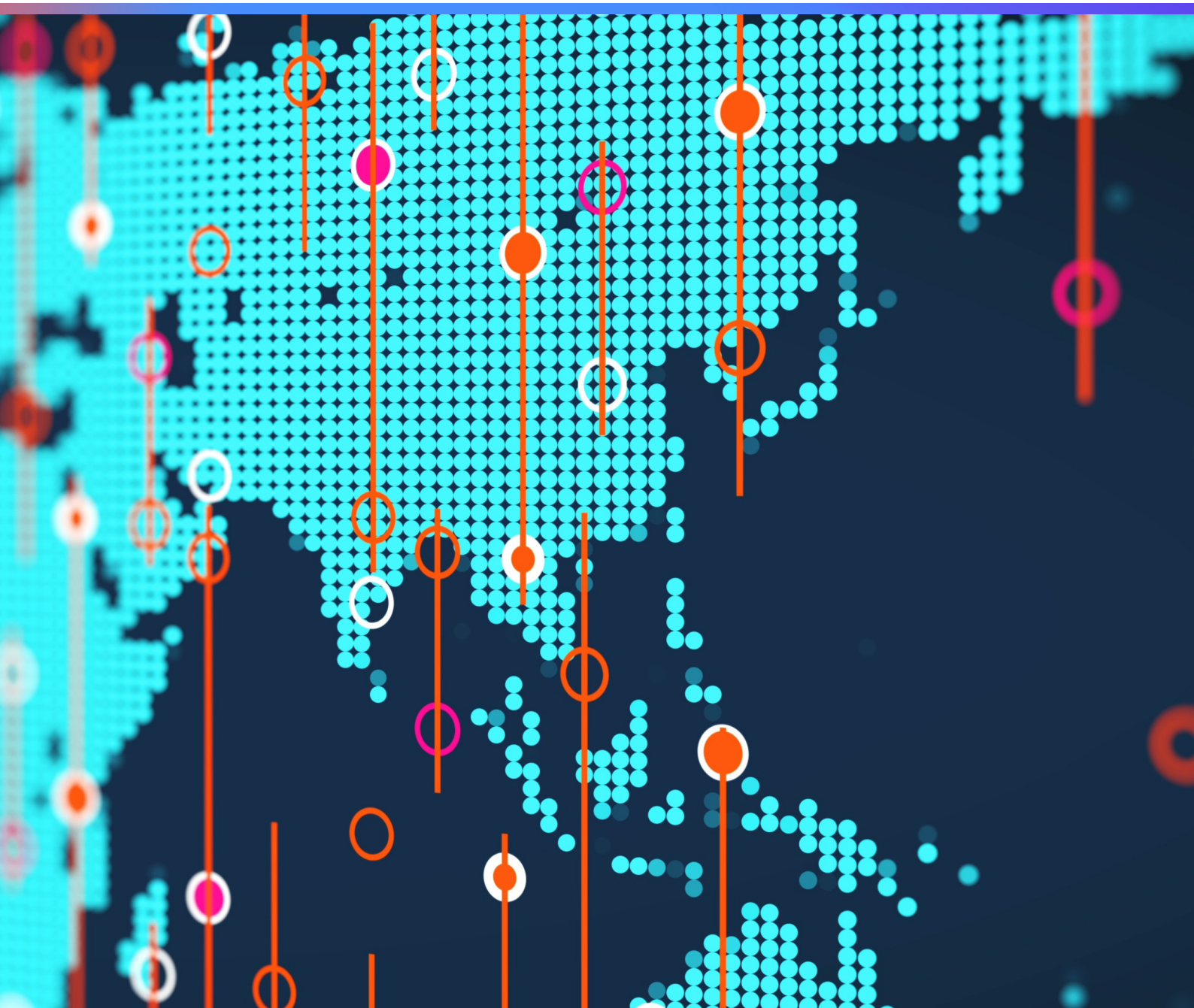


Franklin Templeton Asia Fund Series

(Umbrella Unit Trust)

Explanatory Memorandum | June 2023



FRANKLIN TEMPLETON ASIA FUND SERIES

Addendum dated November 2023 to the Explanatory Memorandum dated June 2023

Note: This Addendum shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Asia Fund Series (the “**Company**”) dated June 2023 (the “**Current Explanatory Memorandum**”). Unless otherwise stated, capitalized terms used in this Addendum shall have the same meaning as defined in the Current Explanatory Memorandum.

The Manager and its directors accept full responsibility for the accuracy of the information contained in this Addendum as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

The following updates shall apply to the Current Explanatory Memorandum:

- (a) The sub-section headed “DIRECTORS OF THE MANAGER” under the section headed “DIRECTORY” shall be amended as follows (with revisions marked up):

“DIRECTORS OF THE MANAGER

~~Lai Choo-Kan, Michael Brian~~
Molina, George H
Plafker, Jed Andrew
Wong, Tak Tai (Simon)
Young, Ho Yip Alan”

- (b) With effect from 1 November 2023, the sub-section headed “INVESTMENT MANAGER(S)” under the section headed “DIRECTORY” shall be amended as follows (with revisions marked up):

“INVESTMENT MANAGER(S)

FRANKLIN TEMPLETON AUSTRALIA LIMITED
Level 47
120 Collins Street
Melbourne VIC 3000
Australia

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED
Cannon Place
78 Cannon Street
London EC4N 6HL
United Kingdom

TEMPLETON ASSET MANAGEMENT LTD
7 Temasek Boulevard
Suntec Tower One, #38-03
Singapore, 038987”

- (c) The definition of “Registrar” under the section headed “DEFINITIONS” shall be amended as follows (with revisions marked up):

“Registrar” means Franklin Templeton Investments (Asia) Limited in its capacity as registrar and transfer agent in respect of ~~a Fund; the Umbrella Fund,~~ its successors and permitted assignors, or such other person as may from time to time be appointed by the Trustee and/or the Manager to keep the Register.”

- (d) The second paragraph under the sub-section headed “The Manager and Registrar” under the section headed “MANAGEMENT OF THE UMBRELLA FUND” shall be amended as follows (with revisions marked up):

“The Manager is a company incorporated with limited liability in Hong Kong and licensed by the SFC in Hong Kong for Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities with CE Number ABY530BSQ553. The Manager’s SFC licence is subject to the condition that it cannot hold client securities and in respect of its Type 4 licence, the Manager shall only provide services to professional investors as defined under the SFO. The Manager is a wholly-owned subsidiary of Franklin Resources, Inc. The Manager, in its capacity as Registrar of the Umbrella Fund, is responsible for keeping the register of Unitholders and processing the issue and redemption of Units. The Registrar has further delegated certain of its administrative functions in relation to the Umbrella Fund to appointed service providers.”

- (e) The second paragraph under the sub-section headed “Taxation of Unitholders in Hong Kong” under the section headed “TAXATION” shall be amended as follows (with revisions marked up):

“No Hong Kong stamp duty is payable by a Unitholder in respect of an issue of Units. Upon redemption, no Hong Kong stamp duty should be payable if it is effected by cancellation of the Units. However, the sale and purchase of Units between Unitholders will be subject to Hong Kong stamp duty at the prevailing current ~~rate of 0.1%~~ on the higher of the consideration amount or market value, payable by both the buyer and seller of the Units ~~(i.e. a total of 0.2%).~~ In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of the Units. The Registrar may require evidence that any applicable stamp duty has been duly paid before registering a transfer of Units and reserves the right to determine the type of evidence to be furnished.”

- (f) The sub-section headed “Use of Derivatives / Investment in Derivatives” in APPENDIX I – TEMPLETON SELECT GLOBAL LEADERS FUND shall be amended as follows (with revisions marked up):

“Use of Derivatives / Investment in Derivatives

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

~~*The Fund is not required to adhere to the above limits during (i) the first two months after the date of its launch; and (ii) two months prior to the date of its termination or merger.*~~

The Fund will not, in aggregate, directly and indirectly invest more than 10% of its Net Asset Value in China A shares and B shares. Should the Fund propose to change the investment strategy, it will comply with the applicable regulatory requirements (including, without limitations, notification to investors and updating of the Offering Document) to do so.”

- (g) With effect from 1 November 2023, the following sub-section shall be added immediately after the sub-section headed “Risks of Investing in the Fund” in APPENDIX V – FRANKLIN TEMPLETON SELECT APAC INCOME FUND:

“Investment Manager

*The Manager has appointed Templeton Asset Management Ltd (“**TAML**”) as Investment Manager for the Fund. TAML is a subsidiary of Franklin Resources, Inc. TAML is a company incorporated under the laws of Singapore and is licensed and primarily regulated by the Monetary Authority of Singapore.”*

FRANKLIN TEMPLETON ASIA FUND SERIES
(Umbrella Unit Trust)

EXPLANATORY MEMORANDUM

June 2023

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IMPORTANT INFORMATION FOR INVESTORS

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

This Explanatory Memorandum, together with the Product Key Facts Statement issued in respect of each sub-fund (collectively referred to as the “Offering Document”), contain information in relation to Franklin Templeton Asia Fund Series (the “Umbrella Fund”) and its sub-funds (each a “Fund” and collectively, the “Funds”). The Umbrella Fund is an umbrella unit trust constituted under the laws of Hong Kong, by a trust deed dated 5 January 2016 (the “Trust Deed”) entered into between Franklin Templeton Investments (Asia) Limited as manager (the “Manager”) and Cititrust Limited as trustee (the “Trustee”), as amended from time to time.

The Manager and its directors accept full responsibility for the accuracy of the information contained in the Offering Document as being accurate as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading. However, neither the delivery of the Offering Document nor the offer or issue of units in the Umbrella Fund (“Units”) shall under any circumstances constitute a representation that the information contained in the Offering Document is correct as of any time subsequent to the publication date. The Offering Document may be updated from time to time. Prospective applicants for Units should ask the Manager if any supplements to the Offering Document or any later Offering Document have been issued.

Distribution of the Offering Document should be accompanied by a copy of the latest annual report and accounts of the Umbrella Fund (if available) and any subsequent semi-annual report. Units are offered on the basis only of the information contained in the Offering Document and (where applicable) the above mentioned annual reports and accounts and semi-annual reports. Any information given or representations made by any dealer, distributor, salesman or other person and (in either case) not contained in the Offering Document should be regarded as unauthorised and accordingly must not be relied upon.

The Umbrella Fund and the Funds have been authorised by the SFC in Hong Kong. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. Each Fund’s portfolio is subject to market fluctuations and exchange rate fluctuations and to the risks inherent in all investments. Therefore, the value of each Fund may go down as well as up.

No action has been taken to permit an offering of Units or the distribution of the Offering Document in any jurisdiction except where such offering or distribution complies with the applicable laws and regulations of such jurisdiction. Accordingly, the Offering Document may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which an offer or solicitation is not authorised.

Units in the Umbrella Fund have not been and will not be registered in the United States of America under the Investment Company Act of 1940 (as amended). Units in the Umbrella Fund have also not been registered under the United States Securities Act of 1933 (as amended) and may not be directly or indirectly offered or sold in the United States of America or any of its territories or possessions or areas subject to its jurisdiction or to or for the benefit of nationals or residents thereof unless pursuant to an exemption from registration requirements available under the US law, any applicable statute, rule or interpretation.

US Persons (as defined below) are not eligible to invest in the Umbrella Fund. Prospective investors shall be required to declare that they are not a US Person and are not applying for Units on behalf of any US Person. In the absence of written notice to the Manager to the contrary, if a prospective investor provides a non-US address on the application form for investment in a Fund, this will be deemed to be a representation and warranty from such investor that he/she/it is not a US Person and that such investor will continue to be a non-US Person unless and until the Manager is otherwise notified of a change in the investor's US Person status.

The Umbrella Fund and the Funds are not registered in any provincial or territorial jurisdiction in Canada and Units have not been qualified for sale in any Canadian jurisdiction under applicable securities laws. Units made available under this offer may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or to or for the benefit of residents thereof. Prospective investors may be required to declare that they are not a Canadian resident and are not applying for Units on behalf of any Canadian residents. If an investor becomes a Canadian resident after purchasing Units of any Fund, the investor will not be able to purchase any additional Units of the relevant Fund or of any other Fund.

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

The Manager reserves the right to reject any application or ask for additional information and documentation, such as source of wealth, as may be required to comply with any applicable laws and regulations. Failure to provide documentation may result in delay in investment or the withholding of redemption proceeds.

Investors may contact the Manager for any enquiry or complaint in relation to any Fund. To contact the Manager, investors may either:

- write to the Manager (address at 17/F, Chater House, 8 Connaught Road Central, Hong Kong, or by fax to +852 2877-5401); or
- call the Manager's Investor Hotline at +852 2805-0111.

The Manager may address any enquiry or complaint verbally or in writing, depending on the nature of such enquiry or complaint, and shall respond as appropriate as soon as reasonably practicable.

Further Information

Investors may access the website of the Manager at www.franklintempleton.com.hk* for further information on the Umbrella Fund and any Fund, including this Explanatory Memorandum, the Product Key Facts Statements issued in respect of the Funds, annual and semi-annual reports and latest Net Asset Values. Please note that the website does not form part of the Offering Document.

* This website has not been reviewed by the SFC.

DIRECTORY

MANAGER, REGISTRAR AND TRANSFER AGENT

FRANKLIN TEMPLETON INVESTMENTS (ASIA) LIMITED
17/F Chater House
8 Connaught Road Central
Hong Kong

DIRECTORS OF THE MANAGER

Lai-Choo-Kan, Michael Brian
Molina, George H
Plafker, Jed Andrew
Young, Ho Yip Alan

INVESTMENT MANAGER(S)

FRANKLIN TEMPLETON AUSTRALIA LIMITED
Level 47
120 Collins Street
Melbourne VIC 3000
Australia

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED
Cannon Place
78 Cannon Street
London EC4N 6HL
United Kingdom

TRUSTEE

CITITRUST LIMITED
50th Floor, Champion Tower
Three Garden Road
Central, Hong Kong

AUDITORS

PRICEWATERHOUSECOOPERS
21/F Edinburgh Tower
15 Queen's Road Central
Hong Kong

CUSTODIAN

CITIBANK, N.A. (Hong Kong Branch)
50th Floor, Champion Tower
Three Garden Road
Central, Hong Kong

INTRODUCTION

FRANKLIN TEMPLETON

Franklin Resources, Inc. [NYSE:BEN] is a global investment management organisation with subsidiaries operating as Franklin Templeton and serving clients in over 165 countries. Franklin Templeton's mission is to help clients achieve better outcomes through investment management expertise, wealth management and technology solutions. Through its specialist investment managers, the organisation brings extensive capabilities in equity, fixed income, multi-asset solutions and alternatives. With offices in more than 30 countries and approximately 1,300 investment professionals, the California-based company has more than 70 years of investment experience and approximately USD 1.5 trillion in assets under management as of 31 March 2021. For more information, please visit www.franklintempleton.com.hk*.

IMPORTANT NUMBERS AND CONTACT DETAILS

Manager Information

Investor Hotline	:	Tel +852 2805-0111
Website of the Manager	:	www.franklintempleton.com.hk *
Email Address of the Manager	:	fti-hk@franklintempleton.com

Registrar Information

Fund Dealing Fax Number	:	Fax +852 2877-7350
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Your attention is drawn to the statements under “Important Information for Investors” on the preceding pages.

* This website has not been reviewed by the SFC.

DEFINITIONS

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

“Appendix”	means the appendix containing specific information in relation to a 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.
“Base Currency”	means the currency of denomination of each Fund, as specified in the relevant Appendix relating to such Fund.
“Business Day”	unless otherwise specified for a Fund in the relevant Appendix relating to such Fund, means a full day (except Saturdays, Sundays and public holidays in Hong Kong) on which banks are open for business in Hong Kong, or such other day as the Trustee and the Manager may agree upon from time to time; provided that where, as a result of a number 8 or higher typhoon signal, black rain storm warning or other similar event, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, such day shall not be a Business Day, unless the Trustee and the Manager determine otherwise.
“China”, “Mainland China” or “PRC”	means the People’s Republic of China (excluding the Hong Kong and Macau Special Administrative Regions and Taiwan).
“Class”	means a relevant class of Units of a Fund.
“Class Currency”	means the currency in which a Class of Units is denominated.
“CNH”	means the offshore Renminbi.
“CNY”	means the onshore Renminbi.
“Code”	means the Code on Unit Trusts and Mutual Funds.

“connected person”

means, in relation to the Manager:

- (a) any person, company or fund beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of the Manager or being able to exercise, directly or indirectly, 20% or more of the total votes in the Manager; or
- (b) any person, company or fund 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 the Manager forms part; or
- (d) any director or officer of the Manager or of any of its connected persons as defined in (a), (b) or (c) above.

“Custodian”

means Citibank, N.A. (Hong Kong Branch), in its capacity as custodian of the Umbrella Fund, and its successors and permitted assignors.

“Dealing Day”

unless otherwise specified for a Fund in the relevant Appendix relating to such Fund, means each Business Day which is also a Valuation Day or such other day as the Trustee and the Manager may agree upon from time to time.

“Dealing Deadline”

means the time prior to which a dealing instruction must be received in order for the transaction to be processed on the same Dealing Day, and unless otherwise specified for a Fund in the relevant Appendix relating to such Fund, means 4:00 p.m. (Hong Kong time) for instructions submitted in person, via facsimile, electronic instructions or by post, and 4:00 p.m. New York (Eastern time) in the United States for instructions submitted via SWIFT or Direct Electronic Link with the Registrar, or such other time as the Manager may determine from time to time on each Dealing Day.

“Emerging Markets”

means those markets considered to be developing / emerging by the World Bank, the International Finance Corporation, the United Nations, or the countries’ authorities, or countries with a stock market capitalization of less than 3% of the Morgan Stanley Capital International World Index. These countries typically are located in Asia (ex-Japan), the Middle East, Eastern Europe, Central and South America, and Africa.

“First Dealing Day”

means such day as the Manager may determine at its absolute discretion as the first Dealing Day after the Initial Offer Period, as specified in the relevant Appendix relating to each Fund.

“Fund”

means a separate pool of assets within the Umbrella Fund with respect to which one or more separate classes of Units may be issued and which is invested and administered separately from other assets of the Umbrella Fund.

“Government and other public securities”

means 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.

“HKD” or “HK Dollars”

means the lawful currency of Hong Kong.

“Initial Offer Period”

in relation to a Fund or a class or classes of Units in respect thereof, means the initial period during which the Units of the relevant Fund are being offered to investors as the Manager may determine at its absolute discretion, as specified in the relevant Appendix relating to each Fund.

“Investment Manager”

means, in respect of each Fund, the investment manager appointed by the Manager from time to time as specified in the relevant Appendix for the Fund, its successors and permitted assignors.

“Manager”	means Franklin Templeton Investments (Asia) Limited, a company incorporated with limited liability in Hong Kong holding Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) licences issued by the SFC.
“Net Asset Value”	means the net asset value of a Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed “Valuation”.
“Qualified Exchange Traded Funds”	<p>means exchange traded funds that are:</p> <ul style="list-style-type: none"> (a) authorised 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 (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.
“Recognised Exchange”	means a stock exchange, over-the-counter market or other organised securities market which is open to the public and on which securities are regularly traded and which is approved by the Manager.
“Register”	means the register of Unitholders maintained in accordance with the provisions of the Trust Deed.

