p> <p>Bonds issued or guaranteed by first class issuers (investment grade rating) offering adequate liquidity (i.e. corporate bonds);</p>	102%
<p>Shares admitted to or dealt in on a Regulated Market or on a stock exchange of a Member State of the EU or of the OECD, provided that these shares are included in a recognised index;</p> <p>Shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent;</p> <p>Shares or units issued by UCITS investing mainly in bonds/shares satisfying the condition under (v) and (vi) as above, (i.e. UCITS funds).</p>	105%

### Reinvestment of collateral

Non-cash collateral received by the SICAV on behalf of a Sub-Fund cannot be sold, reinvested or pledged, except where and to the extent permissible under Luxembourg law and regulations. Cash collateral can be reinvested in liquid assets permissible under Luxembourg laws and regulations, in particular the ESMA Guidelines 2012/832. Any reinvestment of cash collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure, on an aggregate basis, of 20% of a Sub-Fund's Net Asset Value to any single issuer. In case of cash collateral reinvestment, all risks associated with a normal investment will apply.

A Sub-Fund 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 with cash collateral received. A decline in the value of such investment of the cash collateral would reduce the amount of collateral available to be returned by the Sub-Fund to the counterparty at the conclusion of the transaction. The Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-Fund.

Shareholders should note that the Sub-Fund currently do not have the intention to engage into repurchase (or reverse repurchase) transactions and to invest in total return swaps.

Should the Board of Directors decide to provide for such possibility, the Prospectus, including this Appendix 1, will be updated prior to the entry into force of such decision in order for the Company to comply with the disclosure requirements of the SFTR.

## **APPENDIX 2: LIST OF DELEGATES**

The Depositary has delegated, at the date of this prospectus, those safekeeping duties set out in Article 22(5)(a) of the Directive 2009/65/EC to the local sub-custodians as listed at the following address:

<http://www.citigroup.com/citi/about/countrypresence/luxembourg.html>.

## **SUPPLEMENT 1: China New Balance Opportunity Fund**

The information contained in this Supplement in relation to China Southern Dragon Dynamic Fund – China New Balance Opportunity Fund should be read in conjunction with the full text of this Hong Kong Prospectus.

In this Supplement, the term “**Sub-Fund**” shall refer only to China New Balance Opportunity Fund.

### **1. Investment Objective and Strategies**

#### **1.1 Investment Objective**

The investment objective of the Sub-Fund is to achieve medium to long-term capital appreciation by participating in the economic growth in the Greater China region.

#### **1.2 Investment Strategies**

The Sub-Fund will employ an equity long only strategy.

The Sub-Fund will seek to invest primarily (directly or indirectly) in equity securities, which are listed, quoted or traded on the Other Regulated Markets in Hong Kong, the Mainland China, Singapore, the United States or any other suitable Regulated Markets or Other Regulated Markets and that are issued by: (i) companies incorporated in Greater China; (ii) companies that derive most of their revenue from, or have most of their operating assets located in, Greater China; and/or (iii) companies incorporated outside Greater China but which are deemed by the Investment Manager to have substantial exposure to Greater China. Companies that the Sub-Fund may invest may include small cap companies provided the companies meet the above criteria.

Indirect exposure to the above mentioned securities will be achieved, among others, by investing in UCITS and/or other UCIs in which it may invest in aggregate up to 10% of its net assets. For the purpose hereof, other UCIs include but are not limited to RQFII funds authorised by the SFC.

The Sub-Fund may also seek direct exposure to China A Shares via the securities trading and clearing linked program with an aim to achieve mutual stock market access between Mainland China and Hong Kong (the “**Stock Connect**”).

Should there be a change to the investment policy in the future, not less than one month's prior notice will be given to the Shareholders and this Hong Kong Prospectus will be updated accordingly.

In addition, the Sub-Fund may invest on an ancillary basis in bonds and other debt securities, with fixed or floating rates, denominated in HKD, listed, quoted or traded on the Other Regulated Market in Hong Kong and issued by governments, government agencies, supra-national and corporate issuers worldwide. The types of debt securities in which the Sub-Fund may invest are government bonds, corporate bonds, floating rate notes, commercial papers and certificates of deposit. For the avoidance of doubt, the Sub-Fund will not invest in debt securities which are listed, quoted or traded in Mainland China. The Sub-Fund will not invest in debt securities which are below investment grade or unrated, and will not invest in structured products such as asset backed securities (including asset backed commercial papers). Should the investment arrangement on debt securities be changed, prior approval of the SFC will be obtained, not less than one month's prior notice will be given to the Shareholders and this Hong Kong Prospectus will be updated accordingly.

The Sub-Fund may use financial derivative instruments ("**FDIs**") for hedging purposes. In particular, for the purpose of risk hedging and risk management, the Sub-Fund may use stock index futures which are economically appropriate to the reduction of risks or costs or to improve investment performance subject to any such transactions complying with the overall investment restrictions of the Sub-Fund. However, FDIs will not be used extensively or primarily for investment purposes.

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

Net derivative exposure measures the expected maximum level of leverage of the Sub-Fund through the use of FDIs. Net derivative exposure shall be calculated in accordance with the Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

Should the Sub-Fund intend to increase its net derivative exposure to beyond 50% of its Net Asset Value, prior approval of the SFC will be obtained, not less than one month's prior notice will be given to the Shareholders and this Hong Kong Prospectus will be updated accordingly.

The Sub-Fund may invest directly or indirectly in securities, including debt securities, listed on the Taiwan Stock Exchange through the use of OTC derivative, including equity swaps.

The investment process employed for the Sub-Fund will be disciplined and systematic, combining macroeconomic (i.e. "top down") analysis and fundamental security selection (i.e. "bottom up"), with more focus on the latter. By macroeconomic analysis, the Investment Manager will look at the economy of Greater China. By fundamental security selection, the Investment Manager will look at the individual attributes of a company (e.g. earnings growth, P/E ratios) to select which company's securities to be invested.

The Sub-Fund may hold cash within the limits set forth in Appendix 1 to this Hong Kong Prospectus.

### **1.3 Global Exposure**

This Sub-Fund uses the commitment approach to monitor and measure the global exposure related to positions on FDIs. In no circumstances will this Sub-Fund's global exposure relating to FDIs exceed its total NAV.

### **1.4 Securities Lending and reverse repurchase / repurchase agreement transactions**

The Sub-Fund may enter into Securities Lending transactions in order to generate capital or additional income and to reduce costs or risk in accordance with applicable laws and regulations (including but not limited to CSSF circular 08/356 and CSSF circular 14/592) and the restrictions contained in the main part of the Prospectus. The collateral received by the Sub-Fund will be limited to cash in the reference currency of the Sub-Fund or securities that would be eligible to the Sub-Fund for direct investment.

Please refer to section 4.4 of Appendix 1 of this Hong Kong Prospectus for details of collateral for Securities Lending transactions.

The Sub-Fund's exposure to Securities Lending transactions is as set out below (as a percentage of the total assets). In certain circumstances this proportion may be higher.

	Expected level (in % of the NAV)	Maximum level (in % of the NAV)

Securities Lending transactions	20%	50%
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The criteria for selecting counterparties for Securities Lending transactions is as set out in section 4.3 of Appendix 1 of this Hong Kong Prospectus.

As of the date of this Prospectus, any assets held by the Sub-Fund may be subject to Securities Lending.

The Sub-Fund does not intend to engage in reverse repurchase / repurchase agreements, total return swaps or other similar OTC transactions. Should the Sub-Fund decide to participate in reverse repurchase/ repurchase agreement, total return swaps and/or other similar OTC transactions in the future, prior approval of the SFC and of the home regulator of the SICAV will be sought, this Hong Kong Prospectus will be updated and at least one month's (or such shorter period as the SFC may agree) notice to the affected Shareholders will be given.

## 2. Share Classes / Minimum Investment and Holding

Currently, the Sub-Fund offers Class A Shares and Class I and Class Z Shares.

### 2.1 Class A Shares

Class A Shares will be issued to all types of investors.

Class A Shares will be issued in the following Reference Currencies: USD and HKD.

