

# **BMO FUNDS**

*(a Hong Kong umbrella unit trust authorised under Section  
104 of the Securities and Futures Ordinance (Cap. 571) of  
Hong Kong)*

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## **PROSPECTUS**

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November 2019

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## **IMPORTANT INFORMATION FOR INVESTORS**

**Important - If you are in any doubt about the contents of this Prospectus, you should seek independent professional financial advice.**

BMO Funds (the “Trust”) is an umbrella unit trust established under the laws of Hong Kong by the Trust Deed between BMO Global Asset Management (Asia) Limited as manager (the “Manager”) and Cititrust Limited as trustee. Pursuant to a Deed of Retirement and Appointment dated 3 June 2019, State Street Trust (HK) Limited (the “Trustee”) is appointed as the trustee in place of Cititrust Limited with effect from 25 November 2019.

A product key facts statement which contains the key features and risks of each of the Sub-Funds is also issued by the Manager and such product key facts statement shall form part of this Prospectus, and shall be read, in conjunction with, this Prospectus.

The Manager and its directors accept full responsibility for the information contained in this Prospectus as being accurate and confirm, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make such information misleading. However, neither the delivery of this Prospectus nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Prospectus is correct as at any time subsequent to the date of its publication. This Prospectus may from time to time be updated. Investors should check the Manager’s website at [www.bmo.hk](http://www.bmo.hk)\*) for the latest version of the Prospectus.

Distribution of this Prospectus must be accompanied by a copy of the latest available annual financial report of the relevant Sub-Fund and any subsequent interim financial report. Units in the relevant Sub-Fund are offered on the basis only of the information contained in this Prospectus and (where applicable) its latest annual financial report and interim financial report. Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Prospectus should be regarded as unauthorised and accordingly must not be relied upon.

The Trust and each Sub-Fund have been authorised by the Securities and Futures Commission in Hong Kong (the “SFC”) under Section 104 of the Securities and Futures Ordinance of Hong Kong. SFC authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund nor does it guarantee the commercial merits of the Trust or any Sub-Fund or their performance. It does not mean the Trust or a Sub-Fund is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

No action has been taken in any jurisdiction (other than Hong Kong) that would permit an offering of the Units or the possession, circulation or distribution of this Prospectus or any other offering or publicity material relating to the offering of Units in any other country or jurisdiction where action for the purpose is required. This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

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

Investors may raise any questions on or make any complaints about the Trust (including the Sub-Fund) by contacting the Manager at its address as set out in the Directory of this Prospectus, or

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\* This website has not been reviewed by the SFC.

by phone at its telephone number: (852) 3716-0990 (for general inquiry) / (852) 3716-0961 (for complaints).

## **DIRECTORY**

<b>Manager</b>	BMO Global Asset Management (Asia) Limited 36/F & Suite 3808 One Exchange Square 8 Connaught Place Central Hong Kong
<b>Trustee</b>	State Street Trust (HK) Limited 68/F, Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Registrar</b>	State Street Bank and Trust Company 68/F, Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Custodian and Administrator</b>	State Street Bank and Trust Company 68/F, Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Auditors</b>	KPMG 8/F, Prince's Building 10 Chater Road Central Hong Kong

## **DEFINITIONS**

The defined terms used in this Prospectus have the following meanings:

<b>“Administrator”</b>	means SSBT, or, in relation to any Sub-Fund, the administrator of such Sub-Fund (if any), which may include a Connected Person of the Trustee, as may be appointed as the administrator by the Trustee (with the approval of the Manager) or Manager (with the approval of the Trustee) from time to time.
<b>“Appendix”</b>	means an appendix to this Prospectus containing information in respect of a particular Sub-Fund.
<b>“Base Currency”</b>	means the base currency of a particular Sub-Fund, as specified in the relevant Appendix.
<b>“Business Day”</b>	means, unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may determine from time to time, provided that where, as a result of a typhoon signal number 8, black rainstorm 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 Manager and the Trustee determine otherwise.
<b>“Class Currency”</b>	means, in relation to a class of Units, the Base Currency of the Sub-Fund relating thereto or such other currency of account as the Manager may specify for such class of Units.
<b>“Code”</b>	means the Code on Unit Trusts and Mutual Funds issued by the SFC, as amended from time to time.
<b>“Connected Person”</b>	<p>has the meaning as set out in the Code which at the date of the Prospectus, in relation to a company means:</p> <ul style="list-style-type: none"><li>(a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company;</li><li>(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a);</li><li>(c) any member of the group of which that company forms part; or</li><li>(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).</li></ul>
<b>“Dealing Day”</b>	means, in relation to any Sub-Fund, the days on which Units of that Sub-Fund may be subscribed or redeemed, as specified in the relevant Appendix.

<b>“Dealing Deadline”</b>	means, in respect of any Sub-Fund, such time on the relevant Dealing Day or any other Business Day as the Manager may from time to time determine (in consultation with the Trustee) in relation to the subscription and redemption of Units, as specified in the relevant Appendix.
<b>“Government and other public securities”</b>	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.
<b>“Hong Kong”</b>	means the Hong Kong Special Administrative Region of the PRC.
<b>“Hong Kong Dollars” or “HKD”</b>	means the lawful currency of Hong Kong.
<b>“IFRS”</b>	means International Financial Reporting Standards issued by the International Accounting Standards Board.
<b>“Initial Offer Period”</b>	means, in respect of any class of Units, such period as may be specified by the Manager and notified to the Trustee for the purpose of making an initial offer of Units of such class, as specified in the relevant Appendix.
<b>“investment delegate”</b>	means an entity that has been delegated the investment management function of all or part of the assets of a Sub-Fund, the details of which are as specified in the relevant Appendix (if applicable).
<b>“Manager”</b>	means BMO Global Asset Management (Asia) Limited or any other person or persons for the time being duly appointed Manager of the Trust in succession thereto.
<b>“Net Asset Value”</b>	means, in relation to any Sub-Fund or class of Units, the net asset value of such Sub-Fund or class, as the context may require, calculated in accordance with the provisions of the Trust Deed.
<b>“PRC” or “China”</b>	means the People’s Republic of China, excluding for the purposes of interpretation of this Prospectus only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan.
<b>“Qualified Exchange Traded Funds”</b>	means exchange traded funds that are: <ul style="list-style-type: none"> <li>(a) authorised by the SFC under 8.6 or 8.10 of the Code; or</li> <li>(b) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and either (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the Code.</li> </ul>

<b>“Redemption Price”</b>	means the price per Unit at which Units of the relevant class will be redeemed, which price shall be ascertained in accordance with the section headed “REDEMPTION OF UNITS” below.
<b>“Registrar”</b>	means SSBT, or such other person as the Trustee may from time to time appoint to maintain the register in respect of any Sub-Fund.
<b>“reverse repurchase transaction”</b>	means transactions whereby a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future.
<b>“sale and repurchase transactions”</b>	means transactions whereby a Sub-Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future.
<b>“securities financing transactions”</b>	means collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions.
<b>“securities lending transactions”</b>	transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee.
<b>“SFC”</b>	means the Securities and Futures Commission of Hong Kong.
<b>“SFO”</b>	means the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong.
<b>“Sub-Fund”</b>	means a sub-fund of the Trust, being a separate trust which is established pursuant to a supplemental deed and is maintained in accordance with the provisions of the Trust Deed and such supplemental deed and with respect to which one or more separate classes of Units is issued.
<b>“substantial financial institution”</b>	means an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HKD 2 billion or its equivalent in foreign currency.
<b>“SSBT”</b>	means State Street Bank and Trust Company, a bank and trust company organised under the laws of the Commonwealth of Massachusetts, USA and a bank licensed under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).
<b>“Subscription Price”</b>	means the price per Unit at which Units of a particular class will be issued, which price shall be ascertained in accordance with the section headed “SUBSCRIPTION OF UNITS” below.
<b>“Trust”</b>	means BMO Funds.
<b>“Trust Deed”</b>	means the trust deed establishing the Trust entered into by the Manager and Cititrust Limited dated 23 May 2018, and as amended and/or supplemented from time to time and as novated to the Trustee.



<b>“Trustee”</b>	means State Street Trust (HK) Limited or such other person or persons for the time being duly appointed trustee or trustees hereof in succession thereto.
<b>“Unit”</b>	means a unit of the class to which it relates and except where used in relation to a particular class of Unit, a reference to Units means and includes Units of all classes.
<b>“Unitholder”</b>	means a person registered as a holder of a Unit.
<b>“US dollars” or “USD”</b>	means the lawful currency of the United States of America.
<b>“Valuation Day”</b>	means, in relation to any class of Units, the Business Day as at which the Net Asset Value and the Net Asset Value per Unit is to be calculated and/or such other Business Day or Business Days as the Manager may from time to time determine.
<b>“Valuation Point”</b>	means, unless otherwise specified in the relevant Appendix, the close of business in the last relevant market to close on each Valuation Day or such other time consistent with standard market practice as the Manager may determine either generally or in relation to a particular class of Units.

## **INTRODUCTION**

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

The Trust has been established as an umbrella fund and separate and distinct Sub-Funds may be established by the Manager and the Trustee within the Trust from time to time. With effect from 25 November 2019, Cititrust Limited retired from its role as the trustee and was replaced by State Street Trust (HK) Limited as the new Trustee. Each Sub-Fund has its own investment objective and policies. More than one class of Units may be offered in relation to a particular Sub-Fund, which may have different terms, including different currencies of denomination. A separate portfolio of assets will not be maintained for each class. All classes of Units relating to the same Sub-Fund will be commonly invested in accordance with such Sub-Fund's investment objective and policies. In addition, each class of Units may be subject to different minimum initial and subsequent subscription amounts and holding amounts, and minimum redemption and switching amounts. Investors should refer to the relevant Appendix for the available classes of Units and the applicable minimum amounts.

A separate Net Asset Value per Unit will be calculated for each class following the close of the relevant Initial Offer Period. Additional classes of Units of any of the Sub-Funds and/or additional Sub-Funds may be created in the future in accordance with the Trust Deed.

Information relating to the Trust and the Sub-Funds, including the latest versions of the Sub-Funds' offering documentation, circulars, notices, announcements, financial reports and the latest available Net Asset Value will be available on the website [www.bmo.hk](http://www.bmo.hk)<sup>\*</sup>.

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<sup>\*</sup> This website has not been reviewed by the SFC.

## **MANAGEMENT AND ADMINISTRATION OF THE TRUST**

### **The Manager**

The Manager of the Trust is BMO Global Asset Management (Asia) Limited.

The Manager is a private company limited by shares, incorporated in Hong Kong on 17 September 1991 with company number 0325754 under the Companies Ordinance.

The Manager is an indirect, wholly-owned subsidiary of Bank of Montreal. The Manager is licensed by the SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities with CE Number ABA410 in Hong Kong under the Securities and Futures Ordinance. The Manager's SFC Type 9 licence is subject to the condition that "[t]he licensee shall not provide a service of managing a portfolio of futures contracts for another person unless it is for hedging purpose only."

Under the Trust Deed, the Manager is responsible for the management of the assets of the Trust and each Sub-Fund. The Manager is also responsible, in conjunction with the Trustee, for the maintenance of the accounts and records of the Trust and each Sub-Fund as well as certain other administrative matters relating to the Trust and each Sub-Fund.

