



Sumitomo Mitsui DS Asset Management

## **SUMITOMO MITSUI DS INVESTMENT FUND**

---

## **EXPLANATORY MEMORANDUM**

---

December 2019

---

## IMPORTANT INFORMATION FOR INVESTORS

---

**Important: If you are in doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice.**

This Explanatory Memorandum comprises information relating to Sumitomo Mitsui DS Investment Fund (“**Fund**”) and its sub-funds (“**Sub-Funds**”). The Fund is an open-ended unit trust established as an umbrella unit trust under the laws of Hong Kong by a trust deed dated 9 June 2017 (“**Trust Deed**”) between Brown Brothers Harriman Trustee Services (Hong Kong) Limited (“**Trustee**”) as trustee and Sumitomo Mitsui DS Asset Management (Hong Kong) Limited (“**Manager**”) as manager.

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

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

### **Hong Kong Authorisation and Approval**

The Fund and the Sub-Fund(s) have been authorised by the SFC pursuant to section 104 of the SFO. The SFC’s authorisation is not a recommendation or endorsement of the Fund and the Sub-Fund(s) nor does it guarantee the commercial merits of the Fund and the Sub-Fund(s) or their performance. It does not mean the Fund or the Sub-Fund(s) is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### **Selling restrictions**

**General:** No action has been taken to permit an offering of Units of the Sub-Fund(s) or the distribution of this Explanatory Memorandum or the Product Key Facts Statement in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum or the Product Key Facts Statement may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised. Further, Units of the Sub-Fund(s) may not be offered or sold, directly or indirectly, to any persons for reoffering or resale, in any jurisdiction where such action is not authorised. Receipt of this Explanatory Memorandum or the Product Key Facts Statement does not constitute an offer of Units of the Sub-Fund(s) in those jurisdictions in which it is illegal to make such an offer.

**United States:** In particular, potential investors should note that the Units have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state and the Fund and the Sub-Fund(s) have not been and will not be registered under the United States Investment Company Act of 1940 as amended. This document may not be distributed, and the

Units in the Fund may not be offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a US Person (as defined in Regulation S under the United States Securities Act of 1933 (as amended)). No US Person will be accepted for subscription for the Units of the Fund and the Sub-Fund(s).

**Singapore:** Investors in Singapore should note that the Fund and any of its Sub-Funds are not authorized or recognized by the Monetary Authority of Singapore and Units in any Sub-Fund(s) are not allowed to be offered to the retail public of Singapore. It should also be noted that any written material issued to you in connection with the offer of Units is not a prospectus as defined in the Securities and Futures Act (the “Act”) and, accordingly, statutory liability under the Act in relation to the content of prospectuses would not apply.

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

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

**Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Investors should read the Explanatory Memorandum, particularly the section headed “Risk Factors”, and the section headed “Specific Risk Factors” in the relevant Appendix, before making their investment decisions.**

**Please note that this Explanatory Memorandum must be read together with the relevant Appendix and/or Addendum to this Explanatory Memorandum which relate to a specific Sub-Fund of the Fund. The Appendix and/or Addendum set out the details relating to the Sub-Fund (which may include, without limitation, specific information on the Sub-Fund and additional terms, conditions and restrictions applicable to the Sub-Fund). The provisions of an Appendix and/or an Addendum supplement this Explanatory Memorandum.**

### **Enquiries**

Investors may contact the Manager for any enquiries or complaints in relation to the Fund and any Sub-Fund. To contact the Manager, investors may either:

- write to the Manager (address at Units 601-602 & 615-616, 6/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong); or
- call the Manager at telephone number at +852 3605 9883.

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

### **Further Information**

Investors may access the website of the Manager at <https://asia.smd-am.com> for further information on the Fund and the Sub-Fund(s), including this Explanatory Memorandum and the Product Key Facts Statement, annual and semi-annual reports and latest Net Asset Values. This website has not been reviewed or authorised by the SFC.

---

## TABLE OF CONTENTS

---

<b><u>Heading</u></b>	<b><u>Page Number</u></b>
<b><i>DIRECTORY OF PARTIES .....</i></b>	<b><i>5</i></b>
<b><i>DEFINITIONS .....</i></b>	<b><i>6</i></b>
<b><i>THE FUND.....</i></b>	<b><i>12</i></b>
<b><i>MANAGEMENT AND ADMINISTRATION OF THE FUND .....</i></b>	<b><i>13</i></b>
MANAGER	13
TRUSTEE	14
CUSTODIAN, REGISTRAR AND ADMINISTRATOR	15
AUTHORISED DISTRIBUTORS	15
OTHER SERVICE PROVIDERS	16
<b><i>INVESTMENT CONSIDERATIONS.....</i></b>	<b><i>17</i></b>
INVESTMENT OBJECTIVE AND POLICIES	17
INVESTMENT AND BORROWING RESTRICTIONS	17
BREACH OF INVESTMENT AND BORROWING RESTRICTIONS	17
SECURITIES LENDING, SALE AND REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS	17
LIQUIDITY RISK MANAGEMENT	17
<b><i>RISK FACTORS .....</i></b>	<b><i>19</i></b>
<b><i>INVESTING IN THE FUND.....</i></b>	<b><i>26</i></b>
CLASSES OF UNITS	26
INITIAL OFFER	26
MINIMUM SUBSCRIPTION LEVEL	26
SUBSEQUENT SUBSCRIPTION	26
ISSUE PRICE	26
SUBSCRIPTION CHARGE	27
MINIMUM INITIAL SUBSCRIPTION AMOUNT AND MINIMUM SUBSEQUENT SUBSCRIPTION AMOUNT	27
APPLICATION PROCEDURES	27
PAYMENT PROCEDURES	28
GENERAL	29
RESTRICTIONS ON ISSUE	29
<b><i>REDEMPTION OF UNITS .....</i></b>	<b><i>30</i></b>
REDEMPTION OF UNITS	30
REDEMPTION PRICE	30
REDEMPTION CHARGE	30
MINIMUM REDEMPTION AMOUNT AND MINIMUM HOLDING AMOUNT	31
REDEMPTION PROCEDURES	31
PAYMENT OF REDEMPTION PROCEEDS	31
RESTRICTIONS ON REDEMPTION	33
COMPULSORY REDEMPTION OF UNITS	33
<b><i>CONVERSION.....</i></b>	<b><i>34</i></b>
CONVERSION OF UNITS	34
SWITCHING FEE	34
CONVERSION PROCEDURES	35
RESTRICTIONS ON CONVERSION	35
<b><i>VALUATION AND SUSPENSION .....</i></b>	<b><i>36</i></b>
CALCULATION OF NET ASSET VALUE	36
ADJUSTMENT OF PRICES	38
SUSPENSION	39

<b>DISTRIBUTION POLICY .....</b>	<b>41</b>
ACCUMULATION CLASSES	41
DISTRIBUTION CLASSES	41
<b>FEES AND EXPENSES .....</b>	<b>43</b>
MANAGEMENT FEE	43
TRUSTEE, CUSTODY AND ADMINISTRATION FEE	43
NOTICE FOR FEE INCREASE	43
ESTABLISHMENT COSTS	43
GENERAL EXPENSES	44
TRANSACTIONS WITH CONNECTED PERSONS, CASH REBATES AND SOFT DOLLARS	44
<b>TAXATION .....</b>	<b>46</b>
HONG KONG TAXATION	46
FATCA	47
AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION	48
OTHER JURISDICTION(S)	49
<b>GENERAL INFORMATION .....</b>	<b>50</b>
REPORTS AND ACCOUNTS	50
PUBLICATION OF PRICES	50
TERMINATION OF FUND OR A SUB-FUND	50
TRUST DEED	51
VOTING RIGHTS	51
TRANSFER OF UNITS	52
ANTI-MONEY LAUNDERING REGULATIONS	52
CONFLICTS OF INTEREST	53
FACSIMILE INSTRUCTIONS	54
FORFEITURE OF UNCLAIMED PROCEEDS OR DISTRIBUTIONS	54
MARKET TIMING	54
CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS	55
POWER TO DISCLOSE INFORMATION TO TAX AUTHORITIES	55
PERSONAL DATA	55
DOCUMENTS AVAILABLE FOR INSPECTION	55
<b>SCHEDULE 1 – INVESTMENT AND BORROWING RESTRICTIONS .....</b>	<b>57</b>
<b>APPENDIX 1 – JAPAN HIGH DIVIDEND STOCKS FUND.....</b>	<b>70</b>

---

## DIRECTORY OF PARTIES

---

### Manager

Sumitomo Mitsui DS Asset Management (Hong Kong) Limited  
Units 601-602 & 615-616, 6/F.  
One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

### Directors of the Manager

CHUREI Daisuke  
MIYAGAKI Naoya  
MURAI Toshiyuki  
SHIMODE Tetsuya

### Investment Adviser\*

Sumitomo Mitsui DS Asset Management Company, Limited  
  
28F, Atago Green Hills MORI Tower,  
2-5-1, Atago, Minato-Ku,  
Tokyo 105-6228,  
Japan

### Solicitors to the Manager

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

### Trustee

Brown Brothers Harriman Trustee Services (Hong Kong) Limited  
13/F Man Yee Building  
68 Des Voeux Road  
Central  
Hong Kong

### Custodian, Registrar and Administrator

Brown Brothers Harriman & Co.  
140 Broadway  
New York  
10005  
USA

### Auditors

KPMG  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

*\*In respect of Japan High Dividend Stocks Fund*

---

## DEFINITIONS

---

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

<b>“Accounting Date”</b>	31 March in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund after consultation with the Trustee and notification to the Unitholders of such Sub-Fund. The first Accounting Date of the Fund is 31 March 2018
<b>“Accounting Period”</b>	a period commencing on the date of establishment of the Fund or the relevant Sub-Fund (as the case may be) or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
<b>“Administrator”</b>	Brown Brothers Harriman & Co.
<b>“Amortisation Period”</b>	in relation to a Sub-Fund, such period as specified in the relevant Appendix over which establishment costs of such Sub-Fund will be amortised
<b>“Appendix”</b>	the appendix containing specific information in relation to a Sub-Fund or a Class or Classes of Units in relation thereto which is enclosed with this Explanatory Memorandum and which forms part of this Explanatory Memorandum
<b>“Application Form”</b>	the prescribed application form for the subscription of Units and for the avoidance of doubt, the Application Form does not form part of this Explanatory Memorandum
<b>“Authorised Distributor”</b>	any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
<b>“Base Currency”</b>	in relation to a Sub-Fund, means the currency of account of the Sub-Fund as specified in the relevant Appendix
<b>“Business Day”</b>	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days in relation to a Sub-Fund as the Trustee and Manager may determine from time to time and as specified in the relevant Appendix, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
<b>“Cancellation Fee”</b>	cancellation fee of such amount as the Manager and the Trustee may from time to time determine to represent the administrative costs involved in processing the application for such Units being cancelled subject to a maximum amount equivalent to the Subscription Charge plus 3 per cent. of the net subscription amount
<b>“Class”</b>	means any class of Units in issue in relation to a Sub-Fund
<b>“Class Currency”</b>	in relation to a Class in a Sub-Fund, means the currency of account of such Class as specified in the relevant Appendix
<b>“Code”</b>	the Overarching Principles Section and Section II- Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual

Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products or any handbook, guideline and code issued by the Commission, as may be amended from time to time

**“connected person”**

in relation to a company, means:

- (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise, directly or indirectly, 20% or more of the total votes in that company; or
- (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or
- (c) any member of the group of which that company forms part; or
- (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c) above

**“Conversion Form”**

the prescribed conversion form for the conversion of Units and for the avoidance of doubt, the Conversion Form does not form part of this Explanatory Memorandum

**“Custodian”**

Brown Brothers Harriman & Co.

**“Decimal Places”**

2 decimal places or such other decimal places as the Manager determines

**“Explanatory Memorandum”**

this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time

**“Fund”**

Sumitomo Mitsui DS Investment Fund

**“Government and other public securities”**

any investment issued by, or the payment of principal and interest on which is guaranteed by, a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies

**“Hong Kong”**

Hong Kong Special Administrative Region of the People’s Republic of China

**“HK\$” or “HKD”**

Hong Kong Dollars, the lawful currency of Hong Kong

**“IFRS”**

International Financial Reporting Standards

**“Inception Date”**

in relation to a Sub-Fund, or a Class or Classes of Units, such date as the Manager may determine for the purpose of the launch of such Sub-Fund or such Class or Classes and as specified in the relevant Appendix (if applicable)

**“Initial Offer Period”**

in relation to a Sub-Fund or a Class or Classes of Units, such period as the Manager may determine for the purpose of making an initial offer of Units of such Sub-Fund or such Class or Classes and as specified in the relevant Appendix (if applicable)

**“Initial Offer Price”**

the price per Unit during the Initial Offer Period, or where there is no Initial Offer Period, the price per Unit on the relevant Inception Date,



	as determined by the Manager and as specified in the relevant Appendix (if applicable)
<b>“Investment Adviser”</b>	the investment adviser appointed in respect of a Sub-Fund, the details of which as specified in the relevant Appendix (if applicable)
<b>“Investment Delegate”</b>	an entity that has been delegated the investment management function of all or part of the assets of a Sub-Fund, the details of which are as specified in the relevant Appendix (if applicable)
<b>“IOP Deadline”</b>	5.00 p.m. (Hong Kong time) on the last Business Day of the Initial Offer Period of a Sub-Fund or a particular Class of Units or such other time on such Business Day or such other day as the Manager and the Trustee may from time to time determine and as specified in the relevant Appendix
<b>“Issue Price”</b>	the issue price of a Unit of a particular Class after the expiry of the Initial Offer Period, or where there is no Initial Offer Period, the issue price of a Unit of a particular Class on a Subscription Day after the Inception Date, calculated in accordance with the Trust Deed and as described below under <b>“Investing in the Fund - Issue Price”</b>
<b>“JPY”</b>	Japanese Yen, the lawful currency of Japan
<b>“Mainland China”</b>	all customs territory of the People’s Republic of China
<b>“Manager”</b>	Sumitomo Mitsui DS Asset Management (Hong Kong) Limited in its capacity as the manager of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the manager of the Fund and its Sub-Funds
<b>“Minimum Initial Subscription Amount”</b>	the minimum initial investment for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
<b>“Minimum Holding Amount”</b>	the minimum number or value of Units of any Sub-Fund or Class of Units which must be held by any Unitholder and as specified in the relevant Appendix
<b>“Minimum Redemption Amount”</b>	the minimum number or value of Units of any Sub-Fund or Class of Units to be redeemed by any Unitholder in respect of a partial redemption of Units and as specified in the relevant Appendix
<b>“Minimum Subsequent Subscription Amount”</b>	the minimum additional subscriptions for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
<b>“Minimum Subscription Level”</b>	the total minimum subscription amount, if applicable, to be received on or prior to the close of the Initial Offer Period and as specified in the relevant Appendix
<b>“Net Asset Value”</b>	in relation to a Sub-Fund means the net asset value of such Sub-Fund or, as the context may require, of a Unit of the Class or Classes relating to such Sub-Fund, calculated in accordance with the provisions of the Trust Deed and as summarised below under <b>“Valuation and Suspension - Calculation of Net Asset Value”</b>
<b>“Payment Period”</b>	such period as the Manager with the approval of the Trustee may determine within which payment for Units issued for cash after the

Initial Offer Period, or where there is no Initial Offer Period, on or after the Inception Date for such Units is due, and as specified in the relevant Appendix

**“Qualified Exchange Traded Funds”**

exchange traded funds that are:

- (a) authorized by the SFC under 8.6 or 8.10 of the Code; or
- (b) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and either (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the Code

**“Redemption Charge”**

the redemption charge (if any) payable upon redemption of Units and as specified in the relevant Appendix

**“Redemption Day”**

in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix

**“Redemption Deadline”**

in relation to a Redemption Day, such time by which a redemption request in respect of a Sub-Fund or a Class of Units must be received either on such Redemption Day or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix

**“Redemption Form”**

the prescribed redemption form for the redemption of Units and for the avoidance of doubt, the Redemption Form does not form part of this Explanatory Memorandum

**“Redemption Period”**

in relation to any redemption of Units of a Sub-Fund or the relevant Class or Classes of Units, such period within which payment for redemption proceeds is due, as elaborated below under “*Redemption of Units - Payment of Redemption Proceeds*” and as specified in the relevant Appendix

**“Redemption Price”**

the price at which Units will be redeemed as determined in accordance with the Trust Deed and as described below under “*Redemption of Units - Redemption Price*”

**“Refund Period”**

7 Business Days from the relevant Subscription Day or close of the relevant Initial Offer Period (as the case may be) or such other period as specified in the relevant Appendix within which subscription moneys in respect of an application which was rejected or a Sub-Fund or a Class of Units which was not launched will be returned to the relevant applicant

**“Registrar”**

Brown Brothers Harriman & Co.