	<i>Minimum Holding</i>	<i>Minimum Subscription</i>	<i>Minimum Additional Subscription</i>
Class A - Acc (USD)	USD 2,500.-	USD 5,000.-	USD 100.-
Class A - Dis (USD)	USD 2,500.-	USD 5,000.-	USD 100.-
Class A - Acc(HKD)	HKD 20,000.-	HKD 40,000.-	HKD 800.-
Class A - Dis (HKD)	HKD 20,000.-	HKD 40,000.-	HKD 800.-

### 2.2 Class I Shares

Class I Shares may only be purchased by Institutional Investors within the meaning of Article 174 of the UCI Law.

Class I Shares will be issued in the following Reference Currencies: USD and HKD.

	<i>Minimum Holding</i>	<i>Minimum Subscription</i>	<i>Minimum Additional Subscription</i>
Class I - Acc (USD)	USD 500,000.-	USD 1,000,000.-	USD 250,000.-
Class I - Dis (USD)	USD 500,000.-	USD 1,000,000.-	USD 250,000.-
Class I - Dis (HKD)	HKD 4,000,000.-	HKD 8,000,000.-	HKD 2,000,000.-

For all Classes of Shares referred to in this section, a redemption request which would reduce the value at such time of any holding to below the Minimum Holding, as specified above, may be treated as a request to redeem the whole of such shareholding. The Directors may waive the minimum amounts for the Minimum Holding and the initial and/or subsequent subscriptions at their sole discretion.



### 2.3 Class Z Shares

Class Z Shares may only be purchased by Institutional Investors within the meaning of Article 174 of the UCI Law.

Class Z Shares will be issued in the following Reference Currencies: USD and HKD.

	<i>Minimum Holding</i>	<i>Minimum Subscription</i>	<i>Minimum Additional Subscription</i>
Class Z (USD)	USD 500,000.-	USD 1,000,000.-	USD 250,000.-
Class Z (HKD)	HKD 4,000,000.-	HKD 8,000,000.-	HKD 2,000,000.-

### 3. Subscription Price, Preliminary Charge, Redemption Fee and Dilution Levy

The Subscription Price per Class A, Class I, and Class Z Shares will be equal to the next determined NAV per Share of the relevant Class as at the Dealing Day on which the subscription application is received plus the preliminary charge as mentioned hereinafter.

The preliminary charge levied is a maximum of 5% of the aggregate NAV per Share of the relevant Class subscribed by investors, which shall be retained by CSOP Asset Management Limited acting as the Hong Kong Distributor and the Hong Kong Representative.

Based on the expected level of transactions in the Sub-Fund the estimated rate of the price adjustment due to any dilution levy may be up to 1.5% of NAV per Share.

No redemption fee will be charged; however, the Market Timing / Excessive Trading Fee of up to 2% of the subscription or redemption amount may apply.

Investors will be given at least one month's prior notice before an increase in any such fees may take effect, subject to the maximum rates set out in this Supplement.

### 4. Subscriptions

Applications for subscriptions received by Distributors, the Hong Kong Distributor, or the Hong Kong Representative no later than 4 pm, Hong Kong time (for this Sub-Fund, the "**Cut-Off time**") on a Business Day (for this Sub-Fund, a "**Dealing Day**") will be executed on the basis of the above-mentioned Subscription Price as at the Dealing Day plus any dilution levy. Only complete applications received in this timeframe and meet all the applicable requirements set out in the section "Subscription" will be executed. Submission of application forms via Distributors may be subject to a cut-off time earlier than the Cut-Off time as specified in this Supplement. Similarly, the Hong Kong Distributor and/or the Hong Kong Representative may change the Cut-Off time to such other time. Investors should therefore check with the relevant Distributor(s), the Hong Kong Distributor or the Hong Kong Representative (as the case may be) on the timing and procedures for submission of any application forms.

Cleared funds (net of any transfer costs) in the relevant currency in respect of the subscription monies (including any preliminary charge) in relation to any Classes of Shares must be received by wire transfer by the Administrator by 4pm Hong Kong time on the second Business Day after the relevant Dealing Day.

### 5. Redemptions

Applications for redemptions will be dealt with on each Dealing Day. Applications for redemptions must be received by the Distributor, the Hong Kong Distributor or the Hong Kong Representative not later than the Cut-Off time of the relevant Dealing Day. Applications received after that time will be processed on the next Dealing Day. Submission of redemption applications via Distributors may be subject to a cut-off time earlier than the Cut-Off time as specified in this Supplement. Similarly, the Hong Kong Distributor and/or the Hong Kong Representative may change the Cut-Off time to such other time. Investors should therefore check with the relevant Distributor(s), the Hong Kong Distributor or the Hong Kong Representative (as the case may be) on the timing and procedures for submission of any application forms.

The Redemption Price shall be equal to the NAV per Share of the Sub-Fund on the relevant Dealing Day, less any redemption fee and dilution levy if applicable.

Payment of redemption proceeds will be made within 14 Business Days from the relevant Dealing Day.

**No money should be paid to any intermediary in Hong Kong which is not licensed or registered for Type 1 (Dealing in Securities) regulated activity under Part V of the Securities and Futures Ordinance.**

## **6. Conversions**

The Shares of the Sub-Fund are not convertible into Shares of another Sub-Fund.

Class A Shares, Class I Shares, and Class Z Shares are not convertible.

## **7. Reference Currency of the Sub-Fund/ Reference Currency of the available Share Classes/ Currency Hedging**

The Reference Currency of the Sub-Fund is the USD.

The NAV per Share of Class A (USD) Shares and Class A (HKD) Shares will be calculated in USD and HKD, respectively, being the Reference Currencies of these Classes.

The NAV per Share of Class I (USD) Shares and Class I (HKD) Shares will be calculated in USD and HKD, respectively, being the Reference Currencies of these Classes.

The NAV per Share of Class Z (USD) Shares and Class Z (HKD) Shares will be calculated in USD and HKD, respectively, being the Reference Currencies of these Classes.

The investments of the Sub-Fund denominated in a currency other than USD may be hedged into the Reference Currency of the Sub-Fund, although the Investment Manager envisages that it will unlikely hedge investments of the Sub-Fund denominated in HKD into USD. Currency hedging will be made through the use of various techniques including the entering into of forward currency contracts, currency options and futures. The relevant currency hedging is intended to reduce a Shareholder's exposure to the respective currencies in which the Sub-Fund's investments are denominated. In this regard, it is anticipated that currency risks will be hedged to a large extent although there is no guarantee that such hedging will be effective. Where the currency exposure of the Sub-Fund is not fully hedged or where the hedging transactions are not completely effective, the value of the assets of the Sub-Fund may be affected favourably or unfavourably by fluctuations in currency rates. From time to time the Investment Manager may not fully hedge the currency exposure, if it considers this to be in the interest of the Shareholders. Any costs incurred relating to the above mentioned hedging will be borne by the Sub-Fund.

In addition, the foreign exchange exposure of the assets of the Sub-Fund attributable to any Class of Shares denominated in any currency other than USD shall be, unless otherwise indicated under point 2 "Share Classes / Minimum Investment and Holding" above, hedged in order to minimise, so far as reasonably practicable, the impact of fluctuations in the exchange rates between USD (being the Reference Currency of the Sub-Fund) and such other currency. Again, there can be no guarantee that any such hedges that are put in place will be effective. The costs and any benefit of hedging the foreign currency exposure of the assets attributable to any Class of Shares with a Reference Currency other than USD from USD into the relevant currency will be allocated solely to the relevant Share Class.

## **8. Frequency of the Net Asset Value calculation and Valuation Day**

The NAV per Share of the Sub-Fund is determined on the basis of the value of the assets of the Sub-Fund as at 1:00 pm Luxembourg time (for this Sub-Fund, the "Valuation Point") on each Business Day (for this Sub-Fund, a "Valuation Day").

The NAV per Share will be published on the same Valuation Day at 6:00 pm Luxembourg time.

## **9. Distribution policy**

The Sub-Fund issues Accumulation Shares and Distribution Shares.

With respect to Accumulation Shares (the name of which will include "Acc"), no dividend will be declared in respect of the Accumulation Shares and any income in relation to the Shares shall be accumulated and automatically reinvested, according to the investment strategies described above.