The Manager may appoint investment delegates or investment advisers in relation to specific Sub-Funds (details of any such appointments are set out in the relevant Appendix), subject to the approval of the SFC and at least one month's prior notice to Unitholders (where applicable). Where the investment management functions in respect of a Sub-Fund are delegated to third party investment delegates, the Manager will conduct on-going supervision and regular monitoring of the competence of such delegates to ensure that the Manager's accountability to investors is not diminished, and although the investment management role of the Manager may be sub-contracted to third parties, the responsibilities and obligations of the Manager may not be delegated.

The Directors of the Manager are as follows:

- (a) Edgar Normund Legzdins;
- (b) Raveendra Sriskandarajah; and
- (c) Albert Chun-Ming Yu

### **The Trustee**

The Trustee of the Trust is State Street Trust (HK) Limited, which is a registered trust company in Hong Kong. The Trustee is an indirect wholly owned subsidiary of SSBT, which is wholly owned by State Street Corporation, a bank holding company listed on the New York Stock Exchange.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Trust and the Sub-Funds, subject to the provisions of the Trust Deed.

The Trustee shall take into its custody or under its control all the property of the Trust and the Sub-Funds and hold it in trust for the Holders in accordance with the Trust Deed. The Trustee shall be responsible and shall remain at all times liable for the safe-keeping of the investments, assets and other property forming part of the Trust Fund of each Sub-Fund of the Trust in accordance with the provisions of the Trust Deed and such investments, assets and other property shall be dealt with as the Trustee may think proper for the purpose of providing for the safe-keeping thereof, subject to the provisions of the Trust Deed. The Trustee shall in respect of any investments or other assets of the Trust and the Sub-Funds which by nature cannot be held

in custody, maintain a proper record of such investments or assets in its books under the name of the relevant Sub-Fund of the Trust.

The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, any of its Connected Persons) to hold as custodian, nominee or agent, all or any of the investments, assets or other property comprised in any of the Sub-Funds and may empower any such custodian, nominee or agent to appoint, with no objection in writing by the Trustee, co-custodians and/or sub-custodians (each such custodian, nominee, agent, co-custodian and sub-custodian a "Correspondent"). The Trustee has appointed its Connected Person, SSBT, as custodian of the Trust and the Sub-Funds. SSBT may also appoint related parties as sub-custodians. The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of Correspondents and (b) be satisfied that Correspondents retained remain suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Trust or any Sub-Fund. The Trustee shall be liable for the acts and omissions of any Correspondent which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee, but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent which is not a Connected Person of the Trustee.

Cash forming part of the Trust Fund of a Sub-Fund will be placed with SSBT as banker or may, at the discretion of the Manager, be invested in certificates of deposit or banking instruments issued by any authorised banking institution, including SSBT. In its capacities as custodian and banker, SSBT will earn and may retain for its own benefit fees/interest for such services and may receive other benefits in connection with such services, provided that all such fees/interest or other benefits earned are in compliance with the Trust Deed and the Code.

The Trustee shall not be liable for: (i) any act, omission, insolvency, liquidation or bankruptcy of Euro-clear Clearing System Limited or Clearstream Banking, S.A. or other recognised depository or clearing and settlement system, which may from time to time be approved by the Trustee and Manager; or (ii) the acts or omissions of the Manager or the Registrar (other than where the Trustee is the Registrar).

Subject as provided in the Trust Deed, the Trustee shall not be liable for losses caused by the performance of investments made by the Trust and/or any of the Sub-Funds.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the relevant Sub-Fund, in respect of all liabilities and expenses incurred in relation to such Sub-Fund, from and against any and all actions, proceedings, liabilities, costs, claims, damages and expenses, including all reasonable legal, professional and other similar expenses (other than any liability to Unitholders imposed under Hong Kong law or resulting from breaches of trust through fraud or negligence on the part of the Trustee or any of its officers, employees, agents or delegates for which the Trustee would be liable under the Trust Deed), which may be incurred by or asserted against the Trustee (including its officers, employees, agents and delegates) in performing its obligations or duties in connection with such Sub-Fund. Subject to applicable law and the provisions of the Trust Deed, the Trustee (including its officers, employees, agents and delegates) shall not, in the absence of breach of trust through fraud, or negligence or wilful default by it or any agent, sub-custodian or delegate appointed by the Trustee, be liable for any losses, costs or damage to the Trust, the Sub-Fund or any Unitholder. Any indemnity expressly given to the Trustee in the Trust Deed is in addition to and without prejudice to any indemnity allowed by law.

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 Trust, which is the sole responsibility of the Manager.

The appointment of the Trustee may be terminated in the circumstances set out in the Trust Deed.

The Trustee is entitled to the fees set under the section on “EXPENSES AND CHARGES” and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

The Manager has sole responsibility for making investment decisions in relation to the Trust and/or each Sub-Fund and the Trustee (including its delegate) is not responsible and has no liability for any investment decision made by the Manager. Except as provided in the Trust Deed or expressly stated in this Prospectus and/or required by the Code, neither the Trustee nor any of its employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Trust or any Sub-Fund, and they are not responsible for the preparation or issue of this Prospectus.

### **The Registrar**

The Registrar of the Trust and the Sub-Funds is SSBT. The Registrar is entitled to the fees set out below under the section on “EXPENSES AND CHARGES” in respect of the establishment and maintenance of the register of the Unitholders of the Trust and the Sub-Funds.

The register can be inspected at 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours.

### **The Administrator**

The Manager has appointed SSBT as Administrator of the Trust and the Sub-Funds. The Administrator will provide accounting, Net Asset Value calculation and other administrative services pursuant to an Administrative Services Agreement.

## **INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS**

### **Investment objective**

The investment objective of each Sub-Fund is set out in the relevant Appendix.

### **Investment strategy**

The investment strategy of each Sub-Fund is set out in the relevant Appendix.

### **Investment and borrowing restrictions**

The principal investment and borrowing restrictions that apply to each Sub-Fund authorised by the SFC, unless otherwise provided in the relevant Appendix, are set out in Schedule 1.

**If any of the investment and borrowing restrictions are breached, the Manager shall as a priority objective take all steps as are necessary within a reasonable period of time to remedy the situation, having due regard to the interests of Unitholders.**

### **Securities lending, repurchase or reverse-repurchase transactions**

Unless otherwise disclosed in the Appendix of a relevant Sub-Fund, there is no current intention for any Sub-Fund to engage in securities lending transactions, sale and repurchase transactions or reverse repurchase transactions, but this may change in light of market circumstances and where a Sub-Fund does engage in any of these types of transactions, prior approval shall be obtained from the SFC and no less than one month's prior notice will be given to the Unitholders.

### **Investment via Subsidiary**

Where direct investment by a Sub-Fund in a market is not in the best interests of investors, such Sub-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 Sub-Fund may invest through a wholly-owned subsidiary, further details are set out in the Appendix of such Sub-Fund.

## **SUBSCRIPTION OF UNITS**

### **Initial issue of Units**

During an Initial Offer Period, Units in a Sub-Fund will be offered to investors at an initial Subscription Price of a fixed price per Unit as specified in the relevant Appendix.

If specified in the relevant Appendix, in the event that the total amount received by the Registrar from the subscription of the Units reaches a maximum amount for aggregate subscriptions (as specified in the relevant Appendix) at any time during an Initial Offer Period, the Manager is entitled (but not obliged) to close the Sub-Fund to further subscriptions before the end of the relevant Initial Offer Period.

If specified in the relevant Appendix, the Manager may decide not to issue any Units in the event that less than a minimum amount for aggregate subscriptions (as specified in the relevant Appendix) is raised during the relevant Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by cheque by post or by telegraphic transfer or such other means as the Manager and the Trustee consider appropriate at the applicant's risk (without interest and net of expenses) promptly after the expiry of the Initial Offer Period.

Units will be issued on the Business Day following the close of the Initial Offer Period or such other Business Day as the Manager may determine. Dealing of the Units will commence on the Dealing Day immediately following the closure of the relevant Initial Offer Period.

### **Subsequent issue of Units**

Following the close of the relevant Initial Offer Period, Units will be available for issue on each Dealing Day at the relevant Subscription Price.

The Subscription Price on any Dealing Day will be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class of that Sub-Fund then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant Sub-Fund. The Subscription Price will be calculated and quoted in the relevant Class Currency.

The Manager is entitled to impose a subscription fee on the subscription monies for the application for the issue of each Unit. Different levels of subscription fee may be imposed, in relation to the issue of Units of different Sub-Funds and also in relation to different classes of Units of a Sub-Fund. The Manager may retain the benefit of such subscription fee or may pay all or part of the subscription fee (and any other fees received) to recognised intermediaries or such other persons as the Manager may at its absolute discretion determine. Details of the subscription fee are set out in the section headed "EXPENSES AND CHARGES" below.

In determining the Subscription Price, the Manager is entitled to add an amount (not exceeding 1% of the Net Asset Value per Unit of the relevant class) it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the relevant Sub-Fund, (b) fiscal and purchase charges, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, or (c) charges which are customarily incurred in investing a sum equal to the application monies and issuing the relevant Units or the remittance of money to the Trustee. Any such additional amount will be paid to the Trust and will form part of the assets of the relevant Sub-Fund.

The Manager (after consultation with the Trustee) will only adjust the Subscription Price pursuant to the above paragraph under exceptional circumstances and if it considers it in the best interest of the Unitholders. Examples of such exceptional circumstances may include (a) the aggregate net subscriptions in Units exceeding a pre-determined threshold set by the Manager from time to time; or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders.

### **Application procedure**

To subscribe for Units, an applicant should complete a subscription application form (a “Subscription Form”) supplied with this Prospectus or is otherwise available and return the original Subscription Form, together with the required supporting documents, to the Registrar by post to its business address or, if the applicant has provided to the Registrar with an original fax indemnity in the Subscription Form, by fax to the Registrar. Please refer to the details set out under the heading “FAX OR ELECTRONIC INSTRUCTIONS” of this Prospectus. The Manager may, in its absolute discretion, accept any applications for subscription made by other written or electronic forms in addition to post and fax.

Applications for Units during the relevant Initial Offer Period, together with cleared funds, must be received by the Registrar no later than 5:00 pm (Hong Kong time) on the last day of the relevant Initial Offer Period. After the Initial Offer Period, applications must be received by the Registrar by the relevant Dealing Deadline. Application requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

Each applicant whose application is accepted will be sent a contract note confirming details of the purchase of Units but no certificates will be issued.

Applicants may apply for Units through a distributor appointed by the Manager. Distributors may have different dealing procedures, including earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for Units through a distributor should therefore consult the distributor for details of the relevant dealing procedures.

Where an applicant applies for Units through a distributor, the Manager and the Trustee will treat the distributor (or its nominee) as the applicant. The distributor (or its nominee) will be registered as Unitholder of the relevant Units. The Manager and the Trustee will treat the distributor (or its nominee) as the Unitholder and shall not be responsible for any arrangements between the relevant applicant and the distributor regarding the subscription, holding and redemption of Units and any related matters, as well as any costs or losses that may arise therefrom. The Manager will, however, take all reasonable care in the selection and appointment of distributors.

**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 Securities and Futures Ordinance.**

The Manager may, at its discretion, reject in whole or in part any application for Units. In the event that an application is rejected, application monies will be returned without interest and net of expenses by cheque through the post or by telegraphic transfer or by such other means as the Trustee considers appropriate at the risk of the applicant.

No applications for Units will be dealt with during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details see “Suspension of Calculation of Net Asset Value” below).



## **Payment procedure**

Subscription monies should be paid in the Class Currency of the relevant class of Units. Payment details are set out in the Subscription Form.

Subscription monies paid by any person other than the applicant will not be accepted.