“Registrar”	means Franklin Templeton Investments (Asia) Limited in its capacity as registrar in respect of a Fund; its successors and permitted assignors, or such other person as may from time to time be appointed by the Trustee and/or the Manager to keep the Register.
“REITs”	means real estate investment trusts.
“reverse repurchase transactions”	means transactions whereby a 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.
“RMB”	means Renminbi, the lawful currency of the PRC, and includes the onshore Renminbi (CNY) and offshore Renminbi (CNH).
“sale and repurchase transactions”	means transactions whereby a 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.
“securities financing transactions”	means collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions.
“securities lending transactions”	means transactions whereby a Fund lends its securities to a security-borrowing counterparty for an agreed fee.
“SFC”	means the Securities and Futures Commission of Hong Kong.
“SFO”	means the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).
“substantial financial institution”	means an authorised 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 HKD 2 billion or its equivalent in foreign currency.

“Trust Deed”	means the trust deed establishing the Trust entered into by the Manager and the Trustee dated 5 January 2016 as may be amended from time to time.
“Trustee”	means Cititrust Limited, a company incorporated in Hong Kong and registered as a trust company under the Trustee Ordinance (Cap. 29 of the laws of Hong Kong).
“Umbrella Fund”	means Franklin Templeton Asia Fund Series, a unit trust established as an umbrella fund and governed by the laws of Hong Kong.
“Unit”	means one undivided share in the Fund.
“Unitholder”	means the person for the time being entered on the Register of a Fund as the holder of a Unit including (where the context so admits) persons jointly so registered.
“US”	means the United States.
“USD” or “US Dollars”	means the lawful currency of the United States.
“US Person”	means any person that is a United States person within the meaning of Regulation S under the United States Securities Act of 1933 or as defined by the US Commodity Futures Trading Commission for this purpose, as the definition of such term may be changed from time to time by legislation, rules, regulations or judicial or administrative agency interpretations.
“Valuation Day”	unless otherwise specified for a Fund in the relevant Appendix relating to such Fund, each Business Day and/or such other day or days as may from time to time be determined by the Manager to be a valuation day for that Fund; provided that such day shall not be a Valuation Day if it falls within any of the periods during which there is a suspension of dealing, unless the Manager determine otherwise.

“Valuation Point”

unless otherwise specified for a Fund in the relevant Appendix relating to such Fund, means 4:00 pm in New York (Eastern time) in the United States on each Valuation Day.

Words implying the singular shall, where the context permits, include the plural and vice versa.

FRANKLIN TEMPLETON ASIA FUND SERIES

Franklin Templeton Asia Fund Series 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.

Information on the Funds that are currently offered under the Umbrella Fund can be found in the Appendices to this Explanatory Memorandum. The assets of a Fund will be invested and administered separately from the assets of the other Funds issued. Further, multiple classes of Units may be issued in respect of each Fund and the Manager may create additional classes of Units for any Fund in its sole discretion in the future. The details of the Funds and/or Class or Classes of Units related thereto that are on offer are set out in the Appendices to this Explanatory Memorandum.

MANAGEMENT OF THE UMBRELLA FUND

The Manager and Registrar

The Manager and Registrar of the Umbrella Fund is Franklin Templeton Investments (Asia) Limited.

The Manager is a company incorporated with limited liability in Hong Kong and licensed by the SFC in Hong Kong for Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities with CE Number ABY530. The Manager's SFC licence is subject to the condition that it cannot hold client securities and in respect of its Type 4 licence, the Manager shall only provide services to professional investors as defined under the SFO. The Manager is a wholly-owned subsidiary of Franklin Resources, Inc. The Manager, in its capacity as Registrar of the Umbrella Fund, is responsible for keeping the register of Unitholders and processing the issue and redemption of Units.

The Investment Managers

The Manager is responsible for the investment management of the Umbrella Fund on the terms of the Trust Deed. The Manager may, from time to time and at its sole discretion, delegate all or part of its investment management functions to one or more Investment Managers of a Fund. Details of such Investment Managers are set out in the relevant Appendix relating to such Fund.

The Trustee

The Trustee is registered as a trust company in Hong Kong. The Trustee acts as trustee of the Umbrella Fund and is an indirect wholly-owned subsidiary of Citigroup Inc. ("Citigroup"). Under the Trust Deed, the Trustee is responsible for the safe keeping of the assets of the Umbrella Fund and shall take into custody or under its control all the investments, cash or other assets forming part of the property of each Fund and hold them in trust for the Unitholders of the relevant Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, shall register cash and registrable assets in the name of or to the order of the Trustee and be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereto. The Trustee shall in respect of any investments or other assets of a Fund which by nature cannot be held in custody, maintain a proper record of such investments or assets in its books under the name of that Fund.

The Trustee in no way acts as guarantor or offeror of the Units or any underlying investment. The Trustee has no responsibility or authority to make investment decisions, or render investment advice with respect to the Umbrella Fund or any Fund, which is the sole responsibility of the Manager.

The Manager has sole responsibility for making investment decisions in relation to the Umbrella Fund and/or a Fund and the Trustee (including its delegates) is not responsible and has no liability for any investment decision made by the Manager. Except as required by the Code, neither the

Trustee nor any of its employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Umbrella Fund and/or any Fund, and they are not responsible for the preparation or issue of this Offering Document.

The Custodian

Citibank, N.A. (Hong Kong Branch), a Hong Kong branch of a banking company incorporated in the US and holding a full banking licence in Hong Kong, has been appointed to act as custodian of the Umbrella Fund. The Custodian is responsible for the custody of the assets of the Umbrella Fund. The Custodian may act through any agents, nominees, delegates or sub-custodians. The Custodian shall (i) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such agents, nominees, delegates or sub-custodians; and (ii) be satisfied that such agents, nominees, delegates or sub-custodians remain suitably qualified and competent on an ongoing basis to provide the relevant services.

The Trustee and the Custodian belong to the same group of companies.

INVESTMENT IN THE FUNDS

Investment Objective

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

Classes of Units

Each Fund may issue one or more Classes of Units.

Class A, C and Y Units are currently offered in the Umbrella Fund. Each Fund may issue Class A Units that differ in distribution policy and Class Currency.

Certain Funds may issue Class C Units and Class Y Units, as further set out in the Appendix of the Funds.

Class C Units are also offered only to certain intermediaries and distributors and are not available to the general investing public. However, subscription into Class C Units is by invitation from the Manager only, and accordingly can only be made by the intermediaries and distributors which enter into a specific agreement with the Manager.

Class Y Units may only be offered to institutional investors, in certain limited circumstances, at the discretion of the Manager. Class Y Units are designed to accommodate an alternative charging structure whereby a fee covering the registrar, transfer agent and administration fees, as contemplated under the sections “Fees Payable Out of Assets of the Funds”, is levied and collected by the Manager directly from the investors who are clients of Franklin Templeton and who enter into a specific agreement with the Manager. These fees will therefore not be payable out of the net assets of the relevant Fund attributable to Class Y Units. Class Y Units will however bear their pro-rata share of any other applicable expenses such as custodian, trustee, audit and regulatory fees and charges as well as any applicable taxes.

Units may be issued as either distribution or accumulation Units with different distribution policy and frequency which will be indicated in the name of the relevant Class as follows*:

Indicator	Distribution Policy / Frequency
(acc)/(Acc)	accumulation
(Mdis)	monthly distribution
(Qdis)	quarterly distribution
(Ydis)	yearly distribution

* Not all of these Classes are currently available in the Funds. Please refer to the Appendix of the relevant Fund for the current list of Classes offered under each Fund.

Please refer to the section headed “**DISTRIBUTIONS**” for information on the distribution policy of the different Classes of Units.

Classes of Units with a Class Currency different from the Base Currency of the relevant Fund may be issued. The Class Currency of a Class of Units is indicated in the name of the Class (e.g. Class A (HKD) indicates Class A Units with HKD as the Class Currency). The Manager may enter into currency hedging transactions in relation to one or more Classes of Units and all gains, losses and costs associated with such transactions (including any hedging fees) will be allocated solely to the relevant Class of Units. The indicator “H1” in the name of a Class designates those Classes that are Net Asset Value hedged Classes. “H1” Classes are hedged such that the performance of the Class, which is denominated in a Class Currency that is not the Base Currency of the relevant Fund, is intended to track the performance of a similar unhedged Class denominated in the Base Currency of the relevant Fund. Factors that could adversely affect the ability of the Manager to achieve this objective include: (a) transaction costs associated with implementing the hedging strategies; and (b) differences in notional amounts employed and the actual value of the positions in the Funds that are being hedged. For more information, see “**Currency hedged class risk**” under the section headed “**RISK FACTORS**”.

Minimum Initial Subscription, Minimum Subsequent Subscription and Minimum Holding Amounts

Details of the minimum initial subscription, minimum subsequent subscription and minimum holding amounts applicable to each Class of Units in each Fund are set out in the following table:

Class of Units	Minimum Initial Subscription	Minimum Subsequent Subscription	Minimum Holding Amount
Class A	USD1,000*	USD500*	USD1,000*
Class C	USD5,000,000*	USD1,000*	USD2,500*
Class Y	Subject to Manager’s discretion	Subject to Manager’s discretion	Subject to Manager’s discretion

* Or an equivalent amount in the relevant Class Currency.

The Manager may refuse to accept redemption, switching or transfer requests if such requests will result in a holding in the relevant Class of Units which has a value less than, or if to do so would result in a holding of less than, the relevant minimum holding amount set out in the table above. Redemption requests having the effect of reducing the value of a Unitholder’s holding of Units below the minimum holding amounts may be treated by the Manager as a request to redeem the Unitholder’s entire holding of Units of the relevant Class. The Manager may, in its absolute discretion, waive or vary the minimum amounts as stated above in the table, for any particular case or distributor or generally.

Dealing Instructions

The Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction the time on such Dealing Day or on such other Business Day (on which Units may from time to time be sold) prior to which instructions for subscriptions, redemptions or switching are to be received in order to be dealt with on a particular Dealing Day. Any dealing instructions received after the Dealing Deadline will be effected on the next relevant Dealing Day.

Investors investing through selected intermediaries and/or distributors should note that an earlier dealing cut-off time may be imposed by the intermediaries and/or distributors before the Dealing Deadline for receiving dealing instructions. Investors should confirm the corresponding dealing arrangements and procedures with the intermediaries and/or distributors.

Dealing instructions sent by facsimile should be followed by the properly completed original version. Investors should be reminded that if they choose to send dealing instructions by facsimile, they bear their own risk of the instructions not being received by the Registrar. Investors should therefore for their own benefit confirm with the Registrar the receipt of their dealing instructions. None of the Manager, the Trustee or the Registrar shall be responsible to any investors for any losses resulting from non-receipt or illegibility of any dealing instructions sent by facsimile or for any losses caused in respect of any actions taken as a consequence of such facsimiles believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile transmission report produced by the transmission originator discloses that such transmission has been sent.

Purchase of Units

Initial Offer

Details of the initial offer of Units are set forth in the Appendix relating to the relevant Fund.

Applications for subscription of Units made during the Initial Offer Period must be sent to the Registrar as stated in the prescribed application form and cannot be withdrawn or amended during the Initial Offer Period.

Payment in full in cleared funds must be received by the Registrar by 4:00 pm (Hong Kong time) on the fourth (4) Business Day following the end of the Initial Offer Period for the allocated Units subscribed during the Initial Offer Period.

Subject to acceptance of subscription applications by the Manager, Units in a Fund will be issued on the last day of the Initial Offer Period.

After the Initial Offer Period, Units of the Funds will be available for subscription starting from the First Dealing Day.

Subsequent Subscription

Subscription applications for Units will, if received by the Registrar at or prior to the Dealing Deadline on a Dealing Day, be processed on that Dealing Day. Subscription applications for Units received after the Dealing Deadline shall be dealt with on the next Dealing Day.

Payment in full in cleared funds must be received by the Registrar by 4:00 pm (Hong Kong time) on the fourth (4) Business Day following the Dealing Day on which the relevant Units are issued. Applications will usually be dealt with immediately, but the Manager reserves its right to defer the acceptance of a subscription application until cleared monies are received.

Issue of Units

Units of each Fund may be issued on each Dealing Day (except during the Initial Offer Period, when Units will be issued on the last day of the Initial Offer Period). The number of Units allotted shall be calculated to two (2) decimal places.

All Units are issued in registered form only and certificates will not be issued. A maximum of four (4) persons may be registered as joint Unitholders.

Units may not be issued during the period of any suspension of dealing relating to such Class of Units of a Fund (for details, please refer to the section headed “**Suspension of Dealing**”).

Discretion of the Manager

The Manager may allot Units at its absolute discretion.

The Manager has the absolute discretion (a) not to accept any subscription instructions in the Units (including, but not limited to, applications or instructions for the issue of Units) and/or (b) to discontinue the issue of Units pursuant to the Offering Document without notice.

If a subscription application is rejected in whole or in part, the subscription monies paid by the applicant will be returned, in full or in part (as the case may be), to the applicant without interest at the own risk of the applicant.

If payment in full in cleared funds shall not have been received from an applicant by the Registrar within the prescribed period (i.e. by 4:00 pm (Hong Kong time) on the fourth (4) Business Day following the relevant Dealing Day), the Manager may cancel the issue of the relevant Units. Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right or claim in respect of such cancellation against the Manager and/or the Trustee. In addition, the Manager may charge the applicant any reasonable duties, charges and/or fees representing the administration costs involved in the processing of the corresponding application for the account of the relevant Fund. The Manager may also require the applicant to pay to the Trustee for the account of the relevant Fund any market value adjustment in respect of each Unit so cancelled should the corresponding subscription price exceed the corresponding redemption price as part of the cancellation process.

Subscription Price Per Unit

During the Initial Offer Period, Units of each Class of Units of a Fund will be offered at the initial offer price per Unit as specified in the Appendix of the relevant Fund.

After the Initial Offer Period, the subscription price will comprise the Net Asset Value calculated at the Valuation Point plus an initial charge which will not exceed 5% of the amount of the transaction. The Net Asset Value per Unit shall be calculated and rounded to the nearest two decimal places. Any rounding adjustment shall be retained for the benefit of the relevant Fund.

The Manager may retain the benefit of any initial charge levied or may re-allow or pay all or part of the initial charge to intermediaries or such other persons as the Manager may at its absolute discretion determine. The Manager also has the discretion to waive the initial charge in whole or in part in relation to any subscription for Units whether generally or in a particular case.

Payment of Subscription Monies

Subscription monies should normally be paid in the relevant Base Currency or the Class Currency of such Class of Units as disclosed in the relevant Appendix. Unless otherwise specified in the relevant Appendix relating to a Fund and subject to the agreement of the Trustee or the Manager, and to applicable limits on foreign exchange, arrangements can be made for applicants to pay for Units in a currency that is different from the relevant Base Currency or Class Currency (generally subscriptions in USD, HKD and RMB will be permitted, as well as any other currencies that the Manager may at its discretion accept from time to time), and in such cases, the cost of currency conversion and other related expenses will be borne by the applicant.

The Manager does not accept payments in cash or cash equivalents. Payment can be made by telegraphic transfer (or bank wire). If payment is made by telegraphic transfer, a copy of the remittance instruction should be enclosed with the application. The applicant should also instruct the applicant's bank to advise the Registrar of the remittance of the funds, and indicate the full name of the investor on whose behalf the payment is made. No responsibility will be accepted by the Manager for reconciling investor's remittances where problems occur in the transmission or as a result of inadequate details of the transfer.

Investors should note that bank charges in connection with the telegraphic transfer may be deducted from the proceeds of the transfer by the remitting bank. Correspondents, agents or sub-agents of the receiving bank may also deduct bank charges from the remittance. The amount invested will therefore be the amount of money actually received for investment. Investors should enclose a copy of the bank pay-in slip with their application form.

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 of the source of payment.

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 (dealing in securities) regulated activity under Part V of the SFO.

Market Timing

The Manager does not knowingly permit investments by market timers. In general, market timers include any person or group that uses market timing or asset allocation services, accounts administered so as to buy, sell or exchange Units based on predetermined market indicators, or any person or group whose transactions seem to follow a timing pattern or whose transactions include frequent or large exchanges. The Manager will combine Units under common ownership or control for purposes of ascertaining whether a person or group constitutes a market timer. To that end, the Manager reserves the right to refuse to issue Units to investors whom it considers market timers.

Anti-Money Laundering Regulations

As part of the Manager's responsibility for the prevention of money laundering, they may require a detailed verification of an investor's identity and the source of the payment of subscription monies.

The Trustee and the Manager reserve the right to ask for additional information and documentation, such as source of wealth, as may be required in higher risk scenarios or to comply with any applicable laws and regulations. Failure to provide documentation may result in delay in investment or the withholding of redemption proceeds.

Redemption of Units

Instructions and Payments

An investor wishing to redeem Units should complete a redemption form and send it to the Registrar. Redemption instructions for Units will, if received by the Registrar at or prior to the Dealing Deadline on a Dealing Day, be processed on that Dealing Day. Redemption instructions for Units received after the Dealing Deadline shall be dealt with on the next Dealing Day.

Subject to any suspension of dealing relating to any Class of Units of a Fund, following the receipt of the original completed redemption form (and all relevant supporting documentation) by the Registrar from an investor, the proceeds will normally be paid to the investor's bank account by telegraphic transfer within seven (7) Business Days and in any event not later than one (1) calendar month after the relevant Dealing Day unless otherwise permitted under the Code.

Investors should specify settlement instructions when making their request for redemption. The redemption proceeds will generally be paid in the Class Currency of the relevant Class of Units. Investors may, subject to the discretion of the Manager, request to receive payment in currencies other than the Class Currency and such investors will be responsible for any currency conversion costs and other related administrative expenses, including bank charges.

Payments are usually shown on investors' bank accounts on the date following the settlement date. Investors should note that bank charges may be deducted by the receiving bank or the bank's correspondents, agents or sub-agents. The Manager will only make payments to bank accounts in the name of the registered holder(s). In order to protect the investors, the Manager or the Registrar will not accept instructions to pay to third parties. Any Units for which payment in full has not been received cannot be redeemed.

In the case of a partial redemption of a holding, the minimum value of a holding remaining after such a partial redemption must amount to not less than the minimum holding amount as specified under the section headed "**Minimum Initial Subscription, Minimum Subsequent Subscription and Minimum Holding Amounts**" above. Otherwise, the Manager may, in its absolute discretion, redeem the remaining balance of Units. The Manager may also, in its absolute discretion, waive such minimum value in whole or in part.

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

The Trust Deed also provides for payment of redemption proceeds in specie with the consent of the relevant Unitholder.

Redemption Price Per Unit

The redemption price per Unit on any Dealing Day shall be the Net Asset Value of such Units calculated at the Valuation Point of the relevant Dealing Day. The Net Asset Value per Unit shall be calculated to two decimal places.

The Manager does not currently impose any fee or charge in respect of redemptions of Units, although it reserves the right to do so in the future subject to the SFC's prior approval. The Manager will give Unitholders not less than one month's prior notice (or any other period as agreed with the SFC) before imposing a redemption charge.

Switching of Units

Unitholders of Class A Units and Class C Units have the right (subject to such limitations as the Manager after consulting with the Trustee may impose) to switch all or part of their Units of any Class into (i) Units of another Class of Units of the same Fund; or (ii) Units of the same or a different Class of Units in another Fund at any time, provided that switching into Class C Units is subject to the Manager's discretion and on the investor entering into a specific agreement with the Manager and for the avoidance of doubt, switching into or out of Class Y Units is not allowed. A switching of Units shall be treated as a redemption of Units followed by the subscription of new Units, in accordance with the subscription and redemption procedures set out in this Explanatory Memorandum.

A request for switching will not be effected if as a result the relevant Unitholder would hold less than the minimum holding of Units of the relevant Class set out under the section headed "**Minimum Initial Subscription, Minimum Subsequent Subscription and Minimum Holding Amounts**" above.

Units shall not be switched during any period when the determination of the Net Asset Value of any relevant Fund is suspended.