With respect to Distribution Shares (the name of which will include "Dis"), the Sub-Fund will endeavour to distribute to investors all or part of its Total Net Income, if any, on a yearly basis. At its discretion, the Board of Directors may decide to pay interim dividends on a more frequent basis, such as quarterly or semi-annually. At its discretion, the Board of Directors may also decide to pay dividends out of capital, or pay dividends out of both income and capital of the Sub-Fund. The amount of income available for distribution may fluctuate from year to year.

Where the Board of Directors decide to pay dividends in respect of a Class of Shares of the Sub-Fund out of the capital of the Sub-Fund, or where the dividends in respect of a Class of Shares of the Sub-Fund are paid out of gross income of the Sub-Fund while the Sub-Fund's fees and expenses are charged to or paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund, such payment of dividends are considered as a payment of dividends out of and effectively out of capital respectively, both of which would amount 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 dividends effectively out of the Sub-Fund's capital (as the case may be) may result in an immediate reduction of the Net Asset Value per Share.

Commencing from the date on which payment of dividends is being made out of or effectively out of the capital of the Sub-Fund, the composition of the dividends (i.e. the relative amounts paid out of (i) Total Net Income and (ii) capital) for the last 12 months will be able to be obtained from the Hong Kong Representative upon request and also on the Sub-Fund's website at <http://www.csopasset.com>. Please note that the content of the above website has not been reviewed or approved by the SFC.

Any distributions of dividend decided by the Board of Directors during the course of one given

financial year will be regarded as the distribution of an interim dividend, which must be confirmed by the Shareholders during the annual general meeting of Shareholders approving the financial statements of such financial year. Distributions decided by the Shareholders shall normally become payable no later than six (6) months after the end of the accounting year to which such dividends relate.

The Sub-Fund may amend the dividend distribution policy with respect to the matters mentioned above subject to the SFC's prior approval and by giving not less than one month's prior notice to the Shareholders.

For a complete description of all the risks for the Sub-Fund that the SICAV is aware of, please refer to the section "General Risks".

## 10. Investment Management Fee

The Investment Manager will receive from the Sub-Fund, payable out of the assets attributable to the relevant Class of Shares, the following investment management fees calculated and accrued on each Valuation Day on the basis of the NAV of the assets attributable to the relevant Class of Shares and paid out monthly in arrears on the relevant Valuation Day:

Class A Shares:	2.00% <i>per annum</i>
Class I Shares:	1.00% <i>per annum</i>
Class Z Shares:	1.00% <i>per annum</i>

Investors will be given at least one month's prior notice before an increase in the investment management fee may take effect.

## 11. Performance Fee

The Investment Manager is entitled to charge a Performance Fee in relation to the Class(es) of Shares referred to below, calculated and accrued on a daily basis and payable annually in arrears after the end of each Performance Period in accordance with the provisions of this paragraph 11.

Class A Shares:	No Performance Fee
Class I Shares:	Performance Fee Applicable
Class Z Shares:	Performance Fee Applicable

In this paragraph 11, the following terms shall have the meanings as follows:

"Daily Accrual of Performance Fee"	For Class I Shares 20% x [Percentage Increase - Hurdle Rate] x High Water Mark x number of Shares of the relevant Class outstanding as at the relevant Valuation Day of the relevant Performance Period, provided that the Daily Accrual of Performance Fee shall not be less than zero.
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For Class Z Shares 15% x Percentage Increase x High Water Mark x number of Shares of the relevant Class outstanding as at the relevant Valuation Day of the relevant Performance Period, provided that the Daily Accrual of Performance Fee shall not be less than zero.

"High Water Mark"	in respect of a Performance Period, the greater of: (a) the
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highest Net Asset Value per Share as at the last Valuation Day of all the previous Performance Periods (net of any and all fees and expenses including any provision for any Performance Fee previously accrued); or (b) USD 100 per Share (being the price at which Shares were issued during the Initial Offer Period).

**"Hurdle Rate"**

the product of  $8\% \times [T / 365]$ , where "T", as at a Valuation Day, means the number of calendar day(s) (including that Valuation Day) of a Performance Period passed in that Performance Period (for example, where 1 January is the Valuation Day, the applicable Hurdle Rate will be  $8\% \times [1/365]$ ; where 30 June is the Valuation Day, the applicable Hurdle Rate will be  $8\% \times [181/365]$ ; and where 31 December is the Valuation Day, the applicable Hurdle Rate will be 8%).

**"Percentage Increase"**

as at a Valuation Day, shall be equal to:

$[(NAV_1 - \text{High Water Mark}) / \text{High Water Mark}] \times 100\%$ , where:

NAV<sub>1</sub> - the Net Asset Value per Share of such relevant Class as at the relevant Valuation Day of that Performance Period (after deduction of any and all fees and expenses accrued on that Valuation Day but before any provision for any Performance Fee previously accrued)

**"Performance Period"**

each period commencing from 1 January of a year and ending on the last Valuation Day of that year (i.e. calendar year period) except for the first Performance Period which shall be (i) the period commencing on the Business Day immediately following the close of the Initial Offer Period and ending on the last Valuation Day in 2011 for Class I Shares inclusive and (ii) the period commencing on the Business Day immediately following the close of the Initial Offer Period and ending on the last Valuation Day in 2017 for Class Z Shares inclusive.

**"Pre-set Annual Hurdle Rate"** the minimum annualised rate of growth (currently set at 8% per annum) required on a Share before the Investment Manager can charge a Performance Fee.

Performance Fee shall accrue on a daily basis. The Investment Manager is entitled to be paid a Performance Fee on the Shares outstanding as at the last Valuation Day of each Performance Period and a Performance Fee on the Shares being redeemed or exchanged during a Performance Period, in each case, provided that certain criteria are met, as discussed in this paragraph 11.

### **11.1 Performance Fee Charged in respect of Class I Shares**

#### **11.1.1 Performance Fee on the Shares outstanding as at the last Valuation Day of a Performance Period**

At the end of each Performance Period, for each Class of Shares referred to above as a Class of Shares to which a Performance Fee applies, the Investment Manager shall be entitled to a Performance Fee (calculated in the manner below) on the Shares outstanding as at the last Valuation Day of that Performance Period if the Percentage Increase as at such last Valuation Day exceeds the Pre-set Annual Hurdle Rate.

The Performance Fee in respect of a Class of Shares that the Investment Manager will be entitled to where the Percentage Increase as at such last Valuation Day exceeds the Pre-set Annual Hurdle Rate is equal to:

20% x Outperformance per Share x number of Shares of that Class outstanding as at the last Valuation Day of the relevant Performance Period

where:

"Outperformance per Share" = [Percentage Increase as at the last Valuation Day of the relevant Performance Period - Hurdle Rate] x High Water Mark

#### **11.1.2 Daily accrual of Performance Fee**

The Performance Fee (if any), in respect of a Class of Share, shall be calculated and accrued on each Valuation Day during a Performance Period if the Percentage Increase as at that Valuation Day exceeds the applicable Hurdle Rate for that Valuation Day.

##### Where there is a daily accrual of Performance Fee

If, as at the relevant Valuation Day, in respect of a Class of Shares, the Percentage Increase exceeds the Hurdle Rate, then any and all Daily Accrual of Performance Fee previously made during the relevant Performance Period will be reversed and a Daily Accrual of Performance Fee will be accrued (and deducted from the calculation of the Net Asset Value per Share of that Class) in respect of the period from the beginning of the relevant Performance Period up to (and including) that Valuation Day.

##### Where there is no daily accrual of Performance Fee

Conversely, if as at the relevant Valuation Day, in respect of a Class of Shares, the Percentage Increase does not exceed the Hurdle Rate, then any and all Daily Accrual of Performance Fee previously made during the relevant Performance Period will be reversed and no Performance Fee shall be accrued in respect of the period from the beginning of the relevant

Performance Period up to (and including) that Valuation Day.

For the avoidance of doubt, in calculating the Percentage Increase for a Valuation Day, the Net Asset Value per Share of the relevant Class shall be determined after the deduction of any and all fees and expense accrued on that Valuation Day but before any provision for any Daily Accrual of Performance Fees.