<b>“REITs”</b>	real estate investment trusts
<b>“reverse repurchase transactions”</b>	transactions whereby a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future
<b>“sale and repurchase transactions”</b>	transactions whereby a Sub-Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future
<b>“securities financing transactions”</b>	collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions
<b>“Securities Market”</b>	any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded
<b>“securities lending transactions”</b>	transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee
<b>“Semi-Annual Accounting Date”</b>	30 September in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund. The first Semi-Annual Accounting Date of the Fund is 30 September 2018
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“SFO”</b>	the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571), as amended
<b>“Sub-Fund”</b>	a separate pool of assets of the Fund that is invested and administered separately
<b>“Subscription Charge”</b>	the subscription charge (if any) payable on the issue of Units and as specified in the relevant Appendix
<b>“Subscription Day”</b>	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix
<b>“Subscription Deadline”</b>	in relation to a Subscription Day, such time by which an application for subscription in respect of a Sub-Fund or a Class of Units must be received either on such Subscription Day or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix
<b>“substantial financial institution”</b>	an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK\$2 billion or its equivalent in foreign currency

<b>“Switching Fee”</b>	the switching fee (if any) payable on the conversion of Units and as specified in the relevant Appendix
<b>“Trust Deed”</b>	the trust deed dated 9 June 2017 establishing the Fund and entered into by the Manager and the Trustee (as amended from time to time)
<b>“Trustee”</b>	Brown Brothers Harriman Trustee Services (Hong Kong) Limited in its capacity as trustee of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the trustee of the Fund and its Sub-Funds
<b>“Unit”</b>	a unit in a Sub-Fund
<b>“Unitholder”</b>	a person registered as a holder of a Unit
<b>“U.S.” or “US”</b>	United States of America
<b>“US\$” or “USD”</b>	US Dollars, the lawful currency of the United States of America
<b>“Valuation Day”</b>	each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means the day following either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Sub-Fund or Class of Units, and as specified in the relevant Appendix
<b>“Valuation Point”</b>	the close of business in the last relevant market to close on a relevant Valuation Day or such other time on that day or such other day as the Manager and the Trustee may determine from time to time either generally or in relation to a particular Sub-Fund or Class of Units and as specified in the relevant Appendix

---

## **THE FUND**

---

The Fund is an open-ended unit trust established as an umbrella fund pursuant to the Trust Deed and governed by the laws of Hong Kong. All Unitholders are entitled to the benefit of, are bound by and deemed to have notice of the provisions of the Trust Deed.

The Fund is organised as an umbrella fund and details of each of its current Sub-Fund(s) and/or their respective Class or Classes of Units are set out in the relevant Appendix. Subject to any applicable regulatory requirements and approvals, the Manager may in its sole discretion create further Sub-Funds or determine to issue additional Classes or multiple Classes in relation to each Sub-Fund in the future.

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

The Base Currency of a Sub-Fund will be set out in the relevant Appendix. Each Class of Units within a Sub-Fund will be denominated in the Class Currency thereof, which may be the Base Currency of the Sub-Fund to which such Class relates or such other currency of account as specified in the relevant Appendix.

---

## MANAGEMENT AND ADMINISTRATION OF THE FUND

---

### **Manager**

Sumitomo Mitsui DS Asset Management (Hong Kong) Limited is the Manager of the Fund and is currently licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO with CE number BOT526. The Manager shall not hold client assets. The terms "hold" and "client assets" are as defined under the SFO. The Manager undertakes the management of the assets of the Fund. The Manager may appoint Investment Delegate and delegate any of its management functions in relation to assets of specific Sub-Funds to such Investment Delegate subject to prior SFC approval. In the event that an Investment Delegate is appointed by the Manager in respect of an existing Sub-Fund, at least one month's prior notice will be provided to Unitholders of such Sub-Fund and this Explanatory Memorandum and/or the relevant Appendix will be updated to include such appointment.

The Manager shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

### ***Directors of Manager***

Details of the directors of the Manager are as follows:

#### **CHUREI Daisuke**

Mr. Churei is currently a Senior Portfolio Manager of the Manager. He was transferred to the Hong Kong office from Daiwa SB Investments Ltd. ("DSBI") in Japan in October 2013 as a Portfolio Manager specializing in Asia Equity. He started his career with Mitsui Mutual Life, where he was an Assistant Portfolio Manager in their International Fixed Income Group. After taking a career break in 2003 to study the Master of Business Administration ("MBA"), he joined DSBI in 2005. Immediately before transferring to Hong Kong, he was a Japan Equity Portfolio Manager since 2009 and prior to that, he was a Strategist covering Japan Equity Market.

Mr. Churei is a Chartered Financial Analyst and a Chartered Member of the Securities Analysts Association of Japan. He earned his Bachelor's degree in Commerce and Management from Hitotsubashi University and received his MBA from the Graduate School of Commerce and Management at Hitotsubashi University.

#### **MIYAGAKI Naoya**

Mr. Miyagaki is a Senior Managing Executive Officer and the Head of International Business Division of Sumitomo Mitsui DS Asset Management Company, Limited ("SMDAM") in Japan which was formed as a result of the merger between the former Sumitomo Mitsui Asset Management and the former Daiwa SB Investments in April 2019. Prior to joining SMDAM in 2017, he had over 30 years of banking and securities industry experience taking up different roles at Sumitomo Mitsui Banking Corporation and its subsidiaries and affiliates such as SMBC Capital Markets and SMBC Nikko Securities.

Mr. Miyagaki received his Master's degree in Engineering from Kobe University.

Mr. Miyagaki is currently a Non-executive Director of the Manager.

#### **MURAI Toshiyuki**

Mr. Murai has been the Chief Investment Officer of the Manager since October 2013 overseeing the whole investment management team in the Hong Kong office. He joined Mitsui Mutual Life Insurance Company in 1990 and started his career as an investment professional by joining Separate Account

Investment Department in 1993. During 1995 and 2000 he had been a fund manager of US and Asian Equity. He moved to London in April 2000 to cover European Equity and became a member of Sumitomo Mitsui Asset Management (“SMAM”) group since its establishment in December 2002. He had been a Director of SMAM (London) from August 2006 to March 2007 and subsequently returned to SMAM headquarter in Japan. After several job rotations within SMAM group, he was transferred to the Hong Kong office as a Senior Fund Manager in June 2009.

Mr. Murai holds a Bachelor of Arts in Literature from Waseda University and is a Chartered Financial Analyst.

#### **SHIMODE Tetsuya**

Mr. Shimode is the Managing Director of the Manager overseeing all business activities in the Hong Kong office. He initially joined Mitsui Mutual Life Insurance Company in 1985 and subsequently started his career as an investment professional by joining the International Department. In 1990, he became a fund manager of European Equity and became the Chief Fund Manager of the Global Equity team in 1997. In December 2002, he became a member of SMAM group where he first was the Chief Fund Manager of the Multi-Investment Group and subsequently became the Head of Global Equity Group in April 2003. He was transferred to SMAM (London) in April 2004 as the Director and Compliance Officer of the UK office and transferred again to SMAM (New York) in August 2006 as the President & CEO of the US office. In May 2009, he was relocated back to the headquarter in Japan serving as the Head of the Balanced Fund Group until November 2013 when he was transferred to SMAM (HK) as the Managing Director of the Hong Kong office.

Mr. Shimode holds a Bachelor of Arts in Laws from Osaka University and is a Chartered Financial Analyst as well as a Chartered Member of the Securities Analysts Association of Japan.

#### **Trustee**

Brown Brothers Harriman Trustee Services (Hong Kong) Limited is the Trustee of the Fund and is a Hong Kong registered trust company.

The Trustee is a subsidiary of Brown Brothers Harriman & Co., a New York limited partnership founded in 1818. It is the oldest and largest privately owned bank in the U.S. It is a leading global investment fund custodian and administrator supporting in the leading fund centers.

Under the Trust Deed, the Trustee shall take into custody or under its control all the investments, cash and other assets forming part of the assets of each Sub-Fund and hold them in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, shall register cash and registrable assets in the name of or to the order of the Trustee and such investments, cash and other assets of the relevant Sub-Fund shall be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereto. The Trustee may, from time to time appoint such person or persons (including a connected person) as custodian, co-custodians, sub-custodian, delegate, nominee or agent in respect of the whole or any part of the assets of any Sub-Fund and may empower any such person to appoint, with the prior consent in writing of the Trustee, sub-custodians, nominees, agents and/or delegates. The fees and expenses of such custodian, co-custodian, sub-custodians, nominees, agents, delegates or any persons appointed by the Trustee in relation to the relevant Sub-Fund shall, if approved by the Manager, be paid out of the relevant Sub-Fund.

The Trustee shall (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of agent, nominee, custodian, co-custodian or sub-custodian which are appointed for the custody and/or safekeeping of any of the investments, cash, assets or other property comprised in the Sub-Fund of the Fund (each a “**Correspondent**”); and (B) be satisfied that each Correspondent retained remains suitably qualified and competent on an ongoing basis to provide the relevant services to the Fund or any Sub-Fund. Provided that the Trustee has discharged its obligations set out in (A) and (B) the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a connected person of the Trustee. The Trustee shall remain liable for any act

or omission of any Correspondent that is a connected person of the Trustee as if the same were the act or omission of the Trustee. The Trustee shall use reasonable endeavours to recover any loss of investments and other assets arising from any default of a Correspondent.

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

Under the Trust Deed, the Trustee and its directors, officers, employees, delegates and agents shall be entitled for the purpose of indemnity against any actions, proceedings, liabilities, costs, claims, damages, expenses (including all reasonable legal, professional and other similar expenses) or demands to which it may be put or asserted against or which it may incur or suffer, whether directly or indirectly, or which are or may be imposed on the Trustee in performing its obligations, duties or functions, or exercising its powers, authorities or discretions under the Trust Deed or relating to a Sub-Fund to have recourse to the assets of the relevant Sub-Fund or any part thereof but shall not have a right of recourse to the assets of any other Sub-Fund. Notwithstanding the foregoing, the Trustee shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

The Manager is solely responsible for making investment decisions in relation to the Fund and/or each Sub-Fund. The Trustee shall take reasonable care to ensure that the investment and borrowing limitations set out under the section headed “*Investment Considerations*” and any specific investment and borrowing limitations as set out in the relevant Appendix as they relate to a Sub-Fund and the conditions under which such Sub-Fund is authorised pursuant to the SFO are complied with and save for the aforesaid, the Trustee is not responsible and has no liability for any investment decision made by the Manager.

The Trustee is not responsible for the preparation or issue of this Explanatory Memorandum other than the disclosures on the profiles of the Trustee as set out herein.

#### **Custodian, Registrar and Administrator**

Brown Brothers Harriman & Co. is a New York limited partnership founded in 1818. It is the oldest and largest privately owned bank in the U.S. It is a leading global investment fund custodian and administrator supporting in the leading fund centers.

#### **Authorised Distributors**

The Manager may appoint one or more Authorised Distributor(s) to market, promote, sell and/or distribute Units of one or more Sub-Fund(s), and to receive applications for subscription, redemption and/or conversion of Units.

Where application for Units is made through an Authorised Distributor, Units may be registered in the name of a nominee company of the Authorised Distributor through whom the applicant applies for the Units. As a result of this arrangement, the applicant will be dependent on the person in whose name the applicant's Units are registered to take action on his/her behalf.

Investors who apply for subscription, redemption and/or conversion of Units through Authorised Distributor(s) should note that such Authorised Distributor(s) may impose earlier dealing deadlines for receiving instructions for subscriptions, redemptions or conversions. Investors should pay attention to the arrangements of the Authorised Distributor(s) concerned.

The Manager may pay or share any of the fees received by it (including any Subscription Charge, Redemption Charge, Switching Fee and management fees) with such Authorised Distributors. For the avoidance of doubt, any fees, costs and expenses payable to the Authorised Distributor(s) arising out of any advertisement or promotional activities in connection with the Fund or the Sub-Fund(s) will not be paid from the assets of the Fund or the Sub-Fund(s).



**Other Service Providers**

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

---

## INVESTMENT CONSIDERATIONS

---

### **Investment Objective and Policies**

The investment objective and policies of each Sub-Fund and specific risks, as well as other important details, are set forth in the Appendix hereto relating to the Sub-Fund.

There may not be any fixed asset allocation by geographical locations for certain Sub-Funds. The expected asset allocations for a Sub-Fund (if any) are for indication only. In order to achieve the investment objectives, the actual asset allocations may in extreme market conditions (such as economic downturn or political turmoil in the markets in which a substantial portion of the assets of a Sub-Fund is invested or changes in legal or regulatory requirements or policies) vary significantly from the expected asset allocations.