The Manager may exercise its discretion to accept late payment of subscription monies, provisionally allot Units by reference to the Net Asset Value of the relevant class of Units in the relevant Sub-Fund and charge interest on such overdue monies until payment is received in full, at such rate as the Manager thinks appropriate. However, if payment of subscription monies in cleared funds are not received by the Dealing Deadline, or otherwise within such period as determined by the Manager (which shall not be more than 2 Business Days following the relevant Dealing Day on which an application was received by the Dealing Deadline under normal circumstances, unless otherwise agreed by the Manager), the Manager may, and if so required by the Trustee shall, cancel the provisional issue of the relevant Units, which shall be deemed never to have been issued and the applicant shall have no right to claim against the Manager or the Trustee and any loss will be borne by the applicant. In addition, the Manager may require the applicant to pay to the Trustee, for the account of the relevant Sub-Fund, in respect of each Unit cancelled, the amount (if any) by which the Subscription Price on the relevant Dealing Day exceeds the applicable Redemption Price on the date of cancellation and the Trustee shall be entitled to charge the applicant a cancellation fee for the administrative costs involved in processing the application and subsequent cancellation. No previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units. Payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant Class Currency, they will be converted into the relevant Class Currency and the proceeds of conversion (after deducting the costs of such conversions) will be applied in the subscription of Units in the relevant class of the relevant Sub-Fund. Conversion of currencies may involve delay. Bank charges (if any) incurred in converting the subscription monies shall be borne by the relevant applicant and accordingly will be deducted from the subscription proceeds.

## **General**

All holdings of Units will be in registered form and certificates will not be issued. Evidence of title of Units will be the entry on the register of Unitholders in respect of each Sub-Fund. Unitholders should therefore be aware of the importance of ensuring that the Registrar is informed of any change to the registered details. Fractions of a Unit may be issued rounded down to the nearest 4 decimal places. Subscription monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. A maximum of 4 persons may be registered as joint Unitholders.

## **REDEMPTION OF UNITS**

### **Redemption procedure**

Unitholders who wish to redeem their Units in a Sub-Fund may do so on any Dealing Day by submitting a redemption request to the Registrar

Any redemption request must be received by the Registrar before the Dealing Deadline. Investors redeeming Units through a distributor (or its nominee) should submit their redemption requests to the distributor (or its nominee) in such manner as directed by the distributor (or its nominee). Distributors (or their nominees) may have different dealing procedures, including earlier cut-off times for receipt of redemption requests. Where an investor holds its investment in Units through a distributor (or its nominee), the investor wishing to redeem Units must ensure that the distributor (or its nominee), as the registered Unitholder, submits the relevant redemption request by the Dealing Deadline. Redemption requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

A redemption request should be given to the Registrar in writing and sent by post to the Registrar's business address or, if the relevant Unitholder has provided to the Registrar with an original fax and electronic transmission indemnity, by fax or other electronic means to the Registrar (with its original following promptly). Please refer to the details set out under the heading "FAX OR ELECTRONIC INSTRUCTIONS" of this Prospectus. The Manager may, in its absolute discretion, accept any redemption requests made by other written or electronic forms in addition to post and fax. The redemption request must specify: (i) the name of the Sub-Fund, (ii) the class (if applicable) and the value or number of Units to be redeemed, (iii) the name(s) of the registered Unitholder(s) and (iv) payment instructions for the redemption proceeds.

Partial redemption of a holding of Units in a Sub-Fund by a Unitholder may be effected, provided that such redemption will not result in the Unitholder holding Units in a class less than the minimum holding for that class specified in the relevant Appendix. In the event that, for whatever reason, a Unitholder's holding of Units in a class is less than such minimum holding for that class, the Manager may give notice requiring such Unitholder to submit a redemption request in respect of all the Units of that class held by that Unitholder. A request for a partial redemption of Units with an aggregate value of less than the minimum amount for each class of Units specified in the relevant Appendix (if any) will not be accepted.

All redemption requests must be signed by the Unitholder or, in the case of joint Unitholders, such one or more joint Unitholders who have been authorised to sign such requests on behalf of the other joint Unitholders (where such authorisation has been notified in writing to the Registrar) or, in the absence of such notification, by all joint Unitholders.

### **Payment of redemption proceeds**

The Redemption Price on any Dealing Day will be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the relevant Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant Sub-Fund. The Redemption Price will be calculated and quoted in the relevant Class Currency of the relevant Sub-Fund.

In determining the Redemption Price, the Manager is entitled to deduct an amount (not exceeding 1% of the Net Asset Value per Unit of the relevant class) which it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the relevant Sub-Fund, (b) fiscal and sale charges, including stamp duty, other taxes, brokerage, bank charges,

transfer fees and registration fees, or (c) charges which are customarily incurred by the relevant Sub-Fund in realising assets to provide funds to meet any redemption request. Any such deducted amount will be retained by and form part of the assets of the relevant Sub-Fund.

The Manager (after consultation with the Trustee) will only adjust the Redemption Price pursuant to the above paragraph under exceptional circumstances and if it considers it in the best interest of the Unitholders. Examples of such exceptional circumstances may include (a) the aggregate net redemptions in Units exceeding a pre-determined threshold set by the Manager from time to time; or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders.

The Manager may at its option impose a redemption fee in respect of the Units to be redeemed as described in the section headed "EXPENSES AND CHARGES" below. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders in respect of different classes of Units as to the amount of the redemption fee to be imposed (within the permitted limit provided in the Trust Deed) on such Unitholders.

The amount due to a Unitholder on the redemption of a Unit will be the Redemption Price, less any redemption fee. The redemption fee will be retained by the Manager.

Unitholders should note that redemption proceeds will not be paid to any Unitholder until (a) the duly signed original written redemption request (if such original is required by the Registrar) and all other supporting documents, if any are required, have been received by the Registrar; and (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Registrar.

Subject as mentioned above, and save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid at the risk and expense of the redeeming Unitholder in the Class Currency of the relevant Sub-Fund by telegraphic transfer to the Unitholder's pre-designated bank account as specified in the redemption request, within 7 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the markets in which a substantial portion of the relevant Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of redemption proceeds within the aforesaid time period not practicable. In such a case the details of such legal or regulatory requirements will be set out in the relevant Appendix and the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant markets. Any bank and other administrative charges associated with the payment of such redemption proceeds as well as the costs incurred in currency conversion, if any, will be borne by the redeeming Unitholder and deducted from the redemption proceeds.

With the prior consent of the Manager, arrangements can be made for redemption proceeds to be paid in any major currency other than the Class Currency of the relevant class of Units of the relevant Sub-Fund being redeemed. Payment will only be made to a bank account in the name of the Unitholder. No third party payments will be made.

The Trust Deed provides that redemptions may be, in whole or in part, made *in specie* at the discretion of the Manager. However, the Manager does not intend to exercise this discretion in respect of any Sub-Fund unless otherwise specified in the relevant Appendix. In any event, redemptions may only be made *in specie*, in whole or in part, with the consent of the Unitholder requesting the redemption.

## **Restrictions on redemption**

With a view to protecting the interests of Unitholders, the Manager is entitled to limit the number of Units of a Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) to 10%, or such higher percentage as the Manager may determine either generally or in respect of any particular Dealing Day, of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund wishing to redeem Units of that Sub-Fund on that Dealing Day will redeem the same proportion of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption on the next Dealing Day based on the Redemption Price as at that Dealing Day, subject to the same limitation, and will have priority on the next Dealing Day over subsequent redemption requests received in respect of such subsequent Dealing Day. If requests for redemption are so carried forward, the Manager will promptly inform the Unitholders concerned.

The Manager may suspend the redemption of Units of any Sub-Fund, or delay the payment of redemption proceeds in respect of any redemption request received, during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details please see the section headed "Suspension of Calculation of Net Asset Value").

## **Compulsory redemption**

If it shall come to the notice of the Trustee or the Manager that any Units are owned directly, indirectly or beneficially (i) by a U.S. Person (unless such ownership is acceptable to the Manager); (ii) in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager, might result in the Manager, the Trustee or the relevant Sub-Fund incurring or suffering any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Trustee or the relevant Sub-Fund to any additional regulation to which the Manager, the Trustee or the relevant Sub-Fund might not otherwise have incurred or suffered or been subject; (iii) in breach of, or reasonably deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including without limitation the issue of any warranty or supporting document required to be given to the Trustee, the Registrar or the Manager; or (iv) in breach of any applicable law or applicable requirements of any country or governmental authority, the Trustee or the Manager may give notice to the relevant Unitholder requiring him to transfer such Units to a person who would not thereby be in contravention of any such restrictions as aforesaid or to redeem such Units in accordance with the terms of the Trust Deed. If any Unitholder upon whom such a notice is served pursuant to the Trust Deed does not, within 30 days of such notice, transfer or redeem such Units as aforesaid or establish to the satisfaction of the Trustee or the Manager (whose judgment shall be final and binding) that such Units are not held in contravention of any such restrictions he shall be deemed upon the expiry of the 30 day period to have given a request in writing for the redemption of all such Units.

## **SWITCHING**

The Manager may from time to time permit Unitholders to switch some or all of their Units of any Sub-Fund (the “Existing Sub-Fund”) into shares, units or interests in other collective investment schemes administered by the Trustee and managed by the Manager or its Connected Persons and which has been authorised by the SFC (the “New Fund”). Switching to such other collective investment schemes will be by way of redeeming the Units held by the relevant Unitholders in accordance with the redemption procedures set out in the section headed “REDEMPTION OF UNITS” above and by re-investing the redemption proceeds thereof in such other collective investment schemes in accordance with the provisions of the relevant offering documents for such other collective investment schemes. A request for the switching of part of a holding of Units will not be effected if, as a result, the Unitholder would hold less than the minimum holding specified for the New Fund (if any) and/or the Existing Sub-Fund.

Under the Trust Deed, the Manager is entitled to impose a switching fee as described in the section headed “EXPENSES AND CHARGES” below.

Where a request for switching is received by the Registrar prior to the Dealing Deadline in respect of a Dealing Day, switching will be effected as follows:

- redemption of the Units of the Existing Sub-Fund will be dealt with by reference to the Redemption Price on that Dealing Day (the “Switching Redemption Day”);
- where the Existing Sub-Fund and the New Fund have different currencies of denomination, the redemption proceeds of Units of the Existing Sub-Fund, after deduction of any switching fee, shall be converted into the currency of denomination of the New Fund; and
- the resulting amount will be used to subscribe for Units of the New Fund at the relevant subscription price on the relevant dealing day in respect of the New Fund (the “Switching Subscription Day”). The Switching Subscription Day shall be the same day as the Switching Redemption Day or (in the event that the Switching Redemption Day is not a dealing day in respect of the New Fund) the dealing day of the New Fund which immediately follows the relevant Switching Redemption Day, provided that the Trustee shall receive cleared funds in the relevant currency of the New Fund within such period as determined by the Manager. In the event that cleared funds are not received within the applicable period, the Switching Subscription Day shall be the day on which the Trustee receives cleared funds in the relevant currency by the dealing deadline of the New Fund.

The Manager may suspend the switching of Units during any period in which the determination of the Net Asset Value of any relevant Sub-Fund is suspended (for details see “Suspension of Calculation of Net Asset Value” below).

### **FAX OR ELECTRONIC INSTRUCTIONS**

If applicants or Unitholders wish to give instructions for subscription, redemption or switching by facsimile or any other electronic means, applicants or Unitholders must first provide to the Registrar an original indemnity relating to fax or transmission via such other electronic means in the application or request.