Requests for switching received prior to the Dealing Deadline for a Dealing Day will be dealt with on that Dealing Day. Depending on the Valuation Point of the relevant Fund and the time required to remit the switching monies, the day on which investments are switched into the new Class may be later than the day on which investments in the original Class are switched out or the day on which the instruction to switch is given.

Notices to switch may not be withdrawn without the consent of the Manager.

For switches between Class A and C Units (either within the same Fund or to a different Fund), the Manager has a right to impose a switching charge of up to 1% of the value of the Units being switched. The minimum switching amount and switching charge may be waived in whole or in part by the Manager.

Restrictions on Redemption and Switching

The Manager reserves the right not to be bound to redeem or switch on any one Dealing Day more than 10% of the total number of Units in issue of a particular Fund. Where redemption or switching requests on any one Dealing Day exceed 10% of the total number of units in issue of the particular Fund, the Manager may declare that part or all of such Units for redemption or switching will be deferred to the next Dealing Day on a pro rata basis and will be valued at the relevant Net Asset Value per Unit determined on the Dealing Day on which Units are redeemed or switched. On such Dealing Day(s), these requests for redemption will be complied with in priority to later requests.

The Manager may suspend the redemption or switching of Units or delay the payment of redemption proceeds during any periods in which dealing in Units is suspended (please refer to the section headed “**Suspension of Dealing**” below). Any Unitholder may at any time after such a suspension has been declared and before lifting of such suspension withdraw any request for the redemption of Units of such Class by notice in writing to the Manager. For the avoidance of doubt, redemption proceeds relating to redemption requests that are completed before the declaration of a suspension will not be affected by the suspension and will be dealt with by the Registrar in accordance with the section headed “**Redemption of Units**” above.

Suspension of Dealing

The Manager may, in consultation with the Trustee, having regard to the best interests of Unitholders, declare a suspension of the issue, redemption and switching of Units of such Class or Fund during the whole or any part of any of the following periods:

- (1) if applicable, where one or more Recognised Exchanges on which a significant portion of the assets of the relevant Fund is listed, quoted, traded or dealt in are closed (other than a customary weekend and holiday closing) or trading in any such Recognised Exchanges is restricted or suspended;

- (2) the existence of any state of affairs as a result of which payment of proceeds or disposal of a substantial portion of investments of the relevant Fund for the time being comprised in the assets of the relevant Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders;
- (3) any period when funds cannot, in the opinion of the Manager, be normally remitted from the assets of the relevant Fund without prejudicing the interests of Unitholders;
- (4) any breakdown in the means normally employed in determining the value of the assets or the liabilities attributable to the relevant Class or Fund or when for any other reason the value of any investments or other property for the time being comprised in the assets or liabilities attributable to the relevant Class or Fund or the assets or liabilities of the Umbrella Fund cannot be promptly and accurately ascertained;
- (5) any period when the dealing of Units is suspended pursuant to any order or direction issued by the SFC;
- (6) any period when the business operations of the Manager or the Trustee in relation to the operation of the Umbrella Fund or the Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (7) any period following changes in any laws, rules, and regulations imposed by any regulatory or supervisory, governmental or quasi-governmental authority, any fiscal body or self-regulatory organisation (whether of a governmental nature or otherwise) as a result of which payment of proceeds or disposal of a substantial portion of investments of the relevant Fund for the time being comprised in the assets of the relevant Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders.

The Manager shall immediately notify the SFC if dealing in Units ceases or is suspended.

Whenever the Manager declares a suspension it shall, immediately after any declaration and at least once a month during the period of the suspension, publish a notice on its website at www.franklintempleton.com.hk*. The Manager shall regularly review any prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as practicable.

* This website has not been reviewed by the SFC.

VALUATION

The method of establishing the Net Asset Value of each Fund is set out in the Trust Deed.

For each Class of Units, the Net Asset Value per Unit is calculated by dividing the value of the assets of the Fund attributable to the Class, less the Fund's liabilities attributable to the Class, by the total number of Units of the Class in issue at the Valuation Point on the Valuation Day or such other day or time as the Manager may determine from time to time. Any rounding adjustment arising in respect thereof will be retained by the Fund.

In general, quoted investments are valued at their latest available price and unquoted investments are valued at cost or in accordance with the most recent revaluation made by a professional person approved by the Trustee to value such investments and such professional person may, with the approval of the Trustee, be the Manager. Interest and other income and liabilities are, where practicable, accrued from day to day. Such valuations will be expressed in US Dollars. The Manager may adjust the value of any investment if it considers that such adjustment is required to reflect more accurately the fair value of the relevant investment in consultation with the Trustee. The Manager will act in good faith and at all times exercise due care, skill and diligence in adjusting the value of any investments in accordance with this paragraph.

For securities that are (a) not quoted or dealt with on a stock exchange or an organised market and/or (b) quoted or dealt with on a stock exchange or an organised market but in respect of which no price quotation is available or the price quoted is not representative of the securities' fair market value, the value of such securities shall be determined under the direction of the Manager in consultation with the Trustee. In determining the value of such securities, the Manager will act in good faith and exercise due care, skill and diligence at all times.

Since each Fund may, in accordance with its investment restrictions, invest in securities that are restricted, unlisted, traded infrequently, thinly traded, or relatively illiquid, there is the possibility of a differential between the last available market prices for one or more of those securities and the latest indications of market values for those securities. There are procedures adopted by the Manager, in consultation with the Trustee, to determine the fair value of individual securities and other assets for which market prices are not readily available (such as certain restricted or unlisted securities and private placements) or which may not be reliably priced (such as in the case of trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities). Some methods for valuing these securities may include: fundamental analysis (earnings multiple, etc.), matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities.

The application of fair value pricing procedures represents a good faith determination based upon specifically applied procedures. There can be no assurance that the Manager could obtain the fair value assigned to a security if it were able to sell the security at approximately the time at which the Manager determines its Net Asset Value per Unit.

Suspension of Calculation of Net Asset Value

The Manager may, in consultation with the Trustee, having regard to the best interest of the Unitholders, declare a suspension of the determination of the Net Asset Value of any Class or Fund during the whole or any part of any of the periods set out in the section “**Suspension of Dealing**”. The Manager shall immediately notify the SFC if the determination of the Net Asset Value of any Class or Fund is suspended. During the period of any such suspension, the Manager shall be under no obligation to rebalance or adjust the assets of the Fund.

Whenever the Manager declares a suspension it shall, immediately after any declaration and at least once a month during the period of the suspension, publish a notice on its website at www.franklintempleton.com.hk*.

* This website has not been reviewed by the SFC.

INVESTMENT AND BORROWING RESTRICTIONS

The Umbrella Fund and each of the Funds are subject to the investment limitations and prohibitions set out in the Code. Full details of the investment restrictions and prohibitions are set out in the Trust Deed. A summary of the investment restrictions and prohibitions applicable to each Fund individually (unless otherwise specified) is set out in Schedule 1 to this Explanatory Memorandum.

If the investment and borrowing restrictions set out in Schedule 1 are breached, the Manager shall take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of Unitholders.

Investment via Subsidiary

Where direct investment by a Fund in a market is not in the best interests of investors, such Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market subject to the requirements of the Code. Where a Fund may invest through a wholly-owned subsidiary, further details are set out in the Appendix of such Fund.

Liquidity Risk Management

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

The liquidity risk management of a Fund is carried out by the Investment Risk Management Group within the Franklin Templeton organisation which is a team of risk professionals functionally independent from the portfolio investment function. The oversight of the liquidity risk management work carried out by the Investment Risk Management Group is performed by a dedicated Investment Liquidity Committee consisting of members of senior management. The committee meets on a monthly basis.

The Manager will regularly assess the liquidity of each Fund's assets under normal and stressed market conditions. Liquidity is assessed for both the asset and liability sides.

Asset side liquidity risk refers to the risk that positions cannot be traded at the quoted prices due to such factors as the size of the trade desired in relation to normal trading lot sizes or the sudden lack of demand for the position due to changes in the creditworthiness of the issue and/or the counterparty involved in the trade. Issues with respect to asset side liquidity include how much of an asset can be liquidated without adversely affecting the price, market conditions either for the specific asset or generally for all assets, daily trading volume and the degree to which it fluctuates over time, and the bid-ask spread and the variability in that spread depending on market conditions.

Liability side liquidity risk refers to the risk that a Fund cannot meet redemption requests or is only able to do so in a manner that has adverse consequences for Unitholders of the Fund. Factors here include the number of Units outstanding for the Fund in comparison to normal subscription / redemption activity, volatility in the NAV of the Fund which can trigger sudden requests for redemptions, and the degree to which a Fund may be exposed to common factors across all the positions in the portfolio.

Liquidity reports are generated on a monthly basis and reviewed for each collective investment scheme managed by the Manager. The Manager may also set an internal limit as to each individual investment that may be held by a Fund. Shortcomings in the liquidity profile of a Fund are escalated to the local risk management committee consisting of responsible officers and senior staff such as the compliance officer, head of investments, head of operations and risk manager.

The Manager may also be in regular communication with distributors and substantial investors of the relevant Fund in order to receive updates on investor profile and their historical and expected redemption patterns. Through such communication, the Manager can make better assessment as to the expected redemptions (especially substantial redemptions) from the relevant Fund in the future.

The Manager will also perform liquidity stress testing on each Fund on an ongoing basis; normally on a monthly basis but in times of adverse market conditions or during the period where there are large redemption requests, the stress tests will be performed more frequently, as deemed necessary.

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

- the Manager may limit the number of Units of any Fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant Fund in issue (subject to the conditions under the heading entitled “***Restrictions on Redemption and Switching***”). If such limitation is imposed, this would restrict the ability of a Unitholder to redeem in full the Units he intends to redeem on a particular Dealing Day;
- subject to the restrictions in Schedule 1, the Manager may borrow in respect of a Fund to meet redemption requests; and
- the Manager may suspend redemption under exceptional circumstances as set out under the heading entitled “***Suspension of Dealing***”. During such period of suspension, Unitholders would not be able to redeem their investments in the relevant Fund.

In practice, the Manager will consult the Trustee before the use of any liquidity risk management tools. Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risks.

RISK FACTORS

Investors should consider the following risks and any additional risks relating to any specific Fund set forth in the relevant Appendix before investing in any Fund. 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 Fund is suitable for them, they should obtain independent professional advice.

A Fund's performance may be affected by changes in market and/or economic and political conditions, and in legal, regulatory and tax requirements. There can be no assurance that a Fund's investment objective(s) will be attained. Also, past performance is no guide to future performance, and the value of investments may go down as well as up.

An investment in a 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.

- (a) **Asset allocation risk:** Some Funds apply an actively managed asset allocation approach. The investments of such Funds may be periodically rebalanced and therefore the Funds may incur greater transaction costs than a fund with static allocation strategy. Such Funds could experience losses if the Manager's judgment about markets, future volatility, interest rates, industries, sectors and regions or the attractiveness, relative values, liquidity, effectiveness or potential appreciation of particular investments made for a Fund's portfolio prove to be incorrect. The Manager's allocation of a Fund's assets among different asset classes, underlying funds and direct investments may not prove beneficial in light of subsequent market events. There can be no guarantee that these techniques or the Manager's investment decisions will produce the desired results. Additionally, legislative or regulatory developments (which may apply retrospectively) may affect the investment techniques available to the Manager in connection with managing the Fund and may also adversely affect the ability of the Fund to achieve its investment goals.
- (b) **China Bond Connect risk:** Investing in the China Interbank Bond Market ("CIBM") via Bond Connect (i.e. a mutual market access scheme allowing overseas investors to trade in bonds circulated on the CIBM) is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on investment in the CIBM via Bond Connect are subject to change which may have potential retrospective effect. In the event that the relevant PRC authorities suspend account opening or trading on the CIBM, the Fund's ability to invest in the CIBM will be adversely affected. In such event, the Fund's ability to achieve its investment objective will be negatively affected.
- (c) **Chinese market risk:** Risks associated with the Chinese market are similar to the "Emerging Markets risk" described below. With the government having a greater control over allocation of resources, the risks that naturally prevail in this type of market is political and legal uncertainty, currency fluctuations and blockage, no government support on reform or nationalisation and expropriation of assets. Such risks can have a negative impact

on the performance of the relevant Fund.

The Chinese market is undergoing economic reform, these reforms of decentralisation are unprecedented or experimental and subject to modification which may not always have a positive outcome on the performance of the economy and then the value of securities in the relevant Fund.

The Chinese economy is also export driven and highly reliant on trade. Adverse changes in the economic conditions of its primary trading partners such as the US, Japan and South Korea would adversely impact the Chinese economy and the relevant Fund investments.

- (d) **Chinese short swing profit rule risk:** Under the PRC's disclosure of interest requirements, a Fund may be deemed to be acting in concert with other funds and accounts managed by the Manager and/or Investment Manager or their respective affiliates and therefore may be subject to the risk that the Fund's holdings may be required to be reported in the aggregate with the holdings of such other funds and accounts should the aggregate holdings trigger the reporting threshold under the PRC law, which is currently 5% of the total issued shares of a listed company. This may expose the Fund's holdings to the public and may potentially have an adverse impact on the performance of the Fund.

In addition, subject to the interpretation of PRC courts and PRC regulators, the operation of the PRC short swing profit rule may be applicable to a Fund's investments with the result that where the holdings of the Fund (possibly with the holdings of other investors deemed as concert parties of the Fund) exceed 5% of the total issued shares of a PRC listed company, the Fund may not reduce its holdings in such company within six months of the last purchase of shares of such company. If the Fund violates the rule and sells any of its holdings in such company in the six-month period, it may be required by the listed company to return any profits realised from such trading to the listed company. Moreover, under PRC civil procedures, the Fund's assets may be frozen to the extent of the claims made by such company. The inability to sell such assets and any obligation to return profits may adversely affect the performance of the Fund.

- (e) **Collateral management risk:** Where a Fund enters into a financial derivative instrument, collateral may be received from or provided to the relevant counterparty either directly or through a clearing house.

Collateral may consist of cash, US treasuries and highly rated sovereign bonds. When holding non-cash collateral, the relevant Fund is subject to the risk that it may be unable to liquidate collateral provided to it to cover a counterparty default. The relevant Fund is also subject to the risk of loss resulting from inadequate or failed internal processes, from people and systems or from external events.

Where collateral is provided by a Fund to the relevant counterparty, in the event of the insolvency of the counterparty, the relevant Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

In the event that cash collateral is reinvested, a decline in the value of the instrument purchased with the cash collateral would reduce the amount of collateral available to be returned by the relevant Fund to the counterparty at the conclusion of the contract. The relevant Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the relevant Fund.

- (f) **Commodities related exposure risk:** A Fund's exposure to investments in commodities related instruments presents unique risks. Investing in commodities, through investments in futures, other collective investment schemes or exchange-traded funds ("ETFs"), is speculative and can be extremely volatile. Market prices of commodities may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships (whether actual, perceived, anticipated, unanticipated or unrealised); weather; agriculture; trade; domestic and foreign political and economic events and policies; diseases; pestilence; technological developments; and monetary and other governmental policies, action and inaction. The current or "spot" prices of physical commodities may also affect, in a volatile and inconsistent manner, the prices of futures contracts in respect of the relevant commodity. Certain commodities are used primarily in one industry, and fluctuations in levels of activity in (or the availability of alternative resources to) one industry may have a disproportionate effect on global demand for a particular commodity. Moreover, recent growth in industrial production and gross domestic product has made some developing countries oversized users of commodities and has increased the extent to which certain commodities prices are influenced by those markets. The volatility in prices of commodities related instruments may adversely impact a Fund's value and performance.
- (g) **Concentration risk:** A Fund's investments may be concentrated in a specific geographic location. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

The value of a Fund having a portfolio concentrated in a specific market may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant market.

- (h) **Convertible securities risk:** A convertible security is generally a debt obligation, preferred stock or other security that pays interest or dividends and may be converted by the holder within a specified period of time into common stock. The value of convertible securities may rise and fall with the market value of the underlying stock or, like a debt security, vary with changes in interest rates and the credit quality of the issuer. A convertible security tends to perform more like a stock when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the option to convert) and more like a debt security when the underlying stock price is low relative to the conversion price (because the option to convert is less valuable). Because its value can be influenced by many different factors, a convertible security is not as sensitive to interest rate changes as a similar non-convertible debt security, and generally has less potential for gain or loss than the underlying stock, with potential adverse impact to the performance of the relevant

Fund. Investments in convertible securities are subject to the same prepayment risk associated with comparable straight bond investments.

- (i) **Counterparty risk:** Counterparty risk is the risk to each party of a contract that the counterparty will fail to perform its contractual obligations and/or to respect its commitments under the terms of the contract, whether due to insolvency, bankruptcy, or other cause. When over-the-counter (OTC) or other bilateral contracts are entered into (*inter alia* OTC derivatives, securities lending, etc), the Fund may find itself exposed to risks arising from the solvency of its counterparties and from their inability to respect the conditions of those contracts, creating the opportunity for losses to the Fund and its investors.
- (j) **Credit risk:** Credit risk, a fundamental risk relating to all fixed income securities as well as money market instruments, is the chance that an issuer will fail to make principal and interest payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Government securities are subject to potential default risk if government finances deteriorate and the willingness of the country to repay its debts or implement necessary reforms is impaired due to socioeconomic pressures within the country. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer (particularly a sovereign or supranational issuer), are all factors that may have an adverse impact on an issuer's credit quality and security values. Related to credit risk is the risk of downgrade by a rating agency. Rating agencies such as Standard & Poor's, Moody's and Fitch, among others, provide ratings for a wide array of fixed income securities (corporate, sovereign, or supranational) which are based on their creditworthiness. Issuers or guarantors of debt securities may be subject to credit difficulties, leading to either the downgrading of such securities, or to the loss of some or all of the sums invested in such securities or payments due on such securities. In the event of a downgrading in the credit rating of debt securities or their issuers, the value of the affected securities or their liquidity may fall which may in turn have an adverse impact on the value of the Fund. The Manager may or may not be able to dispose of the debt instruments that are being downgraded.
- (k) **Currency hedged class risk:** To minimise currency risk to Unitholders who purchase Units in H1 Classes that are not denominated in the Base Currency of the Fund, the Manager will be employing currency hedging strategies to reduce exchange rate fluctuations between the currency of the hedged Classes and the Base Currency of the Fund. The goal of these strategies will be to allow the performance of these hedged Classes to closely track the performance of similar unhedged Classes that are denominated in the Base Currency of the Fund. Factors that could adversely impact the ability of the Manager to achieve this objective include the following:
- Transactions costs associated with implementing the hedging strategies;
 - Differences in notional amounts employed and the actual value of the position in the Fund being hedged. For example, an increase or decrease in the value of the

Fund's position from one day to another could result in the Fund being slightly under or over hedged, since the hedging position is based on the initial value, before the impact caused by subsequent changes in the market value of the position is known. In addition, subscriptions and redemptions from one day to another could impact, to the extent that such cash flows force a change in the position size of the Fund, the amount that needs to be hedged, causing the Fund to be under or over hedged. This is also the result of the hedging position being entered into before the amount of redemptions or subscriptions that come in the following day are known.

Investors of the hedged Classes have to bear the associated hedging costs which may be significant depending on prevailing market conditions. The precise hedging strategy applied to a particular hedged Class may vary. There is no guarantee that the hedging strategy will be effective, in which circumstances investors of such hedged Classes may still be subject to the currency exchange risk in proportion to the degree to which the hedging strategy is ineffective (for example, if the hedging strategy in respect of the hedged RMB Classes is ineffective, depending on the exchange rate movements of RMB relative to the base currency of the Fund, and/or other currency(ies) of the non-RMB denominated underlying investment of the Fund, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-RMB denominated underlying investments, or (ii) investors may suffer additional losses if the non-RMB denominated underlying investments of the Fund fall in value). If the counterparties of the instruments used for hedging purposes default, investors of the hedged Classes may be exposed to currency exchange risk on an unhedged basis and may therefore suffer further losses.