### **Investment and Borrowing Restrictions**

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager and borrowing restrictions. Unless otherwise disclosed in the relevant Appendix, each of the Sub-Funds is subject to the investment restrictions and borrowing restrictions set out in Schedule 1 to this Explanatory Memorandum.

### **Breach of Investment and Borrowing Restrictions**

If the investment and borrowing restrictions for a Sub-Fund are breached, the Manager shall as a priority objective take all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the Unitholders of the relevant Sub-Fund.

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

Unless otherwise disclosed in the Appendix of a Sub-Fund, the Manager currently does not intend to enter into any securities financing transactions in respect of any Sub-Fund. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

### **Liquidity Risk Management**

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

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

The liquidity management policy involves monitoring the profile of investments held by the relevant Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "*Redemption of Units*", and will 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 Manager to manage the liquidity risk of each Sub-Fund under normal and exceptional market conditions.

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

- the Manager may with the approval of the Trustee limit the number of Units of the relevant Sub-Fund redeemed on any Redemption Day (whether by sale to the Manager or by cancellation of Units) to 10% of the total number of Units of the relevant Sub-Fund in issue (subject to the conditions under the heading “***Restrictions on Redemption***” in the section headed “***Redemption of Units***”);
- subject to the restrictions in Schedule 1, the Manager may borrow in respect of a Sub-Fund to meet redemption requests;
- the Manager may suspend redemption under exceptional circumstances as set out under the heading entitled “***Suspension***” in the section headed “***Valuation and Suspension***”. During such period of suspension, Unitholders would not be able to redeem their investments in the relevant Sub-Fund;
- in calculating the Redemption Price, the Manager may deduct such amount (if any) as the Manager may estimate as an appropriate allowance to reflect fiscal and sale charges (including stamp duty, other taxes, duties or governmental charges, brokerage, bank charges or transfer fees) which would be incurred for the account of the relevant Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request. For further details, please refer to the heading “***Adjustment of Prices***” under the section headed “***Valuation and Suspension***”; and

Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risk.

---

## **RISK FACTORS**

---

Investors should consider the following risks which may be applicable to the Sub-Fund(s) you are investing, as specified in the relevant Appendix, and any additional risk(s) relating to any specific Sub-Fund, contained in the relevant Appendix, before investing in any of the Sub-Funds. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not a Sub-Fund is suitable for them, they should obtain independent professional advice.

### ***Risk of not achieving investment objective***

There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Whilst it is the intention of the Manager to implement strategies which are designed to minimise potential losses, there can be no assurance that these strategies will be successful. It is possible that an investor may lose a substantial proportion or all of its investment in a Sub-Fund. As a result, each investor should carefully consider whether he can afford to bear the risks of investing in the relevant Sub-Fund.

### ***Investment risk***

Investments involve risks. Each Sub-Fund's investment portfolio may fall in value due to any of the key risk factors set out in this Explanatory Memorandum and the Appendix for the relevant Sub-Fund and therefore your investment in the Sub-Fund may suffer losses. Each Sub-Fund is not principal guaranteed. Investment in a Sub-Fund is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account. There is no guarantee that in any time period, particularly in the short term, a Sub-Fund's portfolio will achieve appreciation in terms of capital growth. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Sub-Fund and the income from them may go down as well as up.

### ***Market risk***

Market risk includes such factors as changes in economic environment, consumption pattern, lack of publicly available information of investments and their issuers and investors' expectations, which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the relevant Sub-Fund. The price of Units and the distributions from them (if any) may go down as well as up.

There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. The value of investments and the income derived from such investments may fall as well as rise and investors may not recoup the original amount invested in the Sub-Funds. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies. In falling equity markets, there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons and as a result, may have adverse impact to the relevant Sub-Fund and its investors.

### ***Equity investment risks***

A Sub-Fund may invest directly or indirectly in equity securities. Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. As a result, the market value of the equity securities that it invests in may go down as well as up. Factors affecting the equity securities are numerous, including but not limited to general market risks, changes in investment sentiment, political environment, economic environment, issuer-specific factors and the business and

social conditions in local and global marketplace. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the relevant Sub-Fund to losses.

***Volatility risk***

Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national and international political and economic events, and the inherent volatility of the market place. A Sub-Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

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

A Sub-Fund may invest in the securities of small and/or mid-capped companies. Investing in these securities may expose such Sub-Fund to risks such as greater market price volatility, lower liquidity, less publicly available information, and greater vulnerability to fluctuations in the economic cycle. Their prices are also more volatile to adverse economic developments than those of larger capitalisation companies in general.

***Risks of investing in IPO securities***

A Sub-Fund may invest in initial public offers ("IPOs") securities. The prices of securities involved in initial public offers ("IPOs") are often subject to greater and more unpredictable price changes than more established securities. There is the risk that there are inadequate trading opportunities generally or allocations for IPOs which the Manager wishes or is able to participate in. Furthermore, the liquidity and volatility risks associated with investments or potential investments in IPO securities may be difficult to assess, due to the lack of trading history of such IPO securities. These risks may have adverse impact on the relevant Sub-Fund and its investors.

***Risks of investing in high dividend securities***

There is a risk that the value of the Sub-Fund's equity investments may decline or have a lower than average potential for price appreciation due to their high dividend nature. There is no guarantee that such investments will declare or pay out dividends. Therefore, there is no guarantee that the Sub-Fund's investment strategies will succeed.

The high dividend policy of the underlying securities may not have a direct relationship with the distribution policy of the Sub-Fund. There is also no guarantee of dividend or distribution payments by the Sub-Fund during the period an investor holds Units in the Sub-Fund. High distribution yield does not imply a positive or high return.

***Risks of investing in other funds***

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

### ***Borrowing Risks***

The Trustee, on the instruction of the Manager, may borrow for the account of a Sub-Fund for various reasons, such as facilitating redemptions or to acquire investments for the account of the relevant Sub-Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the relevant Sub-Fund will be able to borrow on favourable terms, or that the relevant Sub-Fund's indebtedness will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

### ***Concentration risk***

A Sub-Fund's investment may be concentrated in a specific country/region/sector/asset class. A Sub-Fund's portfolio may not be well diversified in terms of the number of holdings and the number of issuers of securities that the Sub-Fund may invest in. Such Sub-Fund may be adversely affected by or depend heavily on the performance of those securities. Investors should also be aware that such Sub-Fund is likely to be more volatile than a broad-based fund, such as a global or regional equity or bond fund, as they are more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in their respective country/region/sector/asset class. The value of a Sub-Fund may also be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting its respective country/region.

### ***Counterparty risk***

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

### ***Currency and foreign exchange risk***

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

A Sub-Fund may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in a Sub-Fund may be suspended if the relevant Sub-Fund is unable to repatriate funds for the purpose of making payments on the redemption of Units. For further details on suspension of dealings in a Sub-Fund, please refer to the section headed "***Valuation and Suspension - Suspension***" below.

### ***Derivative and structured product risk***

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

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

#### ***Over-the-counter markets risk***

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

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

#### ***Hedging risk***

The Manager is permitted, but not obliged, to use hedging techniques such as using futures, options and/or forward contracts to attempt to offset market and currency risks. There is no guarantee that hedging techniques will fully and effectively achieve their desired result. The success of hedging much depends on the Manager’s expertise and hedging may become inefficient or ineffective. This may have adverse impact on the relevant Sub-Fund and its investors.

While a Sub-Fund may enter into such hedging transactions to seek to reduce risks, unanticipated changes in currency, interest rates and market circumstances may result in a poorer overall performance of a Sub-Fund. A Sub-Fund may not obtain a perfect correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the relevant Sub-Fund to risk of loss.

For the currency hedged Classes of Units, hedging will be performed to hedge the currency of denomination of the Class of Units against (i) the Base Currency of the Sub-Fund; or (ii) the currency of the assets that are primarily invested in. The effects of hedging will be reflected in the Net Asset Values of the currency hedged Classes. It should also be noted that hedging transactions may be entered into whether the Class Currency of the currency hedged Classes is declining or increasing in value

relative to the Sub-Fund's Base Currency and so, where such hedging is undertaken it may substantially protect Unitholders in the hedged Classes against a decrease in the value of the Sub-Fund's Base Currency relative to the Class Currency of the currency hedged Classes, but it may also preclude Unitholders from benefiting from an increase in the value of the Sub-Fund's Base Currency.

Any expenses arising from such hedging transactions, which may be significant depending on prevailing market conditions, will be borne by the relevant Sub-Fund or the relevant currency hedged class in relation to which they have been incurred.

#### ***Liquidity risk***

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.

#### ***Difficulties in valuation of investments***

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

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

Valuation of a Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected.

#### ***Legal, tax and regulatory risk***

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

#### ***Risk of termination***

A Sub-Fund may be terminated in certain circumstances which are summarised under the section "**General Information - Termination of Fund or a Sub-Fund**", including where, on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than USD 10 million or its equivalent or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units outstanding thereunder shall be less than USD 10 million or its equivalent (or other amounts disclosed in the Appendix). In the event of the termination of a Sub-Fund, such Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the relevant Sub-Fund will be worth less than the initial cost of acquiring such investments, resulting in a loss to the Unitholders. Moreover, any organisational expenses (such as establishment costs) with regard to the relevant Sub-Fund that had not yet been fully amortised would be debited against the Sub-Fund's assets at that time.

#### ***Distributions risk***



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

Subject to the disclosure in the relevant Appendix, distributions may be paid out of the capital of a Sub-Fund or out of gross income while charging all or part of a Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may distribute out of the capital of a Sub-Fund if the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared. **Investors should note that the payment of distributions out of capital or effectively out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount. Any such distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

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

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

#### ***Cross-Class liability***

Multiple Classes of Units may be issued in relation to a Sub-Fund, with particular assets and liabilities of that Sub-Fund attributable to particular Classes. Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to one class may have recourse to the assets attributable to other Classes. Although for the purposes of internal accounting, a separate account will be established for each Class, in the event of an insolvency or termination of that Sub-Fund (i.e. when the assets of that Sub-Fund are insufficient to meet its liabilities), all assets will be used to meet that Sub-Fund's liabilities, not just the amount standing to the credit of any individual Class. However, the assets of that Sub-Fund may not be used to satisfy the liabilities of another Sub-Fund.

#### ***Creation of Sub-Funds or New Classes of Units***

Additional Sub-Funds or additional Classes of Units which may have different terms of investment may be established in the future without the consent of, or notification to existing Unitholders. In particular, such additional Sub-Funds or additional Classes may have different terms with regard to fees.

#### ***Non-compliance with IFRS***

The annual and semi-annual reports and accounts of a Sub-Fund will be prepared in accordance with the IFRS. Investors should note that the valuation rules described in the section headed "***Valuation and Suspension – Calculation of Net Asset Value***" below may not necessarily comply with IFRS. Under IFRS, investments should be valued at fair value, and bid and ask pricing is considered to be representative of fair value for long and short listed investments respectively. However, under the valuation basis described in the section headed "***Valuation and Suspension – Calculation of Net Asset Value***" below, listed investments are expected to be valued normally at the last traded price or closing price instead of bid and ask pricing as required under IFRS.

Unless otherwise specified in the Appendix relating to a Sub-Fund, the cost of establishment of the Sub-Fund will be amortised over the Amortisation Period. Investors should note that this policy of amortisation is not in accordance with IFRS. However, the Manager has considered the impact of such non-compliance and do not expect this issue to materially affect the results and Net Asset Value of a

Sub-Fund. Further, the Manager believes that this policy is fairer and more equitable to the initial investors.

#### ***Foreign Account Tax Compliance Act***

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

In the event a Unitholder (an account holder) does not provide the requested information and/or documentation, whether or not that actually leads to non-compliance by the relevant Sub-Fund, or a risk of the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of each of such relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, (i) reporting the relevant information of such Unitholder to the US Internal Revenue Service (the “**US IRS**”); (ii) withholding or deducting from such Unitholder’s redemption proceeds or distributions to the extent permitted by applicable laws and regulations; and/or (iii) deeming such Unitholder to have given notice to redeem all his Units in the relevant Sub-Fund. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds.

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

#### ***Conflicts of Interest; Other Activities of the Manager***

Various potential and actual conflicts of interest may arise from the overall investment activities of the Manager and its connected persons for their own accounts and the accounts of others. The Manager and its connected persons may invest for their own accounts and for the accounts of clients in various instruments that have interests different from or adverse to the instruments that are owned by the relevant Sub-Fund. For more information, please refer to the section headed “**General Information - Conflicts of Interest**”.

#### ***Effect of Substantial Redemptions***

Substantial redemptions by Unitholders within a short period of time could require the relevant Sub-Fund to liquidate securities and other positions more rapidly than would otherwise be desirable, possibly reducing the value of its assets and/or disrupting its investment strategy. Further, it may be impossible to liquidate a sufficient amount of securities to meet redemptions because a significant part of the portfolio at any given time may be invested in securities for which the market is or has become illiquid. Reduction in the size of the relevant Sub-Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Sub-Fund’s ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

In view of the above, investment in any Sub-Fund should be regarded as long term in nature. The Sub-Funds are, therefore, only suitable for investors who can afford the risks involved. Investors should refer to the relevant Appendix for details of any additional risks specific to a Sub-Fund.

---

## INVESTING IN THE FUND

---

### **Classes of Units**

Different classes of Units may be offered for each Sub-Fund. Although the assets attributable to each Class of Units of a Sub-Fund will form one single pool, each class of Units may be denominated in a different Class Currency or may have a different charging structure with the result that the Net Asset Value attributable to each Class of Units of a Sub-Fund may differ. In addition, each Class of Units may be subject to different Minimum Initial Subscription Amount, Minimum Subsequent Subscription Amount, Minimum Holding Amount and Minimum Redemption Amount. Investors should refer to the relevant Appendix for the available Classes of Units and the applicable minimum amounts.

### **Initial Offer**

If an Initial Offer Period is applicable, Units of a Sub-Fund or a Class in a Sub-Fund will be offered for the first time at the Initial Offer Price during the Initial Offer Period of such Sub-Fund or such Class as specified in the relevant Appendix. If an Initial Offer Period is not applicable, Units of a Sub-Fund or a Class in a Sub-Fund will be offered for the first time at the Initial Offer Price on the Inception Date of such Sub-Fund or such Class as specified in the relevant Appendix.

### **Minimum Subscription Level**

If an Initial Offer Period is applicable, the offering of a Class of Units or a Sub-Fund may be conditional upon the Minimum Subscription Level (if applicable) being received on or prior to the close of the Initial Offer Period.