The Registrar will generally act on faxed or any other electronic instructions for subscription, redemption or switching but may require signed original instructions. However, the Registrar may refuse to act on faxed or any other electronic instructions until the original written instructions are received. The Registrar may, in its absolute discretion, determine whether or not original instructions are also required in respect of subsequent applications or requests for subscription, redemption or switching sent by facsimile or any other electronic means by applicants or Unitholders.

Applicants or Unitholders should be reminded that if they choose to send the applications or requests for subscription, redemption or switching by facsimile or any other electronic means, they bear the risk of such applications or requests not being received. Applicants or Unitholders should note that the Trust, the Manager, the Trustee and the Registrar accept no responsibility for any loss caused as a result of non-receipt or illegibility of any application or request sent by facsimile or any other electronic means or any amendment of such application or request or for any loss caused in respect of any action taken as a consequence of such faxed or any other electronic instruction believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile or any other electronic transmission report produced by the originator of such transmission discloses that such transmission was sent.

## **VALUATION**

### **Valuation rules**

The Net Asset Value of each Sub-Fund will be calculated by valuing the assets of the Sub-Fund and deducting the liabilities attributable to the Sub-Fund. These liabilities include, without limitation, any management fee, performance fee, trustee fee, any taxes, any borrowings and the amount of any interest and expenses thereon, any other costs or expenses expressly authorised by the Trust Deed, and an appropriate allowance for any contingent liabilities.

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Where a Sub-Fund has more than one class of Units, to ascertain the Net Asset Value of a class of Units, a separate class account will be established in the books of the Sub-Fund. An amount equal to the proceeds of issue of each Unit will be credited to the relevant class account. The Net Asset Value of each class of Units as at any Valuation Point shall be calculated by:

- allocating among each class the Net Asset Value of the Sub-Fund pro rata in accordance with the Net Asset Value of each class, then adding the subscriptions and deducting the redemptions in respect of each class, immediately prior to the relevant Valuation Point; and
- deducting from the Net Asset Value of the class in question the fees, costs, expenses or other liabilities attributable to that class not already deducted in ascertaining the Net Asset Value of the Sub-Fund and adding to the Net Asset Value, assets specifically attributable to that class in order to arrive at the Net Asset Value of that relevant class.

The value of the assets of a Sub-Fund will be determined by the Manager as at each Valuation Point in accordance with the Trust Deed. The Trust Deed provides (inter alia) that:

- (a) investments (other than a commodity, futures contract or an interest in an unlisted collective investment scheme) that are quoted, listed, traded or dealt in on any securities market will be valued by reference to the last traded price or “exchange close” price as calculated and published by the relevant exchange of that market in accordance with its local rules and customs, provided that: (i) if an investment is quoted, listed, traded or dealt in on more than one such market, the price adopted shall be the last traded price or the exchange close price as published by (x) the market which, in the opinion of the Manager, provides the principal market for such investment; or (y) if the Manager considers that the prices published on a securities market other than the principal market for such investment provides, in all circumstances, a fairer criterion of value in relation to any such investment, such other market; (ii) if prices on such market are not available at the relevant time, the value of the investment shall be certified by such firm or institution making a market in such investment or, if the Trustee so requires, by the Manager after consultation with the Trustee; (iii) interest accrued on any interest-bearing investments shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Administrator and the Manager shall be entitled to use and rely on electronically transmitted data from such source or sources or pricing systems as they may from time to time think fit and the prices provided by any such source or pricing system shall be deemed to be the last traded prices for the purposes of valuation;
- (b) the value of any investment (other than a commodity, futures contract or an interest in an unlisted collective investment scheme) which is not quoted, listed, traded or ordinarily dealt in on any securities market shall initially be the value equal to the amount expended on behalf of the Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses), and thereafter the value as assessed by the Manager on the latest revaluation thereof, provided that a revaluation shall be made on each Valuation Day by reference to the latest bid price, asked price or mean thereof, as the Trustee and the Manager consider appropriate, quoted

by a person, firm or institution making a market in such investments or otherwise approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);

- (c) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager in consultation with the Trustee, any adjustment should be made to reflect the value thereof;
- (d) the value of any commodity or futures contract shall be ascertained in accordance with the following:
  - (i) if a commodity or futures contract is dealt in any recognised commodities market, then regard shall be had to the latest ascertainable price ruling or price officially fixed on such recognised commodities market or (if there shall be more than one such recognised commodities market) on such recognised commodities market as the Manager, in consultation with the Trustee, shall consider appropriate;
  - (ii) if any such price as referred to in (i) is not, in the opinion of the Manager, reasonably up to date or is not ascertainable at any relevant time, then regard shall be given to any certificate as to the value of such commodity or futures contract provided by a firm or institution making a market in such commodity or futures contract;
  - (iii) the value of any futures contract (the "relevant Contract"), to the extent that it is not determined in accordance with (i) or (ii), shall be valued (1) where the relevant Contract is for the sale of a commodity, by subtracting, from the contract value of the relevant Contract, the sum of the amount determined by the Manager (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Sub-Fund in order to close the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and (2) where the relevant Contract is for the purchase of a commodity, by subtracting, from the amount determined by the Manager (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Sub-Fund in order to close the relevant Contract, the sum of the contract value of the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and
  - (iv) if the provisions of (i) and (ii) do not apply to the relevant commodity or futures contract, then the value shall be determined in accordance with (b) above as if such commodity or futures contract were an unquoted investment;
- (e) the value of each unit, share or interest in any unlisted collective investment scheme which is valued as at the same day as the Sub-Fund shall be the net asset value per unit, share or other interest in such collective investment scheme calculated as at that day or, if the Manager so determines, if such collective investment scheme is not valued as at the same day as the Sub-Fund, shall be the last published net asset value per unit, share or other interest in such collective investment scheme (where available) or (if the same is not available) the last published bid price for such a unit, share or other interest, provided that if no net asset value and bid prices are available, the value thereof shall be determined from time to time in such manner as the Manager shall determine in consultation with the Trustee;



- (f) notwithstanding paragraphs (a) to (e) above, the Manager may, in consultation with the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment is required to reflect the fair value of the investment; and
- (g) the value of any investment (whether of a borrowing or other liability or an investment or cash) in a currency other than the Base Currency of the Sub-Fund or the currency of denomination of the relevant class will be converted into the Base Currency or the currency of denomination of such class (as the case may be) at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

### **Suspension of Calculation of Net Asset Value**

The Manager may, in exceptional circumstances, after consultation with the Trustee, having regard to the best interests of Unitholders, declare a suspension of the determination of the Net Asset Value of any Sub-Fund or any class, and/or the issue and/or switching and/or redemption of Units of any class, and/or extend the period for the payment of redemption moneys to all persons who have redeemed Units of any class, for the whole or any part of any period during which:

- (a) there is a closure of or the restriction or suspension of trading on any securities market or commodities market or futures exchange on which a substantial part of the investments of the relevant Sub-Fund is normally listed, quoted, traded or dealt or a breakdown in any of the means normally employed in ascertaining the prices of investments of the relevant Sub-Fund;
- (b) for any other reason the value of any of the investments or other assets of the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (c) there is a breakdown in any of the systems and/or means of communication normally employed in ascertaining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, Subscription Price or Redemption Price of the relevant class, or when for any other reason the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, Subscription Price, or Redemption Price of the relevant class cannot be ascertained in a prompt or accurate manner;
- (d) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise a substantial part of the investments of the relevant Sub-Fund or it is not possible to do so without seriously prejudicing the interests of the relevant Unitholders;
- (e) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the investments of the relevant Sub-Fund or the issue or redemption of Units in the relevant Sub-Fund is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange;
- (f) the business operations of the Manager, the Trustee or any agent, contractor or service provider of the Manager or the Trustee in relation to the operations of the Trust and/or the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes, or acts of God; or
- (g) the issue, redemption or transfer of Units of the relevant Sub-Fund or class would result in the violation of any applicable law or a suspension or extension is, in the opinion of the Manager, required by any applicable law or applicable legal process.

Any suspension declared above will take effect immediately on the declaration thereof and thereafter there will be no determination of the Net Asset Value of the relevant Sub-Fund, and/or the issue and/or switching and/or redemption of Units of the relevant Sub-Fund, and/or payment of redemption moneys in respect of the relevant Sub-Fund, as the case may be, until the Manager declares the suspension at an end. The suspension will terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension has ceased to exist, and (ii) no other condition under which a suspension is authorised exists.

If the Manager declares a suspension, the Manager shall, as soon as may be practicable after any such declaration notify the SFC of such suspension and procure the notice of the suspension be published immediately following the decision to suspend and at least once a month during the period of suspension on the Manager's website [www.bmo.hk](http://www.bmo.hk)<sup>\*</sup>.

### **Publication of Net Asset Value**

The latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of each Sub-Fund are available on each Dealing Day on the Manager's website [www.bmo.hk](http://www.bmo.hk)<sup>\*</sup>.

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<sup>\*</sup> This website has not been reviewed by the SFC.

## **EXPENSES AND CHARGES**

*There are different levels of fees and expenses applicable to investing in each Sub-Fund as set out below. For information concerning actual fees payable in respect of each Sub-Fund, please refer to the relevant Appendix.*

### **Fees payable by Unitholders**

The following fees and charges are payable by Unitholders:

#### **Subscription Fee**

Under the Trust Deed, the Manager is entitled to impose a subscription fee on the issue of Units of any Sub-Fund of up to a maximum of 5% of the subscription monies.

The subscription fee is payable in addition to the Subscription Price per Unit. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the subscription fee (either generally or in any particular case) of a Sub-Fund.

#### **Redemption fee**

Under the Trust Deed, the Manager is entitled to impose a redemption fee on the redemption of Units of any Sub-Fund of up to a maximum of 3% of the redemption proceeds payable in respect of such Units.

The redemption fee is deducted from the redemption proceeds payable to a Unitholder in respect of each Unit redeemed. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the redemption fee (either generally or in any particular case) of a Sub-Fund.

#### **Switching fee**

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Units of up to 1% of the redemption proceeds payable in respect of the Units of the Existing Sub-Fund being switched.

The switching fee is deducted from the amount realised from redemption of the Existing Sub-Fund and reinvested in the New Sub-Fund. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the switching fee (either generally or in any particular case) of a Sub-Fund.

### **Fees payable by the Trust**

The following fees and charges are payable out of the assets of each Sub-Fund:

#### **Management fee**

The Trust Deed provides that the Manager is entitled to a management fee in respect of each Sub-Fund it manages, the maximum amount of which is equal to 3% per annum of the Net Asset Value of the relevant Sub-Fund. The current management fee in respect of each Sub-Fund is set out in the relevant Appendix. The management fee will accrue as at each Valuation Day and will be payable monthly in arrears, unless otherwise provided in the relevant Appendix.

The Manager may share any fees, charges or amounts it is entitled to receive as Manager of the Sub-Fund with any persons who distribute or otherwise procure subscriptions to the Sub-Fund.

### Performance fee

The Trust Deed provides that the Manager is entitled to charge a performance fee in respect of any class of Units, the maximum amount of which is equal to 15% per annum of the Net Asset Value of the relevant class of Units.

Details of any performance fee (if any) are set out in the relevant Appendix.

### Trustee fee

The Trust Deed provides that the Trustee is entitled to a trustee fee in respect of each Sub-Fund, the maximum amount of which is equal to 1% per annum of the Net Asset Value of the Sub-Fund. The trustee fee will accrue as at each Valuation Day and will be payable monthly in arrears, unless otherwise provided in the relevant Appendix.