### **11.1.3 Illustrative examples**

The examples below are shown for illustration purposes only and may contain simplifications. Assumptions:

- At the start of the first performance period (1 January), the NAV per share is USD 100.
- The performance fee payable is 20% of the Percentage Increase per share above the Hurdle Rate (8%) during a performance period in terms of the High Water Mark (i.e. outperformance per share).
  - (i) First performance period (Percentage Increase above Hurdle rate at the end of performance period – performance fee payable)

Investor A holds one share at the start of the first performance period. High Water Mark is the NAV per share as at the start of the first performance period, which is USD 100. Mid-way through the first performance period, on 30 June, the NAV per share on the last business day is USD103. Investor B subscribes for one share.

By the end of the first performance period, the NAV per share is USD110. The Percentage Increase is 10% ( $= (\text{USD } 110 - \text{USD } 100) / \text{USD } 100$ ), which is above the Hurdle Rate of 8% ( $= 8\% \times [365 / 365]$ ). The number of Shares outstanding as at the last Valuation Day is 2 shares.

The total performance fee payable by the fund would be calculated as:  
 $20\% \times (10\% - 8\%) \times \text{USD } 100 \times 2 \text{ shares} = \text{USD } 0.8$ .

At the end of the first performance period, the gross NAV per share will be reduced by USD 0.4. In effect, each of Investors A and B will have borne the USD 0.4 performance fee in respect of the first performance period.

- (ii) Second performance period (Percentage Increase below Hurdle rate on a particular valuation day – no performance fee accrual Percentage Increase below Hurdle rate at the end of performance period – no performance fee payable):

At the start of the second performance period, the High Water Mark is USD109.6 (being the NAV per share at the end of the last performance period in respect of which a performance fee was paid (after deduction of performance fee)).

Mid-way through the second performance period, on 31 March, Investor A redeems his share, and the NAV per share on the last business day is USD110. On this valuation day, the Percentage Increase is 0.36% ( $= (\text{USD } 110 - \text{USD } 109.6) / \text{USD } 109.6$ ) below the Hurdle Rate of 1.97% ( $= 8\% \times [90 / 365]$ ). Therefore, no performance fee is accrued in respect of the share redeemed by Investor A.

At the end of the second performance period, the NAV per share becomes USD105. There has been no outperformance of NAV per share. No performance fee is therefore payable in the second performance period.

#### **11.1.4 Redemption during a Performance Period**

Where a redemption or exchange of Shares of a certain Class takes place as at a Valuation Day during a Performance Period, if as at such Valuation Day, there is a Daily Accrual of Performance Fee on those redeemed Shares, such Daily Accrual of Performance Fee in respect of those redeemed Shares will be treated as crystalized and will not be subject to any future reversal that may take place during the remaining period of the Performance Period. Such Daily Accrual of Performance Fee shall be payable to the Investment Manager after the end of the Performance Period, together with any other accrued and crystalized Daily Accrual of Performance Fee on other redeemed Shares and Performance Fee accrued and payable on the Shares outstanding as at the last Valuation Day as a result of the Percentage Increase of the Net Asset Value per Share as at that day exceeding the Pre-set Annual Hurdle Rate. For the avoidance of doubt, any accrued and crystalized Daily Accrual of Performance Fee on any redeemed Shares during a Performance Period will be payable to the Investment Manager after the end of that Performance Period even if the Percentage Increase as at the last Valuation Day of that Performance Period does not exceed the Pre-set Annual Hurdle Rate.

#### **11.1.5 High Water Mark**

The initial issue price per Share of each Class is set as the initial High Water Mark for the Shares of the relevant Class. In respect of any Class, where a Performance Fee is payable to the Investment Manager for a Performance Period, which means that the Percentage Increase of the Net Asset Value (based on the Net Asset Value as at the last Valuation Day of such Performance Period after deduction of any and all fees and expenses accrued on that Valuation Day but before any provision for any Daily Accrual of Performance Fees ) exceeds the Pre-set Annual Hurdle Rate, the Net Asset Value per Share (less any and all fees and expenses accrued on that Valuation Day and any accrued Performance Fee) will be set as the High Water Mark for the relevant Class for the next Performance Period. Where, however, no Performance Fee is payable to the Investment Manager for such Performance Period, which means that the Percentage Increase of the Net Asset Value (based on the Net Asset Value as at the last Valuation Day of such Performance Period after deduction of any and all fees and expenses accrued on that Valuation Day but before any provision for any Daily Accrual of Performance Fees) does not exceed the Pre-set Annual Hurdle Rate, there will not be any resetting of High Water Mark and the then prevailing High Water Mark used will continue to be the High Water Mark to be used for the relevant Class for the next Performance Period.

#### **11.1.6 No equalisation arrangement**

Within a Performance Period, when there has already been a Daily Accrual of Performance Fee over a period of positive performance for Shares of a certain Class which then attracts significant new subscription for Shares of that Class, but then followed by a period of negative performance, the reversal of the Daily Accrual of Performance Fee will be effected with respect to the whole Class of Shares, which will be shared by all the Shares in issue regardless of the time when such Shares are subscribed. Also, if the Percentage Increase as at a Valuation Day does not exceed the Hurdle Rate, there will be no Daily Accrual of Performance Fee until the Percentage Increase as at the relevant Valuation Day exceeds the Hurdle Rate.

The cumulative Daily Accrual of Performance Fee from the beginning of a Performance Period will be included in the calculation of the Net Asset Value per Share. Accordingly, the Net Asset Value per Share at which Shareholders subscribe or redeem Shares at different times will be affected by the amount of the Daily Accrual of Performance Fee imbedded therein which may vary on each Valuation Day and in turn is determined by the performance of the Sub-Fund and the level of subscriptions to and redemptions out of the Sub-Fund at different times during the Performance Period and there will not be any adjustment to the relevant Net Asset Value per Share.



Investors should note that there will be no equalisation payment or series shares for the purposes of determining the Performance Fee payable to the Investment Manager. The use of equalisation payment or issue of series shares ensures that the Performance Fee payable by an investor is directly referable to the specific performance of such individual investor's holding of Shares. The current methodology for calculating the Performance Fee as set out above involves adjusting the Subscription Price and Redemption Price to make provision for accrual for the Performance Fee upon the issue and redemption of Shares during the Performance Period. Investors may therefore be advantaged or disadvantaged as a result of this method of calculation, depending upon the Net Asset Value per Share at the time an investor subscribes or redeems relative to the overall performance of that Class of Shares during the relevant Performance Period and the timing of subscriptions and redemptions to the Sub-Fund during the course of such Performance Period.

This can mean, for example, an investor who subscribes for Shares of a certain Class during the course of a Performance Period when the Percentage Increase at that time is below the Hurdle Rate, and who subsequently redeems prior to the end of such Performance Period when the Percentage Increase at that time has increased but still is below the Hurdle Rate will be advantaged as no Performance Fee will be chargeable in such circumstances. Conversely, an investor who subscribes for Shares of a certain Class during the course of a Performance Period when the Percentage Increase at that time exceeds the Hurdle Rate will pay a price which is reduced by a provision for the Performance Fee because that provision will have been accrued and taken into account in calculating the Subscription Price as at the relevant Valuation Day. If he subsequently redeems prior to or at the end of such Performance Period when the Percentage Increase has decreased (but remains higher than the Hurdle Rate) he may be disadvantaged as he could still be required to bear a Performance Fee calculated on the Outperformance per Share. As a result of the foregoing, there is a risk that a Shareholder redeeming Shares may still incur Performance Fee in respect of the Shares, even though a loss in investment capital has been suffered by the redeeming Shareholder.

#### ***11.1.7 Timing of payment***

The Performance Fee (if any) will generally be payable to the Investment Manager within 30 days after the end of each Performance Period. If the Investment Management Agreement is terminated as of a date other than the last day of a Performance Period, any Daily Accrual of Performance Fee over the period from the commencement of such Performance Period through the termination date of the Investment Management Agreement will be crystalized upon termination and payable within 30 days after such date.

The Investment Manager may pay a portion of the investment management fee or the Performance Fee to such sub-advisors, consultants or investors as it may select from time to time.