In the event that the Minimum Subscription Level of a Class of Units or a Sub-Fund is not achieved or the Manager is of the opinion that it is not in the commercial interest of investors or not feasible, as a result of adverse market conditions or otherwise, to proceed with the relevant Class of Units or Sub-Fund, the Manager may in its discretion extend the Initial Offer Period for the relevant Class of Units or Sub-Fund or determine that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units relating to it will not be launched. In such event, the relevant Class of Units or the Sub-Fund and the Class or Classes of Units relating to it shall be deemed not to have commenced.

Notwithstanding the aforesaid, the Manager reserves the discretion to proceed with the issue of Units of the relevant Class of Units or Sub-Fund even if the Minimum Subscription Level has not been achieved.

### **Subsequent Subscription**

Units are available for subscription on each Subscription Day after the expiry of the Initial Offer Period, or where there is no Initial Offer Period, on each Subscription Day after the Inception Date.

### **Issue Price**

The Issue Price per Unit for any Class of a Sub-Fund on a Subscription Day after the close of the Initial Offer Period, or where there is no Initial Offer Period, on a Subscription Day after the Inception Date will be calculated by reference to the Net Asset Value per Unit of that Class as at the Valuation Point on the Valuation Day in respect of that Subscription Day (for further details see “*Valuation and Suspension - Calculation of Net Asset Value*” below).

In calculating the Issue Price, the Manager may impose such amount (if any) as the Manager may estimate as an appropriate allowance to reflect (i) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available asked price of such investment and (ii) fiscal and purchase charges (including any

stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees, or registration fees) which would be incurred for the account of the relevant Sub-Fund in investing an amount equal to that Net Asset Value per Unit. For further details, please see “*Valuation and Suspension – Adjustment of Prices*” below.

The Issue Price shall be rounded down to the Decimal Places (except for Issue Price denominated in JPY which shall be rounded down to the integer). Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

### **Subscription Charge**

The Manager, its agents or delegates may charge a Subscription Charge on the issue of each Unit of a percentage of either (i) the Initial Offer Price or the Issue Price, as the case may be, of such Unit or (ii) the total subscription amount received in relation to an application, as the Manager may at its discretion determine. The maximum and current rate of Subscription Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Subscription Charge may be imposed in relation to the issue of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

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

The Manager may on any day differentiate between applicants or Classes of Units as to the amount of the Subscription Charge. The Subscription Charge will be retained by or paid to the Manager, its agents or delegates for their own absolute use and benefit.

### **Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount**

Details of any Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

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

### **Application Procedures**

Applications for subscription of Units may be made to the Registrar (through the Manager and/or the Authorized Distributors) by completing the Application Form and sent by post or by facsimile to the Registrar (through the Manager and/or the Authorized Distributors) at the business address or facsimile number on the Application Form. The Manager and/or the Registrar (through the Manager and/or the Authorized Distributors) may request further supporting documents and/or information to be provided together with the Application Form. The Application Form is available from the Manager and/or the Authorised Distributors.

If an Initial Offer Period is applicable, upon receipt of Application Forms and subscription moneys in cleared funds on or before the IOP Deadline, Units will be issued following the close of the Initial Offer Period. If Application Forms and/or application monies in cleared funds are received after the IOP Deadline, the relevant applications shall be carried forward to the next Subscription Day and shall be dealt with at the Issue Price at such Subscription Day.

Following the close of the Initial Offer Period (where an Initial Offer Period is applicable) or for application for Units on or after the relevant Inception Date (where an Initial Offer Period is not

applicable), an Application Form received by the Registrar (through the Manager and/or the Authorized Distributors) by the Subscription Deadline of a Subscription Day will be dealt with on that Subscription Day. If an application for Units is received after the Subscription Deadline in respect of a Subscription Day then the application will be held over until the next Subscription Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept an application in respect of a Subscription Day which is received after the Subscription Deadline if it is received prior to the Valuation Point relating to that Subscription Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's operational requirements cannot support accepting any such application, the Manager shall not exercise its discretion to accept any application.

### **Payment procedures**

If an Initial Offer Period is applicable, payment for Units subscribed for cash during the Initial Offer Period and the Subscription Charge (if any) is due in cleared funds by the IOP Deadline. Following the close of the Initial Offer Period (where an Initial Offer Period is applicable) or for application for Units on or after the relevant Inception Date (where an Initial Offer Period is not applicable), payment for Units and the Subscription Charge (if any) is due at the expiry of the Payment Period.

If payment in full in cleared funds has not been received by the IOP Deadline or the relevant Payment Period (or such other period as the Manager may determine and disclose to the applicants), the Manager may (without prejudice to any claim in respect of the failure of the applicant to make payment when due) cancel any Units which may have been issued in respect of such application for subscription and the Manager must cancel the issue of the relevant Units if the Trustee so requires.

Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee, provided that: (i) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units; (ii) the Manager and the Trustee may charge the applicant a Cancellation Fee to represent the administrative costs involved in processing the application for such Units from such applicant; and (iii) the Manager and the Trustee may require the applicant to pay (for the account of the relevant Sub-Fund in respect of each Unit so cancelled) the amount (if any), by which the Issue Price of each such Unit exceeds the Redemption Price of such Unit on the day of cancellation (if such day is a Redemption Day for the relevant class of Units) or the immediately following Redemption Day plus interest on such amount until receipt of such payment by the Trustee.

Payments for Units should be made in the Base Currency of the relevant Sub-Fund or where one or more Classes are issued in respect of a Sub-Fund, payment for Units of a Class should be made in the Class Currency of such Class. Subject to the agreement of the Manager, payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant Base Currency or Class Currency (as the case may be), they will be converted into the relevant Base Currency or Class Currency (as the case may be) at the cost of the relevant applicant and the proceeds of conversion (after deducting the costs of such conversion) will be applied in the subscription of Units in the relevant Sub-Fund or Class. Any conversion to the relevant Base Currency or Class Currency (as the case may be), will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Currency conversion will be subject to availability of the currency concerned. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

All payments should be made by direct transfer and telegraphic transfer only (or other manner as may be agreed by the Manager and/or the Authorized Distributors). Any costs of transfer of subscription moneys to a Sub-Fund will be payable by the applicant.

All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted. The applicant should provide sufficient evidence as to the source of payment as the Manager and the Trustee may from time to time require.

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

## **General**

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

If an application is rejected (either in whole or in part) or the Manager determines that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units related to it will not be launched, subscription moneys (or the balance thereof) will be returned within the Refund Period without interest and after deducting any of out-of-pocket fees and charges incurred by the Manager and the Trustee by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicant or in such other manner as the Manager and the Trustee may from time to time determine. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective delegates or agents will be liable to the applicant for any loss the applicant suffers as a result of the rejection or delay of any application.

Units issued by the Fund will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon (i) acceptance of an applicant's application and the receipt of cleared funds, (ii) acceptance of an applicant's application for redemption of Units and (iii) acceptance of an applicant's application for conversion of Units and will be forwarded to the applicant (at the risk of the person entitled thereto). In case of any error in a contract note, applicants should contact the relevant intermediaries or the Authorised Distributor promptly for rectification.

Fractions of a Unit (rounded down to the Decimal Places) may be issued. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

## **Restrictions on Issue**

No Units of a Sub-Fund or a Class will be issued where the determination of the Net Asset Value of that Sub-Fund or Class and/or the allotment or issuance of Units of that Sub-Fund or Class is suspended (for further details see “*Suspension*” below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for such Sub-Fund or Class of Units are closed.

---

## REDEMPTION OF UNITS

---

### Redemption of Units

Subject to the restrictions (if any) as specified in the relevant Appendix, any Unitholder may redeem his Units on any Redemption Day in whole or in part. Save where there is a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or Class and/or the redemption of Units of the relevant Sub-Fund or Class, a redemption request once given cannot be revoked without the consent of the Manager.

### Redemption Price

Units redeemed on a Redemption Day will be redeemed at the Redemption Price calculated by reference to the Net Asset Value per Unit of the relevant Class as at the Valuation Point on the Valuation Day in respect of that Redemption Day (for further details, see “*Valuation and Suspension - Calculation of Net Asset Value*” below).

In calculating the Redemption Price, the Manager may deduct such amount (if any) as the Manager may estimate as an appropriate allowance to reflect (i) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available bid price of such investment and (ii) fiscal and sale charges (including stamp duty, other taxes, duties or governmental charges, brokerage, bank charges or transfer fees) which would be incurred for the account of the relevant Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request. For further details, please see “*Valuation and Suspension – Adjustment of Prices*” below.

The Redemption Price shall be rounded down to the Decimal Places (except for Redemption Price denominated in JPY which shall be rounded down to the integer). Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

**If at any time during the period from the time as at which the Redemption Price is calculated and the time at which redemption proceeds are converted out of any other currency into the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class there is an officially announced devaluation or depreciation of that currency, the amount payable to any relevant redeeming Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.**

### Redemption Charge

The Manager may charge a Redemption Charge on the redemption of Units of a percentage of either (i) the Redemption Price per Unit; or (ii) the total redemption amount in relation to a redemption request, as the Manager may at its discretion determine. The maximum and current rate of Redemption Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Redemption Charge may be imposed in relation to the redemption of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

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

For the purpose of calculating the Redemption Charge payable on a partial redemption of a Unitholder's holding, Units subscribed earlier in time are deemed to be redeemed prior to Units subscribed later in time unless the Manager and the Trustee agree otherwise.

The Redemption Charge will be deducted from the amount payable to a Unitholder in respect of the redemption of Units. The Redemption Charge will be retained by or paid to the Manager for its own absolute use and benefit or, if so stated in the relevant Appendix, retained by the relevant Sub-Fund. Where the Redemption Charge is retained by the Manager, it may at its discretion, pay all or part of the Redemption Charge to its agents or delegates. The Manager shall be entitled to differentiate between Unitholders or Classes of Units as to the amount of the Redemption Charge (within the maximum rate of Redemption Charge).

### **Minimum Redemption Amount and Minimum Holding Amount**

Details of any Minimum Redemption Amount and Minimum Holding Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

If a redemption request will result in a Unitholder holding Units of a Sub-Fund or a Class less than the Minimum Holding Amount for that Sub-Fund or Class, the Manager may deem such request to have been made in respect of all Units of the relevant Sub-Fund or Class held by that Unitholder.

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

### **Redemption Procedures**

Applications for redemption of Units may be made to the Registrar (through the Manager and/or the Authorized Distributors) by completing the Redemption Form and sent by post or by facsimile to the Registrar (through the Manager and/or the Authorized Distributors) at the business address or facsimile number on the Redemption Form. The Redemption Form is available from the Manager and/or the Authorised Distributors.

A Redemption Form received by the Registrar (through the Manager and/or the Authorized Distributors) by the Redemption Deadline of a Redemption Day will be dealt with on that Redemption Day. If an application for redemption of Units is received after the Redemption Deadline in respect of a Redemption Day then the application will be held over until the next Redemption Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept a redemption request in respect of a Redemption Day which is received after the Redemption Deadline if it is received prior to the Valuation Point relating to that Redemption Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's operational requirements cannot support accepting any such redemption request, the Manager shall not exercise its discretion to accept any redemption request.

A request for redemption once given cannot be revoked without the consent of the Manager.

### **Payment of Redemption Proceeds**

Redemption proceeds will normally be paid by direct transfer or telegraphic transfer in the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class of Units to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted. Any bank charges associated with the payment of such redemption proceeds will be borne by the Sub-Fund.



Unless otherwise specified in the relevant Appendix relating to a Sub-Fund and subject to the approval of the Manager (after consultation with the Trustee), and to applicable limits on foreign exchange, redemption proceeds can be paid in a currency other than the relevant Base Currency or Class Currency. Redemption proceeds may be paid in a currency other than the relevant Base Currency or Class Currency if so requested by the relevant redeeming Unitholders and agreed by the Manager. In addition, if due to any foreign exchange control or restriction or regulatory requirement or policy the relevant Class Currency is not available or not sufficient for payment of the redemption proceeds, Unitholders may request that the redemption proceeds be paid in a currency other than the relevant Class Currency or be paid in the relevant Class Currency only upon the availability of such Class Currency.

Where redemption proceeds are paid in a currency other than the relevant Base Currency or Class Currency, they will be converted from the relevant Base Currency or Class Currency at the cost of the relevant redeeming Unitholders. Any conversion from the relevant Base Currency or Class Currency, will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

Redemption proceeds will normally be paid within the Redemption Period and in any event not exceeding one calendar month after the later of (i) the relevant Redemption Day and (ii) the day on which the Registrar (through the Manager and/or the Authorized Distributors) receives the duly completed Redemption Form and such other documents and information as the Trustee, the Manager and/or the Registrar may require, unless the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, payment of redemption proceeds may be deferred, but the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

The Manager or the Trustee, as the case may be, may, in its absolute discretion, delay payment to the Unitholder until (a) if required by the Trustee, the Manager or the Registrar, the original of the Redemption Form duly signed by the Unitholder has been received; (b) where redemption proceeds are to be paid by telegraphic transfer, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee (or the Registrar on behalf of the Trustee); and (c) the Unitholder has produced all documents or information required by the Trustee, the Manager and/or the Registrar for the purpose of anti-money laundering law or other laws or regulations in any relevant jurisdiction.

The Manager or the Trustee, as the case may be, may, refuse to make a redemption payment to a Unitholder if either the Manager or the Trustee suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee or other service providers with any such laws or regulations in any relevant jurisdiction.

If the Manager or the Trustee is required or entitled by any applicable laws, regulations, direction or guidance, or by any agreement with any tax or fiscal authority to make withholdings from any redemption moneys payable to the Unitholder, the amount of such withholdings shall be deducted from the redemption moneys otherwise payable to such person, provided that the Manager or the Trustee is acting in good faith and on reasonable grounds.

Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, neither the Manager nor the Trustee nor their agents shall be

liable for any loss caused by any refusal or delay in making payment as a result of delay in receipt of proceeds of realisation of the investments of the relevant Sub-Fund.

### **Restrictions on Redemption**

No Units of a Sub-Fund or a Class may be redeemed where the determination of the Net Asset Value of that Sub-Fund or Class and/or the redemption of Units of that Sub-Fund or Class is suspended (for further details see “*Valuation and Suspension - Suspension*” below).

With a view to protecting the interests of all Unitholders of a Sub-Fund, the Manager may with the approval of the Trustee limit the number of Units of such Sub-Fund redeemed on any Redemption Day (whether by sale to the Manager or by cancellation of Units) to 10% of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund who have validly requested to redeem Units of the same Sub-Fund on that Redemption Day will redeem the same proportion of such Units of that Sub-Fund. Any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding Redemption Day and all following Redemption Days (in relation to which the Manager has the same power) until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned within 7 Business Days of such Redemption Day.