Hedged Classes will hedge the Base Currency of the Fund back to the Class Currency, on a best efforts basis, with an objective to align the performance of the hedged Classes to that of the equivalent Class denominated in the Base Currency of the Fund. This strategy will limit the hedged Classes from benefiting from any potential gain resulting from the appreciation of the Base Currency against the Class Currency.

- (l) **Custodial risk:** Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation, fraud or improper registration of title, the Fund may even be unable to recover all of its assets. The costs borne by a Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.
- (m) **Derivative risk:** The Manager may seek to protect the asset value of a Fund through hedging strategies consistent with the Fund's investment objective by utilising financial derivative instruments such as warrants, options, swaps, forward contracts and futures contracts. Financial derivative instruments such as warrants, options and futures contracts may also be used by a Fund to enhance its investment value. There is no guarantee that a Fund's use of derivatives for hedging, efficient portfolio management or investment

purposes will be effective. Such financial derivative instruments may be dealt on either regulated markets or over-the-counter (OTC). Financial derivative instruments are subject to transactions costs, may be volatile, and typically involve a small investment relative to the market exposure assumed, e.g. in a futures transaction the amount of initial margin is small relative to the value of the futures contract. As a result, there is often a “leverage effect” when dealing in financial derivative instruments, that may result in higher volatility or, in adverse market conditions, a significant loss in the Fund’s assets within a short period of time. The leverage element/component of derivatives can result in a loss significantly greater than the amount invested in the derivatives by a Fund. The placing of orders for financial derivative instruments which are intended to limit losses (i.e. placing a hedge on an underlying asset) may not be effective due to markets moving in a direction that is not expected or because adverse market conditions make it impossible to execute such orders. Forward transactions, which are frequently over-the counter not involving an exchange, have increased counterparty risk. If a counterparty defaults or otherwise fails to deliver, the Fund may not get the expected payment or delivery of assets. This may result in the loss of an unrealized profit. Transactions in options may also carry a high degree of risk. Selling (“writing” or “granting”) an option generally entails considerably greater risk than purchasing options. Although the premium received by the Fund is fixed, the Fund may sustain a loss well in excess of that amount. The Fund will also be exposed to risk of the purchaser exercising the option and the Fund will be obliged either to settle the option in cash or deliver the underlying investment. If the option is “covered” by the Fund holding a corresponding position in the underlying instrument or a future on another option, the risk may be reduced. Financial derivative instruments traded over-the-counter may trade in smaller volumes, and their prices may be more volatile than instruments traded principally on exchanges. Such OTC instruments may be less liquid than more broadly traded instruments. In addition, the pricing of such instruments may not be as transparent as for exchange-traded instruments and may involve an undisclosed dealer markup. The use of financial derivative instruments may, for the reasons outlined above, have an adverse impact on the value of a Fund.

- (n) **Depository receipts risk:** Depository receipts do not eliminate currency and economic risks for underlying shares of a company operating in another country. In addition to the risks linked to their underlying security, depository receipts bear price risk and counterparty risk: The price of a depository receipts may not perfectly track the price of its underlying common share and may trade at a premium or a discount. Holders of depository receipts, including the Fund may face administrative difficulties in recovering the value of their holding in case of default of payment on the part of the issuer or depository bank or underlying security of a depository receipt. Holders of depository receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights.
- (o) **Dividend policy risk:** A Fund’s dividend policy may allow for payment of dividends out of capital. Where this is done, it 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 the Fund’s capital or payment of dividends effectively out of the Fund’s capital (as the case may be) may result in an

immediate reduction of the Net Asset Value per Unit. Unitholders should accordingly note that dividend payout from the Fund may not be equivalent to the yield of your investment in the Fund. Further, the distribution amount and the Net Asset Value of the hedged Classes may be adversely affected by differences in the interest rates of the reference currency of the hedged Classes and a Fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged Classes.

- (p) **Emerging markets risk:** All Fund investments in the securities issued by corporations, governments, and government related entities in different nations and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and Emerging Markets. Such risks, which can have adverse effects on portfolio holdings, may include: (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility as compared to more industrialised nations; (iv) government involvement in the private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially less liquid securities markets than in more industrialised countries, which means a Fund may at times be unable to sell certain securities at desirable prices; (vii) certain local tax law considerations; (viii) limited regulation of the securities markets; (ix) international and regional political and economic developments; (x) possible imposition of exchange controls or other local governmental laws or restrictions; (xi) the increased risk of adverse effects from deflation and inflation; (xii) the possibility of limited legal recourse for the Fund; and (xiii) the custodial and/or the settlement systems may not be fully developed.

Investors in Funds investing in Emerging Markets should in particular be informed that the liquidity of securities issued by corporations and public-law entities in Emerging Markets may be substantially smaller than with comparable securities in industrialised countries. Investments in emerging markets may therefore be considered speculative, and may lead to significant losses to the relevant Fund.

- (q) **Equity risk:** The value of Funds that invest in equity and equity related securities (including preferred stock) will be affected by economic, political, market, investment sentiment and issuer specific changes. Such changes may adversely affect securities regardless of company specific performance. Additionally, different industries, financial markets, and securities can react differently to these changes. Such fluctuations of the Funds' value are often exacerbated in the short-term as well. The risk that one or more companies in a Fund's portfolio will fall, or fail to rise, can adversely affect the overall portfolio performance in any given period.
- (r) **Eurozone risk:** Some Funds may invest in the Eurozone. Mounting sovereign debt burdens (e.g. any sovereigns within the Eurozone, which default on their debts, may be forced to restructure their debts or may face difficulties in obtaining credit or refinancing) and slowing economic growth among European countries, combined with uncertainties in European financial markets, including feared or actual failures in the banking system and the possible break-up of the Eurozone and Euro currency, may adversely affect interest

rates and the prices of both fixed income and equity securities across Europe and potentially other markets as well. These events may increase volatility, liquidity and currency risks associated with investments in Europe. The aforesaid economic and financial difficulties in Europe may spread across Europe and as a result, a single or several European countries may exit the Eurozone or a sovereign within the Eurozone may default on its debts. In the event of the break-up of the Eurozone or Euro currency, the relevant Funds may be exposed to additional operational or performance risks.

While the European governments, the European Central Bank, and other authorities are taking measures (e.g. undertaking economic reforms and imposing austerity measures on citizens) to address the current fiscal conditions, these measures may not have the desired effect and therefore the future stability and growth of Europe is uncertain. The performance and value of the relevant Funds may be adversely affected should there be any adverse credit events (e.g. downgrade of the sovereign credit rating or default or bankruptcy of any Eurozone countries).

- (s) **Exchange-traded funds (“ETFs”) risk:** As ETFs are technically collective investment schemes, a Fund that invests in ETFs are subject to risks that are similar to those associated with investing in other investment funds, as further detailed below under “**Investment funds risk**”. In addition, an ETF may trade at a premium or discount to its net asset value, as shares of an ETF are bought and sold based on exchanges on market values and not at the ETF’s net asset value, which could potentially have an adverse impact on the Fund’s performance.
- (t) **Risks associated with the CIBM direct:** Investing in the CIBM via the CIBM direct is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on investment in the CIBM via the CIBM direct are subject to change which may have potential retrospective effect. In the event that the relevant authorities in Mainland China suspend account opening or trading on the CIBM, the Fund's ability to invest in the CIBM will be adversely affected. In such event, the Fund's ability to achieve its investment objective will be negatively affected.
- (u) **Risks relating to Foreign Account Tax Compliance Act (“FATCA”):** Investors should refer to the section headed “United States Foreign Account Tax Compliance Act” in this Explanatory Memorandum for more information on FATCA and how it affects the Umbrella Fund and/or the Funds and their investors. The Manager will endeavour to satisfy the requirements imposed under FATCA to avoid any withholding tax. In the event that the Umbrella Fund and/or the Funds are not able to comply with the requirements imposed by FATCA, and the Umbrella Fund and/or the Funds suffer FATCA withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Umbrella Fund and/or the Funds may be adversely affected and the Umbrella Fund and/or the Funds may suffer a loss as a result.
- (v) **Foreign currency risk:** Since the Umbrella Fund values the portfolio holdings of each of

its Funds in USD, changes in currency exchange rates adverse to USD may affect the value of such holdings and each respective Fund's yield thereon.

Since the securities, including cash and cash equivalents, held by a Fund may be denominated in currencies different from its Base Currency, and Units may be issued in a currency different from the Base Currency of a Fund, the Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between such reference currency and other currencies. Changes in currency exchange rates may influence the value of a Fund's Units, and also may affect the value of dividends and interests earned by the Fund and gains and losses realised by said Fund. If the currency in which a security is denominated appreciates against the Base Currency, the price of the security could increase. Conversely, a decline in the exchange rate of the currency would adversely affect the price of the security.

Furthermore, there may not be perfect correlation between the amount of exposure to a particular currency and the amount of securities in the portfolio denominated in that currency. Investing in foreign currencies for purposes of gaining from projected changes in exchange rates, as opposed to hedging currency risks applicable to the Fund's holdings, further increases the Fund's exposure to foreign investment losses. The value and performance of a Fund may be adversely affected as a consequence.

- (w) **General investment risk:** The Fund's investment portfolio may fall in value due to any of the key risk factors and therefore your investment in the Fund may suffer losses. There is no guarantee of the repayment of principal.
- (x) **Growth stocks risk:** The Fund may invest in growth stocks which can be more volatile and may react differently to economic, political, market and issuer specific developments than the overall market. Historically, the prices of growth stocks have been more volatile than other securities, especially over short-term periods of time. Growth stocks may also be more expensive, relative to their earnings, than the market in general. As such, growth stocks can experience greater volatility in reaction to changes in earnings growth.
- (y) **Inflation-indexed securities risk:** Inflation-indexed securities have a tendency to react to changes in real interest rates. Real interest rates represent nominal (stated) interest rates lowered by the anticipated effect of inflation. In general, the price of an inflation-indexed security can decrease when real interest rates increase, and can increase when real interest rates decrease. Interest payments on inflation-indexed securities will fluctuate as the principal and/or interest is adjusted for inflation and can be unpredictable, therefore, the Fund's income distributions may fluctuate more than the income distributions of a typical fixed income fund. There can be no assurance that the Consumer Price Index or any other measure used to adjust the principal amounts of the Fund's debt securities will accurately correspond to the rate of inflation experienced by a particular investor. Any increase in the principal amount of an inflation-protected debt security will be considered taxable ordinary income, even though investors, such as the Fund, do not receive their principal until maturity, which may have an adverse impact on the value and performance of a Fund.

- (z) **Interest rate risk:** All Funds that invest in debt securities or money market instruments are subject to interest rate risk. A fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Interest rate risk is the chance that such movements in interest rates will negatively affect a security's value or, in a Fund's case, its Net Asset Value. Fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities. As a result, longer-term securities tend to offer higher yields for this added risk. While changes in interest rates may affect a Fund's interest income, such changes may positively or negatively affect the Net Asset Value of the Fund.

Variable rate securities (which include floating rate debt securities) generally are less sensitive to interest rate changes than fixed rate debt securities. However, the market value of variable rate debt securities may decline when prevailing interest rates rise if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, variable rate securities will not generally increase in market value if interest rates decline. However, when interest rates fall, there will be a reduction in the payments of interest received by a Fund from its variable rate securities. Floating rate securities may be rated below investment grade (such securities are commonly referred to as "junk bonds"). Limits on the aggregate amount by which a variable rate security's interest rate may increase over its lifetime or during any one adjustment period can prevent the interest rate from ever adjusting to prevailing market rates on a daily basis, and may have an adverse impact on the value and performance of a Fund.

- (aa) **Investment funds risk:** A Fund's performance is directly impacted by the performance of any investment funds held by it. The ability of a Fund to achieve its investment goal is directly related to, in part, the ability of the investment funds to meet their investment goal. The Fund does not have control of the investments of the underlying investment funds and there is no assurance that the investment objective and strategy of the underlying investment funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Fund. There can be no assurance that (1) the liquidity of the underlying investment funds will always be sufficient to meet redemption requests; and (2) the investment objective will be successfully achieved despite the due diligence and monitoring procedures undertaken by the Manager. These factors may have an adverse impact on the value of the Fund.

Investing in other investment funds may be more costly to a Fund than if the Fund had invested in the underlying securities directly. Unitholders of the Fund will indirectly bear the fees and expenses (including management and advisory fees and other expenses) of the underlying investment funds. As the Fund's allocations among the investment funds change from time to time, or to the extent that the expense ratios of the underlying funds change, the expenses borne by the Fund may increase or decrease. In addition, the determination of net asset value of the shares of any particular investment fund held by a Fund may be suspended under certain conditions. In the event this were to happen, it could impede the ability of a Fund to meet a redemption request.

A Fund's investments in investment funds may subject the Fund to additional risks than if

the Fund would have invested directly in the investment funds' underlying securities. These risks include the possibility that an unregistered fund may experience a lack of liquidity that can result in greater volatility than its underlying securities.

Another risk of investing in investment funds is the possibility that one investment fund may buy the same securities that another investment fund sells. If this happens, an investor in the affected Fund would indirectly bear the costs of these transactions without accomplishing the intended investment purpose. Also, the Fund or the investment funds may hold common portfolio securities, thereby reducing the diversification benefits to the Fund. For the above reasons the value and performance of a Fund may be adversely impacted by its investments in other investment funds.

- (bb) **Liquidity risk:** Liquidity risk takes two forms: asset side liquidity risk and liability side liquidity risk. Asset side liquidity risk refers to the inability of a Fund to sell a security or position at its quoted price or market value due to such factors as a sudden change in the perceived value or creditworthiness of the position, or due to adverse market conditions generally. The bid and offer spreads of the price of debt securities may be large and the Fund may incur significant trading costs. Liability side liquidity risk refers to the inability of a Fund to meet a redemption request, due to the inability of the Fund to sell securities or positions in order to raise sufficient cash to meet the redemption request. Markets where the Fund's securities are traded could also experience such adverse conditions as to cause exchanges to suspend trading activities. Reduced liquidity due to these factors may have an adverse impact on the Net Asset Value of the Fund and, as noted, on the ability of the Fund to meet redemption requests in a timely manner.

Certain securities are illiquid due to a limited trading market, financial weakness of the issuer, legal or contractual restrictions on resale or transfer, or that are otherwise illiquid in the sense that they cannot be sold within seven days at approximately the price at which the Fund values them. Securities that are illiquid involve greater risk than securities with more liquid markets. Market quotations for such securities may be volatile and/or subject to large spreads between bid and ask prices. Illiquidity may have an adverse impact on market price and the Fund's ability to sell particular securities when necessary to meet the Fund's liquidity needs or in response to a specific economic event.

- (cc) **Low-rated, non-investment grade or unrated securities risk:** Some Funds may invest in higher-yielding securities rated lower than investment grade or unrated securities of similar credit quality. High-yield debt securities (including loans) and unrated securities of similar credit quality ("high-yield debt instruments" or "junk bonds") may exhibit lower liquidity and higher volatility and may involve greater risk of delays in interest and principal payments or a complete loss of the Fund's investment than higher-quality debt securities. Issuers of high-yield debt instruments are not as strong financially as those issuing securities of higher credit quality. High-yield debt instruments are generally considered predominantly speculative by the applicable rating agencies as these issuers are more likely to encounter financial difficulties and are more vulnerable to changes in the relevant economy, such as a recession or a sustained period of rising interest rates, that could affect their ability to make interest and principal payments when due. If an issuer

stops making interest and/or principal payments, payments on the securities may never resume. These instruments may be worthless and the Fund could lose its entire investment.

The prices of high-yield debt instruments fluctuate more than higher-quality securities. Prices are especially sensitive to developments affecting the issuer's business or operations and to changes in the ratings assigned by rating agencies. In addition, the entire high-yield debt market can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sustained sales by major investors, a high-profile default, or other factors. Prices of corporate high-yield debt instruments often are closely linked with the company's stock prices and typically rise and fall in response to factors that affect stock prices.

High-yield debt instruments are generally less liquid than higher-quality securities. Many of these securities are not registered for sale with relevant regulatory authorities in the local jurisdiction and/or do not trade frequently. When they do trade, their prices may be significantly higher or lower than expected. At times, it may be difficult to sell these securities promptly at an acceptable price, which may limit the Fund's ability to sell securities in response to specific economic events or to meet redemption requests. As a result, high-yield debt instruments generally pose greater illiquidity and valuation risks.

The use of credit ratings in evaluating debt securities can involve certain risks, including the risk that the credit rating may not reflect the issuer's current financial condition or events since the security was last rated by a rating agency. Credit ratings may be influenced by conflicts of interest or based on historical data that no longer apply or are accurate. Recently, legislation and regulations to reform rating agencies have been proposed and may adversely impact the Fund's investments or investment process. Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore not be directly comparable with those given by other international rating agencies.

Unrated debt securities determined by the Manager to be of comparable quality to rated securities which the Fund may purchase may pay a higher interest rate than such rated debt securities and be subject to a greater risk of illiquidity or price changes. Less public information is typically available about unrated securities or issuers. Investments in these securities may therefore subject a Fund to a greater risk of loss.

- (dd) **Market risk:** The market values of securities owned by a Fund will go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting individual issuers, securities markets generally or particular industries or sectors within the securities markets. The value of a security may go up or down due to general market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in the general outlook for revenues or corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also go up or down due to factors that affect an individual issuer or a particular industry

or sector, such as changes in production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities held by a Fund will participate in or otherwise benefit from the advance.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by the Fund and in turn the value and performance of the Fund.

- (ee) **Real estate securities risk:** Some Funds invest in real estate investment trusts (“REITs”). Real estate values rise and fall in response to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. When economic growth is slow, demand for property decreases and prices may decline. Property values may decrease because of overbuilding, increases in property taxes and operating expenses, changes in zoning laws, environmental regulations or hazards, uninsured casualty or condemnation losses, or general decline in neighbourhood values.

Equity REITs may be affected by any changes in the value of the properties owned and other factors, and their prices tend to go up and down. A REIT’s performance depends on the types and locations of the properties it owns and on how well it manages those properties. A decline in rental income may occur because of extended vacancies, increased competition from other properties, tenants’ failure to pay a rent or poor management. A REIT’s performance also depends on the company’s ability to finance property purchases and renovations and manage its cash flows. Since REITs typically are invested in a limited number of projects or in a particular market segment, they are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments.

- (ff) **Renminbi currency risks:** Since 2005, the RMB exchange rate is no longer pegged to the US dollar. RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. RMB exchange rate is also subject to exchange control policies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market is allowed to float within a narrow band around the central parity published by the People’s Republic of China. As the exchange rates are influenced by government policy and market forces, the exchange rates for RMB against other currencies, including HK dollars, are susceptible to movements based on external factors. Accordingly, the investment in Classes denominated in RMB may be adversely affected by the fluctuations in the exchange rate between RMB and other foreign currencies even though underlying investments increase in value.

RMB is currently not a freely convertible currency. RMB convertibility from offshore RMB (CNH) to onshore RMB (CNY) is a managed currency process subject to foreign exchange control policies of and restrictions imposed by the Mainland authorities. The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors including without limitation those foreign exchange control policies and

repatriation restrictions.

Since 2005, foreign exchange control policies pursued by the Chinese government have resulted in the general appreciation of RMB (both CNH and CNY). This appreciation may or may not continue and there can be no assurance that RMB will not be subject to devaluation at some point.