It should be noted that the investment management fees and Performance Fees are based in part upon unrealised gains (as well as unrealised losses) and that such unrealised gains and/or losses may never be realized. On termination of the Investment Management Agreement the Investment Manager shall be entitled to receive all fees and other moneys accrued but not yet paid on a pro rata basis up to the date of such termination as provided in the Investment Management Agreement and shall repay on a pro rata basis fees and other moneys paid to it in respect of any period after the date of such termination. In addition, the Sub-Fund shall also pay to the Investment Manager's expenses referred to in the Investment Management Agreement to the extent to which the Investment Manager is obliged to continue to make such payments for and on behalf of the Sub-Fund beyond the date of termination of the Investment Management Agreement.

Performance Fees paid to the Investment Manager shall not be refundable despite the

subsequent occurrence of a reduction in NAV of the relevant Shares after the end of the Performance Period to which the Performance Fee relates.

## **11.2 Performance Fee charged in respect of Class Z Shares**

The methodology for calculating the Performance Fee for the Class Z Shares resembles the methodology for calculating the Performance Fee for the Class I Shares with three main differences: (i) the actual performance fee percentage, and (ii) the absence of a hurdle rate, and (iii) the timing of payment.

### **11.2.1 Performance Fee on the Shares outstanding as at the last Valuation Day of a Performance Period**

At the end of each Performance Period, for each Class Z Shares, the Investment Manager shall be entitled to a Performance Fee (calculated in the manner below) on the Shares outstanding as at the last Valuation Day of that Performance Period.

The Performance Fee in respect of a Class of Shares that the Investment Manager will be entitled to is equal to:

$15\% \times \text{Outperformance per Share} \times \text{number of Shares of that Class outstanding as at the last Valuation Day of the relevant Performance Period}$

where:

"Outperformance per Share" = Percentage Increase of Net Asset Value per Share as at the last Valuation Day of the relevant Performance Period x High Water Mark

### **11.2.2 Daily accrual of Performance Fee**

The Performance Fee (if any), in respect of a Class of Share, shall be calculated and accrued on each Valuation Day during a Performance Period.

*Where there is a daily accrual of Performance Fee*

If, as at the relevant Valuation Day, in respect of a Class of Shares, there has been a Percentage Increase with respect to Net Asset Value per Share, then any and all Daily Accrual of Performance Fee previously made during the relevant Performance Period will be reversed and a Daily Accrual of Performance Fee will be accrued (and deducted from the calculation of the Net Asset Value per Share of that Class) in respect of the period from the beginning of the relevant Performance Period up to (and including) that Valuation Day.

*Where there is no daily accrual of Performance Fee*

Conversely, if as at the relevant Valuation Day, in respect of a Class of Shares, there has not been a Percentage Increase with respect to Net Asset Value per Share, then any and all Daily Accrual of Performance Fee previously made during the relevant Performance Period will be reversed and no Performance Fee shall be accrued in respect of the period from the beginning of the relevant Performance Period up to (and including) that Valuation Day.

For the avoidance of doubt, in calculating the Percentage Increase for a Valuation Day, the Net Asset Value per Share of the relevant Class shall be determined after the deduction of any and all fees and expense accrued on that Valuation Day but before any provision for any Daily Accrual of Performance Fees.

### **11.2.3 Illustrative examples**

The examples below are shown for illustration purposes only and may contain simplifications.  
Assumptions:

- The initial subscription price for the relevant share is USD100.
- The performance fee payable is 15% of the increase in the NAV per share during a performance period above the High Water Mark (i.e. outperformance of NAV per share).
  - (i) First performance period (NAV per share above High Water Mark at the end of performance period – performance fee payable)

Investor A subscribes for one share during the initial offer period at the initial subscription price. Thereafter, investor B subscribes for one share within the first performance period at a subscription price of USD 99. High Water Mark is the initial subscription price, which is USD 100.

By the end of the first performance period, the NAV per share is USD108. The outperformance of NAV per share is thus USD 8. The number of Shares outstanding as at the last Valuation Day is 2 shares.

The total performance fee payable by the fund would be calculated as:  
 $(\text{USD } 108 - \text{USD } 100) \times 15\% \times 2 \text{ shares} = \text{USD } 2.4$ .

At the end of the first performance period, the NAV per share will be reduced by USD 1.2. In effect, each of Investors A and B will have borne the USD 1.2 performance fee in respect of the first performance period.

- (ii) Second performance period (NAV per share below High Water Mark on a particular valuation day – no performance fee accrual; NAV below High Water Mark at the end of performance period – no performance fee payable):

At the start of the second performance period, the High Water Mark is USD106.8 (being the NAV per share at the end of the last performance period in respect of which a performance fee was paid (after deduction of performance fee)).

Mid-way through the second performance period, the NAV per share is USD103. Investor A redeems his share. Investor C subscribes for one share. On this valuation day, the NAV per share is below the High Water Mark. Therefore, no performance fee is accrued in respect of the share redeemed by Investor A.

At the end of the second performance period, the NAV per share becomes USD105. There has been no outperformance of NAV per share. No performance fee is therefore payable in the second performance period.

### **11.2.4 Redemption during a Performance Period**

Where a redemption or exchange of Shares of a certain Class takes place as at a Valuation Day during a Performance Period, if as at such Valuation Day, there is a Daily Accrual of Performance Fee on those redeemed Shares, such Daily Accrual of Performance Fee in respect of those redeemed Shares will be treated as crystalized and will not be subject to any future reversal that may take place during the remaining period of the Performance Period. Such Daily Accrual of Performance Fee shall be payable to the Investment Manager after the end of the Performance Period, together with any other accrued and crystalized Daily Accrual of Performance Fee on other redeemed Shares and Performance Fee accrued and payable on

the Shares outstanding as at the last Valuation Day as a result of the Percentage Increase of the Net Asset Value per Share. For the avoidance of doubt, any accrued and crystalized Daily Accrual of Performance Fee on any redeemed Shares during a Performance Period will be payable to the Investment Manager after the end of that Performance Period.

#### **11.2.5 High Water Mark**

The initial issue price per Share of each Class is set as the initial High Water Mark for the Shares of the relevant Class. In respect of any Class, where a Performance Fee is payable to the Investment Manager for a Performance Period, the Net Asset Value per Share (less any and all fees and expenses accrued on that Valuation Day and any accrued Performance Fee) will be set as the High Water Mark for the relevant Class for the next Performance Period. Where, however, no Performance Fee is payable to the Investment Manager for such Performance Period, there will not be any resetting of High Water Mark and the then prevailing High Water Mark used will continue to be the High Water Mark to be used for the relevant Class for the next Performance Period.

#### **11.2.6 No equalisation arrangement**

Within a Performance Period, when there has already been a Daily Accrual of Performance Fee over a period of positive performance for Shares of a certain Class which then attracts significant new subscription for Shares of that Class, but then followed by a period of negative performance, the reversal of the Daily Accrual of Performance Fee will be effected with respect to the whole Class of Shares, which will be shared by all the Shares in issue regardless of the time when such Shares are subscribed.

The cumulative Daily Accrual of Performance Fee from the beginning of a Performance Period will be included in the calculation of the Net Asset Value per Share. Accordingly, the Net Asset Value per Share at which Shareholders subscribe or redeem Shares at different times will be affected by the amount of the Daily Accrual of Performance Fee imbedded therein which may vary on each Valuation Day and in turn is determined by the performance of the Sub-Fund and the level of subscriptions to and redemptions out of the Sub-Fund at different times during the Performance Period and there will not be any adjustment to the relevant Net Asset Value per Share.

Investors should note that there will be no equalisation payment or series shares for the purposes of determining the Performance Fee payable to the Investment Manager. The use of equalisation payment or issue of series shares ensures that the Performance Fee payable by an investor is directly referable to the specific performance of such individual investor's holding of Shares. The current methodology for calculating the Performance Fee as set out above involves adjusting the Subscription Price and Redemption Price to make provision for accrual for the Performance Fee upon the issue and redemption of Shares during the Performance Period. Investors may therefore be advantaged or disadvantaged as a result of this method of calculation, depending upon the Net Asset Value per Share at the time an investor subscribes or redeems relative to the overall performance of that Class of Shares during the relevant Performance Period and the timing of subscriptions and redemptions to the Sub-Fund during the course of such Performance Period.