### **Compulsory redemption of Units**

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

- (a) in contravention of any laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed; or
- (b) in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager or the Trustee to be relevant) which in their opinion might result in the relevant Sub-Fund, the Fund, the Trustee and/or the Manager incurring any liability to taxation or suffering any other pecuniary disadvantage which the Sub-Fund, the Fund, the Trustee and/or the Manager might not otherwise have incurred or suffered,

the Manager or the Trustee may, acting in good faith and in compliance with any applicable laws and regulations:

- (i) give notice requiring the relevant Unitholder to transfer the Units to a person who would not be in contravention of the above restrictions within 30 days of the date of the notice; or
- (ii) deem receipt of a redemption request from the relevant Unitholder in respect of such Units.

Where the Manager or the Trustee has given such notice and the Unitholder has failed to either (i) transfer the relevant Units within 30 days of the date of the notice, or (ii) establish to the satisfaction of the Manager or the Trustee (whose judgment is final and binding) that the relevant Units are not held in contravention of any of the restrictions set out above, the Unitholder is deemed to have given a redemption request in respect of the relevant Units on the expiry of 30 days from the date of the notice.

---

## CONVERSION

---

### Conversion of Units

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

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

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

### Switching Fee

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

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

The maximum and current rate of Switching Fee (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Switching Fee may be imposed in relation to the conversion of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Switching Fee shall be deducted from the amount reinvested into the Sub-Fund relating to Units of the New Class and shall be retained by or paid to the Manager for its own absolute use and benefit.

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

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

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

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

Where in either case:-

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

the New Class.

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

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

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

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

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

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

### **Conversion Procedures**

Applications for conversion of Units may be made to the Registrar (through the Manager and/or the Authorized Distributors) by completing the Conversion Form and sent by post or by facsimile to the Registrar (through the Manager and/or the Authorized Distributors) at the business address or facsimile number on the Conversion Form. The Conversion Form is available from the Manager and/or the Authorised Distributors.

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

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

### **Restrictions on Conversion**

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

---

## VALUATION AND SUSPENSION

---

### Calculation of Net Asset Value

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

(a) Listed Investments

The value of any investment (including unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market but excluding unit, share or other interest in an unlisted Collective Investment Scheme or a commodity) quoted, listed, traded or normally dealt in on a Securities Market shall at the discretion of the Manager be calculated by reference to the last traded price or closing price as calculated and published by the Securities Market (which, in the opinion of the Manager, provides the principal Securities Market for such investment) or (if no last traded price or closing price is available) midway between the latest available market dealing offer price and the latest available market dealing bid price on which the investment is quoted, listed, traded or normally dealt in for such amount of such investment at or immediately preceding the Valuation Point, as the Manager may consider in the circumstances to provide a fair criterion, provided that:-

- (i) If the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may, after consultation with the Trustee, adopt such prices.
- (ii) If an investment is quoted, listed or normally dealt in on more than one Securities Market, the Manager shall adopt the price or, as the case may be, middle quotation on the Securities Market which, in its opinion and after consultation with the Trustee, provides the principal market for such investment.
- (iii) For an investment where only a single external pricing source is available, the price shall be obtained independently for that source as the Manager may, after consultation with the Trustee, deem appropriate.
- (iv) In the case of any investment which is quoted, listed or normally dealt in on a Securities Market but in respect of which, for any reason, prices on that Securities Market may not be available at any relevant time, the value thereof shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee.
- (v) Where there is no Securities Market, all calculations based on the value of investments quoted by any person, firm or institution making a market in that investment (and if there shall be more than one such market maker then such particular market maker as the Manager, in consultation with the Trustee, may determine) shall be made by reference to the mean of the latest bid and asked price quoted thereby.
- (vi) There shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price.

(b) Unquoted Investments

The value of any investment (other than an interest in a collective investment scheme or a commodity) which is not quoted, listed or normally dealt in on a Securities Market shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the

acquisition thereof (including in each case the amount of the stamp duties, commissions and other acquisition expenses) provided that the value of any such unquoted investments shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such unquoted investment. Such professional person may, with the approval of the Trustee, be the Manager.

(c) Cash, Deposits etc.

Cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager after consultation with the Trustee, any adjustment should be made to reflect the value thereof.

(d) Collective Investment Scheme

The value of each unit, share or other interest in any collective investment scheme (other than unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market) shall be the net asset value per unit, share or other interest as at the same day the Net Asset Value of the relevant Sub-Fund is calculated, or if such collective investment scheme is not valued as at the same day, the last published net asset value per unit, share or other interest in such collective investment scheme (where available) or (if the same is not available) the latest available bid price for such a unit, share or other interest at or immediately preceding the Valuation Point.

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

(e) Other Valuation Methods

Notwithstanding paragraphs (a) to (d) above, the Manager may, after consultation with the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment or use of such other method is required to reflect the fair value thereof.

(f) Conversion to Base Currency

The value (whether of a borrowing or other liability, an investment or cash) otherwise than in the Base Currency of a Sub-Fund shall be converted into the Base Currency at the prevailing market rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate.

(g) Reliance on Price Data and Information provided through Electronic Price Feeds etc

Subject as provided below, when calculating the Net Asset Value of a Sub-Fund, price data and other information in relation to the value of any investment or the cost price or sale price thereof provided through electronic price feeds, mechanised or electronic systems of price or valuation, or valuation or pricing information which is provided by any valuer, third party valuation agent, intermediary or other third party appointed or authorised to provide valuations or pricing information of the investments or the assets of the Sub-Fund may be relied upon without verification, further enquiry or liability notwithstanding that the prices so used are not the last traded prices or closing prices.

The Manager shall exercise reasonable care and diligence in the selection of the valuation service providers and shall satisfy itself that such valuation service providers remain suitably

qualified and competent to provide such price data and other information services.

(h) Appointment of a Third Party for Valuation

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

Investors should note that, under IFRS, investments should be valued at fair value and also that, under IFRS, bid and offer pricing is considered to be representative of the fair value of investments. However, the valuation basis described above may deviate from the IFRS which may lead to a different valuation had the valuation been performed in accordance with IFRS. The Manager has considered the impact of such non-compliance and do not expect this issue to affect the results and Net Asset Value of a Sub-Fund materially. To the extent that the valuation basis adopted by the relevant Sub-Fund deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with IFRS.

The Manager may, after consultation with the Trustee, arrange for a revaluation of the Net Asset Value of a Unit of any Class if it considers that the Net Asset Value per Unit of the relevant Class calculated in relation to any Subscription Day or Redemption Day (as the case may be) does not accurately reflect the true value of such Unit. Any revaluation will be made on a fair and equitable basis.

**Adjustment of Prices**

In calculating the Issue Price, the Manager may add fiscal and purchase charges (see “*Investing in the Fund – Issue Price*” above) and in calculating the Redemption Price, the Manager may deduct fiscal and sale charges (see “*Redemption of Units – Redemption Price*” above).

The Manager will only make such adjustment to the Issue Price and Redemption Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Trustee prior to any adjustment in the Issue Price or Redemption Price and such adjustment would only be made where the Trustee has no objection to it. Exceptional circumstances for adjusting the Issue Price or Redemption Price may include (a) the aggregate net transactions (either net subscriptions or net redemptions) in Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders. In such circumstances the Net Asset Value per Unit of the relevant Class may be adjusted by an amount (not exceeding 1% of that Net Asset Value) which reflects the dealing costs that may be incurred by the relevant Sub-Fund and the estimated bid/offer spread of the assets in which the relevant Sub-Fund invests.

For the avoidance of doubt,

- (a) the Issue Price and Redemption Price, prior to any adjustment, will be determined with reference to the same Net Asset Value per Unit of the relevant Class; and
- (b) it is not the intention of the Manager to adjust the Issue Price upwards and the Redemption Price downwards for the same Subscription Day and Redemption Day; and
- (c) any adjustment in the Issue Price or Redemption Price must be made on a fair and equitable basis.

## Suspension

The Manager may, after consultation with the Trustee, having regard to the best interests of Unitholders, declare a suspension of the determination of the Net Asset Value of any Sub-Fund or of any Class of Units and/or the issuance, conversion and/or the redemption of Units for the whole or any part of any period during which:-

- (a) there is a closure (other than customary weekend and holiday closing) of or the restriction or suspension of trading on any commodities market or Securities Market on which a substantial part of the investments of that Sub-Fund is normally traded or a breakdown in any of the means normally employed in ascertaining the prices of investments or the Net Asset Value of a Sub-Fund or the Issue Price or Redemption Price per Unit; or
- (b) for any other reason the prices of investments held or contracted for by the Manager for the account of that Sub-Fund cannot, in the opinion of the Manager or the Trustee, reasonably, promptly or fairly be ascertained; or
- (c) circumstances exist as a result of which, in the opinion of the Manager or the Trustee, it is not reasonably practicable to realise a substantial part of the investments held or contracted for the account of that Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of Units of the relevant Class; or
- (d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the investments of that Sub-Fund or the issue or redemption of Units of the relevant Class is delayed or cannot, in the opinion of the Manager or the Trustee, be carried out promptly at normal rates of exchange; or
- (e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit takes place or when for any other reason the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit cannot in the opinion of the Manager or the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner; or
- (f) when, in the opinion of the Manager or the Trustee, such suspension is required by law or applicable legal process; or
- (g) where that Sub-Fund is invested in one or more collective investment schemes and the realisation of interests in any relevant collective investment scheme(s) (representing a substantial portion of the assets of the Sub-Fund) is suspended or restricted; or
- (h) when the business operations of the Manager or the Trustee or any of their delegates in relation to the operations of that Sub-Fund are substantially interrupted or closed as a result of or arising from a force majeure event; or
- (i) when the Unitholders or the Manager have resolved or given notice to terminate that Sub-Fund or to carry out a scheme of amalgamation involving that Sub-Fund; or
- (j) such other circumstance or situation exists as set out in the Appendix of that Sub-Fund.

If a suspension is declared, during such a period of suspension –

- (a) where the suspension is in respect of the determination of the Net Asset Value, there shall be no determination of the Net Asset Value of the relevant Sub-Fund and the Net Asset Value per



Unit of that Sub-Fund (or a Class thereof) (although an estimated Net Asset Value may be calculated and published) and any applicable issue or request for conversion or redemption of Units shall be similarly suspended. If a request for subscription, conversion or redemption of Units are received by the Manager during a period of suspension and not withdrawn, such request shall be treated as if it were received in time to be dealt with on the Subscription Day or the Redemption Day (as the case may be) next following the end of the said suspension and dealt with accordingly;

- (b) where the suspension is in respect of the allotment or issue, conversion and/or the redemption of Units, there shall be no allotment, issue, conversion and/or redemption of Units. For the avoidance of doubt, the allotment, issue, conversion or redemption of Units may be suspended without suspending the determination of the Net Asset Value.

A suspension shall take effect forthwith upon the declaration thereof until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised shall exist.

Whenever the Manager declares such a suspension it shall immediately after any such declaration notify the SFC of such suspension and shall, immediately after any such declaration and at least once a month during the period of such suspension, cause a notice to be published on the Manager's website <https://asia.smd-am.com> or with the prior approval of the SFC, cause such notice to be published in any other media and/or cause a notice to be given to Unitholders of the Class relating to the relevant Sub-Fund and to all those (whether Unitholders or not) whose applications to subscribe for or redeem Units shall have been affected by such suspension stating that such declaration has been made.

---

## DISTRIBUTION POLICY

---

The distribution policy adopted by a Sub-Fund is set out in the relevant Appendix of such Sub-Fund. A Sub-Fund may offer Classes of Units that accumulate income (“**Accumulation Classes**”) or pay regular distributions out of net distributable income or capital or gross income of such Sub-Fund (“**Distribution Classes**”).

### **Accumulation Classes**

No distribution is intended to be made in respect of Accumulation Classes. Therefore, any net income and net realised capital gains attributable to Units of the Accumulation Classes will be reflected in their respective Net Asset Value.

### **Distribution Classes**

For Distribution Classes, the Manager will declare and pay distributions in such amount, on such date and at such frequency as the Manager may determine. However, unless otherwise specified in the relevant Appendix, there is neither a guarantee that such distributions will be made nor will there be a target level of distributions payout.

The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant Distribution Class. The Manager may also, in its discretion, pay distribution out of gross income while charging / paying all or part of the Sub-Fund’s fees and expenses to / out of the capital of the Sub-Fund, resulting in an increase in distributable income for payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

**In the event that the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared, the Manager may in its discretion determine such dividends be paid from capital or effectively out of capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund’s capital or payment of dividends effectively out of a Sub-Fund’s capital may result in an immediate reduction of the Net Asset Value per Unit of the relevant Distribution Class.**

The composition of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and also on the Manager’s website <https://asia.smd-am.com>. Investors should note that the aforesaid website has not been reviewed or authorised by the SFC.

Distributions of a Distribution Class declared, if any, shall be distributed among the Unitholders of the relevant Distribution Class rateably in accordance with the number of Units held by them on the record date as determined by the Manager with the approval of the Trustee in respect of the corresponding distribution. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date shall be entitled to the distribution declared in respect of the corresponding distribution.

Distributions may be paid in cash or may be applied to subscribe for additional Units in the relevant Class of the relevant Sub-Fund at the option of the Unitholder as indicated in its Application Form. Unitholders may change their distribution option by giving not less than 7 days’ written notice prior to the ex-date to the Manager. Any payment of distributions in cash will normally be paid by direct transfer or telegraphic transfer in the Class Currency of the relevant Distribution Class to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted.

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

---

## FEES AND EXPENSES

---

### **Management Fee**

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

### **Trustee, Custody and Administration Fee**

The Trustee is entitled to receive a fee which is charged as a percentage of the Net Asset Value of the relevant Sub-Fund on each Valuation Day, at the rates specified in the Appendix and subject to a minimum monthly fee (if any) as specified in the relevant Appendix. The Trustee's fee is calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears out of the assets of the relevant Sub-Fund. The fee payable to the Trustee is subject to a maximum rate as specified in the Appendix.

The Custodian is entitled to receive (among others) transaction fees and safe-keeping fees at different rates, largely depending on the markets where the Custodian is required to hold the Sub-Fund's assets. The current rate of the Custodian fees payable by the relevant Sub-Fund is specified in the relevant Appendix. Such fees will be calculated monthly and will be paid monthly in arrears, out of the assets of the relevant Sub-Fund. The Custodian is also entitled to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses properly incurred by it in the performance of its duties.

The Registrar and Administrator is entitled to receive (among others) various fund accounting, administration, transfer agency, transaction, processing, valuation fees and other applicable fees as agreed with the Manager as specified in the relevant Appendix. The Registrar and Administrator is entitled to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses properly incurred by it in the performance of its duties.

### **Notice for Fee Increase**

Unitholders shall be given not less than one month's prior notice should there be any increase of the management fee or Trustee's fee from the current level to the maximum level. Any increase in the maximum level of the management fee or Trustee's fee of a Sub-Fund (or any Class thereof) shall be subject to the SFC's prior approval and the sanction of extraordinary resolution of the Unitholders of such Sub-Fund (or such Class).