The Trustee will also be entitled to recover out-of-pocket expenses in performing its services together with certain transaction costs and processing fees.

### Registrar fee

The Registrar is entitled to a registrar fee in respect of each Sub-Fund, the maximum amount of which is equal to 1% per annum of the Net Asset Value of the Sub-Fund. The registrar fee will accrue as at each Valuation Day and will be payable monthly in arrears, unless otherwise provided in the relevant Appendix.

The Registrar will also be entitled to recover out-of-pocket expenses in performing its services together with certain transaction costs and processing fees.

### Other charges and expenses

Each Sub-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 Sub-Fund, such costs will be allocated between all Sub-Funds pro-rata to the Net Asset Value of each Sub-Fund, unless otherwise determined by the Manager after consultation with the Trustee and/or the Auditor. Such costs include but are not limited to the costs of investing and realising the investments of a Sub-Fund, the fees and expenses of safekeeping of the assets of the Trust and each Sub-Fund, any fees, charges or expenses (including without limitation, stamp duty) incurred in connection with counterparty risk management procedures, the fees and expenses of any administrators, auditors, valuation costs, legal fees, the costs incurred in connection with any regulatory approval, the costs of holding meetings of Unitholders and the costs incurred in the preparation and printing of any Prospectus and preparation and printing of any financial statements.

Expenses arising out of any advertising or promotional activities in connection with any Sub-Fund authorised by the SFC will not be charged to the Trust or that Sub-Fund.

### **Increase in fees**

Any increase in the redemption fee, switching fee, management fee, performance fee, trustee fee or registrar fee in respect of a Sub-Fund, (i) up to the relevant maximum level stated above, will only be implemented after giving one month's notice (or such period of notice as may be approved under the Code) to the affected Unitholders, and (ii) beyond the relevant maximum level, is subject to approval by the SFC and by extraordinary resolution of the affected Unitholders.

## **Establishment costs**

The costs of establishing the Trust and the first Sub-Fund (i.e. the BMO Balanced Fund) including the preparation of the first Prospectus, costs of seeking authorization by the SFC and all initial legal and printing costs were approximately HKD850,000 and were borne by the Manager.

Where subsequent Sub-Funds under the Trust are established in the future, the Manager may, at its discretion, charge the costs of establishing such subsequent Sub-Funds to such subsequent Sub-Funds and amortise the same over a period as determined by the Manager after consultation with the auditors.

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

## **Cash rebates and soft commissions**

Neither the Manager, the investment delegate (if any) nor any of their Connected Persons receives any cash commissions or other rebates from brokers or dealers in respect of transactions for the account of any Sub-Fund. However, the Manager, the investment delegate (if any) and/or any of their Connected Persons reserve the right to effect transactions by or through the agency of another person with whom the Manager, the investment delegate (if any) and/or any of their Connected Persons has such an arrangement.

The Manager, the investment delegate (if any) and/or any of their Connected Persons further reserve the right to effect transactions by or through the agency of another person with whom the Manager, the investment delegate (if any) and/or any of their Connected Persons has an arrangement under which that party will from time to time provide to or procure for the Manager, the investment delegate (if any) and/or any of their Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Trust (or the relevant Sub-Fund) as a whole and may contribute to an improvement in the performance of the Trust (or the relevant Sub-Fund) or of the Manager, the investment delegate (if any) and/or any of their Connected Persons in providing services to the Trust (or the relevant Sub-Fund) and for which no direct payment is made but instead the Manager, the investment delegate (if any) and/or any of their Connected Persons undertakes to place business with that party. Any transactions executed through such party must be consistent with best execution standards and brokerage rates must not be in excess of customary institutional full-service brokerage rates. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Periodic disclosure in the form of a statement describing the soft dollar policies and practices of the Manager or the investment delegate, including a description of the goods and services received by them, will be made in the relevant Sub-Fund's annual report. Further, the availability of the soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

## **RISK FACTORS**

*The nature of each Sub-Fund's investments involves certain risks and uncertainties, including those inherent in any investment. There can be no assurance that the investment objective of any Sub-Fund will be achieved. This section sets out what the Manager believes are the general risks associated with investments in the Sub-Funds, but investors should note that the relevant Appendix may include additional risk factors which are specific or particular to a particular Sub-Fund. The risk factors below do not offer advice on the suitability of investing in any Sub-Fund. Prospective investors should carefully evaluate the merits and risks of an investment in a Sub-Fund in the context of their overall financial circumstances, knowledge and experience as an investor and should consult their independent professional or financial advisors before making any investment in a Sub-Fund.*

### **General risks**

#### **Investment risk**

Investors should be aware that investment in any Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no assurance that the investment objectives of a Sub-Fund will actually be achieved, notwithstanding the efforts of the Manager since changes in political, financial, economic, social and/or legal conditions are not within the control of the Manager. Accordingly, there is a risk that investors may not recoup the original amount invested in a Sub-Fund or may lose a substantial part or all of their initial investment.

#### **Market risk**

The Net Asset Value of a Sub-Fund will change with changes in the market value of the investments of such Sub-Fund. The value of such investments, and consequently the price of Units of the relevant Sub-Fund, may go down as well as up.

#### **Concentration risk**

Certain Sub-Funds may invest only in a specific country, region, sector or type of investment with a particular focus. Although there are various investment restrictions with which the Manager has to comply when managing the investments of any Sub-Fund, the concentration of a Sub-Fund's investments may subject it to greater volatility than portfolios which comprise broad-based global investments.

#### **Emerging market risk**

Certain Sub-Funds may invest in emerging markets (including the PRC), which subjects the Sub-Funds to a higher level of market risk than investments in a developed country. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk (including risks arising from settlement procedures), greater tax, economic and foreign exchange risk, greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

#### **Counterparty risk**

A Sub-Fund will be subject to the risk of the inability of any counterparty to perform with respect to any investments or contracts purchased by the Sub-Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Sub-Fund may experience significant delays in obtaining any recovery in bankruptcy or other reorganisation proceeding.

Such Sub-Fund is likely to be an unsecured creditor in any such proceeding and may obtain only a limited recovery or may obtain no recovery in such circumstances.

#### Liquidity risk

A Sub-Fund may invest in instruments where the volume of transactions may fluctuate significantly depending on market sentiment. There is a risk that investments made by a Sub-Fund may become less liquid in response to market developments or adverse investor perceptions. In extreme market situations, there may be no willing buyer and the investments cannot be readily sold at the desired time or price, and the relevant Sub-Fund may have to accept a lower price to sell the investments or may not be able to sell the investments at all. An inability to sell a portfolio position can adversely affect the Net Asset Value of a Sub-Fund or prevent a Sub-Fund from being able to take advantage of other investment opportunities.

Liquidity risk also includes the risk that a Sub-Fund will not be able to pay redemption proceeds within the allowable time period because of unusual market conditions, an unusually high volume of redemption requests, or other uncontrollable factors. To meet redemption requests, a Sub-Fund may be forced to sell investments, at an unfavourable time and/or conditions.

#### Exchange rate risk

Assets of certain Sub-Funds may be denominated in currencies other than the base currencies of such Sub-Funds and the currency of some assets may not be freely convertible. Also, a class of units may be designated in a currency other than the base currencies of the Sub-Funds as well. These Sub-Funds may be adversely affected by changes in exchange rates between the currencies in which the assets of the relevant Sub-Fund are held and the base currency of such Sub-Fund.

#### Restricted markets risk

Certain Sub-Funds may invest in securities in jurisdictions (including the PRC) which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, such Sub-Funds may be required to make investments in the relevant markets directly or indirectly. In either case, legal and regulatory restrictions or limitations may have adverse effect on the liquidity and performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers.

#### Custodial risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-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 Sub-Fund may even be unable to recover all of its assets. The costs borne by a Sub-Fund in investing and holding investments in such markets will be generally higher than in more developed securities markets.

#### Legal and compliance risk

Domestic and/or international laws or regulations may change in a way that adversely affects a Sub-Fund. Differences in laws between countries or jurisdictions may make it difficult for the Trustee or Manager to enforce legal agreements entered into in respect of a Sub-Fund. The Trustee and the Manager reserve the right to take steps to limit or prevent any adverse effects

from changes to laws or their interpretation, including altering investments of or restructuring the relevant Sub-Fund.

#### Suspension risk

Under the terms of the Trust Deed, in certain circumstances, the Manager may suspend the calculation of the Net Asset Value of Units in a Sub-Fund as well as suspend subscriptions and redemptions for Units in a Sub-Fund. Investors may not be able to subscribe or redeem when such a suspension is invoked. Investors may not be able to obtain a market value of their investment if the unit price is suspended.

Please refer to the section headed "Suspension of Calculation of Net Asset Value" for further information in this regard.

#### Early termination risk

Under the Trust Deed, a Sub-Fund may be terminated by the Manager or the Trustee in certain conditions and in the manner as described in "Termination of the Trust or any Sub-Fund" in the section entitled "GENERAL" in this Prospectus. It is possible that, in the event of such termination, a Sub-Fund will not be able to achieve its investment objective and investors will have to realise any investment loss and will receive an amount less than the capital they originally invested.

#### Cross class liability risk

The Trust Deed allows the Manager, by giving written notice to the Trustee, to issue Units in separate classes. The Trust Deed provides for the manner in which liabilities are to be attributed across the various classes within a Sub-Fund under the Trust (liabilities are to be attributed to the specific class of a Sub-Fund in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant class (in the absence of the Trustee granting that person a security interest). However, the Trustee will have a right of reimbursement and indemnity out of the assets of the Trust which may result in Unitholders of one class of Units of a Sub-Fund being compelled to bear the liabilities incurred in respect of another class of the Sub-Fund which Units such Unitholders do not themselves own if there are insufficient assets attributable to that other class to satisfy the amount due to the Trustee. Accordingly, there is a risk that liabilities of one class of a Sub-Fund may not be limited to that particular class and may be required to be paid out of one or more other classes of that Sub-Fund.

#### Cross Sub-Fund liability risk

The assets and liabilities of each Sub-Fund under the Trust will be tracked, for bookkeeping purposes, separately from the assets and liabilities of any other Sub-Funds, and the Trust Deed provides that the assets of each Sub-Fund should be segregated from each other. There is no guarantee that the courts of any jurisdiction will respect the limitations on liability and that the assets of any particular Sub-Fund will not be used to satisfy the liabilities of any other Sub-Fund.

#### Risk of no dividends

Whether the Manager will pay dividends on Units of a Sub-Fund is subject to the Sub-Fund's distribution policy. There is no guarantee that any dividends will be distributed nor will there be a target level of dividend payout. A high distribution yield does not imply a positive or high return.

#### Distributions payable out of capital or effectively out of capital risk

In circumstances where the net distributable income of a class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of a Sub-Fund; or (ii) pay dividend out of gross income of a Sub-Fund (that is, income before



taking into account any fees or expenses) while charging all or part of such Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of a Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant class. Please refer to "Distribution policy" in the relevant Appendix.

#### Foreign Account Tax Compliance Act risk

Subject to the discussion regarding the intergovernmental agreement ("IGA") below, sections 1471 – 1474 (referred to as "FATCA") of the U.S. Internal Revenue Code of 1986, as amended ("IRS Code") impose rules with respect to certain payments to non-U.S. persons, such as each Sub-Fund, including but not limited to interest and dividends from securities of U.S. issuers. All such payments (referred to as "withholdable payments") may be subject to FATCA withholding at a 30% rate starting from 1 July 2014, unless the recipient of the payment satisfies certain requirements intended to enable the Internal Revenue Service (the "IRS") to identify certain direct and indirect United States persons (within the meaning of the IRS Code) with interests in such payments. The effective date for FATCA withholding on foreign pass-thru payments made to recalcitrant account holders (i.e. account holders who do not consent to FATCA reporting and disclosure to the US IRS or fail to cooperate with certain information requests made by a foreign financial institution (an "FFI")) or nonparticipating FFIs (i.e. FFIs that have not entered into a FFI Agreement with the IRS) will be the date that is two years after the publication of final regulations defining the term "foreign pass-thru payment".