#### **11.2.7 Timing of payment**

The Performance Fee for all Classes of Shares (if any) will generally be payable annually to the Investment Manager within 30 days after the end of each Performance Period. If the Investment Management Agreement is terminated as of a date other than the last day of a Performance Period, any Daily Accrual of Performance Fee over the period from the commencement of such Performance Period through the termination date of the Investment Management Agreement will be crystalized upon termination and payable within 30 days after such date.

The Investment Manager may pay a portion of the investment management fee or the Performance Fee to such sub-advisors, consultants or investors as it may select from time to time.

It should be noted that the investment management fees and Performance Fees are based in part upon unrealised gains (as well as unrealised losses) and that such unrealised gains and/or losses may never be realized. On termination of the Investment Management Agreement the Investment Manager shall be entitled to receive all fees and other moneys accrued but not yet paid on a pro rata basis up to the date of such termination as provided in the Investment Management Agreement and shall repay on a pro rata basis fees and other moneys paid to it in respect of any period after the date of such termination. In addition, the Sub-Fund shall also pay to the Investment Manager's expenses referred to in the Investment Management Agreement to the extent to which the Investment Manager is obliged to continue to make such payments for and on behalf of the Sub-Fund beyond the date of termination of the Investment Management Agreement.

Performance Fees paid to the Investment Manager shall not be refundable despite the subsequent occurrence of a reduction in NAV of the relevant Shares after the end of the Performance Period to which the Performance Fee relates.

## **12. Fees of the Depositary and Paying Agent, Administrator and the Management Company**

The Sub-Fund pays the fees of the Depositary and Paying Agent and Administrator, at commercial rates agreed between these parties and the SICAV, in addition to reasonable out-of-pocket expenses properly incurred in the course of carrying out their duties. The maximum fee paid for these services by the Sub-Fund will be 0.5% p.a. of its Net Asset Value (excluding reasonable out-of-pocket expenses) and remain subject to a minimum of USD35,000 per year. In the event that the maximum fee of 0.5% p.a. of the Net Asset Value is lower than the minima set out in the Depositary agreement and the Administration agreement, the minima may, in such circumstances, exceed the maximum fee of 0.5% of the Net Asset Value.

Investors will be given at least one month's prior notice before an increase in any such fees may take effect.

The Management Company is entitled to receive a management company fee of a maximum of 0.05 % p.a., subject to an annual minimum fee of EUR 20,000 applicable at the level of the SICAV. This fee is payable monthly by the Sub-Fund and based on the average net assets of the Sub-Fund during the relevant month.

## **13. Listing on the Luxembourg and Hong Kong Stock Exchanges**

The Shares of the Sub-Fund will not be listed.

## **14. Availability of the Net Asset Value**

The NAV per Share of each Class in the Sub-Fund will be published daily on the website of CSOP Asset Management Limited (which is the Investment Manager and Hong Kong Representative) at [www.csopasset.com](http://www.csopasset.com). Please note that the content of the above website has not been reviewed or approved by the SFC. Also, investors are advised that such published NAV is for information only. Notwithstanding the disclosure in this Hong Kong Prospectus, none of the SICAV, Investment Manager, Administrator, Hong Kong Distributor, Distributors or the Hong Kong Representative accepts responsibility for any error in publication or for omission of publication of prices if such error or omission is due to the error of the newspaper publishers.

## **15. Taxation**

### **15.1 Luxembourg Tax (“Taxe d’abonnement”, i.e. subscription tax)**

Class A Shares: 0.05%  
Class I Shares: 0.01%  
Class Z Shares: 0.01%

### **15.2 Hong Kong tax**

Investors will not be subject to any Hong Kong tax on capital gains realised on the sale of any Shares, nor should any stamp duty be payable on the issue or transfer of Shares. If the subscription for or redemption or transfer of shares forms part of a trade, profession or business carried on in Hong Kong by an investor, any gains may be subject to Hong Kong profits tax.

## **16. Risk warnings**

Investors are advised to carefully consider the risks of investing in the Sub-Fund. Risks associated with investment in the Sub-Fund may include, among others, investment risk, equity securities investment risk, credit risk and market risk and any combination of these and other risks. For a complete description of all the risks for the Sub-Fund that the SICAV is aware of, please refer to the section "General Risks".

In addition thereto, the following additional risk factors should be taken into consideration:

### ***Concentration risk***

The Sub-Fund is concentrated in equity securities issued by companies incorporated in Greater China, or derive most of their revenue from Greater China or incorporated outside Greater China but deemed by the Investment Manager to have substantial exposure to Greater China. As such, the performance of the Sub-Fund may be subject to price volatility, and more susceptible to the effects of any single economic, market, political or regulatory occurrence.

### ***Risks relating to investments listed in Hong Kong***

Where the Sub-Fund invests in securities listed in Hong Kong, such investments may involve substantial market, volatility, regulatory and political risks. Investors may suffer substantial loss of their investments in the Sub-Fund.

### ***Risk linked to investments in Mainland China-related securities***

An investment in a Sub-Fund with exposure to Mainland China's markets involves certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater government control over the economy, political and legal uncertainty, currency fluctuations or blockage, the risk that Mainland government may decide not to continue to support economic reform programs and the risk of nationalisation or expropriation of assets. Moreover, information available about the companies incorporated in Mainland China may not be as complete, accurate or timely as information about listed companies in other more developed economies or markets.

### ***RMB Currency and Foreign Exchange Risk***

The RMB exchange rate is no longer strictly pegged to the US dollar. Since 2005, the RMB has evolved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies.

RMB convertibility from offshore RMB (RMB circulating outside of Mainland China), i.e. the CNH, to onshore RMB (RMB circulating within Mainland China), i.e. the CNY, is a managed currency process subject to foreign exchange control policies of and repatriation restrictions imposed by Mainland government in coordination with the Hong Kong Monetary Authority (HKMA). The daily trading price of CNH against other major currencies in the inter-bank foreign exchange market, i.e. the CNH Rate, is allowed to float within a narrow band around the central parity published by the People's Bank of China (PBC). There are therefore two exchange rates for RMB, namely the CNY Rate which is the official exchange rate applicable to CNY and the CNH Rate which is the exchange rate applicable to CNH.

The value of CNH may differ from that of CNY due to a number of factors including without limitation those foreign exchange control policies and repatriation restrictions pursued by Mainland government from time-to-time as well as other external market forces and/or conditions.

Foreign exchange control policies pursued by Mainland government have resulted in the general appreciation of RMB (both CNH and CNY). This appreciation may or may not continue and there can be no assurance that RMB will not be subject to devaluation at some point. Any devaluation of RMB could adversely affect the value of investors' investments in the Portfolio.

The Sub-Fund participates in the offshore RMB market (i.e. the CNH market), which allows investors to freely transact CNH outside Mainland China with approved banks in the Hong Kong S.A.R. The investments of the Sub Fund may be made in RMB (at the CNH conversion rate) and accordingly part or all subscriptions received in currencies other than RMB (CNH) may be converted into RMB (CNH) using the CNH Rate for RMB denominated investments; the same applies to redemption proceeds by which RMB (CNH) proceeds derived from RMB denominated investments will be converted back using the CNH Rate.

The Sub-Fund may incur higher costs as a result of the multiple conversions between the RMB (CNH) and other currencies. The Sub-Fund will have no requirements to remit CNH to onshore CNY.

At present Mainland government authorizes the CNH rate as an unofficial conversion rate but it cannot be excluded that in the future Mainland government will introduce foreign exchange control restrictions in this respect.

### ***The Stock Connect Risks***

The Sub-Fund, subject to its investment objectives, strategies and restrictions as set out in above, may invest and have direct access to certain eligible China A Shares via the Stock Connect (as defined below).

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links program developed by Hong Kong Exchanges and Clearing Limited ("**HKEx**"), Shanghai Stock Exchange ("**SSE**") and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**"). The Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links program developed by HKEx, Shenzhen Stock Exchange ("**SZSE**") and ChinaClear (the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and any other similar program(s) which may be introduced from time to time, being collectively referred to as the "**Stock Connect**"). The aim of the Stock Connect is to achieve mutual stock market access between the PRC and Hong Kong.