### **Establishment Costs**

The establishment costs of the Fund and the initial Sub-Fund will be borne by the Manager.

Unless otherwise specified in the Appendix relating to a Sub-Fund, the establishment costs and payments incurred in the establishment of subsequent Sub-Funds are to be borne by the Sub-Fund to which such costs and payments relate and amortised over the Amortisation Period.

Investors should also note that under IFRS, establishment costs should be expensed as incurred and that amortisation of the expenses of establishing Sub-Funds is not in accordance with IFRS; however, the Manager has considered the impact of such non-compliance and has considered that it will not have a material impact on the financial statements of Sub-Funds. To the extent that the accounting basis adopted by a Sub-Fund deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with IFRS.

## **General Expenses**

Each Sub-Fund will bear the costs (including those set out below) which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, such costs will be allocated amongst the Sub-Funds in proportion to the respective Net Asset Value of all the Sub-Funds.

Such costs include but are not limited to the costs of investing and realising the investments of the Sub-Funds, the fees and expenses of the custodian, registrar and the auditors, valuation costs, legal fees, the expenses incurred by the Manager and the Trustee in establishing the Fund and Sub-Funds and costs in connection with the initial issue of Units or a Class of Units, the costs incurred in connection with the preparation of supplemental deeds or any listing or regulatory approval, the costs of holding meetings of Unitholders and of giving notices to Unitholders, the costs incurred in terminating the Fund or any Sub-Fund, the fees and expenses of the Trustee which are agreed by the Manager in connection with time and resources incurred by the Trustee reviewing and producing documentation in connection with the operation of any Sub-Fund including the filing of annual returns and other statutory information required to be filed with any relevant regulatory authority and the costs incurred in the preparation and printing of any explanatory memorandum, all costs incurred in publishing the Net Asset Value of a Sub-Fund, Net Asset Value per Unit, Issue Price and Redemption Price of Units, all costs of preparing, printing and distributing all statements, accounts and reports, the expenses of preparing and printing any offering document, and any other expenses, deemed by the Manager, after consulting the Auditors, to have been incurred in compliance with or connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with any code relating to unit trusts.

For so long as the Fund and such Sub-Funds are authorised by the SFC, no advertising or promotional expenses shall be charged to the Sub-Funds so authorised.

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

All transaction carried out by or on behalf of the Fund or a Sub-Fund must be executed at arm's length and in the best interests of the Unitholders of the relevant Sub-Fund. In particular, any transactions between the Sub-Fund and the Manager, the Investment Adviser, the Investment Delegate or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions will be disclosed in the annual report of the Fund and/or the relevant Sub-Fund. In transacting with brokers or dealers connected to the Manager, the Investment Adviser, the Investment Delegate of the relevant Sub-Fund, the Trustee or any of their connected persons, the Manager must ensure that:

- (a) such transactions are on arm's length terms;
- (b) it uses due care in the selection of such brokers or dealers and ensures that they are suitably qualified in the circumstances;
- (c) transaction execution must be consistent with applicable best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- (e) it monitors such transactions to ensure compliance with its obligations; and
- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual report of the Fund and/or the relevant Sub-Fund.

None of the Manager, the Investment Delegate or any of their connected persons will retain cash or other rebates from brokers or dealers in consideration of directing transactions for a Sub-Fund to such brokers or dealers, save that goods and services (soft dollars) as described in the paragraph below may

be retained. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund.

The Manager, the Investment Delegate and/or any of their connected persons reserves the right to effect transactions by or through a broker or dealer with whom the Manager, the Investment Delegate and/or any of their connected persons has an arrangement under which that broker or dealer will from time to time provide to or procure for the Manager, the Investment Delegate and/or any of their connected persons goods or services for which no direct payment is made but instead the Manager, the Investment Delegate and/or any of their connected persons undertakes to place business with that broker or dealer. The Manager shall procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager and/or the Investment Delegate in their ability to manage the relevant Sub-Fund or otherwise; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) periodic disclosure is made in the annual report of the Fund or the relevant Sub-Fund in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Delegate, including a description of goods and services received by them; and (iv) the availability of soft dollar arrangement is not the sole or primary purpose to perform or arrange transactions with such broker or dealer. Such goods and services may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

---

## TAXATION

---

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

The following summary of Hong Kong is of a general nature, is for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of Unitholders. Prospective Unitholders should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong at the date of this Explanatory Memorandum. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Explanatory Memorandum. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below.

### **Hong Kong Taxation**

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

(a) *Profits Tax:*

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

(b) *Stamp Duty:*

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

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

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

Hong Kong stamp duty is ordinarily payable on the sale or purchase of Hong Kong stock. “Hong Kong stock” is defined as “stock” the transfer of which is required to be registered in Hong Kong.

#### The Unitholders

(a) *Profits Tax:*

Unitholders should not be subject to any Hong Kong profits tax on distributions by the Fund or Sub-Fund(s) in accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Explanatory Memorandum). Hong Kong profits tax (which is currently charged at the rate of 16.5% for corporations, and 15% for individuals or unincorporated business) will arise on any gains or profits made on the sale, redemption or other disposal of the Units where such

transactions form part of a trade, profession or business carried on by a Unitholder in Hong Kong and such Units are not capital assets to the Unitholders. Unitholders should take advice from their own professional advisers as to their particular tax position.

There is no withholding tax on dividends and interest in Hong Kong.

(b) *Stamp Duty:*

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

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

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

Other types of sales or purchases or transfers of the Units by the Unitholders should be liable to Hong Kong Stamp Duty of 0.1% (borne by each of the buyer and seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of Units.

## **FATCA**

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

In general, an FFI which does not enter into an FFI Agreement and is not otherwise exempt will face a 30% withholding tax on all “withholdable payments” derived from US sources, including dividends and interest and certain derivative payments made on or after 1 July 2014. It is expected that certain non-U.S. source payments attributable to amounts that would be subject to FATCA withholding (referred to as “**foreign passthru payments**”) may also be subject to FATCA withholding sometime in the future as the US tax rules on “foreign passthru payments” in U.S. Treasury Regulations are currently pending.

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



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

In addition, under the Hong Kong IGA, certain FFIs are regarded as Non-Reporting Hong Kong FFIs and treated as registered deemed-compliant FFIs per the US Treasury Regulations if they meet the criteria stated in Annex II of the Hong Kong IGA, which include among others, the “Collective Investment Vehicle” exemption. In order to elect and keep such FATCA status, the Fund and Sub-Funds may only allow as unitholders (i) Participating FFIs, (ii) exempt beneficial owners, (iii) Active Non-Financial Foreign Entities, or (iv) non-Specified US persons, all as defined under the FATCA Final Regulations and any applicable IGA; investors may only subscribe for and hold units through a financial institution that complies or is deemed to comply with FATCA.

In view of the above, as at the date hereof, the Manager has registered with the US IRS as a sponsoring entity for the Fund and the Sub-Funds with a GIIN of JKIOZQ.00000.SP.344 and has agreed to perform, on behalf of the sponsored entities, all due diligence, withholding, reporting and other FATCA-related requirements. The Fund and the Sub-Funds are considered as sponsored entities of the Manager and will be regarded as Non-Reporting Hong Kong FFI and treated as a registered deemed-compliant FFI per the US Treasury Regulations.

#### **Automatic Exchange of Financial Account Information**

The Inland Revenue (Amendment) (No.3) Ordinance (the “**Ordinance**”) came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“**AEOI**”). The AEOI requires financial institutions (“**FI**”) in Hong Kong to collect information relating to account holders, and to file such information as relates to reportable account holders who are tax resident in Reportable Jurisdictions (as defined below) with the Hong Kong Inland Revenue Department (“**IRD**”) who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has activated exchange relationships (“**Reportable Jurisdictions**”); however, the Fund, the Sub-Funds and/or their agents may further collect information relating to residents of other jurisdictions.

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

The AEOI rules as implemented by Hong Kong require the Fund and/or each Sub-Fund to, amongst other things: (i) register the Fund’s and each Sub-Fund’s status as a “Reporting Financial Institution” with the IRD; (ii) conduct due diligence on its accounts (i.e., Unitholders) to identify whether any such accounts are considered “Reportable Accounts” for AEOI purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the information reported to it to the government authorities of the relevant Reportable Jurisdiction(s). Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a Reportable Jurisdiction; and (ii) certain entities controlled by individuals who are tax resident in a Reportable Jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant Reportable Jurisdiction(s).

By investing in the relevant Sub-Fund and/or continuing to invest in the relevant Sub-Fund, Unitholders acknowledge that they may be required to provide additional information to the Fund and/or the relevant Sub-Fund, the Manager and/or the Fund's or the relevant Sub-Fund's agents in order for the Fund and/or the relevant Sub-Fund to comply with AEOI. The Unitholder's information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are not natural persons), may be communicated by the IRD to authorities in other jurisdictions.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the relevant Sub-Fund.

**Other Jurisdiction(s)**

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

---

## GENERAL INFORMATION

---

### Reports and Accounts

The Fund's and each Sub-Fund's financial year end is on the Accounting Date in each year.

As an alternative to the distribution of printed audited accounts and unaudited semi-annual reports, the Manager will notify Unitholders where the annual report and audited accounts (in English only) can be obtained (in printed and electronic forms) within four months after the Accounting Date, and where the unaudited semi-annual accounts (in English only) can be obtained (in printed and electronic forms) within two months after the Semi-Annual Accounting Date in each year. Once issued, hardcopies of the reports and accounts are available upon request of Unitholders free of charge at any time during normal business hours on any Business Day at the office of the Manager. Copies of the accounts and reports may be posted to Unitholders on request.

The Manager intends to adopt IFRS in drawing up the annual accounts of the Fund and Sub-Funds. It should however be noted that in amortising the establishment costs of the Fund in accordance with the section headed “**Establishment Costs**”, possible deviation from such accounting standards may occur but the Manager does not expect this issue to be material under normal circumstances. The Manager may make necessary adjustments in the annual accounts in order to comply with IFRS and to include a reconciliation note in the Fund's audited accounts.

### Publication of Prices

The Issue Price and Redemption Price for each Class of a Sub-Fund will be published on each Business Day of that Sub-Fund on the Manager's website <https://asia.smd-am.com>. Investors should note that the aforesaid website is not reviewed or authorised by the SFC.

### Termination of Fund or a Sub-Fund

The Fund shall continue for an unlimited period unless it is earlier terminated in one of the ways provided under the Trust Deed and as summarised below.

#### *Termination by the Trustee*

The Fund may be terminated by the Trustee by notice in writing to the Manager and the Unitholders if:-

- (a) the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee), becomes bankrupt or if a receiver is appointed over any of their assets and not discharged within 60 days;
- (b) in the opinion of the Trustee the Manager shall be incapable of performing or shall in fact fail to perform its duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Fund into disrepute or to be harmful to the interests of the Unitholders;
- (c) any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund;
- (d) the Manager shall, have ceased to be the manager and, within a period of 30 days thereafter, no other qualified corporation shall have been appointed by the Trustee as successor manager; or
- (e) the Trustee shall have notified the Manager of its desire to retire as Trustee and the Manager shall fail to find a qualified corporation to act as a trustee in place of the Trustee within 60 days therefrom.

### *Termination by the Manager*

The Fund, any Sub-Fund and/or any Class of Units (as the case may be) may be terminated by the Manager in its discretion by notice in writing to the Trustee and the Unitholders if:-

- (a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding hereunder shall be less than US\$10 million or its equivalent or, in relation to any Sub-Fund, the aggregate Net Asset Value of the Units outstanding hereunder in respect of such Sub-Fund shall be less than US\$10 million or its equivalent or such other amount stated in the relevant Appendix;
- (b) in the opinion of the Manager, it is impracticable or inadvisable to continue the Fund, a Sub-Fund and/or any Class of Units (as the case may be) (including without limitation, a situation where it is no longer economically viable to operate the Fund, the Sub-Fund or the relevant Class of Units);
- (c) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund and/or any Sub-Fund and / or any Class of Units of a Sub-Fund; or
- (d) the occurrence of any other event(s) or in such other circumstance(s) as set out in the relevant Appendix of the Sub-Fund.

In cases of termination on notice, no less than one month's notice will be given to Unitholders.

Further, a Sub-Fund or a Class of Units may be terminated by an extraordinary resolution of the Unitholders of the Sub-Fund or the Unitholders of the relevant Class (as the case may be) on such date as the extraordinary resolution may provide. At least twenty one days' notice shall be given to the Unitholders in respect of a meeting of Unitholders where such extraordinary resolution will be tabled.

Any unclaimed proceeds or other cash held by the Trustee upon termination of the Fund, a Sub-Fund or a Class of Units, as the case may be, may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

### **Trust Deed**

The Fund was established under the laws of Hong Kong by the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. Any indemnity expressly given to the Trustee or to the Manager in the Trust Deed is in addition to and without prejudice to any indemnity allowed by law. However, the Trustee and the Manager shall not be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending applicants are advised to consult the terms of the Trust Deed for further details.

### **Voting Rights**

Meetings of Unitholders may be convened by the Manager or the Trustee, and the Unitholders of 10% or more in value of the Units in issue may require a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting at which an extraordinary resolution is to be proposed and not less than 14 days' notice of any meeting at which an ordinary resolution is to be proposed.

The quorum for all meetings is Unitholders present in person or by proxy representing 10% of the Units for the time being in issue except for the purpose of passing an extraordinary resolution. The quorum

for passing an extraordinary resolution shall be Unitholders present in person or by proxy representing 25% or more of the Units in issue. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting should be adjourned for not less than 15 days. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum. On a poll every Unitholder present in person, by proxy or by representative has one vote for every Unit of which he is the holder. In the case of joint Unitholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the register of Unitholders.

### **Transfer of Units**

Subject as provided below, Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee.

The duly stamped instrument of transfer, any necessary declarations, other documents that may be required by the Manager, the Trustee or the Registrar or in consequence of any legislation (including any anti-money laundering legislation) shall be left with the Registrar for registration. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

Each instrument of transfer must relate to a single class of Units only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the Minimum Holding Amount (if any) of the relevant Class as specified in the relevant Appendix.

The Manager or the Trustee may refuse to enter or cause to be entered the name of a transferee in the register or recognise a transfer of any Units if either of them believes that such will result in or is likely to result in the contravention of any applicable laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed, including without limitation any anti-money laundering or anti-terrorist financial laws or regulations. No units may be transferred to any US Person (as defined in Regulation S of the United States Securities Act of 1933 (as amended)), either alone or in conjunction with any other person.