To avoid such withholding on withholdable payments made to it, a FFI, such as each Sub-Fund (and, generally, other investment funds organised outside the U.S.), generally will be required to enter into an agreement (an "FFI Agreement") with the IRS under which it will agree to identify its direct or indirect U.S. owners and report certain information concerning such U.S. owners to the IRS. The FFI Agreement will also generally require that a FFI withhold U.S. tax at a rate of 30% on certain payments made to recalcitrant account holders and nonparticipating FFIs.

On 13 November 2014, Hong Kong entered into an IGA for the implementation of FATCA, adopting "Model 2" IGA arrangements. Under this "Model 2" IGA arrangement, FFIs in Hong Kong (such as each Sub-Fund) will be required to register with the US IRS and comply with the terms of the FFI Agreement. Otherwise the FFI will be subject to a 30% FATCA withholding tax on withholdable payments it receives. The Manager has obtained competent tax advice confirming that, to satisfy the FATCA requirements, either the Trust or each Sub-Fund may be registered with the IRS.

Under the IGA, FFIs in Hong Kong (such as each Sub-Fund) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax on payments they receive; and (ii) will not be required to withhold tax on withholdable payments to recalcitrant accounts (provided that information regarding such recalcitrant account is reported to the US IRS pursuant to the provisions of the IGA), but may be required to withhold tax on withholdable payments made to non-compliant FFIs. Withholding may be required with respect to withholdable payment to recalcitrant accounts if, pursuant to certain exchange of information provisions contained in the IGA, the IRS has not obtained information regarding such recalcitrant account holders within a time period specified in the IGA.

The Trust and each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA, the IGA and the FFI Agreement to avoid any FATCA withholding tax. In particular, each Sub-Fund has been registered as a participating FFI (including a reporting Model 2 FFI). In the event that the Trust or a Sub-Fund is not able to comply with the requirements imposed by FATCA, the IGA

or the FFI Agreement and the Trust or such Sub-Fund does suffer FATCA withholding tax on its investments as a result of non-compliance, the Net Asset Value of such Sub-Fund may be adversely affected and such Sub-Fund may suffer significant loss as a result. In addition, prospective investors should note that underlying collective investment schemes in which each Sub-Fund invests may be required to satisfy their own FATCA compliance obligations, and failure by any underlying collective investment scheme to fully comply with its FATCA obligations may have an adverse impact on the net asset value of each Sub-Fund.

To the extent that a Sub-Fund suffers withholding tax on its investments as a result of FATCA, the Trustee on behalf of the Sub-Fund, may, after completing due process to ascertain and confirm that the Unitholder has failed to cooperate and provide the required information, bring legal action against the relevant Unitholder for losses suffered by the relevant Sub-Fund as a result of such withholding tax.

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

## **Investment risks**

### Risk of investing in equity securities

Sub-Funds which invest directly or indirectly in equity securities are subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

Certain Sub-Funds may invest in small and mid-capitalisation companies, which generally have greater earnings and capital growth potential than larger capitalised companies. However, such investments in small- or mid-cap companies may involve greater risks, such as limited product lines, markets and financial or managerial resources. In addition, securities of smaller companies may trade less frequently, in lower volumes and with less liquidity than more widely held securities, and the securities of such companies generally are subject to more abrupt or erratic price movements than more widely held or larger, more established companies. This, in turn, may undermine the value of the Sub-Fund's assets.

### Risk of investing in fixed income securities

*Interest rate risk:* Sub-Funds which invest in fixed income securities are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, market value of fixed income securities tends to fall. Long-term fixed income securities in general are subject to higher interest rate risk than short-term fixed income securities.

*Volatility and liquidity risk:* The fixed income securities in certain markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

*Credit risk:* Investment in fixed income securities is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In general, fixed income securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the fixed income securities held by a Sub-Fund, that Sub-Fund's Net Asset Value will be adversely affected and investors may suffer a substantial loss as a result.

Fixed income securities are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt,

proceeds from the liquidation of the issuer's assets will be paid to holders of fixed income securities only after all secured claims have been satisfied in full. Each Sub-Fund holding such investments is therefore fully exposed to the credit risk of its counterparties as an unsecured creditor.

*Downgrading risk:* The credit rating of a fixed income security or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Sub-Fund may or may not be able to dispose of the securities that are being downgraded.

*Risks of investing in below investment grade and unrated fixed income securities:* A Sub-Fund may invest in fixed income securities which (or the issuers of which) are rated below investment grade, or which are unrated. Such securities are generally subject to a higher degree of volatility and credit risk, a lower degree of liquidity and greater risk of loss of principal and interest than high-rated debt securities.

*Valuation risk:* Valuation of a Sub-Fund's investments may involve uncertainties and judgemental determinations. If such valuations are incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

*Credit ratings risk:* 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.

#### Risk of investing in financial derivative instruments

Certain Sub-Funds may from time to time utilise financial derivative instruments for investment and/or hedging purposes. The use of derivatives exposes a sub-fund to additional risks, including: (a) volatility risk (derivatives can be highly volatile and expose investors to a high risk of loss); (b) leverage risk (as the low initial margin deposits normally required to establish a position in derivatives permits a high degree of leverage, there is risk that a relatively small movement in the price of a contract could result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin); (c) liquidity risk (daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of derivatives and transactions in over-the-counter derivatives may involve additional risk as there is no exchange market on which to close out an open position); (d) correlation risk (when used for hedging purposes there may be an imperfect correlation between the derivatives and the investments or market sectors being hedged); (e) counterparty risk (the Sub-Fund is exposed to the risk of loss resulting from a counterparty's failure to meet its financial obligations); (f) legal risks (the characterisation of a transaction or a party's legal capacity to enter into it could render the derivative contract unenforceable, and the insolvency or bankruptcy of a counterparty could pre-empt otherwise enforceable contract rights); and (g) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

The eventuation of any of the above risks could have an adverse effect on the Net Asset Value of a sub-fund which uses financial derivative instruments.

#### Over-the-counter markets risk

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

In addition, certain instruments traded on the OTC markets can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments.

#### Hedging risk

The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market risks. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result.

## **TAXATION**

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

### **Hong Kong**

#### ***The Trust and Sub-Fund(s)***

##### **Profits Tax**

During such period as the Trust and Sub-Fund(s) are authorised as a collective investment scheme by the SFC pursuant to Section 104 of the SFO, under present law and practice in Hong Kong, profits of the Trust and the Sub-Fund(s) are exempt from Hong Kong profits tax.

##### **Stamp Duty**

Pursuant to the remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty payable on the transfer of securities to the Trust and Sub-Fund(s) by an investor as consideration for an allotment of Units will be remitted or refunded. Similarly, any Hong Kong stamp duty payable on the transfer of securities by the Trust and Sub-Fund(s) to an investor upon redemption of Units will also be remitted or refunded.

No Hong Kong stamp duty is payable by the Trust and/or Sub-Fund(s) on an issue or redemption of Units. No Hong Kong stamp duty is payable where the sale or transfer of Units in the Trust and Sub-Fund(s) is effected by selling the relevant Units back to the Manager, who then either extinguish the Units or re-sell the Units to another person within two months thereof.

The sale and purchase of Hong Kong stock (if any) by the Trust and Sub-Fund(s) is generally subject to Hong Kong stamp duty at 0.1% on the higher of the consideration amount or market value, payable by both the buyer and the seller.

Hong Kong stamp duty payable on the transfer of shares or units of exchange traded funds listed on the Stock Exchange of Hong Kong is waived.

#### ***Unitholders***

##### **Profits Tax**

Distributions by the Trust or the Sub-Fund(s) should generally not be subject to Hong Kong profits tax in the hands of Unitholders in accordance with the prevailing practice of the Inland Revenue Department (as at the date of this Prospectus). Hong Kong profits tax (which is currently charged

at the rate of 16.5% for corporations and 15% for unincorporated businesses) will arise on any gains or profits sourced in Hong Kong made on the sale, redemption or other disposal of the Units where such transactions form part of a trade, profession or business carried on by a Unitholder in Hong Kong and such Units are not capital assets to the Unitholders.

There is no withholding tax on dividend distributions in Hong Kong.

#### Stamp Duty

The Units fall within the definition of “Hong Kong stock” as defined in the Stamp Duty Ordinance. However, no Hong Kong stamp duty is payable by Unitholders in relation to an issue or redemption of Units where the redemption is effected by extinguishing the Units.

Other types of sales or purchases or transfers of Units by the Unitholders should be liable to Hong Kong stamp duty of 0.1% (payable by both the buyer and the seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HKD5 is currently payable on any instrument of transfer of Units.

Unitholders should seek their own tax advice on their tax position with regard to their investment in any Sub-Fund(s).

## **GENERAL**

### **Reports and accounts**

The Trust's and each Sub-Fund's financial year end is on 31 December in each year. Audited annual financial reports drawn up in accordance with IFRS and unaudited interim financial reports (applying the same accounting policies and method of computation as are applied in the audited financial reports) will be prepared for each financial year. Financial reports will be available in English only.

Once financial reports are issued, Unitholders will be notified of where such reports, in printed and electronic forms, can be obtained. Such notices will be sent to Unitholders on or before the issue date of the relevant financial reports, which will be within four months after the end of the financial year in the case of audited annual financial reports, and within two months after 30 June in each year in the case of unaudited interim financial reports. Once issued the financial reports will be available in softcopy from the website [www.bmo.hk](http://www.bmo.hk)<sup>\*</sup> and in hardcopy for inspection at the Manager's office free of charge during normal working hours (hardcopies are also available for Unitholders to take away free of charge upon request).

At least one month's prior notice will be provided to Unitholders if there will be any change to the mode of distribution of financial reports described above.

### **Distribution policy**

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends in respect of any Sub-Fund, details of which are set out in the relevant Appendix.

Unless otherwise provided in the relevant Appendix, dividends may be paid out of capital or effectively out of capital of the relevant Class, including net realized and net unrealized capital gains, and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. There is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

Where distributions will be made, the Manager will adopt a distribution policy for each Sub-Fund at its discretion as the Manager considers appropriate having regard to the Sub-Fund's net income, fees and costs. The distribution policy for each Sub-Fund (including the currency of such distribution) will be set out in the relevant Appendix. Distributions are dependent on the payment of dividends or distributions of the underlying investments held by the relevant Sub-Fund, which will in turn depend on factors beyond the control of the Manager, including general economic conditions and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Furthermore, the dividend policy of each Sub-Fund is not representative of the dividend policies of any of the respective underlying investments of the Sub-Fund.

Unitholders may specify on subscription that they wish to receive a cash distribution if a distribution is declared by the Manager, provided, however, that distributions will not be paid in cash if the amount of the distribution for the relevant Unitholder amounts to less than USD100 (or its equivalent currency as the case may be). If Unitholders do not request cash distributions or if the amount of the distribution payable to the relevant Unitholder is less than the minimum amount specified as aforesaid, the distribution to which the Unitholder is entitled will be automatically reinvested in further Units to be issued at the prevailing Subscription Price of the relevant Class applicable on the distribution payment date.