The RMB Classes available in the Funds are valued with reference to CNH rather than CNY. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently, and investors can freely transact in CNH outside of Mainland China. As such CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY, and there may be significant bid and offer spreads trading in such different and separate markets. The RMB Classes available in the Funds will have no requirement to remit CNH to CNY. Investors of RMB Classes may have to convert HK dollar or other currency(ies) into RMB when investing in Classes denominated in RMB and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to HK dollar or such other currency(ies). Investors will incur currency conversion costs and you may suffer losses depending on the exchange rate movements of RMB relative to HK dollar or such other currency(ies).

There may not be enough RMB available for conversion upon receipt of non-RMB subscriptions. There is also a risk that payment of redemption monies and/or distributions in RMB may be delayed when there is not sufficient amount of RMB for currency conversion for settlement of the redemption monies and distributions in a timely manner due to the exchange controls and restrictions applicable to RMB. In any event, redemption monies will be paid within one calendar month upon receipt of all properly completed documentation.

For the above reasons as well as the reasons set out in “Currency hedged class risk”, the volatility of hedged Classes denominated in RMB may be higher than those Classes denominated in the Base Currency of the relevant Funds.

- (gg) **Restructuring companies risk:** Some Funds may invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions; they may also purchase indebtedness and participations therein, both secured and unsecured, of debtor companies engaged in reorganisation or financial restructuring. Such investments also involve greater credit risks. The companies involved in reorganisation or financial restructuring tend to have a relatively weak financial position and may also be subject to the risks that the restructuring could be disruptive to the business and management structure of the companies involved, which may expose the Funds to higher investment risk and a greater risk of loss.
- (hh) **Risk associated with urban investment bonds:** Urban investment bonds are issued by local government financing vehicles (“LGFVs”). Such bonds are typically not guaranteed by local governments or the central government of the PRC. In the event that the LGFVs

default on payment of principal or interest of the urban investment bonds, the Fund could suffer substantial loss and the Net Asset Value of the Fund could be adversely affected.

- (ii) **Shanghai-Hong Kong Stock Connect risk:** Certain Funds may invest and have direct access to certain eligible China A-Shares via the Shanghai-Hong Kong Stock Connect (“Stock Connect”). The Stock Connect is a securities trading and clearing linked program developed by Hong Kong Exchanges and Clearing Limited (“HKEx”), Shanghai Stock Exchange (“SSE”) and China Securities Depository and Clearing Corporation Limited (“ChinaClear”), with an aim to achieve mutual stock market access between the PRC and Hong Kong.

The Stock Connect comprises a Northbound Trading Link (for investment in China A-Shares) by which certain Funds may be able to place orders to trade eligible shares listed on SSE.

Under the Stock Connect, overseas investors (including the Funds) may be allowed, subject to rules and regulations issued/amended from time to time, to trade certain China A Shares listed on the SSE (the “SSE Securities”) through the Northbound Trading Link. The SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on the Stock Exchange of Hong Kong Limited (“SEHK”), except (i) those SSE-listed shares which are not traded in RMB and (ii) those SSE-listed shares which are included in the “risk alert board”. The list of eligible securities may be changed subject to the review and approval by the relevant PRC regulators from time to time.

Further information about the Stock Connect is available online at the website: www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm.

In addition to the risks associated with the Chinese market and risks related to investments in RMB, investments through the Stock Connect are subject to additional risks, namely, quota limitations, suspension risk, operational risk, restrictions on selling imposed by front-end monitoring, clearing and settlement risks, nominee arrangements in holding China A-Shares and regulatory risk.

Quota limitations

The Stock Connect is subject to quota limitations on investments, which may restrict the relevant Funds’ ability to invest in China A-Shares through the Stock Connect on a timely basis, and these Funds may not be able to effectively pursue their investment policies.

Suspension risk

Both the SEHK and SSE reserve the right to suspend trading if necessary for ensuring an orderly and fair market and managing risks prudently which could adversely affect the relevant Funds’ ability to access the PRC market.

Differences in trading day

The Stock Connect only operates on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC market but Hong Kong investors (such as the Funds) cannot carry out any China A-Shares trading. The Funds may be subject to a risk of price fluctuations in China A-Shares during the time when the Stock Connect is not trading as a result.

Restrictions on selling imposed by front-end monitoring

PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Clearing settlement and custody risks

The Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEx ("HKSCC") and ChinaClear establish the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. As the national central counterparty of the PRC's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission ("CSRC"). The chances of ChinaClear default are considered to be remote.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant Fund(s) may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

The China A-Shares traded through Shanghai-Hong Kong Stock Connect are issued in scripless form, so investors, such as the relevant Funds, will not hold any physical China A-Shares. Hong Kong and overseas investors, such as the Funds, who have acquired SSE Securities through Northbound trading should maintain the SSE Securities with their brokers' or custodians' stock accounts with the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK. Further information on the custody set-up relating to the Stock Connect is available upon request from the Manager.

Operational risk

The Stock Connect provides a new channel for investors from Hong Kong and overseas, such as the Funds, to access the China stock market directly. The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the trial program to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the “connectivity” in the Stock Connect program requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system (“China Stock Connect System”) to be set up by SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the program could be disrupted. The relevant Funds' ability to access the China A-Share market (and hence to pursue their investment strategy) will be adversely affected.

Nominee arrangements in holding China A-Shares

HKSCC is the “nominee holder” of the SSE securities acquired by overseas investors (including the relevant Fund(s)) through the Stock Connect. The CSRC Stock Connect rules expressly provide that investors such as the Funds enjoy the rights and benefits of the SSE securities acquired through the Stock Connect in accordance with applicable laws. However, the courts in the PRC may consider that any nominee or custodian as registered holder of SSE securities would have full ownership thereof, and that even if the concept of beneficial owner is recognised under PRC law those SSE securities would form part of the pool of assets of such entity available for distribution to creditors of such entities and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently, the relevant Fund(s) and the Custodian cannot ensure that the Fund's ownership of these securities or title thereto is assured in all circumstances.

Under the rules of the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the SSE securities in the PRC or elsewhere. Therefore, although the relevant Funds' ownership may be ultimately recognised, these Funds may suffer difficulties or delays in enforcing their rights in China A-Shares.

To the extent that HKSCC is deemed to be performing safekeeping functions with respect to assets held through it, it should be noted that the Custodian and the relevant Fund(s) will have no legal relationship with HKSCC and no direct legal recourse against HKSCC in the event that a Fund suffers losses resulting from the performance or insolvency of HKSCC.

Investor compensation

Since the relevant Funds are carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, they are not protected by the China Securities Investor Protection Fund in the PRC.

Trading costs

In addition to paying trading fees and stamp duties in connection with China A-Share trading, the relevant Funds may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers which are yet to be determined by the relevant authorities.

PRC tax consideration

The Manager and/or Investment Manager reserve the right to provide for tax on gains of the relevant Fund that invests in PRC securities thus impacting the valuation of the relevant Funds. With the possibility of the laws, regulations and practice in the PRC changing, and the possibility of taxes being applied retrospectively, any provision for taxation made by the Manager and/or the Investment Manager, based on the best estimate, may be excessive or inadequate to meet final PRC tax liabilities on gains derived from the disposal of PRC securities. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how such gains will be taxed, the level of provision and when they purchased and/or sold their shares in/from the relevant Fund.

On 14 November 2014, the Ministry of Finance, State of Administration of Taxation and CSRC jointly issued a notice in relation to the taxation rule on the Stock Connect under Caishui [2014] No.81 (“Notice No.81”). Under Notice No.81, corporate income tax, individual income tax and business tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (such as the Funds) on the trading of China A-Shares through the Stock Connect with effect from 17 November 2014. However, Hong Kong and overseas investors (such as the Funds) are required to pay tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant authority by the listed companies.

Investors should be reminded that any further changes to the applicable PRC taxation laws and regulations relevant to the Funds may result in a further and possible substantial loss to the Fund, if or to the extent that such liabilities are not already provisioned for, or withheld upon, notwithstanding the Manager’s reasonable assessment on the likelihood of such tax exposure and best estimate on the amount of tax provision required.

In particular, investors should note that the Notice No.81 states that the exemption of taxation on gains only applies on a temporary basis. There may be significant impact on the Net Asset Value of the Fund when the relevant PRC authorities announce the expiry date of the exemption. Any future clarification or cessation of exemption of tax on gains, and guidance on the assessment and collection of the amount of tax payable upon expiry of the temporary tax exemption may substantially impact the Net Asset Value of the Funds negatively. There is also a possibility of taxes being applied retrospectively.

In view of such uncertainties, investors should note that any level of provision (or no provision) may be inadequate to meet the actual PRC tax liabilities on the investments made by the Funds. Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed for and/or redeemed their Units.

Regulatory risk

The CSRC Stock Connect rules are departmental regulations having legal effect in the PRC. However, the application of such rules is untested, and there is no assurance that PRC courts will recognise such rules, e.g. in liquidation proceedings of PRC companies.

The Stock Connect is novel in nature, and is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect.

The regulations are untested so far and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The relevant Funds which may invest in the PRC markets through Stock Connect may be adversely affected as a result of such changes.

- (jj) **Share purchase rights risk:** Share purchase rights are offers to existing shareholders to buy additional shares in proportion to the number of shares already owned at a price that may be lower than the market price. Share purchase rights are issued usually when a company has significant amount of debt and/or needs to raise additional capital. Funds that invest in share purchase rights can leave the rights to expire or trade if they do not want to increase the investment. The price volatility of the rights before the exercise may be higher than the underlying security. Share purchase rights may be beneficial to the Funds when purchased at lower than the market price, but at the same time, may lead to lower stock price as the additional shares may dilute the outstanding shares and lower the company's earnings per share.
- (kk) **Smaller and midsize companies risk:** Historically, smaller and midsize company securities have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less certain growth prospects of smaller and midsize companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller and midsize companies to changing economic conditions.

In addition, smaller and midsize companies may lack depth of management, be unable to generate funds necessary for growth or development, have limited product lines or be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans which are floating-rate.

These risks are typically increased for securities issued by smaller companies registered or performing a significant part of their activities in developing countries and Emerging Markets, especially as the liquidity of securities issued by companies in Emerging Markets

may be substantially smaller than with comparable securities in industrialised countries.

- (II) **Sovereign debt risk:** Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due because of cash flow problems, insufficient foreign reserves, the relative size of the debt service burden to the economy as a whole, the government's policy towards principal international lenders such as the International Monetary Fund, or the political considerations to which the government may be subject. Sovereign debtors also may be dependent on expected disbursements from other foreign governments or multinational agencies and the country's access to, or balance of, trade. In adverse situations, the sovereign debtors may request the Fund to participate in restructuring such debts. If a sovereign debtor defaults (or threatens to default) on its sovereign debt obligations, the indebtedness may be restructured. Restructuring may include obtaining additional credit to finance outstanding obligations, reduction and rescheduling of payments of interest and principal, or negotiation of new or amended credit and security agreements. Unlike most corporate debt restructurings, the fees and expenses of financial and legal advisers to the creditors in connection with a restructuring may be borne by the holders of the sovereign debt securities instead of the sovereign entity itself. Some sovereign debtors have in the past been able to restructure their debt payments without the approval of some or all debt holders or to declare moratoria on payments, and similar occurrences may happen in the future.

In the event of a default on sovereign debt, a Fund may have limited legal recourse against the defaulting government entity. As a sovereign entity, the issuing government may be immune from lawsuits in the event of its failure or refusal to pay the obligations when due, and any rights a Fund may have may be restricted pursuant to the terms of applicable treaties with such sovereign entity. If a sovereign entity defaults, it may request additional time in which to pay or for further loans. There may be no legal process for collecting sovereign debt that a government does not pay or such legal process may be relatively more expensive, nor are there bankruptcy proceedings by which a Fund may collect in whole or in part on debt issued by a sovereign entity. In certain cases, remedies must be pursued in the courts located in the country of the defaulting sovereign entity itself, which may further limit a Fund's ability to obtain recourse.

Funds may invest in sovereign debt issued by governments or government-related entities from countries referred to as Emerging Markets, which bear additional risks compared to more developed markets due to such factors as greater political and economic uncertainties, currency fluctuations, repatriation restrictions or capital controls, thereby subjecting the relevant Fund to a greater risk of loss.

- (mm) **Structured notes risk:** Structured notes such as equity-linked notes involve a counterparty structuring a note whose value is intended to move in line with the underlying security specified in the note. Unlike financial derivative instruments, cash is transferred from the buyer to the seller of the note. Investment in these instruments may cause a loss if the value of the underlying security decreases. There is also a risk that the note issuer will default.

Additional risks result from the fact that the documentation of such notes programmes tends to be highly customised. The liquidity of a structured note can be less than that for the underlying security, a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted, which may in turn have an adverse impact on the value and performance of the relevant Fund.

- (nn) **Termination risk:** Investors should note that Umbrella Fund and/or any individual Fund may not continue for an indefinite period of time. The Umbrella Fund and/or a Fund may be terminated by resolution of the Unitholders, or the Manager may determine to terminate any Fund if it considers that is not economically viable to continue the Umbrella Fund and/or the Fund (as the case may be), or under certain other circumstances (e.g. if the Umbrella Fund and/or the relevant Fund ceases to be authorised or otherwise officially approved by the SFC, or if any law is passed which renders it illegal to continue the Umbrella Fund and/or any Fund). Investors may not get back their original investment.
- (oo) **Valuation risk:** Valuation of a Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the calculation of the Net Asset Value of the Fund.
- (pp) **Value stock risk:** Some Funds may select stocks using a bottom-up, long-term, value-oriented approach. To the extent that markets fail to recognise their expected value, investment may underperform other stock selection approaches which may have an adverse impact on the value and performance of a Fund.

FEES AND CHARGES

The following sections, read together with the relevant Appendix relating to each Fund, summarise the fees and charges applicable to the Funds and the respective Classes of Units.

Fees and Charges Payable by Investors

Initial Charge

In respect of Class A Units, the Manager may impose an initial charge of up to 5.00% of the Net Asset Value per Unit on the issue of Units.

No initial charge will be imposed in respect of Class C and Y Units.

Redemption Charge

Currently, the Manager does not impose any fee or charge in respect of redemptions of Units, although it reserves the right to do so in the future.

Switching Charge

For switches between Class A and C Units (either within the same Fund or to a different Fund), the Manager may impose a charge of 1.00% of the value of the Units being switched when an investor switches between Funds.

For the avoidance of doubt, switching into or out of Class Y Units is not allowed.

Fees Payable Out of Assets of the Funds

Management Fee

The Manager is entitled to receive a management fee accrued daily and payable monthly in arrears out of each Fund as a percentage of the Net Asset Value of each Class of Units in a Fund as at each Valuation Day at the rates set out in the Appendix for the relevant Fund, subject to a maximum fee of 3.00% per annum.

The fees of Investment Managers (if any) are paid out of the management fee.

Maintenance Charge

The Manager is entitled to receive a maintenance charge accrued daily and payable monthly in arrears out of each Fund to compensate the Manager for any expenses incurred by it in connection with investor liaison and administration of the Units. The maximum rate of the maintenance charge, expressed as a percentage of the Net Asset Value of each Class of Units in a Fund as at each Valuation Day, is set out in the Appendix for the relevant Fund.

Fund Administration Fee

The Manager is entitled to receive from each Fund a fund administration fee of up to 0.20% per annum of the relevant Fund's Net Asset Value. The fund administration fee shall accrue daily based on the Net Asset Value of the relevant Fund and shall be payable monthly in arrears.

Trustee Fee

The Trustee is entitled to receive a fee at the maximum rate of 0.04% per annum of each Fund's Net Asset Value. The trustee fee shall accrue daily based on the Net Asset Value of the Fund and shall be payable monthly in arrears.

Custodian Fee

The Custodian is entitled to (among others) transaction charges at customary market rates and a custody fee at different rates, largely depending on the markets where the Custodian is required to hold a Fund's assets. Such fees will be calculated monthly and will be paid monthly in arrears, out of the assets of each Fund. The Custodian will be entitled to reimbursement by the Fund for any out-of-pocket expenses incurred in the course of its duties.

Registrar and Transfer Agent Fee

The Registrar is entitled to receive a fee up to 0.04% per annum of each Fund's Net Asset Value for registrar and transfer agent services, with the actual fee subject to certain variables. The fee shall be payable monthly in arrears.

Establishment Costs

There are no unamortised establishment costs in relation to the Umbrella Fund and the two initial Funds (i.e. the Templeton Select Global Leaders Fund (formerly known as the Templeton Select Global Equity Fund) and Franklin Select Global Multi-Asset Income Fund).

The establishment costs and payments incurred in the establishment of subsequent Funds are to be borne by the Fund to which such costs and payments relate and amortised over a period of five (5) years (or such other period as determined by the Manager). Please refer to the relevant Appendix for the establishment costs in relation to each subsequent Fund.

Fee Increases

The current fees payable stated above in this Explanatory Memorandum may be increased up to the maximum levels stated herein and the Trust Deed by giving Unitholders at least one (1) month's prior notice.

General

Each Fund will bear the costs set out in the Trust Deed which are directly attributable to it. Where such costs are not directly attributable to a Fund, such costs will be allocated amongst the Funds in proportion to the respective Net Asset Value of all the Funds.

Each Fund will bear the cost of (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, transaction fees of the Trustee, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any connected person in the event of the Trustee or the Manager or such connected person rendering services or effecting transactions giving rise to such fees or expenses), (b) the fees and expenses of the Auditors, tax agents and the Registrar, (c) fees charged by the Trustee or any other external agents in connection with valuing the assets of the Fund or any part thereof, calculating the issue and redemption prices of Units of the Fund and preparing financial statements, (d) all legal charges incurred by the Manager or the Trustee in connection with the Fund, (e) out-of-pocket expenses incurred by the Trustee wholly and exclusively in the performance of its duties, (f) the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed, (g) the expenses of holding meetings of Unitholders and of giving notices to Unitholders, (h) the costs and expenses of obtaining and maintaining a listing for the Units of the Fund on any stock exchange or exchanges selected by the Manager and approved by the Trustee and/or in obtaining and maintaining any approval or authorisation of the Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing, approval or authorisation, and (i) without prejudice to the generality of the foregoing, all costs incurred in publishing the issue and redemption prices of Units of the Fund, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees and Trustee's fee), the expenses of preparing and printing any explanatory memorandum, and any other expenses, deemed by the Manager, after consulting the Trustee, to have been incurred in compliance with or in 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 the provisions of any code relating to unit trusts.

For so long as the Fund and any Fund are authorised by the SFC pursuant to Section 104 of the SFO, expenses arising out of any advertising or promotional activities in connection with such Fund will not be paid out of the assets attributable to that Fund.

DISTRIBUTIONS

The Manager has the discretion as to whether or not to make any distribution and as to the frequency and amount of distributions. Distribution Units and accumulation Units may be issued in each Class of Units.

Distribution Units

In respect of distribution Units (which are identifiable by the indicators “(Mdis)”, “(Qdis)” or “(Ydis)” in the Class name), the Manager has the discretion as to whether or not to make any distribution and as to the frequency and amount of distributions. Nevertheless, it is anticipated that distributions will be made under normal circumstances as set out in the table below:

Distribution Unit Type	Dividends Declared	Payments
Mdis	Monthly	Following the end of each calendar month
Qdis	Quarterly	Following the end of each calendar quarter
Ydis	Yearly	January or February of each year

If any of the above dates do not fall on a Business Day of the relevant Fund, such date will be deemed to fall on the next Business Day of the relevant Fund.

Investors should note that distributions are not guaranteed and that there is no target level of distribution payout (if any). The Funds do not pay interest and the price of Units and any income earned on the Units may go down as well as up.