### **Anti-Money Laundering Regulations**

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering, the Manager/Trustee/Registrar may require a detailed verification of an investor's identity and the source of payment of application moneys. Depending on the circumstances of each application, a detailed verification might not be required where:-

- (a) the applicant makes the payment from an account held in the applicant's name at a recognised financial institution; or
- (b) the application is made through a recognised intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised as having sufficient anti-money laundering regulations. The Manager, the Trustee and the Registrar nevertheless reserve the right to request such information as is necessary to verify the identity of an applicant and the source of payment.

In the event of delay or failure by the applicant to produce any documents or information required for verification of identity or legitimacy of the subscription monies, the Manager, the Trustee or the Registrar may refuse to accept the application and the subscription moneys relating thereto. Further, they may delay in paying any redemption proceeds if an applicant for Units delays in producing or fails to produce any documents or information required for the purposes of verification of identity. The Manager, the Trustee or the Registrar may refuse to make payment to the Unitholder if either of them suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal

is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee, the Registrar or other service providers with any such laws or regulations in any relevant jurisdiction.

### **Conflicts of Interest**

The Manager, the Investment Adviser, the Investment Delegate (if any), the Trustee and the Custodian (if any) and their respective connected persons may from time to time act as trustee, administrator, transfer agent, manager, custodian or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund and the Sub-Funds. Each will, at all times, have regard in such event to its obligations to the Fund and the Sub-Funds and will endeavour to ensure that such conflicts are resolved fairly and taking into account investors' interests. 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 minimize potential conflicts of interest. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

The Manager may also act as the investment manager of other funds whose investment objectives, investment approach and investment restrictions are similar to those of a Sub-Fund. The Manager or any of its connected persons may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by a Sub-Fund. Neither the Manager nor its connected persons is under any obligation to offer investment opportunities of which any of them become aware to any Sub-Fund or to account to any Sub-Fund in respect of (or share with any Sub-Fund or to inform any Sub-Fund of) any such transactions or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Fund and other clients. Where the Manager invests a Sub-Fund in shares or units of a collective investment scheme managed by the Manager or any of its connected persons, the manager of the scheme in which the investment is being made by such Sub-Fund must waive any preliminary or initial charge and redemption charge which it is entitled to charge for its own account in relation to such investment by the relevant Sub-Fund and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any connected person of the Manager) borne by the relevant Sub-Fund.

The Manager reserves the right for itself and its connected persons to co-invest on its own or for other funds and/or other clients with any Sub-Fund, although any such co-investment must be made on terms no better than those in which the relevant Sub-Fund is investing. Further, the Manager and any of its connected persons may hold and deal in Units of any Sub-Fund or in investments held by any Sub-Fund either for their own account or for the account of their clients.

Subject to the restrictions and requirements applicable from time to time, the Manager, any Investment Advisers, Investment Delegates as may be appointed by the Manager or any of their respective connected persons may deal with any Sub-Fund as principal provided that dealings are carried out in good faith and effected on best available terms negotiated on an arm's length basis and in the best interests of the Unitholders of the relevant Sub-Fund. Any transactions between a Sub-Fund and the Manager, the Investment Adviser, the Investment Delegate as may be appointed by the Manager or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Sub-Fund's annual report.

In effecting the following transactions, the Manager shall ensure that the relevant requirements under the heading entitled "***Transactions with Connected Persons, Cash Rebates and Soft Dollars***" in the section "***Fees and Expenses***" are complied with:

- (a) transactions for the account of any Sub-Fund with brokers or dealers connected to the Manager, the Investment Delegate of such Sub-Fund or their connected persons; and

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

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

If cash forming part of a Sub-Fund's assets is deposited with the Trustee, the Manager, the Investment Adviser, the Investment Delegate of such Sub-Fund or any of their connected persons (being an institution licensed to accept deposits), the Trustee or the Manager (as the case may be) shall ensure that such institutions maintain such cash deposits in a manner that is in the best interests of the Unitholders of the relevant Sub-Fund, having regard to the prevailing commercial rate for a deposit of a similar type, size and term negotiated at arm's length in accordance with ordinary and normal course of business.

### **Facsimile Instructions**

Investors should be reminded that if they choose to send the Application Forms, Redemption Forms or Conversion Forms by facsimile or such other means, they bear their own risk of such Application Forms, Redemption Forms or Conversion Forms not being received. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee, the Registrar and their respective agents and delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any Application Form, Redemption Form or Conversion Form sent by facsimile or other means, or for any loss caused in respect of any action taken as a consequence of such instructions believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager, the Trustee or the Registrar safe receipt of an application.

### **Forfeiture of Unclaimed Proceeds or Distributions**

If any redemption proceed or distribution remains unclaimed six years after the relevant Redemption Day or distribution date, as the case may be, (a) the Unitholder and any person claiming through, under or in trust for the Unitholder forfeits any right to the proceed or distribution; and (b) the amount of the proceed or distribution will become part of the relevant Sub-Fund unless such Sub-Fund shall have been terminated in which case such amount shall be paid into a court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

### **Market Timing**

The Manager does not authorise practices connected to market timing and it reserves the right to reject any applications for subscriptions or switching of Units from a Unitholder which it suspects to use such practices and take, as the case may be, the necessary measures to protect the Unitholders of the Sub-Funds.

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

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

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

### **Power to Disclose Information to Tax Authorities**

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

### **Personal Data**

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 468 of the Laws of Hong Kong, “**PDPO**”), the Trustee, the Manager, or any of their respective delegates (each a “**Data User**”) may collect, hold, use personal data of individual investors in the Fund and the Sub-Funds only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

### **Documents Available for Inspection**

Copies of the following documents are available for inspection during normal working hours at the offices of the Manager free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee:-

- (a) the Trust Deed, and any supplemental deeds;
- (b) all material contracts (as specified in the relevant Appendix); and



- (c) the latest annual reports and audited accounts and unaudited semi-annual accounts (if any) of the Fund and the Sub-Funds.

---

## SCHEDULE 1 – INVESTMENT AND BORROWING RESTRICTIONS

---

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

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

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

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

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

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

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

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

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

- (c) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund provided that the 20% limit may be exceeded in the following circumstances:

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

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

- (d) the Sub-Fund's holding of any ordinary shares (when aggregated with all other Sub-Funds' holdings of such ordinary shares) exceeding 10% of any ordinary shares issued by any single entity.
- (e) the value of the Sub-Fund's investment in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a Securities Market, exceeding 15% of the latest available Net Asset Value of such Sub-Fund.
- (f) the value of the Sub-Fund's total holding of Government and other public securities of the same issue exceeding 30% of the latest available Net Asset Value of such Sub-Fund (save that the Sub-Fund may invest all of its assets in Government and other public securities in at least six different issues). For the avoidance of doubt, Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.
- (g) (i) the value of the Sub-Fund's investment in units or shares in other collective investment schemes (namely "**underlying schemes**") which are non-eligible schemes (the list of "eligible schemes" is as specified by the SFC from time to time) and not authorized by the SFC in aggregate exceeding 10% of its latest available Net Asset Value; and
- (ii) the value of the Sub-Fund's investment in units or shares in each underlying scheme which is either an eligible scheme (the list of "eligible schemes" is as specified by the SFC from time to time) or a scheme authorized by the SFC exceeding 30% of its latest available Net Asset Value unless the underlying scheme is authorized by the SFC, and the name and key investment information of the underlying scheme are disclosed in the Offering Document of that Sub-Fund,

provided that:

- (A) no investment may be made in any underlying scheme the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the Code;
- (B) where an underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, a Sub-Fund may invest in underlying scheme(s) authorized by the SFC under Chapter 8 of the Code (except

for hedge funds under 8.7 of the Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its total net asset value, and Qualified Exchange Traded Funds in compliance with sub-paragraphs 1(g)(i) and (ii) of this Schedule 1;

- (C) the underlying scheme's objective may not be to invest primarily in other collective investment scheme(s);
- (D) all initial charges and redemption charges on the underlying scheme(s) must be waived if the underlying scheme is managed by the Manager or its Connected Persons; and
- (E) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

For the avoidance of doubt:

- (aa) unless otherwise provided under the Code, the spread requirements under sub-paragraphs 1(a), (b), (d) and (e) of this Schedule 1 do not apply to investments in other collective investment schemes by a Sub-Fund;
- (bb) unless otherwise disclosed in the Appendix of a Sub-Fund, the investment by a Sub-Fund in a Qualified Exchange Traded Fund will be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraphs 1(a), (b) and (d) of this Schedule 1. Notwithstanding the aforesaid, the investments by a Sub-Fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this Schedule 1 and the relevant investment limits in Qualified Exchange Traded Funds by a Sub-Fund shall be consistently applied;
- (cc) where investments are made in listed REITs, the requirements under sub-paragraphs 1(a), (b) and (d) of this Schedule 1 apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs 1(e) and (g)(i) of this Schedule 1 apply respectively; and
- (dd) where a Sub-Fund invests in index-based financial derivative instruments, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in sub-paragraphs 1(a), (b), (c) and (f) of this Schedule 1 provided that the index is in compliance with the requirements under 8.6(e) of the Code.

## **2. Investment prohibitions applicable to each Sub-Fund**

The Manager shall not, unless otherwise specifically provided for in the Code, on behalf of any Sub-Fund:-

- (a) invest in physical commodities unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary;
- (b) invest in any type of real estate (including buildings) or interests in real estate (including any options or rights but excluding shares in real estate companies and interests in REITs);

- (c) make short sales unless (i) the liability of the relevant Sub-Fund to deliver securities does not exceed 10% of its latest available Net Asset Value; (ii) the security which is to be sold short is actively traded on a Securities Market where short selling activity is permitted; and (iii) the short sales are carried out in accordance with all applicable laws and regulations;
- (d) carry out any naked or uncovered short sale of securities;
- (e) subject to sub-paragraph 1(e) of this Schedule 1, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not subject to the limitations in this sub-paragraph 2(e);
- (f) acquire any asset or engage in any transaction which involves the assumption of any liability by the relevant Sub-Fund which is unlimited. For the avoidance of doubt, the liability of Unitholders of a Sub-Fund is limited to their investments in that Sub-Fund;
- (g) invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued securities of that class;
- (h) invest in any security where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash from the Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of sub-paragraphs 4.5 and 4.6 of this Schedule 1.

### 3. **Feeder Funds**

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

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

### 4. **Use of financial derivative instruments**

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

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

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

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

- (c) subject to sub-paragraphs 1(a) and (b) of this Schedule 1, a Sub-Fund's net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its latest available Net Asset Value provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
- (d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the valuation agent, the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) (as the case may be) independent of the issuer of the financial derivative instruments through measures such as the establishment of a valuation committee or engagement of third party service. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund's initiative. Further, the valuation agent should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.

4.5 A Sub-Fund should at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in financial derivative instruments in respect of a Sub-Fund are adequately covered on an ongoing basis. For the purposes of this sub-paragraph 4.5, assets that are used to cover the Sub-Fund's payment and delivery obligations incurred under transactions in financial derivative instruments shall be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.

4.6 Subject to sub-paragraph 4.5 of this Schedule 1, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:

- (a) in the case of financial derivative instruments transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund shall at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- (b) in the case of financial derivative instruments transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund shall hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation provided further that the Sub-Fund shall apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

4.7 The requirements under sub-paragraphs 4.1 to 4.6 of this Schedule 1 shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an "**embedded financial derivative**" is a financial derivative instrument that is embedded in another security.

## 5. Securities financing transactions

- 5.1 The Sub-Fund currently does not intend to engage in securities financing transactions. If this changes and the Sub-Fund engages in securities financing transactions, it can only do so if such transactions are in the best interests of Unitholders of the Sub-Fund to do so and the associated risks have been properly mitigated and addressed, and provided further that the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.
- 5.2 A Sub-Fund shall have at least 100% collateralization in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.
- 5.3 All the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions shall be returned to the Sub-Fund.
- 5.4 A Sub-Fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the Sub-Fund at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction or terminate the securities financing transaction(s) into which it has entered.

**6. Collateral**

In relation to over-the-counter financial derivative instruments as set out in sub-paragraph 4.4(c) of this Schedule 1, the Sub-Fund will not hold or receive collateral from counterparty to reduce counterparty exposure or for collateral netting. The Sub-Fund currently does not intend to engage in securities financing transactions, and accordingly no collateral will be held in the manner described in sub-paragraph 5.2 of this Schedule 1.

However, if the above changes and the Sub-Fund receives collateral, in order to limit the exposure to each counterparty as set out in sub-paragraphs 4.4(c) and 5.2 (as applicable) of this Schedule 1, such collateral must comply with the requirements set out below:

- (a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- (b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;
- (c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;
- (d) Haircut – the collateral is subject to a prudent haircut policy;
- (e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A Sub-Fund's exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs 1(a), 1(b), 1(c), 1(f), 1(g)(i) and (ii) and provisos (A) to (C) of sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1;



- (f) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- (g) Management of operational and legal risks – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;
- (h) Independent custody – the collateral is held by the Trustee or by duly appointed nominee, agent or delegate;
- (i) Enforceability – the collateral is readily accessible or enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions;
- (j) Re-investment of collateral – any re-investment of collateral received for the account of the relevant Sub-Fund shall be subject to the following requirements:
  - (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;
  - (ii) non-cash collateral received may not be sold, re-invested or pledged;
  - (iii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs 7(b) and 7(j) of this Schedule 1;
  - (iv) cash collateral received is not allowed to be further engaged in any securities financing transactions;
  - (v) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
- (k) the collateral is free of prior encumbrances; and
- (l) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

## 7. **Money Market Funds**

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

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

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

- (c) notwithstanding sub-paragraphs 1(a) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund's holding of instruments issued by a single entity, together with any deposits held with that same issuer may not exceed 10% of the latest available Net Asset Value of such Money Market Fund except:-
  - (i) the value of a Money Market Fund's holding of instruments and deposits issued by a single entity may be increased to 25% of the latest available Net Asset Value of such Money Market Fund if the entity is a substantial financial institution, provided that the total value of such holding does not exceed 10% of the entity's share capital and non-distributable capital reserves; or
  - (ii) up to 30% of a Money Market Fund's latest available Net Asset Value may be invested in Government and other public securities of the same issue; or
  - (iii) in respect of any deposit of less than US\$1,000,000 or its equivalent in the Base Currency of the relevant Money Market Fund where such Money Market Fund cannot otherwise diversify as a result of its size;
- (d) notwithstanding sub-paragraphs 1(b) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund’s investments in entities within the same group through

instruments and deposits may not exceed 20% of its latest available Net Asset Value provided that:

- (i) the aforesaid limit will not apply in respect of cash deposit of less than US\$ 1,000,000 or its equivalent in the Base Currency of such Money Market Fund, where it cannot otherwise diversify as a result of its size;
  - (ii) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%;
- (e) the value of a Money Market Fund's holding of money market funds that are authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its latest available Net Asset Value;
- (f) the value of a Money Market Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its latest available Net Asset Value;
- (g) subject to paragraphs 5 and 6 of this Schedule 1, a Money Market Fund may engage in sale and repurchase transactions, and reverse repurchase transactions in compliance with the following additional requirements:
  - (i) the amount of cash received by the Money Market Fund under sale and repurchase transactions may not in aggregate exceed 10% of its latest available Net Asset Value;
  - (ii) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the latest available Net Asset Value of the Money Market Fund;
  - (iii) collateral received may only be cash, high quality money market instruments and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and
  - (iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions of this paragraph 7 of this Schedule 1;
- (h) a Money Market Fund may use financial derivative instruments for hedging purposes only;
- (i) the currency risk of an Money Market Fund should be appropriately managed and any material currency risk that arises from investments of the Money Market Fund that are not denominated in its Base Currency shall be appropriately hedged;
- (j) a Money Market Fund must hold at least 7.5% of its latest available Net Asset Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets. For the purposes herein:
  - (i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature)

within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and

- (ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities.