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

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

### ***Eligible Securities***

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

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

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

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

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Sub-Fund) are able to trade selective stocks listed on the SZSE market (i.e. “**SZSE Securities**”). These include all the constituent stocks of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed A Shares which have corresponding H Shares listed on SEHK, except the following:

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

It is expected that both lists of SSE Securities and SZSE Securities will be subject to review and approval by the relevant regulatory bodies from time to time.

Further information about the Stock Connect is available online at the website:

<http://www.hkex.com.hk/mutualmarket>

### ***Where the Sub-Fund invests through the Stock Connect, such Sub-Fund will be subject to the following risks associated with the Stock Connect:-***

**Quota limitations risk** – The Stock Connect is subject to quota limitations. Trading under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be subject to a daily quota respectively (“**Daily Quota**”). The Daily Quota will apply on a “net buy” basis. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call auction session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Sub-Fund’s ability to invest in China A Shares through the Stock Connect on a timely basis, and the Sub-Fund may not be able to effectively pursue its investment strategies.



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

*Differences in trading days* – The Stock Connect only operates on days when both the PRC and Hong Kong Stock Exchanges are open for trading and when banks in both markets are open on the corresponding settlement days. Therefore it is possible that there are occasions when it is a normal trading day for the PRC Stock Exchanges but Hong Kong Stock Exchanges or banks are closed and overseas investors (such as the Sub-Fund) cannot carry out any China A Shares trading. Due to the differences in trading days, the Sub-Fund may be subject to a risk of price fluctuations in China A Shares on a day that the PRC Stock Exchanges are open for trading but the Hong Kong Stock Exchanges is closed.

*Operational risk* – The Stock Connect provide a channel for investors from Hong Kong and overseas to access the PRC Stock Exchanges directly.

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

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

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

*Custody, clearing and settlement risk* – 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. The China A Shares traded through Stock Connect are issued in scripless form, so Investors will not hold any physical China A Shares. Hong Kong and overseas investors (including the Sub-Fund) who have acquired SSE Securities or SZSE Securities through Northbound trading should maintain the SSE Securities or SZSE Securities with their brokers’ or custodians’ stock accounts with CCASS.

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

*Participation in corporate actions and shareholders' meetings* – 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/SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities or SZSE Securities (as the case may be).

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. The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities. 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-Fund) are holding SSE Securities and SZSE Securities traded via the Stock Connect through their brokers or custodians, and they will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be very short. Therefore, it is possible that the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

*Nominee risk* - HKSCC is the "nominee holder" of the SSE securities / SZSE securities (as the case may be) acquired by overseas investors (including the Sub-Fund) through the Stock Connect. The CSRC Stock Connect rules expressly provide that investors such as the Sub-Fund enjoy the rights and benefits of the SSE securities acquired through the Stock Connect in accordance with applicable laws. The CSRC has clarified and restated in the "Several Provisions on the Interconnection Mechanism for Mainland and Hong Kong Stock Markets" issued by the CSRC on 30 September 2016 that (i) the concept of nominee shareholding is recognised in Mainland China, (ii) overseas investors shall hold SSE securities / SZSE securities (as the case may be) through HKSCC and are entitled to proprietary interests in such securities as shareholders, (iii) Mainland China law does not expressly provide for a beneficial owner under the nominee holding structure to bring legal proceedings, nor does it prohibit a beneficial owner from doing so, (iv) as long as certification of holding issued by HKSCC and its participants is treated as lawful proof of a beneficial owner's holding of SSE securities / SZSE securities (as the case may be) under the Hong Kong Special Administrative Region law, it would be fully respected by CSRC and (v) as long as an overseas investor can provide evidential proof of direct interest as a beneficial owner, the investor may take legal actions in its own name in Mainland China

courts.

*Currency risk* – Where the Sub-Fund is denominated in USD or other foreign currency, the performance of the Sub-Fund may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities and SZSE Securities are traded and settled) and USD or other foreign currency. The Sub-Fund may, but is not obliged to, seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective. On the other hand, failure to hedge foreign currency risks may result in the Sub-Fund suffering from exchange rate fluctuations. For further details on exchange risk, please see risk factor “Currency Risk” above).

*No Protection by Investor Compensation Fund* – Investments through the Stock Connect is conducted through brokers, and are subject to the risks of default by such brokers’ in their obligations.

The Sub-Fund’s investments through Northbound trading under the Stock Connect is not covered by the Hong Kong’s Investor Compensation Fund, which 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. Therefore the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A Shares through the Stock Connect. Further, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is not protected by the China Securities Investor Protection Fund in the PRC.

*Regulatory risk* – The Stock Connect is novel in nature, and the Stock Connect 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 Stock Connect.

It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The Sub-Fund, which may invest in the PRC Stock Exchanges through the Stock Connect, may be adversely affected as a result of such changes.

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

A Sub-Fund may have exposure to stocks listed on SME Board and/or ChiNext Board of SZSE.

*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 the 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 the Sub-Fund and its Investors.

*Foreign shareholding restrictions and forced-sale arrangement* - The CSRC stipulates that, when holding China A Shares, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- shares held by a single foreign investor (such as the relevant Sub-Fund) is not allowed to exceed 10% of the company's total issued shares; and
- total China A Shares held by all foreign investors (i.e. all Hong Kong and overseas investors) in a listed company is not allowed to exceed 30% of its total issued shares.

When Hong Kong and overseas investors carry out strategic investments in listed companies in accordance with the applicable rules and regulations, the shareholding of the strategic investments (as defined in the relevant law and regulations) is not capped by the above-mentioned percentages.

As there are limits on the total shares held by all Hong Kong and overseas investors in a listed company in Mainland China, the capacity of the Sub-Fund to make investments in China A Shares will be affected by the activities of all Hong Kong and overseas investors investing through the Stock Connect or any other permissible ways to obtain China A Shares investment exposures. If the aggregate foreign shareholding limit is exceeded, the SSE and/or the SZSE will notify SEHK the number of shares that are subject to forced sale within 5 trading days for Northbound Trading. On a last-in-first-out basis, SEHK will identify the relevant trades involved and request the relevant SEHK participants to require the Hong Kong and overseas investors concerned to sell the China A Shares within the timeframe as stipulated by SEHK. If the relevant investors fail to sell the shares before the stipulated deadline, SEHK participants will be required to force-sell the shares for the relevant investors (such as the Sub-Fund).

### ***Stock Connect Tax Risks***

Pursuant to Caishui [2014] No. 81 ("Notice 81") and Caishui [2016] No. 127 ("Notice 127"), foreign investors investing in China A Shares listed on the SSE or the SZSE through the Stock Connect would be temporarily exempted from China corporate income tax and business tax on the gains on disposal of such China A Shares. Dividends would be subject to China corporate income tax on a withholding basis at 10%, unless reduced under a double tax treaty with China upon application to and obtaining approval from the competent China tax authority.

It is noted that Notice 81 and Notice 127 state that the corporate income tax exemptions effective from 17 November 2014 and 5 November 2016 respectively are temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the Sub-Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the Sub-Fund.

### ***Risks linked to investments in debt securities***

#### **(i) General Description**

Debt securities are subject to the risk of an issuer's inability to meet principal and interest payments on the obligation (*credit risk*) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*market risk and valuation risk*). The Investment Manager will consider both credit risk, market risk and valuation risk in making investment decisions for a portfolio.

The timing of purchase and sale transactions in debt obligations may result in capital appreciation or depreciation because the value of debt obligations generally varies inversely with prevailing interest rates.

(ii) Changing Interest Rates

The value of any fixed income security held by a portfolio will rise or fall inversely with changes in interest rates. Interest rates typically vary from one country to the next, and may change for a number of reasons. Those reasons include rapid expansions or contractions of a country's money supply, changes in demand by business and consumers to borrow money and actual or anticipated changes in the rate of inflation.

In general, if interest rates increase, one may expect that the market value of a fixed income instrument which pays interest payments would fall, whereas if interest rates decrease, one may expect that the market value of such investment would increase.