The Manager may in its discretion determine to pay dividends out of income or capital in respect of the distribution Unit Classes of a Fund. In addition, the Manager may at its discretion pay dividends out of gross income while charging / paying all or part of the fees and expenses attributable to the relevant distribution Unit Class to / out of the capital of such Class, resulting in an increase in distributable income for the payment of dividends. In such circumstances, the relevant Class is effectively paying dividends out of capital. Investors should note that where distributions are paid out of capital, this represents and amounts to a return or withdrawal of part of the amount originally invested or capital gains attributable to that original investment, and may result in an immediate as well as a greater level of decrease in the value of the relevant distribution Units than a corresponding distribution Class that do not pay dividends out of capital.

Distributions declared in respect of a Class of Units, if any, shall be distributed among the registered Unitholders of the relevant Class of Units ratably in accordance with the number of

Units held by them on the record date as determined by the Manager in respect of the corresponding distribution. For the avoidance of doubt, only Unitholders whose names are entered on the Register on such record date shall be entitled to the distribution in respect of the relevant Class of Units.

Any payment of distributions will be made in the Class Currency of the relevant Class of Units. Distributions will be paid to holders by telegraphic transfer.

The compositions of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) (if any) for the preceding 12 months (or if a Fund was launched less than 12 months ago, since its inception) for each Fund are available from the Manager on request and on the Manager's website (www.franklintempleton.com.hk).

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

The Manager will periodically review the distribution policies in relation to distribution Units and reserve the right to make changes to such policies subject to its obtaining the SFC's prior approval and giving not less than one month's prior notice to investors.

Accumulation Units

In respect of accumulation Units (which are identifiable by the indicator “(acc)”/“(Acc)” in the Class name), no distributions of income or capital gains realised on the sale of investments shall be made. Any income and net capital gains in respect of accumulation Units shall be accumulated and capitalised (that is, reflected in the increased value of the Units).

* This website has not been reviewed by the SFC.

CONFLICTS OF INTEREST

No connected person of the Umbrella Fund or a Fund is entitled to brokerage or other transaction benefits. Moreover, neither a Fund nor any of its connected persons may retain cash or other rebates from a broker or dealer. The Manager may receive goods and services from brokers or dealers as and when it is (a) appropriate under its discretionary authority and (b) consistent with the terms of the Trust Deed and applicable laws. In any event, the Umbrella Fund, each Fund, the Manager, the Investment Managers and any of their connected persons do not retain any cash rebates from any brokers or dealers.

Consistent with the Trust Deed and applicable laws, brokerage commissions on portfolio transactions for a Fund may be directed by the Manager or by an Investment Manager or any of their connected persons to brokers or dealers in recognition of research services furnished by them as well as for services rendered in the execution of orders by such brokers or dealers. Any such brokerage commissions must comply with the following: (i) any goods and services received will be of demonstrable benefit to the relevant Holders (taken as a body and in their capacity as such) whether by assisting the Manager, the Investment Manager and/or Franklin Templeton Investments in their ability to manage the relevant Fund or otherwise; (ii) 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 Umbrella Fund or the relevant Fund in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Manager, including a description of the goods and services received by them; and (iv) the availability of the soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

Examples of goods and services of demonstrable benefit that may be received include the following: 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. Such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct money payments.

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager 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 that of the Funds. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with one or more Funds. Each will, at all times, have regard in such event to its obligations to the relevant Funds and will endeavour to ensure that such conflicts are resolved fairly. Compliance procedures and measures, such as segregation of duties and responsibilities, together with different reporting lines have been put in place by the Manager and the Investment Managers to minimize potential conflicts of interest. In any event, the Manager and the Investment Managers shall ensure that all investment opportunities will be fairly allocated.

The Manager may, from time to time, pay a part of the management fee to intermediaries and/or distributors as compensation for rendering services to Unitholders who are clients of such intermediaries and/or distributors.

TAXATION

Each prospective Unitholder should inform himself of, and where appropriate take professional advice on, the tax consequences applicable to the acquisition, holding, transfer and redemption of Units by him under the laws of the places of his citizenship, residence, domicile, incorporation or registration and their personal circumstances.

The summary is set out below for information purposes only.

Taxation of the Fund in its Jurisdiction of Formation – Hong Kong

For so long as the Umbrella Fund and the Funds are authorised by the SFC as a collective investment scheme under section 104 of the SFO, the Umbrella Fund and the Funds are not expected to be subject to Hong Kong profits tax.

No stamp duty is payable in Hong Kong by the Umbrella Fund and the Funds on the issue or redemption of Units. However, the sale and purchase of Hong Kong stocks by the Umbrella Fund and the Funds may be subject to stamp duty in Hong Kong.

Taxation of Unitholders in Hong Kong

No profits tax will be payable by a Unitholder in Hong Kong in respect of income distributions of the Umbrella Fund and the Funds or in respect of gains arising on a sale, redemption or disposal of Units. However, Hong Kong profits tax may arise where transactions in the Units form part of a trade, profession or business carried on by the Unitholder in Hong Kong.

No Hong Kong stamp duty is payable by a Unitholder in respect of an issue of Units. Upon redemption, no Hong Kong stamp duty should be payable if it is effected by cancellation of the Units. However, the sale and purchase of Units between Unitholders will be subject to Hong Kong stamp duty at the current rate of 0.1% on the higher of the consideration or market value, payable by both the buyer and seller of the Units (i.e. a total of 0.2%). The Registrar may require evidence that any applicable stamp duty has been duly paid before registering a transfer of Units and reserves the right to determine the type of evidence to be furnished.

United States Foreign Account Tax Compliance Act

Sections 1471 – 1474 of the US Internal Revenue Code of 1986 (“**IRS Code**”), as amended (referred to as the Foreign Account Tax Compliance Act or “**FATCA**”), impose rules with respect to certain payments paid to certain foreign (i.e. non-US) financial institutions (“**FFI**”), such as the Umbrella Fund and the 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 Internal Revenue Service (“**IRS**”) to identify US persons (under the definition in the IRS Code) with direct or indirect interests in such payments. To avoid the 30% withholding tax under FATCA, certain FFIs, such as the Umbrella Fund and the Funds (and,

generally, other investment funds organised outside the US), generally would be required to register with the IRS directly to obtain a Global Intermediary Identification Number (“**GIIN**”) and enter into an agreement (an “**FFI Agreement**”) with the IRS under which it will agree to identify its direct or indirect account holders who are US persons and report certain information concerning such US account holders to the IRS.

In general, an FFI which does not enter into an FFI Agreement or comply with the relevant FATCA regulations, and is not otherwise exempt may face a 30% withholding tax on “withholdable payments” derived from US sources, including dividends, interest, certain derivative payments and certain other fixed, determinable, annual or periodical (“**FDAP**”) income made to such FFI on or after 1 July 2014. In addition, starting from 1 January 2019, gross proceeds from the sale or other disposition of certain property, such as sales proceeds of property and returns of principal derived from stocks and debt obligations generating US source dividends or interest, will also be treated as “withholdable payments.” Moreover, it is expected that a 30% withholding tax on foreign passthru payments will commence at the later of 1 January 2019 or the date of the publication of the relevant regulations defining the term foreign passthru payment.

The Hong Kong government has entered into a Model 2 intergovernmental agreement (“**IGA**”) with the US for the implementation of FATCA. Under such Model 2 IGA, FFIs in Hong Kong (such as the Umbrella Fund and the Funds) would be required to register with the IRS and comply with the terms of the FFI Agreement. Otherwise they may 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 Umbrella Fund and the 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 made to non-consenting US accounts (i.e. certain accounts of which the holders do not consent to FATCA reporting and disclosure to the IRS) or close those non-consenting US accounts (provided that information regarding such account holders is reported to the IRS in aggregate), but may be required to withhold tax on withholdable payments made to non-participating FFIs.

Franklin Templeton Investments (Asia) Limited has registered with the IRS as a Sponsoring Entity for the Umbrella Fund and the Funds with a GIIN of VBSW3T.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 Umbrella Fund and the Funds have been registered with the IRS as registered deemed compliant FFIs in accordance with the FATCA Regulations and the Hong Kong IGA. Please refer to the sub-section headed “Risks relating to Foreign Account Tax Compliance Act (“**FATCA**”)” in the “Risk Factors” section of this Explanatory Memorandum for the risks associated with FATCA.

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 Umbrella Fund and/or the Funds, or a risk of the Umbrella Fund and/or the Funds being subject to withholding tax under FATCA, the Manager on behalf of the Umbrella Fund and/or the Funds 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 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 Funds. 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 its own tax advisor as to the potential impact of FATCA in its own tax situation and the potential impact on the Umbrella Fund and the Funds.

Certification for Compliance with FATCA or Other Applicable Laws

Each investor (i) will 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 Funds to comply with the terms of an FFI Agreement with the IRS, or other applicable regulations, including (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 Funds receive 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 in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong 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 Umbrella Fund, the relevant 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 IRS), 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, to enable the Umbrella Fund or the relevant Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA).

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the “**Ordinance**”) came into force on 30 June 2016. The Ordinance establishes the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (also referred to as the Common Reporting Standard (“**CRS**”)) in Hong Kong. The CRS requires financial institutions (“**FI**”) in Hong Kong (such as the Umbrella Fund and the Funds) to collect information relating to non-Hong Kong tax residents holding financial accounts with FIs, and report such information to the Hong Kong Inland Revenue Department (“**IRD**”). The information will be

further exchanged with jurisdiction(s) in which the account holder is a tax resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has signed a Competent Authority Agreement (“CAA”); however, the Umbrella Fund, the Funds and/or its agents may further collect information relating to residents of other jurisdictions.

The Umbrella Fund and each Fund are required to comply with the requirements of CRS as implemented by Hong Kong, which means that the Umbrella Fund, each Fund and/or its agents shall collect the relevant tax information relating to Unitholders and prospective investors and provide such information to the IRD.

The CRS rules as implemented by Hong Kong require the Umbrella Fund and each Fund to, amongst other things: (i) register the Umbrella 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 CRS purposes; and (iii) report certain information of such Reportable Accounts to the IRD. The IRD will then transmit such information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA (i.e. the “**Reportable Jurisdictions**”). Broadly, CRS contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax residents in the Reportable Jurisdictions; and (ii) certain entities controlled by individuals who are tax residents in the Reportable Jurisdictions. Under the Ordinance, details of Unitholders, including but not limited to their name, date of birth, address, tax residence, tax identification number, account details, account balance/value, and certain income or sale or redemption proceeds, may be reported to the IRD, which are subsequently exchanged with government authorities in the relevant Reportable Jurisdictions.

By investing in the Umbrella Fund and the relevant Fund and/or continuing to invest in the Umbrella Fund and the relevant Fund, Unitholders acknowledge that they may be required to provide additional information to the Umbrella Fund, the relevant Fund, the Manager and/or the Umbrella Fund’s agents in order for the Umbrella Fund and the relevant Fund to comply with CRS. The Unitholder’s information (and/or information pertaining to Controlling Person(s) of a Unitholder, as defined in the Ordinance), may be exchanged by the IRD with government authorities in the Reportable Jurisdictions.

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

GENERAL INFORMATION

Price Information

The Net Asset Value per Unit for each Class of a Fund as at each Dealing Day will be available on the Manager's website at www.franklintempleton.com.hk* or via the Manager's Investor Hotline, at +852 2805-0111.

Reports and Accounts

The financial year-end of each Fund is 31 December each year. The audited annual report and semi-annual unaudited financial report of the Umbrella Fund will be made available on the website of the Manager (www.franklintempleton.com.hk*) within four (4) months and two (2) months respectively after the end of the relevant financial period. The reports will be prepared in accordance with the applicable requirements of the Code.

These reports are available in English only, and are also available free of charge at the office of the Manager. Once the reports are issued, Unitholders will be notified of where such reports, in printed or electronic form, can be obtained. Such notices will be sent to Unitholders at or around the time of issuance of such reports.

Trust Deed

The Umbrella Fund was constituted under the laws of Hong Kong by a Trust Deed dated 5 January 2016 entered into between Franklin Templeton Investments (Asia) Limited as Manager and Cititrust Limited as Trustee, as amended.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. 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 prospective applicants are advised to consult the terms of the Trust Deed.

The Trustee and the Manager may agree to modify, alter or add to the provisions of the Trust Deed by supplemental deeds, provided that the Trustee certifies in writing that in its opinion such modification:

- (1) does not materially prejudice the interests of Unitholders in any Class, does not operate to release any material extent the Trustee, the Manager or any other person from any liability to Unitholders in any Class and will not result in any increase in the amount of costs and charges payable from any Class (other than the costs, charges, fees and expenses incurred in connection with the supplemental deed);

* This website has not been reviewed by the SFC.

- (2) is necessary in order to comply with any fiscal, statutory, regulatory or official requirements of any country or authority (whether or not having the force of law); and/or
- (3) is necessary to correct a manifest error.

In all other cases, modifications, alteration or addition involving any material changes to the provisions of the Trust Deed shall be made with the approval of the SFC (but only to the extent that the SFC's approval is required in respect of such modification, alteration or addition under the Code) or the sanction of an extraordinary resolution (as defined in the Trust Deed). No such modification, alteration, or addition (whether or not approved by an extraordinary resolution shall impose upon any Unitholder any obligation to make any further payment in respect of the Unitholder's Unit or to accept any liability in respect thereof.

Copies of the Trust Deed (together with any supplemental deeds) may be obtained from the Manager on payment of a reasonable fee and may be inspected during normal working hours at the offices of the Manager free of charge.

Joint Holders

Not more than four (4) persons may be registered as the joint holders of any Unit. The Trustee and the Manager may require any redemption request or other instruction in relation to any joint holding to be signed by all the registered joint holders or may rely on any redemption request or other instruction signed by or otherwise received from any one of the registered joint holders.

Transfer of Units and Transmission of Units

Units in each Fund are transferable by instrument in writing executed by or on behalf of the transferor, except that no transfer will be registered without the approval of the Manager which would result in either the transferor or the transferee holding units having an aggregate value of less than the minimum holding amount (as prescribed under the section headed "**Minimum Initial Subscription, Minimum Subsequent Subscription and Minimum Holding Amounts**" above) on the Valuation Day on which the transaction is to be registered. Instruments of transfer and if required, evidence (as determined by the Registrar) that any applicable stamp duty has been duly paid should be sent to the Registrar, and the cost of stamping, if any, shall be borne by the transferor and/or the transferee.

The Trust Deed contains provisions relating to the transmission of Units. Any costs incurred upon the transmission of Units and in relation to the grant of probate, or equivalent and the re-sealing by the courts will be borne by the relevant Unitholder. Any person becoming entitled to a Unit in consequence of the death, bankruptcy, insolvency or liquidation of any sole Unitholder or of the survivor of joint Unitholders shall subject as provided in the Trust Deed, upon producing such evidence as to his/her title as the Trustee or the Registrar shall think sufficient either be registered himself/herself as Unitholder of such Unit upon giving to the Registrar notice in writing of such desire or transfer such Unit to some other person. The Manager's only obligation in these circumstances will be to forward any information received in writing from or on behalf of the relevant Unitholder to the Trustee.

Meetings

Meetings of all Unitholders, or of Unitholders of a specific Fund or of a Class, may be convened by the Manager or the Trustee. In the case of a meeting of all Unitholders, the Unitholders of 10% or more in value of the Units in issue may require a meeting to be convened. In the case of a meeting of Unitholders of Units in a Class or a Fund, the Unitholders of 10% or more in value of all the Units in issue in the relevant Class or Fund may require such a meeting to be convened.

Unitholders will be given not less than 21 days' notice of any general meeting. Meetings of Unitholders will be held at such times and places as are indicated in the notices to Unitholders of such meetings, which will be posted to Unitholders at their registered addresses.

The quorum for Unitholders' meetings dealing with ordinary business is one (1) or more Unitholders present in person or by proxy, holding in aggregate at least 10% of the Units for the time being in issue. If a meeting is convened at which an extraordinary resolution is to be proposed, the quorum is one (1) or more Unitholders present in person or by proxy holding at least 25% of the Units for the time being in issue. If a quorum is not present within half an hour from the time appointed for the meeting, the meeting will be adjourned for not less than fifteen (15) clear days. Separate notice of any adjourned meeting will be given, and at an adjourned meeting a Unitholder (regardless of the number of Units held) will form a quorum. At any meeting, any resolution put to the vote of the meeting shall be decided on a poll. An extraordinary resolution is defined in the Trust Deed as a resolution proposed as such and passed by a 75% majority of the votes cast in relation to such resolution.

Voting Rights

Meetings of Unitholders may be used to modify the provisions of the Trust Deed, to increase the maximum fees payable to the service providers, to impose any type of fees not otherwise already authorised to be paid out of the Umbrella Fund pursuant to the Trust Deed or to terminate the Umbrella Fund or any Fund or to approve a scheme of amalgamation in respect of the Umbrella Fund or any Fund at any time.

Every Unitholder (being an individual) who is present in person or (being a corporation) is present by a duly authorised representative has one vote for every Unit represented by the Units held by such Unitholder. In the case of joint Unitholders, the senior of those who tenders a vote (in person or by proxy) shall be accepted to the exclusion of the other joint Unitholders and seniority is determined by the order in which the names appear on the Register. On a poll every Unitholder who is present in person or by representative as aforesaid or by proxy shall have one vote for every undivided share represented by the Units of which he is the Unitholder.

Restrictions of Unitholders

The Trust Deed allows the Trustee and the Manager to exclude or restrict the holding of Units by any person. The beneficial ownership of Units by US Persons is thus excluded and US Persons are not eligible to invest in the Funds. The offer of Units to or on behalf of any persons in any other

jurisdictions is excluded except where such offer complies with the applicable laws and regulations of such jurisdictions. The Trustee and/or the Registrar is/are entitled to require any persons applying for, or claiming ownership rights in, any Units to provide satisfactory information to establish the nationality and country of residence of such persons.

The Trustee may also exclude or restrict the ownership of Units by any person, firm or corporate body if in the opinion of the Trustee such holding may be detrimental to any Fund or its Unitholders, may result in a breach of any applicable law or regulations or may expose any Fund or its Unitholders to liabilities or any other disadvantages that it or they would not have otherwise incurred or been exposed to. Such persons, firms or corporate bodies are herein referred to as “Prohibited Persons”.

The actions that the Trustee and/or the Manager may take in order to exclude or restrict the ownership of Units by Prohibited Persons are described in full in the Trust Deed and include (in summary):

- (1) declining to issue and/or register transfers of Units;
- (2) requiring the furnishing of representations and warranties and/or information, supported by affidavit;
- (3) redeeming all or part of the Units held by a relevant Unitholder; and
- (4) declining to accept the vote of any Prohibited Person at any meeting of Unitholders.

Borrowing

The Trust Deed contains provisions setting out the requirements and restrictions that the Trustee may, at the request of the Manager, borrow money for the account of the relevant Fund. In particular, the purpose of each borrowing shall be for the purposes of meeting redemptions and short-term (not more than four weeks) bridging requirements which may be related to any one or more of the following:

- (1) to pay the redemption proceeds on a redemption of Units;
- (2) to meet the fees, expenses and liabilities of the relevant Fund (excluding the management fee or the trustee fee); or
- (3) to pay distributions of income in accordance with the provision of the Trust Deed.

Retirement and Removal of the Trustee and the Manager

The Trustee or the Manager may, subject to the prior approval of the SFC, retire upon the appointment of a successor in accordance with the provisions of the Trust Deed. The Manager may, subject to the prior approval of the SFC, remove the Trustee by giving at least one month’s notice (or any other notice period as approved by the SFC) and appointing as a replacement another

qualified trust corporation. In addition, the Manager may be removed in certain circumstances by the Trustee or at any time by the Unitholders of not less than 50% in aggregate in value of the Units of the Umbrella Fund for the time being in issue.