## **8. Index Funds**

- 8.1 In the exercise of its investment powers in relation to a Sub-Fund the principal objective of which is to track, replicate or correspond to a financial index or benchmark (“**Underlying Index**”), with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the Underlying Index (“**Index Fund**”), the Manager shall ensure that the core requirements in paragraphs 1, 2, 4, 5, 6, 9.1, 10.1 and 10.3 of this Schedule 1 shall apply with the modifications or exceptions as set out in sub-paragraphs 8.2 to 8.4 below.
- 8.2 Notwithstanding sub-paragraph 1(a) of this Schedule 1, more than 10% of the latest available Net Asset Value of an Index Fund may be invested in constituent securities issued by a single entity provided that:-
  - (a) it is limited to any constituent securities that each accounts for more than 10% of the weighting of the Underlying Index; and
  - (b) the Index Fund’s holding of any such constituent securities may not exceed their respective weightings in the Underlying Index, except where weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature.
- 8.3 Investment restrictions in sub-paragraphs 8.2(a) and (b) of this Schedule 1 do not apply if:
  - (a) an Index Fund adopts a representative sampling strategy which does not involve the full replication of the constituent securities of the Underlying Index in the exact weightings of such Underlying Index;
  - (b) the strategy is clearly disclosed in the relevant Appendix of the Index Fund;
  - (c) the excess of the weightings of the constituent securities held by the Index Fund over the weightings in the Underlying Index is caused by the implementation of the representative sampling strategy;
  - (d) any excess weightings of the Index Fund’s holdings over the weightings in the Underlying Index must be subject to a maximum limit reasonably determined by the Index Fund after consultation with the SFC. In determining this limit, the Index Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the Underlying Index and any other suitable factors;
  - (e) limits laid down for the Index Fund pursuant to sub-paragraph 8.3(d) must be disclosed in the relevant Appendix of the Index Fund; and

- (f) disclosure must be made in the Index Fund's interim and annual financial reports as to whether the limits imposed for the Index Fund itself pursuant to sub-paragraph 8.3(d) of this Schedule 1 have been complied with in full.

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

## **9. Borrowing and Leverage**

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

### **Cash borrowing**

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

### **Leverage from the use of financial derivative instruments**

- 9.3 A Sub-Fund may also be leveraged through the use of financial derivative instruments and its expected maximum level of leverage through the use of financial derivative instruments (i.e. expected maximum net derivative exposure) is set out in the relevant Appendix.
- 9.4 In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the relevant Sub-Fund are converted into their equivalent positions in their underlying assets. The net derivative exposure is calculated in accordance with the requirements and guidance by the SFC which may be updated from time to time.
- 9.5 The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

## **10. Name of Sub-Fund**

- 10.1 If the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund must, under normal market circumstances, invest at least 70% of its Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.
- 10.2 The name of a Money Market Fund must not appear to draw a parallel between the Money Market Fund and the placement of cash on deposit.

7.42

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

---

## APPENDIX 1 – JAPAN HIGH DIVIDEND STOCKS FUND

---

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

---

### PRINCIPAL TERMS

---

#### DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

<b>“Base Currency”</b>	JPY
<b>“Business Day”</b>	a day (other than a Saturday or Sunday) on which banks and securities and futures exchanges in Hong Kong and Japan are open for normal business provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks and securities and futures exchanges in Hong Kong and Japan are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
<b>“Class”</b>	Class A (for any type of investors irrespective of their location) Class I (for Institutional Investors irrespective of their location) Class S (for Institutional Investors irrespective of their location)
<b>“Class Currency”</b>	Class A: JPY, HKD, USD Class I: JPY, HKD, USD Class S: USD
<b>“Inception Date”</b>	In respect of Class I (JPY) Acc: 12 October 2017
<b>“Institutional Investor”</b>	a “professional investor” as such term is defined under the SFO
<b>“Payment Period”</b>	no more than 4 Business Days after the relevant Subscription Day on which the relevant Units are issued
<b>“Redemption Day”</b>	each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
<b>“Redemption Deadline”</b>	5.00 p.m. (Hong Kong time) on the relevant Redemption Day by which a redemption request in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
<b>“Redemption Period”</b>	generally no more than 5 Business Days after later of (i) the relevant Redemption Day and (ii) the day on which the Registrar (through the Manager and/or the Authorized Distributors) receives the duly completed Redemption

	Form and such other documents and information as the Trustee, the Manager and/or the Registrar may require
<b>“Sub-Fund”</b>	Japan High Dividend Stocks Fund
<b>“Subscription Day”</b>	each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
<b>“Subscription Deadline”</b>	5.00 p.m. (Hong Kong time) on the relevant Subscription Day by which an application for subscription in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
<b>“Valuation Day”</b>	each Business Day on which the Net Asset Value of the Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit of the Sub-Fund falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means the day following either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Class of Units
<b>“Valuation Point”</b>	the close of business in the last relevant market in Japan to close on a relevant Valuation Day

## MANAGEMENT AND ADMINISTRATION OF THE FUND

### Investment Adviser

The Manager has appointed Sumitomo Mitsui DS Asset Management Company, Limited as the Investment Adviser of the Sub-Fund.

Sumitomo Mitsui DS Asset Management Company, Limited is one of the leading Japanese asset management specialists which offers high-quality products in equity, fixed income, multi-asset and other alternative strategies. The Investment Adviser has a global presence with offices in Tokyo, London, New York, Hong Kong, Singapore and Shanghai. The Investment Adviser is one of the largest investment management companies in Japan which provides asset management, advisory, investment trusts and other services to financial institutions, pension funds, government agencies and retail investors worldwide.

The Investment Adviser’s role in the Sub-Fund will be limited to advisory only and there will be no delegation of investment management discretion in relation to the assets of the Sub-Fund.

## INVESTMENT CONSIDERATIONS

<b>Investment Objective</b>	The Sub-Fund seeks to achieve mid to long-term capital growth through investing primarily in equities or equities-related securities issued by Japanese companies.
<b>Investment Policies</b>	The Sub-Fund will invest at least 70 per cent. of its Net Asset Value in equities or equities-related securities issued by companies which are established or



have significant operations in Japan and are listed or traded on recognized exchanges that the Manager deems to have a potential high dividend yield. Equities and equities-related securities include but are not limited to listed real estate investment trusts (REITs), common stocks, preference shares, American Depositary Receipts and Global Depositary Receipts. The Sub-Fund will be unrestricted in its choice of companies by size or sector, and the weight in any one sector may go up to 60 per cent. of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest up to 5 per cent. of its Net Asset Value in exchange traded funds which invest in shares of Japanese companies.

For currency hedged Classes, derivative instruments such as foreign exchange futures may be used to hedge the currency exposure of Classes denominated in a currency other than the currency of denomination of the Sub-Fund.

#### **Use of Derivatives**

The Sub-Fund may invest in derivatives for hedging purpose only.

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

In relation to over-the-counter derivative transactions, the Sub-Fund will not hold or receive collateral from counterparty to reduce counterparty exposure or for collateral netting.

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

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

#### **Securities Financing Transactions**

The Manager currently does not intend to enter into any securities financing transactions in respect of the Sub-Fund. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

### **SPECIFIC RISK FACTORS**

Investors should also take note of the relevant risks mentioned in the "*Risk Factors*" section in the Explanatory Memorandum which are applicable to the Sub-Fund, in particular, "Risk of not achieving investment objective", "Investment risk", "Market risk", "Equity investment risks", "Volatility risk", "Risk relating to small- and mid-capped companies", "Risks of investing in IPO securities", "Risks of investing in high dividend securities", "Risks of investing in other funds", "Borrowing risks", "Concentration risks", "Counterparty risk", "Currency and foreign exchange risk", "Derivative and structured product risk", "Over-the-counter markets risk", "Hedging risk", "Liquidity risk", "Difficulties in valuation of investments", "Legal, tax and regulatory risk", "Risk of termination", "Distributions risk", "Cross-Class liability", "Creation of Sub-Funds or New Classes of Units", "Non-compliance with IFRS", "Foreign Account Tax Compliance Act", "Conflicts of Interest; Other Activities of the Manager" and "Effect of Substantial Redemptions".

### **INVESTING IN THE FUND AND REDEMPTION OF UNITS**

#### **Classes of Units**

Please refer to the below table.\*

Class	Class A				Class I				Class S
Classes of Units	Class A (JPY) Acc;  Class A (JPY) Dis	Class A (HKD) Acc;  Class A (HKD) Dis	Class A (USD) Acc;  Class A (USD) Dis	Class A (USD) hedged Acc;  Class A (USD) hedged Dis	Class I (JPY) Acc;  Class I (JPY) Dis	Class I (HKD) Acc;  Class I (HKD) Dis	Class I (USD) Acc;  Class I (USD) Dis	Class I (USD) hedged Acc;  Class I (USD) hedged Dis	Class S (USD) Acc
Initial Offer Price (exclusive of preliminary charge)	JPY1,000 per unit	HKD10 per unit	USD10 per unit	USD10 per unit	JPY1,000 per unit	HKD10 per unit	USD10 per unit	USD10 per unit	USD10 per unit
Minimum Initial Subscription Amount	JPY200,000	HKD20,000	USD2,000	USD2,000	JPY100,000,000	HKD8,000,000	USD1,000,000	USD1,000,000	USD1,000,000
Minimum Subsequent Subscription Amount	JPY100,000	HKD10,000	USD1,000	USD1,000	JPY25,000,000	HKD2,000,000	USD250,000	USD250,000	USD250,000
Minimum Redemption Amount	JPY100,000	HKD10,000	USD1,000	USD1,000	JPY25,000,000	HKD2,000,000	USD250,000	USD250,000	USD250,000
Minimum Holding Amount	JPY200,000	HKD20,000	USD2,000	USD2,000	JPY25,000,000	HKD2,000,000	USD250,000	USD250,000	USD250,000

*\* Class A, Class I (except for Class I (JPY) Acc) and Class S may be launched on a future date to be determined by the Manager.*

## CONVERSION

Unitholders shall be entitled to convert all or part of their Units of a Class of the Sub-Fund into Units of another Class in the Sub-Fund or into Units of another Sub-Fund available for subscription or conversion. Units of a Class can only be converted into Units of the same Class of another Sub-Fund.

## DISTRIBUTION POLICY

### Distribution Classes

Classes of Units with “Dis” are Distribution Classes.

Dividend will be distributed on a monthly basis, subject to the Manager’s discretion. Dividend may be paid out of capital or effectively out of capital. Payment of dividend out of capital or effectively out of capital represents a return or a withdrawal of part of the amount the Unitholders originally invested or capital gain attributable to that amount. Any such distributions will result in an immediate decrease in the Net Asset Value of the Units.

### Accumulation Classes

Classes of Units with “Acc” are Accumulation Classes.

No distribution is intended to be made in respect of Accumulation Classes. Any net income and net realised capital gains attributable to Accumulation Classes will be reflected in its respective Net Asset Value.

## **FEES AND EXPENSES**

### **Fees payable by investors:**

Class	Class A		Class I		Class S	
	Current	Maximum	Current	Maximum	Current	Maximum
<b>Subscription Charge</b> (% of the Initial Offer Price or the Issue Price)	Up to 5%	5%	Up to 5%	5%	Nil	5%
<b>Redemption Charge</b> (% of Redemption amount)	Nil	2%	Nil	2%	Nil	2%
<b>Switching Fee</b> (% of the Issue Price of the New Class)	Nil	2%	Nil	2%	Nil	2%

### **Fees and expenses payable from assets of the Sub-Fund:**

Class	Class A		Class I		Class S <sup>1</sup>	
	Current	Maximum	Current	Maximum	Current	Maximum
<b>Management Fee</b> (% of Net Asset Value of the relevant Class per annum)	1.60% p.a.	2.50% p.a.	0.8% p.a.	2.50% p.a.	0.8% p.a.	2.50% p.a.
<b>Trustee Fee</b> (% of Net Asset Value of the Sub-Fund per annum)	0.05% p.a.	1% p.a.	0.05% p.a.	1% p.a.	0.05% p.a.	1% p.a.
<b>Custodian Fee</b> (% of market value of investments under custody of the Sub-Fund per annum)	0.05% p.a.					
<b>Administration Fee</b>	The Registrar and Administrator is entitled to receive (among others) various fund accounting, administration, transfer agency, transaction, processing, valuation fees and other applicable fees at a rate of 0.08% per annum of the Net Asset Value of the Sub-Fund, plus the following fees:					

- (i) fund administration fee: USD3,000 per annum per Class<sup>2</sup>

- (ii) transfer agency fee: USD2,500 per annum (inclusive of 4 Classes), USD500 per annum per additional Class

In respect of the currency hedged Classes of Units, the Registrar and Administrator is also entitled to receive an administration fee for providing currency hedging services at a rate of 0.05% per annum of the Net Asset Value of the relevant currency hedged Class. The fee payable to the Registrar and Administrator will be calculated monthly and will be paid monthly in arrears and is payable out of the assets of the Sub-Fund. The Registrar and Administrator is entitled to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses properly incurred by it in the performance of its duties.

**Establishment Costs**      The establishment costs of the Fund and the Sub-Fund will be borne by the Manager.

**General Expenses**      Please refer to the section headed “*General Expenses*” for further details.

<sup>1</sup>There is a total expense ratio (“**TER**”) of 0.5% per annum (the “**Cap**”) for Class S. In the event that the TER with respect to Class S exceeds the Cap, the Manager will bear the portion in excess of the Cap. If the actual TER with respect to Class S is below or equal to the Cap, the actual fees and expenses will be charged and borne by Class S.

<sup>2</sup> This fund administration fee for all Classes of Units is borne by the Manager.