(iii) Credit Risk

The issuer of any debt security acquired by the Sub-Fund may default on its financial obligations. Moreover, the price of any such debt security normally reflects the perceived risk of default of the issuer of that security at the time the portfolio acquired the security. If after acquisition the perceived risk of default increases, the value of the security held by the portfolio is likely to fall.

There are many factors that could cause an issuer to default on its financial obligations, or an increase in the perceived risk of default of an issuer. Among those factors are the deteriorating financial condition of the issuer caused by changes in demand for the issuer's products or services, catastrophic litigation or the threat of catastrophic litigation and changes in laws, regulations and applicable tax regimes. The more concentrated a portfolio is in a particular industry; the more likely it will be affected by factors that affect the financial condition of that industry as a whole.

(iv) Credit rating risk

The Sub-Fund may invest in debt securities that have been designated by credit rating agencies with a credit rating of at least investment grade. Shareholders should be aware that ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates.

In addition, a rating is not a recommendation to buy, sell or hold any of the securities. Any or all of these ratings are subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently of any other rating.

(v) Credit downgrade risk

The debt securities may also be impacted by a downgraded credit rating. In the event of downgrading in the credit ratings of a debt security or an issuer relating to a debt security, the Sub-Fund's investment value in such security may be adversely affected.

***Mainland China Tax Risk***

RQFII funds' investment in the Mainland China market is subject to Mainland China tax liabilities.

The interpretation and applicability of existing Mainland China tax laws may not be as consistent and transparent as those of more developed nations, and may vary from region to region. There is a possibility that the current tax laws, regulations, and practice in Mainland China may be changed with retrospective effect in the future. 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 of these changes may reduce the income from, and/or value of, the RQFII funds.

There can be no guarantee that new tax laws, regulations, and practice in Mainland China that may be promulgated in the future will not adversely impact the tax exposure of the RQFII funds.

In light of the legal and regulatory uncertainties, managers of the RQFII funds may make provision for taxes or to deduct or to withhold an amount on account of taxes (which may be payable by the RQFII funds to the PRC tax authorities in respect of its investments in the relevant Mainland China related securities) from assets of the RQFII funds. Any provision for taxes made by the managers of the RQFII funds may be more or less than the RQFII funds' actual Mainland China tax liabilities. If the RQFII funds do not set aside enough to meet these tax obligations, then the shortfall may be debited from the RQFII funds' assets to meet the actual Mainland China tax liabilities. As a result, the income from, and/or the performance of the RQFII funds may be reduced/adversely affected.

### ***Small cap companies risk***

The attention of Shareholders is drawn to the fact that the liquidity of the assets in which the Sub-Fund will invest may be temporarily restricted. The Sub-Fund may invest in small cap companies. Stocks of small cap companies tend to be more vulnerable to adverse developments and may have little or no operating history or track record of success, and limited product lines, markets, management and financial resources. Securities of small cap companies may be more volatile due to less market interest and less publicly available issuer information. They also may be illiquid or restricted as to resale, or may trade less frequently and in smaller volumes, all of which may cause difficulty when establishing or closing a position at a desirable price. However the Board of Directors will seek to ensure that overall liquidity is guaranteed at any time.

### ***Performance Fee risk***

In addition to receiving an investment management fee, the Investment Manager may also receive a Performance Fee of 20% of the appreciation in the Net Asset Value per Share and the Performance Fee will increase with regard to unrealised appreciation, as well as realised gains. Accordingly, a Performance Fee may be paid on unrealised appreciation, which may subsequently never be realised. The Performance Fee may create an incentive for the Investment Manager to make investments for the Sub-Fund, which are riskier than would be the case in the absence of a fee based on the performance of the Sub-Fund. Because the investment decisions of the Investment Manager apply to the Sub-Fund as a whole, such decisions will also affect the risk profile of the investors holding Class A Shares, even though performance fee applies to Class I Shares and Class Z Shares.

### ***Risks linked to investments in other UCITS or UCIs***

The Sub-Fund may invest in other UCITS or UCIs including but not limited to RQFII funds or other funds. In addition to the expenses and charges charged by the Sub-Fund, investors should note that there may be additional fees involved when investing into these underlying

UCITS or other UCIs, including fees and expenses charged by the investment manager of these underlying UCITS or other UCIs as well as fees payable by the Sub-Fund during its subscription to or redemption from these underlying UCITS or other UCIs. Furthermore, there can be no assurance that (i) the liquidity of the UCITS or other UCIs in which the Sub-Fund invests will always be sufficient to meet redemption request as and when made; and (ii) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Investment Manager in the selection and monitoring of the underlying UCITS or other UCIs. The management fees charged at the level of the UCITS and/or other UCIs not managed by the Investment Manager will not exceed 1% of the Net Asset Value of the Sub-Fund. Accordingly, in respect of each Share Class, the total management fees that will be charged at the level of the Sub-Fund and the UCITS and/or other UCIs not managed by the Investment Manager will not exceed the aggregate of: (a) the applicable management fee specified in section "Investment Management Fee", and (b) 1% of the Net Asset Value of the Sub-Fund. Any management fees charged at the level of the UCITS and/or other UCIs managed by the Investment Manager will be waived. If the Sub-Fund invests in UCITS or other UCIs managed by the Investment Manager or a connected person of the Investment Manager, potential conflict of interest may arise. The Investment Manager will have regards to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

### ***Risks relating to RQFII Funds***

#### **(i) RQFII Regime Risk**

The Sub-Fund may invest in RQFII funds as stated in the Investment Strategies of the Sub-Fund. Therefore, Shareholders of the Sub-Fund should also consider the below risks which apply to such RQFII funds.

RQFII funds are subject to the RQFII regime governed by rules and regulations as promulgated by the mainland Chinese authorities, i.e., the China Securities Regulatory Commission, the State Administration of Foreign Exchange ("**SAFE**") and the People's Bank of China. Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the RQFII funds' performance as the RQFII funds may be required to dispose of their securities holdings.

In addition, certain restrictions imposed by the Mainland China government on RQFIIs may have an adverse effect on the RQFII funds' liquidity and performance. The SAFE regulates and monitors the repatriation of funds out of Mainland China by the RQFII pursuant to the RQFII "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by SAFE and effective from 21 March 2013. Repatriations by RQFIIs in respect of an open-ended RQFII fund conducted in RMB are currently not subject to repatriation restrictions or prior approval. There is no assurance, however, that Mainland China rules and 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 RQFII funds' ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of a RQFII fund's manager.

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, or each of the RQFII funds that the Sub-Fund invests in will be allocated a sufficient portion of RQFII quotas from a RQFII to meet all applications for subscription to the RQFII funds, or that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. Such restrictions may respectively result in a rejection of applications and a

suspension of dealings of the RQFII funds. In extreme circumstances, the RQFII funds may incur significant losses due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to RQFII investment restrictions, illiquidity of the Mainland China securities market, and/or delay or disruption in execution of trades or in settlement of trades.

RQFII laws, rules and regulations are novel in nature and their application may depend on the interpretation given by the relevant Chinese regulatory authorities. The current RQFII laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the RQFII laws, rules and regulations will not be abolished. The RQFII funds, which invest in the Mainland China markets through RQFIIs, may be adversely affected as a result of such changes.

(ii) Risks relating to the China A Share market via RQFII

The Sub-Fund may have indirect exposure to the China A Share market through investment in RQFII funds. 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. The price at which securities may be purchased or sold by the RQFII funds and the net asset value of the RQFII funds may be adversely affected if trading markets for China A Shares are limited or absent. The China A Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention). Market volatility and 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 affect the value of the RQFII funds as well as the Net Asset Value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges in Mainland 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 managers of RQFII funds to liquidate positions and can thereby expose the RQFII funds to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the managers of RQFII funds to liquidate positions at a favourable price.

## **17. Duration**

The Sub-Fund is established for an unlimited duration, subject to the circumstances as may be occurred in respect of the SICAV and/or the Sub-Fund under the sections “Dissolution and Liquidation of the SICAV”, “Closure of Sub-Funds and Classes” and “Mergers” in this Hong Kong Prospectus.

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