Any change of the Trustee or the Manager will be notified to Unitholders of the Umbrella Fund.

Termination, Merger or Division of the Umbrella Fund or any Fund

With the prior approval of the Manager (except in the case of paragraphs (1) to (3) and (5) immediately below) and the SFC, the Trustee may terminate the Umbrella Fund and/or any Fund by giving not less than one (1) month's prior notice (or such other notice period as approved by the SFC) to the Unitholders if:

- (1) the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or shall be adjudged a bankrupt or insolvent or appoints liquidators or if a receiver shall be appointed in respect of the property or undertaking of the Manager or any part thereof or the Manager is the subject of any analogous proceedings or procedure in each case under the law of Hong Kong or such other law as may be applicable in the circumstances where, after the expiration of a period of three months, the Trustee has not appointed a new Manager;
- (2) on the expiration of three (3) months after notifying the Manager that in the Trustee's opinion a change of Manager is desirable in the interests of the Unitholders, the Trustee has not found another company ready to accept the office of Manager of the Umbrella Fund and/or the relevant Fund (as the case may be) of which the Trustee and the SFC shall approve;
- (3) in the reasonable opinion of the Trustee, the Manager shall be incapable of performing its duties properly or shall do any other thing which in the reasonable opinion of the Trustee is calculated to bring the Umbrella Fund and/or the relevant Fund (as the case may be) into disrepute or to be harmful to the interests of Unitholders, provided that the Trustee shall certify that in its reasonable opinion the proposed termination on this ground is in the overall interests of the Unitholders as a whole;
- (4) any laws, rules and regulations imposed by any regulatory or supervisory, governmental, or quasi-governmental authority, any fiscal body or self-regulatory organisation (whether of a governmental nature or otherwise) shall be passed which renders it illegal or in the reasonable opinion of the Trustee (in consultation with the Manager and if the Trustee deems necessary, upon advice from legal counsel) impracticable or inadvisable to continue the Umbrella Fund and/or the relevant Fund (as the case may be);
- (5) the Manager shall have committed a material breach of any of the terms of the Trust Deed and shall have failed to remedy such breach within thirty (30) days after service of a notice by the Trustee requiring such breach to be remedied, provided that the Trustee shall certify that in its reasonable opinion the proposed termination is necessary having regard to the

interests of Unitholders; or

- (6) the SFC directs under the SFO that the authorization of the Umbrella Fund and/or the relevant Fund (as the case may be) be withdrawn.

The Umbrella Fund, a Fund and/or any Class or Classes of Units relating thereto may be terminated by the Manager if the Manager considers it to be in the best interests of Unitholders to terminate the Umbrella Fund, the Fund and/or the Class (as the case may be) and, with the approval of the SFC and the Trustee, gives written notice to the Trustee and not less than one (1) month's prior notice (or such other notice period as agreed with the Trustee and/or the SFC) to the Unitholders of its intention to terminate the Umbrella Fund, the Fund and/or the Class (as the case may be).

In particular, the Umbrella Fund, a Fund and/or any Class or Classes of Units relating thereto may, subject to the prior approval of the SFC and the Trustee, be terminated by the Manager in its absolute discretion where:

- (1) the Manager is of the opinion that it is not economically viable to continue the Umbrella Fund, the Fund and/or the Class or Classes of Units relating thereto (as the case may be);
- (2) the Umbrella Fund and/or the Fund (as the case may be) shall not be or cease to be authorised or otherwise officially approved pursuant to the SFO; or
- (3) any law shall be passed, or any other regulatory changes or administrative decisions shall be made by a competent regulator or authority, which shall render the Umbrella Fund, a Fund and/or a Class (as the case may be) illegal or in the opinion of the Manager impracticable or inadvisable to continue the Umbrella Fund, the Fund and/or the Class (as the case may be).

The Umbrella Fund, a Fund and/or a Class or Classes of Units relating thereto (as the case may be) may be terminated at any time by Extraordinary Resolution (as defined in the Trust Deed) of Unitholders and such termination shall take effect from the date on which such Extraordinary Resolution is passed or such later date (if any) as the Extraordinary Resolution may provide.

Unitholders may, by way of an extraordinary resolution, approve and adopt a scheme of amalgamation proposed by the Manager. Such scheme of amalgamation may provide for assets comprised in the relevant Fund to be transferred to such one or other collective investment schemes and Unitholders may become entitled to units or shares or other interests in such other collective investment schemes, pro rata to their respective interests in the assets of the Fund transferred.

Any unclaimed proceeds or other cash held by the Trustee under the Trust Deed 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.

Personal Data

All personal data of investors (“Data”) contained in the application form and all and any further personal data collected in the course of the business relationship with the Trustee and/or the Registrar may be, subject to applicable local laws and regulations, collected, recorded, stored, adapted, transferred or otherwise processed and used (“processed”) by the Trustee, the Manager, the Registrar and other companies of Franklin Templeton Investments (including Franklin Resources, Inc. and/or its subsidiaries and associates, which may be established outside Hong Kong, such as in the US or India), the Custodian and any other third parties which provide services to them. Such data shall be processed for the purposes of account administration, anti-money laundering and counter-terrorist financing requirements, tax identification, where appropriate, for the purpose of compliance with FATCA as well as, to the extent permissible and under the conditions set forth in Hong Kong laws and regulations and any other applicable laws and regulations, the development of business relationships. All personal data of Hong Kong investors will be processed in accordance with the Personal Data (Privacy) Ordinance in Hong Kong.

To this end, data may be transferred to companies appointed by the Trustee or the Manager or their respective agents to support the Funds’ related activities. Investors have a right of access or rectification of the personal data in cases where such data is incorrect or incomplete.

The Trustee, the Manager and/or the Registrar, for the purpose of FATCA compliance, may be required to disclose personal data relating to US Persons and/or non-participant Foreign Financial Institutions (as defined in FATCA) to the Internal Revenue Service in the US.

Available Documents

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) this Explanatory Memorandum and the Product Key Facts Statement of each Fund;
- (b) the Trust Deed, and any supplemental deeds;
- (c) all material contracts (as specified in the relevant Appendix, if any); and
- (d) the latest financial reports (if any) of the Fund.

SCHEDULE 1 – INVESTMENT RESTRICTIONS

1. Investment limitations applicable to each Fund

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

- (a) the aggregate value of the 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 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 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 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 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 Fund provided that the 20% limit may be exceeded in the following circumstances:
 - (i) cash held before the launch of the Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested;
 - (ii) cash proceeds from liquidation of investments prior to the merger or termination of the 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 Fund and not referable to provision of property or services;

- (d) the Fund’s holding of any ordinary shares (when aggregated with all other Funds’ holdings of such ordinary shares) exceeding 10% of any ordinary shares issued by any single entity;
- (e) the value of the 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 Fund;
- (f) the value of the 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 Fund. Subject to the foregoing, the 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; and

- (g) (i) the value of the 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 authorised by the SFC in aggregate exceeding 10% of its latest available Net Asset Value; and

(ii) the value of the 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 authorised by the SFC exceeding 30% of its latest available Net Asset Value unless the underlying scheme is authorised by the SFC, and the name and key investment information of the underlying scheme are disclosed in the Offering Document of that 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 Fund may invest in underlying scheme(s) authorised 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 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 Fund;
- (bb) unless otherwise disclosed in the Appendix of a Fund, the investment by a 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 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 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 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 Fund

The Manager shall not, unless otherwise specifically provided for in the Code, on behalf of any 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 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 Fund which is unlimited. For the avoidance of doubt, the liability of Unitholders of a Fund is limited to their investments in that 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; and
- (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 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 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 authorised 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; and
- (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 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 Fund to meet its hedging objective in stressed or extreme market conditions.

4.2 A Fund may also acquire financial derivative instruments for non-hedging purposes (“**investment purposes**”) subject to the limit that such 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 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 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 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 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 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 Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the 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 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 services. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Fund's initiative. Further, the valuation agent or any person appointed to perform valuation of the financial derivative instruments (including any calculation agent / administrator) should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.
- 4.5 A 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 Fund are adequately covered on an ongoing basis. For the purposes of this sub-paragraph 4.5, assets that are used to cover the 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 Fund shall be covered as follows:

- (a) in the case of financial derivative instruments transactions which will, or may at the Fund's discretion, be cash settled, the 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 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 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 Fund shall apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

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

5. **Securities financing transactions**

5.1 A Fund may engage in securities financing transactions, provided that they are in the best interests of Unitholders of such 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 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 Fund.

5.4 A Fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the Fund at any time to recall the

securities or the full amount of cash (as the case may be) subject to the securities financing transaction or terminate the securities financing transaction(s) into which it has entered.

6. Collateral

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

- (a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- (b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;
- (c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;
- (d) Haircut – the collateral is subject to a prudent haircut policy;
- (e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A 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 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 authorised 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; and
 - (v) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
- (k) the collateral is free of prior encumbrances; and
- (l) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

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

7. **Money Market Funds**

In the exercise of its investment powers in relation to a 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;

- (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 USD 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; and
 - (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 a 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; and
- (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. In addition, it is expected that periodic stress testing will be carried out by the Manager in monitoring the liquidity of such Money Market Fund authorised under Chapter 8.2 of the Code.

8. **Index Funds**

- 8.1 In the exercise of its investment powers in relation to a 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 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 the 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 Fund is as follows:

Cash borrowing

- 9.1 No borrowing shall be made in respect of a Fund which would result in the principal amount for the time being of all borrowings made for the account of the relevant Fund exceeding an amount equal to 10% of the latest available Net Asset Value of the relevant 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 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 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 Fund

- 10.1 If the name of a Fund indicates a particular objective, investment strategy, geographic region or market, the 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 Fund represents.
- 10.2 The name of a Money Market Fund must not appear to draw a parallel between the Money Market Fund and the placement of cash on deposit.
- 10.3 The name of an Index Fund must reflect the nature of an index fund.

SCHEDULE 2 – COLLATERAL VALUATION AND MANAGEMENT POLICY

Collateral received by a Fund may be used to reduce its counterparty risk exposure subject to the investment restrictions and requirements applicable to collateral under Schedule 1 of this Explanatory Memorandum. In particular, collateral should comply with the following conditions:

- (a) Any collateral received other than cash should be of high quality, highly liquid and traded on a Recognised Exchange or multilateral trading facility with transparent pricing in order that it can be sold quickly at a robust price that is close to its pre-sale valuation;
- (b) It should be valued on at least a daily basis and must be marked to market daily. Assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- (c) It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty, where the collateral issuer is not rated A-1 or equivalent, conservative haircuts must be applied;
- (d) It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the relevant Fund's Net Asset Value to any single issuer on an aggregate basis, taking into account all collateral received. By way of derogation, the relevant Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a EU Member State, one or more of its local authorities, a third country, or a public international body to which one or more EU Member States belong. In such event, the Fund should receive securities from at least six different issues, but securities from any single issue should not account for more than 30% of the relevant Fund's Net Asset Value;
- (e) It should be available to the relevant Fund immediately and capable of being fully enforced by the Fund at any time without recourse to the counterparty (subject to any netting, set-off, or regulatory stay imposed by any relevant regulator);
- (f) Non-cash collateral:
 - (i) cannot be sold, pledged or re-invested;
 - (ii) must be held at the risk of the counterparty;
 - (iii) must be issued by an entity independent of the counterparty; and
 - (iv) must be diversified to avoid concentration risk in one issue, sector or country.
- (g) The collateral received will be held by the Custodian in accordance with its safekeeping duties under the Master Custody Agreement;
- (h) Collateral received shall have a quality of credit of investment grade; and
- (i) Cash collateral must only be invested in risk-free assets.

Collateral will be valued on each Valuation Day, using the last available market prices and taking into account appropriate discounts determined for each asset class based on the applicable haircut policy. The collateral will be marked to market daily and depending on the current market exposure and collateral balance, the collateral may be subject to variation margin movement when and if certain predetermined thresholds are crossed.

The following haircuts for collateral may be applied by a Fund, it being noted that the latter reserves the right to vary this policy at any time:

<i>Eligible Collateral</i>	<i>Haircut</i>
<i>Cash</i>	<i>100%</i>
<i>US Treasury - 1 year or less</i>	<i>97% to 100%</i>
<i>US Treasury -1 year to 5 years</i>	<i>95% to 100%</i>
<i>US Treasury - 5 years or greater</i>	<i>95% to 100%</i>
<i>US Treasury -5 year to 10 years</i>	<i>95% to 100%</i>
<i>US Treasury - 10 years to 30 years</i>	<i>90% to 100%</i>
<i>Detailed information on Sovereign Bonds</i>	<i>Haircut</i>
<i>Sovereign Bonds - less than 1 year</i>	<i>99% to 100%</i>
<i>Sovereign Bonds - 1 to 2 years</i>	<i>95% to 100%</i>
<i>Sovereign Bonds - 2 to 5 years</i>	<i>95% to 100%</i>
<i>Sovereign Bonds - 5 to 10 years</i>	<i>90% to 100%</i>
<i>Sovereign Bonds - 10 to 20 years</i>	<i>N/A</i>
<i>Sovereign Bonds- 20 to 30 years</i>	<i>85% to 100%</i>

Any haircut levels are agreed on a counterparty by counterparty basis are reflected in relevant master agreement. Haircut levels are monitored and reconciled on an ongoing basis (through collateral management systems) to identify any variation of the agreed applicable haircut policy. Application of different (non-agreed) haircut level impacting collateral valuation is escalated with the relevant counterparty. Haircut levels may additionally be amended due to a change in creditworthiness of a given counterparty.

Nature and quality of the collateral

A Fund may receive both cash and non-cash collateral from a counterparty. Cash collateral is generally denominated in USD. Non-cash collateral may comprise of US treasuries and sovereign bonds.

No predetermined maturity criteria apply.

Criteria for selecting counterparties

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of financial derivative instruments which shall include amongst other considerations, fundamental creditworthiness (e.g. ownership structure, financial strength) and

commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty.

The counterparty of financial derivative instruments must be financial institutions which are subject to ongoing prudential regulation and supervision.

Cash collateral reinvestment policy

No re-investment of cash collateral will be made by the Manager.

Safe-keeping of collateral

Any non-cash assets received by a Fund from a counterparty should be held by the Trustee or its correspondent.

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

Assets provided by a Fund as collateral may be used by the counterparty at its absolute discretion. The Trustee shall have no liability over the acts and omissions of the counterparty in whose name such collateral is registered.

APPENDIX I – TEMPLETON SELECT GLOBAL LEADERS FUND

Investment Objective

The investment objective of the Fund is capital appreciation, which it seeks to achieve through a policy of investing in equity securities of companies throughout the world, including Emerging Markets.

Investment Strategy and Restrictions

At least 70% of the Fund's Net Asset Value is invested in equity securities (namely common stocks) of companies listed and/or traded on Recognised Exchanges throughout the world, including Emerging Markets, that are regarded by the Manager as established leaders that present mispriced quality growth opportunities. Established leaders are companies with dominant market positions, strong competitive advantages, high quality management, solid balance sheets, and positive returns on capital in growing industries that show potential to deliver sustainable growth over the long-term (5 years) than their market price would suggest. Some examples of such growing industries include automation, green energy, healthcare, select consumer, digitalization, cloud computing and electric vehicle industries, although this list is expected to change from time to time.

The Fund will also invest in companies that are considered as emerging leaders, which are companies that are in earlier stages of growth that the Manager believes will become established leaders over time. The Manager identifies emerging leaders as companies that are increasing their competitive advantage versus their peers and will benefit from increasing returns in the future, and/or companies in emerging industries or disrupting established industries, who are increasing market share and are beneficiaries of increasing scale. No more than 30% of the Fund's Net Asset Value will be invested in shares of emerging leaders.

Typically, the number of holdings in the Fund will vary between 25-35 companies' shares but the Fund may hold up to 50 companies' shares. These holdings will typically be in the shares of companies that have a market capitalisation of over US\$10 billion. However, the Fund may also invest in companies with market capitalisations of between US\$1 billion and US\$10 billion at the Manager's discretion where such investments are considered attractive with ample liquidity and to permit investment in emerging leaders at earlier stages of growth.

The Fund will incorporate environmental, social and governance (ESG) into the stock research and consideration of ESG factors is formally incorporated into every stock recommendation made by the analysts. Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities. Up to 30% of the Fund's Net Asset Value may be invested in securities such as preferred stock, convertible securities, fixed income securities, warrants, options and other securities (including rights and depositary receipts), which may be US dollar or non-US dollar denominated. There is no intention for the Fund to invest in fixed income securities with a credit rating below investment grade (i.e. securities rated below BBB- by Standard & Poor's or below Baa3 by

Moody's).

Investment in equity-linked notes, together with other securities which are not listed, quoted or dealt on a regulated market is restricted to 15% of the Net Asset Value of the Fund.

Use of Derivatives / Investment in Derivatives

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

The Fund is not required to adhere to the above limits during (i) the first two months after the date of its launch; and (ii) two months prior to the date of its termination or merger.

The Fund will not, in aggregate, directly and indirectly invest more than 10% of its Net Asset Value in China A shares and B shares. Should the Fund propose to change the investment strategy, it will comply with the applicable regulatory requirements (including, without limitations, notification to investors and updating of the Offering Document) to do so.

Securities Lending Transactions, Sale and Repurchase Transactions or Reverse Repurchase Transactions

It is not the Manager's current intention for the Fund to enter into securities lending transactions, sale and repurchase transactions or reverse repurchase transactions.

Base Currency

The Base Currency of the Fund is the USD.

Classes Available

The following Classes are currently offered in the Fund:

<u>Class</u>	<u>Class Currency</u>
A (Acc) USD	USD
A (Acc) HKD	HKD
A (Acc) RMB-H1	CNH*
A (Mdis) USD	USD
A (Mdis) HKD	HKD
A (Mdis) RMB-H1	CNH*

* The offshore Renminbi market (CNH) rate will be used when determining the Net Asset Value of this Class, not the onshore Renminbi (CNY). The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors including, without limitation, those foreign exchange control policies and repatriation restrictions applied by the Chinese government from time to time as well as other external market forces. For more information, see “**Renminbi currency risks**” under the section headed “**RISK FACTORS**”.

Management Fee and Maintenance Charge

For all Class A Units, the applicable rates of the management fee and maintenance charge levied by the Manager out of the Fund's assets are set out below:

<u>Management Fee (% per annum)</u>	<u>Maintenance Charge (% per annum)</u>
1.00%	0.50%

Investors should refer to the section headed “**FEES AND CHARGES**” for other fees and charges that are applicable to your investment in the Fund.

Risks of Investing in the Fund

Investors should refer to the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

APPENDIX II – FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND

Investment Objective

The Fund's investment objective is to achieve a level of total return consisting of income and capital appreciation, allowing it to support a steady level of distribution. There is no guarantee that the Fund will achieve its objective.

Investment Strategy and Restrictions

The Fund intends to achieve its objective by actively managing direct and indirect exposure to equities, fixed income securities, cash and equivalents¹, and collective investment schemes. Indirect exposure to these instruments may be achieved by way of investments in options, futures, collective investment schemes and exchange-traded funds ("ETFs"). The Fund may also have indirect exposure to alternative investments, primarily in commodities and property, by way of investments in instruments permitted by the SFC. Exposure to commodities may be achieved through investments in futures, collective investment schemes and ETFs. The Fund will not hold physical commodities. Exposure to properties may be achieved through holdings of shares in real estate companies and interests in Real Estate Investment Trusts ("REITs")², as well as listed infrastructure investments. Investors should note that the Fund will invest in multiple asset classes with no formal limits on investment in asset classes, sectors or regions.

The Fund invests directly and indirectly in equity securities of companies of any market capitalisation located anywhere in the world, including Emerging Markets.