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<sup>\*</sup> This website has not been reviewed by the SFC.

In circumstances where the net distributable income of a Class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of the Sub-Fund; or (ii) pay dividend out of gross income of the Sub-Fund (that is, income before taking into account any fees or expenses) while charging all or part of the Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant Class.

Where payment of dividends is being made out of capital or effectively out of capital, the compositions of the dividends (i.e. the relative amounts paid from net distributable income and capital) for the last 12 months (a rolling 12-month period starting from the date on which payment of dividends is being made out of capital or effectively out of capital) will be available from the Manager on request and on the Manager's website [www.bmo.hk](http://www.bmo.hk). The Manager may amend the policy regarding paying dividends out of capital and/or effectively out of capital subject to the SFC's prior approval and by giving not less than one month's advance notice to Unitholders.

The cash distribution will be paid to Unitholders at their own risk and expense by telegraphic transfer normally within one calendar month after the declaration of such distribution by the Manager.

### **Trust Deed**

The Trust was established as an umbrella unit trust under the laws of Hong Kong by the Trust Deed made between the Manager and Cititrust Limited. Pursuant to a Deed of Retirement and Appointment dated 3 June 2019, the Trustee is appointed as the trustee in place of Cititrust Limited with effect from 25 November 2019. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Trustee and the Manager out of the assets of the Trust or the relevant Sub-Fund(s) and their relief from liability in certain circumstances, subject to the proviso that nothing in any of the provisions of the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

### **Modification of Trust Deed**

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that the Trustee and the Manager have certified in writing that such modification (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any liability to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Trust or the relevant Sub-Fund; or (ii) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law); or (iii) is made to correct a manifest error. In all other cases, modifications, alterations and additions involving material changes require the sanction of an extraordinary resolution of the Unitholders affected or the approval of the SFC (but only to the extent such approval is required under the Code).

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\* This website has not been reviewed by the SFC.



The Manager will notify affected Unitholders of the amendments in advance of such amendments if such notification is required under the Code.

### **Meetings of Unitholders**

Meetings of Unitholders may be convened by the Manager or the Trustee. Unitholders holding 10% or more in value of the Units in issue may require a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting.

The quorum for all meetings is Unitholders present in person or by proxy representing 10% of the Units for the time being in issue except for the purpose of passing an extraordinary resolution. The quorum for passing an extraordinary resolution is Unitholders present in person or by proxy representing 25% or more of the Units in issue. In the case of an adjourned meeting of which separate notice will be given, such Unitholders present in person or by proxy will form a quorum. Every individual Unitholder present in person, by proxy or by representative has one vote for every Unit of which he is the Unitholder. In the case of joint Unitholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the Register of Unitholders.

The Trust Deed contains provisions for the holding of separate meetings of Unitholders holding Units of different classes where only the interests of Unitholders of such class are affected.

### **Transfer of Units**

Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the Unitholder of the Units transferred until the name of the transferee is entered in the Register of Unitholders in respect of such Units. The Trustee is entitled to require from the transferor and/or the transferee the payment to it of a fee (the maximum amount of which shall be agreed by the Trustee and the Manager from time to time), together with a sum equal to any expenses incurred by the Trustee in connection therewith.

Transfers of Units are subject to prior consent of the Manager and the Manager may instruct the Trustee not to enter the name of a transferee in the Register or recognise a transfer of any Units if either the Manager or the Trustee believes that such will result in or is likely to result in the contravention of any applicable laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed.

### **Termination of the Trust or any Sub-Fund**

The Trust may be terminated by the Trustee if: (a) the Manager goes into liquidation or a receiver is appointed and not discharged within 60 days; (b) in the opinion of the Trustee, the Manager is incapable of performing its duties satisfactorily; (c) the Manager has failed to perform its duties satisfactorily or has, in the opinion of the Trustee, done something calculated to bring the Trust into disrepute or that is harmful to the interests of Unitholders; (d) a law is passed that renders it illegal or, in the opinion of the Trustee and the Manager, impracticable or inadvisable to continue the Trust; (e) the Trustee is unable to find an acceptable person to replace the Manager within 30 days after the removal of the Manager, or the person nominated shall fail to be approved by extraordinary resolution; or (f) if the Trustee notifies the Manager in writing of its intention to retire and no suitable person willing to act as trustee has been identified by the Manager within 60 days of the Trustee's notice.

The Trustee may, in its absolute discretion, by notice in writing to the Manager, terminate a Sub-Fund if: (i) the Trustee forms the opinion for good and sufficient reason that the Manager is incapable of performing its duties satisfactorily in respect of the relevant Sub-Fund; (ii) the Trustee forms the opinion for good and sufficient reason that the Manager has failed to perform

its duties satisfactorily in respect of the relevant Sub-Fund or has done something calculated to bring the relevant Sub-Fund into disrepute or that is harmful to the interests of Unitholders of the relevant Sub-Funds; or (iii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the relevant Sub-Fund and which renders the relevant Sub-Fund illegal or in the good faith opinion of the Trustee makes it impracticable or inadvisable to continue the relevant Sub-Fund.

The Manager may terminate the Trust if: (a) after one year from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Sub-Fund is less than HKD100 million; (b) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue the Trust; or (c) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate a Sub-Fund if: (a) after one year from the date of establishment of the Sub-Fund, the aggregate Net Asset Value of all the Units in the relevant Sub-Fund is less than HKD100 million; (b) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the relevant Sub-Fund and which renders the relevant Sub-Fund illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue that Sub-Fund; (c) (if the Sub-Fund is an index tracking fund) the Sub-Fund's underlying index is no longer available for benchmarking; or (d) the Manager is unable to implement its investment strategy. Further, the Unitholders may at any time authorise termination of the Trust or the relevant Sub-Funds by extraordinary resolution.

Notice of the termination of the Trust or the Sub-Funds will be given to the Unitholders after the SFC has approved the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Trust or the Sub-Funds and the alternatives available to them, and any other information required by the Code.

Upon termination of the Trust or a Sub-Fund, the Trustee and the Manager will arrange for the sale of all investments remaining as part of the assets and discharging all liabilities of the Trust or the relevant Sub-Fund (as the case may be). Thereafter, the Trustee will distribute to the Unitholders, in proportion to the Units held by them, any net cash proceeds derived from the realisation of the assets and available for the purposes of such distribution, provided that the Trustee may retain out of any moneys as part of the assets full provisions for all costs, charges, expenses, claims and demands properly incurred, made or apprehended by the Trustee or the Manager. Please refer to the Trust Deed for further details.

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

### **Documents available for inspection**

Copies of the following documents are available for inspection free of charge at the offices of the Manager and copies thereof (other than (b) which will be free of charge) may be obtained from the Manager at a cost of HKD150 (or equivalent in other currency) per set of copy documents:

- (a) Trust Deed; and
- (b) The most recent annual report and accounts of the Trust and the Sub-Fund (if any) and the most recent interim report of the Trust and the Sub-Fund (if any).

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

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("AEOL"). The Ordinance requires financial institutions ("FIs") in Hong Kong to collect certain information from Unitholders and report annually the required information of the Unitholders who are a tax resident in jurisdictions which signed a Competent Authority Agreement ("CAA") with Hong Kong (collectively, "Reportable Jurisdictions") to the Hong Kong Inland Revenue Department ("IRD") for the purpose of AEOL. In general, the information reported to the IRD may be exchanged with the Reportable Jurisdictions which Hong Kong has a CAA in force; however, the Trust, the relevant Sub-Fund and/or its agents may further collect information relating to residents of jurisdictions other than the Reportable Jurisdictions.

The Trust and each Sub-Fund are required to comply with the requirements of the Ordinance, which means that the Trust, each Sub-Fund and/or its agents shall collect and provide to the IRD the required information relating to Unitholders who are tax resident in the Reportable Jurisdictions.

The Ordinance requires the Trust and/or its agents to, amongst other things: (i) register the Trust 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" under the Ordinance; and (iii) report to the IRD the required information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the required information reported to it to the competent authorities of the relevant Reportable Jurisdictions with which Hong Kong has a CAA in force. Broadly, the Ordinance requires that Hong Kong FIs report on: (i) individuals or entities that are tax resident in a Reportable Jurisdiction; and (ii) Controlling Persons (as defined in the Ordinance) of a Unitholder that is not a natural person who are tax resident in a Reportable Jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, place of birth, address, tax residence(ies), tax identification number(s) (if any), account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with competent authorities in the relevant Reportable Jurisdictions with which Hong Kong has a CAA in force.

By investing in a Sub-Fund and/or continuing to invest in a Sub-Fund, Unitholders acknowledge that they may be required to provide additional information to the Trust, the relevant Sub-Fund and/or its agents in order for the Trust and the Sub-Fund to comply with the Ordinance. The Unitholder's information (and information on Controlling Persons of a Unitholder that are not natural persons), if reportable, may be transmitted by the IRD to competent authorities of the Reportable Jurisdictions.

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

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

Each Unitholder (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the relevant Sub-Fund (a) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the relevant Sub-Fund receives payments and/or (b) to satisfy reporting or other obligations under the 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 or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including any law, rule and requirement relating to AEOI) and reporting obligations that may be imposed by future legislation.

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

Subject to applicable laws and regulations in Hong Kong, the Trust, the Trustee, the Manager or any of their authorised person (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 and the IRD), certain information in relation to an Unitholder, including but not limited to the Unitholder's name, address, jurisdiction of birth, tax residence(ies), tax identification number(s) (if any), social security number(s) (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Trust, the Sub-Fund, the Manager or the Trustee to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to the Ordinance), regulation or agreement under FATCA.

### **Personal Data**

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) (the "PDPO"), the Trustee, the Manager, or any of their respective delegates (each a "Data User") may collect, hold and use personal data of individual investors in the relevant Sub-Fund only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorised or accidental access, processing, erasure or other use.

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

As part of the Trustee's and the Manager's responsibility to prevent money laundering, they and/or their respective delegates or agents may require detailed verification of a prospective investor's identity and the source of the payment of application monies. Depending on the circumstances of each application, a detailed verification may not be required where: (a) the prospective investor makes payment from an account in the prospective investor's name at a recognised financial institution; (b) the prospective investor is regulated by a recognised regulatory authority; or (c) the application is made through a recognised financial intermediary. The exceptions will only apply if the financial institution, regulatory authority or intermediary referred to above is within a country recognised by Hong Kong as having sufficient anti-money laundering regulations.

The Trustee, the Manager and their respective delegates and agents each reserves the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Trustee, the Manager or any of their respective delegates or agents may refuse to accept the application and return the application monies (without interest and net of expenses) relating to such application.

The Trustee, the Manager and their respective delegates and agents each also reserves the right to refuse to make any redemption payment to a Unitholder if the Trustee, the Manager and/or any of their respective delegates and agents suspect or are advised that the payment of redemption proceeds to such Unitholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered

necessary or appropriate to ensure the compliance by the Trust or the relevant Sub-Fund(s) or the Trustee or the Manager with any such laws or regulations in any applicable jurisdiction.

None of the Trustee, the Manager or their respective delegates or agents shall be liable to the prospective investor or Unitholder for any loss suffered by such party as a result of the rejection or delay of any subscription application or payment of redemption proceeds.

### **Liquidity Risk Management**

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Sub-Funds and to ensure that the liquidity profile of the investments of the relevant Sub-Fund will facilitate compliance with such Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity risk management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions. The liquidity risk monitoring function of the Manager is carried out by designated staff responsible for risk management who are functionally independent from the day-to-day portfolio investment staff of the Manager.