The Fund also invests in fixed and floating rate debt securities issued by government, government-related and/or corporate entities worldwide as well as debt obligations issued by supranational entities organised or supported by several national governments. There is no minimum credit rating requirement associated with the Fund's investments in debt securities, and the Fund may invest in low-rated or non-investment grade debt securities (i.e. securities rated below BBB- by Standard & Poor's or below Baa3 by Moody's), or in unrated debt securities of similar quality. However, there is no intention for the Fund to invest more than 10% of its Net Asset Value in securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade. The Fund may invest in debt securities directly or indirectly through investments in other collective investment schemes.

¹ Cash and equivalents are treated as a separate asset class and holdings may be substantial under certain circumstances. In addition to holdings for liquidity and cash management purposes, substantial investment in cash and equivalents may be made, if necessary, to limit downside risk during adverse market conditions and/or periods of increased market volatility.

² Investors should note that investment in this Fund is not equivalent to an investment in REITs, and the payout of the Fund may not be the same as the payout of the underlying REITs. Any underlying REIT that the Fund may invest in may not be authorised for public distribution in Hong Kong and therefore may not be available to Hong Kong investors.

The Fund may invest in securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions.

Collective investment schemes which the Fund may invest into may be those managed by Franklin Templeton Investments entities' as well as those managed by other asset managers (subject to the applicable investment restrictions as set out in the section headed "**INVESTMENT AND BORROWING RESTRICTIONS**"). The value of the Fund's holdings in collective investment schemes that are neither recognised jurisdiction schemes nor schemes authorised by the SFC will not in aggregate exceed 10% of the Fund's Net Asset Value. The Fund may, however, invest up to 30% of its Net Asset Value in each collective investment scheme which is either a recognised jurisdiction scheme or a scheme that is authorised by the SFC. The Fund will not invest all its assets in a single or a number of other collective investment schemes.

The Fund will not, in aggregate, directly and indirectly invest more than 10% of its Net Asset Value in China A shares and B shares. Should the Fund propose to change the investment strategy, it will comply with the applicable regulatory requirements (including, without limitations, notification to investors and updating of the Offering Document) to do so.

Use of Derivatives / Investment in Derivatives

The Fund may use financial derivative instruments for hedging as well as for investment purposes. The financial derivative instruments that the Fund may use for investment purposes include (but are not limited to) warrants, futures and options (including the writing of call options), subject at all times to the applicable investment restrictions as set out in the section headed "**INVESTMENT AND BORROWING RESTRICTIONS**".

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

Securities Lending Transactions, Sale and Repurchase Transactions or Reverse Repurchase Transactions

It is not the Manager's current intention for the Fund to enter into securities lending transactions, sale and repurchase transactions or reverse repurchase transactions.

Base Currency

The Base Currency of the Fund is the USD.

Classes Available

The following Classes are currently offered in the Fund:

<u>Class</u>	<u>Class Currency</u>
A (Mdis) USD	USD
A (Mdis) HKD	HKD
A (Mdis) RMB-H1	CNH*

* The offshore Renminbi market (CNH) rate will be used when determining the Net Asset Value of this Class, not the onshore Renminbi (CNY). The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors including, without limitation, those foreign exchange control policies and repatriation restrictions applied by the Chinese government from time to time as well as other external market forces. For more information, see “**Renminbi currency risks**” under the section headed “**RISK FACTORS**”.

Management Fee and Maintenance Charge

For all Class A Units, the applicable rates of the management fee and maintenance charge levied by the Manager out of the Fund’s assets are set out below:

<u>Management Fee (% per annum)</u>	<u>Maintenance Charge (% per annum)</u>
0.85%	0.50%

Investors should refer to the section headed “**FEES AND CHARGES**” for other fees and charges that are applicable to your investment in the Fund.

Risks of Investing in the Fund

Investors should refer to the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

APPENDIX III – FRANKLIN SELECT APAC QUALITY INCOME FUND

Investment Objective

The investment objective of the Fund is maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains.

Investment Strategy and Restrictions

The Fund will invest in fixed or floating-rate debt securities issued by governments, government-related entities (including supranational organisations supported by several national governments) and corporations worldwide, amongst which at least 70% of the Fund's Net Asset Value will be invested in the Asia Pacific (including Japan) region. The Fund may invest into local currency bonds where the Manager has a constructive view on that local currency whereby it may appreciate relative to the Base Currency of the Fund.

The Fund will invest mainly (at least 70% of its Net Asset Value) in investment-grade³ debt securities but may invest up to 20% of its Net Asset Value in non-investment grade⁴ debt securities. The Fund may also invest 30% or more of its Net Asset Value in Emerging Market debt securities. There is no intention for the Fund to invest more than 10% of its Net Asset Value in securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade⁴. The Fund may invest less than 30% of its Net Asset Value in Mainland China through the Bond Connect or directly (also referred to as CIBM direct⁵). The Fund may invest up to 10% of its Net Asset Value in urban investment bonds (i.e. debt instruments issued by local government financing vehicles (“LGFVs”) and traded on the exchange market and interbank bond market in the PRC). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment or infrastructure projects.

The Fund may utilise certain financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be dealt on either Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts, as well as options.

³ “Investment grade” is defined as a credit rating of Baa3 or above as rated by Moody's, BBB- or above as rated by Standard & Poor's, BBB- or above as rated by Fitch or an equivalent rating as rated by other internationally recognized rating agencies.

⁴ “Non-investment grade” or “below investment grade” is defined as a credit rating below Baa3 as rated by Moody's, below BBB- as rated by Standard & Poor's, below BBB- as rated by Fitch or an equivalent rating as rated by other internationally recognized rating agencies.

⁵ The CIBM direct is the PRC investment program revised in 2016 under which certain foreign institutional investors such as the Umbrella Fund and the Fund may invest, without particular license or quota, directly in RMB fixed income securities dealt on the CIBM.

Under exceptional circumstances (e.g. market crash or major crisis), the Fund may be invested temporarily up to 100% in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management.

Use of Derivatives / Investment in Derivatives

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

Securities Lending Transactions, Sale and Repurchase Transactions or Reverse Repurchase Transactions

It is not the Manager's current intention for the Fund to enter into securities lending transactions, sale and repurchase transactions or reverse repurchase transactions.

Base Currency

The Base Currency of the Fund is the USD.

Classes Available

The following Classes are currently offered in the Fund:

<u>Class</u>	<u>Class Currency</u>
A (Acc) USD	USD
A (Acc) HKD	HKD
A (Acc) RMB-H1	CNH*
A (Mdis) USD	USD
A (Mdis) HKD	HKD
A (Mdis) RMB-H1	CNH*
A (Mdis) AUD-H1	AUD
Y (Mdis) USD	USD

* The offshore Renminbi market (CNH) rate will be used when determining the Net Asset Value of this Class, not the onshore Renminbi (CNY). The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors including, without limitation, those foreign exchange control policies and repatriation restrictions applied by the Chinese government from time to time as well as other external market forces. For more information, see “**Renminbi currency risks**” under the section headed “**RISK FACTORS**”.

Initial Offer

There will not be any Initial Offer Period. The First Dealing Day will be subject to the Manager's discretion.

The initial offer price per Unit is set out below (exclusive of initial charge). The Manager is entitled to charge an initial charge of up to 5% of the initial offer price for Class A Units. No initial

charge will be imposed in respect of Class Y Units.

<u>Class</u>	<u>Initial offer price</u> (exclusive of initial charge)
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A (Acc) USD	USD10.00
A (Acc) HKD	HKD10.00
A (Acc) RMB-H1	RMB10.00
A (Mdis) USD	USD10.00
A (Mdis) HKD	HKD10.00
A (Mdis) RMB-H1	RMB10.00
A (Mdis) AUD-H1	AUD10.00
Y (Mdis) USD	USD10.00

Management Fee and Maintenance Charge

For all Class A and Y Units, the applicable rates of the management fee and maintenance charge levied by the Manager out of the Fund's assets are set out below:

	Class A	Class Y
Management Fee (% per annum):	0.70%	0.00%
Maintenance Charge (% per annum):	0.30%	0.00%

Investors should refer to the section headed “**FEES AND CHARGES**” for other fees and charges that are applicable to your investment in the Fund.

Risks of Investing in the Fund

Investors should refer to the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Investment Manager

The Manager has appointed Franklin Templeton Investment Management Limited (“**FTIML**”) and Franklin Templeton Australia Limited (“**FTAL**”) as Investment Managers for the Fund. FTIML and FTAL are both subsidiaries of Franklin Resources, Inc. FTIML is registered as a Private Limited Company in England and Wales and authorised by the Financial Conduct Authority of the United Kingdom for providing investment management and advisory services, amongst others. FTAL is organized under the laws of Australia and regulated by the Australian Securities and Investments Commission.

Establishment Costs

The establishment costs for the Fund are estimated to be approximately US\$14,094 and are borne by the Fund.

APPENDIX IV – TEMPLETON SELECT APAC EQUITY INCOME FUND

Investment Objective

The investment objective of the Fund is to achieve capital appreciation and income generation.

Investment Strategy and Restrictions

The Fund seeks to achieve its investment objective by investing principally (i.e. at least 70% of its Net Asset Value) in a portfolio of above-market yielding stocks and mispriced quality stocks with higher capital appreciation potential which are listed and/or traded on Recognized Exchanges throughout the Asia Pacific (including Japan) region, including Emerging Markets. The Manager seeks to identify above-market yielding stocks by selecting companies that have a strong balance sheet, free cash flow and favorable payout policies to support higher dividends. For mispriced quality stocks, the Manager looks for companies with dominant market positions, high quality management and strong competitive advantages in growing industries that show potential to deliver sustainable growth but are mispriced relative to their intrinsic value.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also on an ancillary basis seek investment opportunities in other types of securities, such as preferred stock, convertible securities, warrants, options and other securities (including share purchase rights and depositary receipts), which may be US dollar or non-US dollar denominated. There is no intention for the Fund to invest in fixed income securities.

Investment in equity-linked notes, together with other securities which are not listed, quoted or dealt on a regulated market is restricted to 15% of the Net Asset Value of the Fund.

The Fund will not, in aggregate, directly and indirectly invest more than 10% of its Net Asset Value in China A shares (through the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect or other means) and B shares.

The Fund may use financial derivative instruments for hedging as well as for investment purposes. The financial derivative instruments that the Fund may use for investment purposes include (but are not limited to) warrants, futures, equity-linked notes and options (including the writing of call options).

Under exceptional circumstances (e.g. market crash or major crisis), the Fund may be invested temporarily up to 100% in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management.

Use of Derivatives / Investment in Derivatives

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

Securities Lending Transactions, Sale and Repurchase Transactions or Reverse Repurchase Transactions

It is not the Manager's current intention for the Fund to enter into securities lending transactions, sale and repurchase transactions or reverse repurchase transactions.

Base Currency

The Base Currency of the Fund is the USD.

Classes Available

The following Classes are currently offered in the Fund:

<u>Class</u>	<u>Class Currency</u>
A (Acc) USD	USD
A (Acc) HKD	HKD
A (Acc) RMB-H1	CNH*
A (Mdis) USD	USD
A (Mdis) HKD	HKD
A (Mdis) RMB-H1	CNH*
A (Mdis) AUD-H1	AUD
C (Acc) USD	USD
Y (Mdis) USD	USD

* The offshore Renminbi market (CNH) rate will be used when determining the Net Asset Value of this Class, not the onshore Renminbi (CNY). The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors including, without limitation, those foreign exchange control policies and repatriation restrictions applied by the Chinese government from time to time as well as other external market forces. For more information, see “**Renminbi currency risks**” under the section headed “**RISK FACTORS**”.

Initial Offer

There will not be any Initial Offer Period. The First Dealing Day will be subject to the Manager's discretion.

The initial offer price per Unit is set out below (exclusive of initial charge). The Manager is entitled to charge an initial charge of up to 5% of the initial offer price for Class A Units. No initial charge will be imposed in respect of Class C and Y Units.

<u>Class</u>	<u>Initial offer price</u> (exclusive of initial charge)
A (Acc) USD	USD10.00
A (Acc) HKD	HKD10.00
A (Acc) RMB-H1	RMB10.00

<u>Class</u>	<u>Initial offer price</u> (exclusive of initial charge)
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A (Mdis) USD	USD10.00
A (Mdis) HKD	HKD10.00
A (Mdis) RMB-H1	RMB10.00
A (Mdis) AUD-H1	AUD10.00
C (Acc) USD	USD10.00
Y (Mdis) USD	USD10.00

Management Fee and Maintenance Charge

For all Class A, C and Y Units, the applicable rates of the management fee and maintenance charge levied by the Manager out of the Fund's assets are set out below:

	Class A	Class C	Class Y
Management Fee (% per annum):	1.00%	0.70%	0.00%
Maintenance Charge (% per annum):	0.50%	0.00%	0.00%

Investors should refer to the section headed “**FEES AND CHARGES**” for other fees and charges that are applicable to your investment in the Fund.

Risks of Investing in the Fund

Investors should refer to the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Establishment Costs

The establishment costs for the Fund are estimated to be approximately US\$22,603 and are borne by the Fund.

APPENDIX V – FRANKLIN TEMPLETON SELECT APAC INCOME FUND

Investment Objective

The investment objective of the Fund is to achieve a level of total return consisting of income and capital appreciation, allowing it to support a steady level of distribution. There is no guarantee that the Fund will achieve its objective.

Investment Strategy and Restrictions

The Fund intends to achieve its investment objective by actively managing direct and indirect exposure to equities, fixed income securities, cash and equivalents, and collective investment schemes. Indirect exposure to equities and fixed income securities may be achieved by way of investments in options, futures, collective investment schemes and exchange-traded funds. The Fund may invest up to 70% of its Net Asset Value in each of equities and debt securities. Investors should note that the Fund will invest in multiple asset classes with no formal limits on investment in asset classes or sectors.

The asset allocation of the Fund will change according to the Manager's views of fundamental economic and market conditions and investment trends across the globe, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market.

The Fund invests directly and indirectly in equity securities of companies of any market capitalisation located anywhere in the Asia Pacific (including Japan) region, including Emerging Markets. The Fund will not, in aggregate, directly and indirectly invest more than 10% of its Net Asset Value in China A shares (through the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect or other means) and B shares.

The Fund also invests in fixed and floating rate debt securities issued by government, government-related and/or corporate entities in the Asia Pacific (including Japan) region as well as debt obligations issued by supranational entities organised or supported by several national governments. There is no minimum credit rating requirement associated with the Fund's investments in debt securities, and the Fund may invest up to 20% of its Net Asset Value in non-investment grade debt securities⁶. The Fund may invest up to 10% of its Net Asset Value in urban investment bonds (i.e. debt instruments issued by local government financing vehicles ("LGFVs") and traded on the exchange market and interbank bond market in the PRC). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment or infrastructure projects.

However, there is no intention for the Fund to invest more than 10% of its Net Asset Value in

⁶ "non-investment grade" or "below investment grade" is defined as a credit rating below Baa3 as rated by Moody's, below BBB- as rated by Standard & Poor's, below BBB- as rated by Fitch or an equivalent rating as rated by other internationally recognized rating agencies.

securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade⁶.

The Fund may invest in equities and debt securities directly or indirectly through investments in other collective investment schemes which have similar investment objectives and/or strategies as the Fund. Collective investment schemes which the Fund may invest into may be those managed by Franklin Templeton Investments entities' as well as those managed by other asset managers. The Fund's maximum exposure to underlying collective investment schemes may be up to 100% of the Fund's Net Asset Value.

The Fund may invest up to 70% of its Net Asset Value in each of the Templeton Select APAC Equity Income Fund ("**Equity Income Fund**") and the Franklin Select APAC Quality Income Fund ("**Quality Income Fund**"). The Equity Income Fund aims to achieve capital appreciation and income generation by investing principally (i.e. at least 70% of its Net Asset Value) in a portfolio of above-market yielding stocks and mispriced quality stocks with higher capital appreciation potential which are listed and/or traded on Recognized Exchanges throughout the Asia Pacific (including Japan) region, including emerging markets. The Quality Income Fund aims to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing in fixed or floating-rate debt securities issued by governments, government-related entities (including supranational organisations supported by several national governments) and corporations worldwide, among which at least 70% of its Net Asset Value will be invested the Asia Pacific (including Japan) region. Please refer to Appendix III and IV for information about the Equity Income Fund and the Quality Income Fund. Other than the Equity Income Fund and the Quality Income Fund, the Fund's investment in each underlying collective investment scheme would not exceed 30% of the Fund's Net Asset Value.

The Fund may use financial derivative instruments for hedging as well as for investment purposes. The financial derivative instruments that the Fund may use for investment purposes include (but are not limited to) warrants, futures and options (including the writing of call options).

Under exceptional circumstances (e.g. market crash or major crisis), the Fund may be invested temporarily up to 100% in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management.

Use of Derivatives / Investment in Derivatives

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

Securities Lending Transactions, Sale and Repurchase Transactions or Reverse Repurchase Transactions

It is not the Manager's current intention for the Fund to enter into securities lending transactions, sale and repurchase transactions or reverse repurchase transactions.

Base Currency

The Base Currency of the Fund is the USD.

Classes Available

The following Classes are currently offered in the Fund:

<u>Class</u>	<u>Class Currency</u>
A (Acc) USD	USD
A (Acc) HKD	HKD
A (Acc) RMB-H1	CNH*
A (Mdis) USD	USD
A (Mdis) HKD	HKD
A (Mdis) RMB-H1	CNH*
A (Mdis) AUD-H1	AUD
C (Acc) USD	USD

* The offshore Renminbi market (CNH) rate will be used when determining the Net Asset Value of this Class, not the onshore Renminbi (CNY). The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors including, without limitation, those foreign exchange control policies and repatriation restrictions applied by the Chinese government from time to time as well as other external market forces. For more information, see “**Renminbi currency risks**” under the section headed “**RISK FACTORS**”.

Initial Offer

There will not be any Initial Offer Period. The First Dealing Day will be subject to the Manager’s discretion.

The initial offer price per Unit is set out below (exclusive of initial charge). The Manager is entitled to charge an initial charge of up to 5% of the initial offer price for Class A Units. No initial charge will be imposed in respect of Class C Units.

<u>Class</u>	<u>Initial offer price</u> <u>(exclusive of initial charge)</u>
A (Acc) USD	USD10.00
A (Acc) HKD	HKD10.00
A (Acc) RMB-H1	RMB10.00
A (Mdis) USD	USD10.00
A (Mdis) HKD	HKD10.00
A (Mdis) RMB-H1	RMB10.00
A (Mdis) AUD-H1	AUD10.00
C (Acc) USD	USD10.00

Management Fee and Maintenance Charge

For all Class A and C Units, the applicable rates of the management fee and maintenance charge levied by the Manager out of the Fund's assets are set out below:

	Class A	Class C
Management Fee (% per annum):	1.00%	0.65%
Maintenance Charge (% per annum):	0.50%	0.00%

If the assets of the Fund include interests in any unit trust or other collective investment scheme (i.e. underlying funds) managed by the Manager or its connected persons, the management fee and the maintenance charge will only be charged at the Fund's level (and not at the underlying funds' level) so that there will not be any "double charging". All initial charges and redemption charges at the underlying funds' level will also be waived if the underlying funds are managed by the Manager or its connected persons. For the avoidance of doubt, if the Manager or its connected persons act as administrator for the underlying funds, they may charge a fund administration fee at the underlying funds' level; and if the Manager or its connected persons further engage any third party to provide administrative services for the underlying funds, such third parties will be reimbursed out of the fund administration fee charged by them.

Risks of Investing in the Fund

Investors should refer to the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Establishment Costs

The establishment costs for the Fund are estimated to be approximately US\$2,869 and are borne by the Fund.