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

The liquidity management policy involves monitoring the profile of investments held by each Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "REDEMPTION OF UNITS", and will facilitate compliance with each Sub-Fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Sub-Funds under normal and exceptional market conditions.

As a liquidity risk management tool, the Manager may limit the number of Units of all classes of a Sub-Fund redeemed on any Dealing Day to Units representing 10% (or such higher percentage as the Manager may determine in any particular case) of the total number of Units of all classes of such Sub-Fund in issue (subject to the conditions under the heading entitled "Restrictions on redemption" in the section headed "REDEMPTION OF UNITS").

### **Conflicts of Interest**

The Manager and the Trustee (and any of their affiliates) (each a "relevant party") may from time to time act as trustee, administrator, registrar, manager, custodian, investment delegate or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any relevant party may, in the course of business, have potential conflicts of interest with the Trust or any Sub-Fund. Each relevant party will, at all times, have regard in such event to its obligations to the Trust and the relevant Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Each relevant party shall be entitled to retain for its own use and benefit all fees and other monies payable thereby and shall not be deemed to be affected with notice of or to be under any duty to disclose to the Trust, any Sub-Fund, any Unitholder or any other relevant party any fact or thing which comes to the notice of the relevant party in the course of its rendering services to others or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed. In any event, the Manager will ensure that all investment opportunities will be fairly allocated.

The Manager has established policies in relation to the identification and monitoring of potential conflicts of interest situations, to ensure that clients' interests are given priority at all times. Key

duties and functions must be appropriately segregated and there are strict policies and dealing procedures designed to avoid, monitor and deal with conflicts of interests situations, such as rules and procedures in relation to order allocation, best execution, receipt of gifts or benefits, retention of proper records, prohibition of certain types of transactions and handling of client complaints. The Manager has designated staff to monitor the implementation of such trading policies and dealing procedures with clear reporting lines to and oversight by senior management. In any event, the Manager will ensure that all investment schemes and accounts which it manages, including each Sub-Fund, are treated fairly.

It is expected that transactions for any Sub-Fund may be carried out with or through Connected Persons of the Manager. The Manager will ensure that all transactions carried out by or on behalf of each Sub-Fund will be in compliance with all applicable laws and regulations. The Manager will use due care in the selection of such Connected Persons to ensure that they are suitably qualified in the circumstances, and will monitor and ensure that all such transactions are executed on arm's length terms, in the best interests of Unitholders and executed on best available terms. The fee or commission payable to any such Connected Persons in respect of a transaction will not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature. The Manager will monitor all such transactions to ensure compliance with its obligations. All such transactions and the total commissions and other quantifiable benefits received by such Connected Persons will be disclosed in the relevant Sub-Fund's annual report.

Where the Manager invests the Sub-Funds in shares or units of a collective investment scheme ("underlying scheme") managed by the Manager or any of its Connected Persons, the manager of the underlying scheme must waive any management fee, preliminary or initial charge or redemption charge which it is entitled to charge for its own account in relation to the acquisition or redemption of shares or units, as the case may be, and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any of its Connected Persons) borne by the Sub-Funds. Notwithstanding, such investment will present indirect benefits to the Manager or its Connected Persons (as the case may be) including but not limited to the increase in assets under management and/or seed money in the underlying scheme and resulting economies of scale. The Manager manages these conflicts of interest by having robust procedures around the selection of underlying scheme.

If the Manager decides to execute foreign exchange, spot, forward or swap transactions (collectively, "foreign exchange transactions") with a Connected Person of the Trustee (a "State Street counterparty") then:

- (a) such State Street counterparty will enter into such foreign exchange transaction with or for the account of the relevant Sub-Fund as a principal counterparty (and not as agent or fiduciary for the Trustee or the relevant Sub-Fund of class of Units or the Manager and on a basis determined by the Manager to represent a transaction on an arm's length basis);
- (b) the Manager will at its discretion determine the method of execution to be used, either generally or in any particular case, from the methods of execution made available to it by the State Street counterparty and as outlined in client publications issued by State Street from time to time and shall be responsible for determining which method of execution is suitable for the relevant Sub-Fund or class of Units;
- (c) any such transaction shall be effected at rates quoted or as determined by the State Street counterparty from time to time which are consistent with the applicable method of execution chosen by the Manager from the methods made available to it by the State Street counterparty in light of such factors as the Manager determines to be relevant, including price, services transaction size and execution quality; and
- (d) the State Street counterparty with whom a Manager determines to execute foreign exchange transactions for the account of a Sub-Fund of class of Units shall be entitled to retain for its own use and benefit any profit, benefit and/or advantage which it may derive from any such foreign exchange transactions or the holding of any cash in connection with such transactions.

For the avoidance of doubt, the Manager may elect to enter into foreign exchange transactions with counterparties other than a State Street counterparty.

The Manager may enter into trades for the account of a Sub-Fund with the accounts of other clients of the Manager or its affiliates ("cross trades"). Such cross trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objective, restrictions and policies of both clients, the cross trades are executed on arm's length terms at current market value, and the reasons for such cross trades are documented prior to execution. Cross trades may also be entered into between house accounts (i.e. account owned by the Manager or any of its connected persons over which it can exercise control and influence) and client accounts in accordance with applicable laws and regulations.

## **Websites**

The offer of the Units is made solely on the basis of information contained in this Prospectus. This Prospectus may refer to information and materials included in websites, which may be updated or changed from time to time without any notice. Such information and materials do not form part of this Prospectus and they have not been reviewed by the SFC. Investors should exercise an appropriate degree of caution when assessing the value of such information and materials.

## **SCHEDULE 1 - INVESTMENT RESTRICTIONS**

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

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

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

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

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

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

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

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

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

- (c) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group exceeding 20% of the latest available Net Asset Value of the relevant



Sub-Fund provided that the 20% limit may be exceeded in the following circumstances:

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

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

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

provided that:

- (A) no investment may be made in any underlying scheme the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the Code;
- (B) where an underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, a Sub-Fund may invest in underlying scheme(s) authorized by the SFC under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its total net asset value, and Qualified Exchange Traded Funds in compliance with sub-paragraphs 1(g)(i) and (ii) of this Schedule 1;
- (C) the underlying scheme's objective may not be to invest primarily in other collective investment scheme(s);
- (D) all initial charges and redemption charges on the underlying scheme(s) must be waived if the underlying scheme is managed by the Manager or its Connected Persons; and
- (E) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

For the avoidance of doubt:

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

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

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

- (a) invest in physical commodities unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary;
- (b) invest in any type of real estate (including buildings) or interests in real estate (including any options or rights but excluding shares in real estate companies and interests in REITs);
- (c) make short sales unless (i) the liability of the relevant Sub-Fund to deliver securities does not exceed 10% of its latest available Net Asset Value; (ii) the security which is to be sold short is actively traded on a securities market where short selling activity is permitted; and (iii) the short sales are carried out in accordance with all applicable laws and regulations;
- (d) carry out any naked or uncovered short sale of securities;
- (e) subject to sub-paragraph 1(e) of this Schedule 1, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not subject to the limitations in this sub-paragraph 2(e);
- (f) acquire any asset or engage in any transaction which involves the assumption of any liability by the relevant Sub-Fund which is unlimited. For the avoidance of doubt, the liability of Unitholders of a Sub-Fund is limited to their investments in that Sub-Fund;
- (g) invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued securities of that class; 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 Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of sub-paragraphs 4.5 and 4.6 of this Schedule 1.

### **3. Feeder funds**

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

- (a) such underlying scheme ("master fund") must be authorized by the SFC;
- (b) no increase in the overall total of initial charges, redemption charges, management fees, or any other costs and charges payable to the Manager or any of its connected persons borne by the Unitholders or by the feeder fund may result, if the master fund in which the feeder fund invests is managed by the Manager or by a connected person of the Manager; 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 Sub-Fund may acquire financial derivative instruments for hedging purposes. For the purposes of this sub-paragraph 4.1, financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:

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

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

4.2 A Sub-Fund may also acquire financial derivative instruments for non-hedging purposes ("investment purposes") subject to the limit that such Sub-Fund's net exposure relating to these financial derivative instruments ("net derivative exposure") does not exceed 50% of its latest available Net Asset Value provided that such limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under sub-paragraph 4.1 of this Schedule 1 will not be counted towards the 50% limit referred to in this sub-paragraph 4.2 so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

4.3 Subject to sub-paragraphs 4.2 and 4.4 of this Schedule 1, a Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs 1(a), (b), (c), (f), (g)(i) and (ii), proviso (A) to (C) to sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1.

4.4 The financial derivative instruments invested by a Sub-Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions:

- (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other public securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies;

- (b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;
- (c) subject to sub-paragraphs 1(a) and (b) of this Schedule 1, a Sub-Fund's net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its latest available Net Asset Value provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
- (d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) (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 Sub-Fund's initiative. Further, any person appointed to perform valuation of the financial derivative instruments (including any calculation agent or the Administrator) should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.

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

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

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

4.7 The requirements under sub-paragraphs 4.1 to 4.6 of this Schedule 1 shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an

“embedded financial derivative” is a financial derivative instrument that is embedded in another security.

## **5. Securities financing transactions**

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

## **6. Collateral**

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

- (a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- (b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;
- (c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;
- (d) Haircut – the collateral is subject to a prudent haircut policy;
- (e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A Sub-Fund’s exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs 1(a), 1(b), 1(c), 1(f), 1(g)(i) and (ii) and provisos (A) to (C) of sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1;
- (f) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the

counterparty of securities financing transactions or any of their related entities should not be used as collateral;

- (g) Management of operational and legal risks – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;
- (h) Independent custody – the collateral is held by the Trustee or by duly appointed nominee, agent or delegate;
- (i) Enforceability – the collateral is readily accessible or enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions;
- (j) Re-investment of collateral – any re-investment of collateral received for the account of the relevant Sub-Fund shall be subject to the following requirements:
  - (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;
  - (ii) non-cash collateral received may not be sold, re-invested or pledged;
  - (iii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs 7(b) and 7(j) of this Schedule 1;
  - (iv) cash collateral received is not allowed to be further engaged in any securities financing transactions; 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.

## **7. Money Market Funds**

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

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

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

- (c) notwithstanding sub-paragraphs 1(a) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund's holding of instruments issued by a single entity, together with any deposits held with that same issuer may not exceed 10% of the latest available Net Asset Value of such Money Market Fund except:
  - (i) the value of a Money Market Fund's holding of instruments and deposits issued by a single entity may be increased to 25% of the latest available Net Asset Value of such Money Market Fund if the entity is a substantial financial institution, provided that the total value of such holding does not exceed 10% of the entity's share capital and non-distributable capital reserves;
  - (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 USD 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;
- (j) a Money Market Fund must hold at least 7.5% of its latest available Net Asset Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets. For the purposes herein:
  - (i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and
  - (ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities.

## **8. Index Funds**

- 8.1 In the exercise of its investment powers in relation to a Sub-Fund the principal objective of which is to track, replicate or correspond to a financial index or benchmark ("Underlying Index"), with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the Underlying Index ("Index Fund"), the Manager shall ensure that the core requirements in paragraphs 1, 2, 4, 5, 6, 9.1, 10.1 and 10.3 of this Schedule 1 shall apply with the modifications or exceptions as set out in sub-paragraphs 8.2 to 8.4 below.
- 8.2 Notwithstanding sub-paragraph 1(a) of this Schedule 1, more than 10% of the latest available Net Asset Value of an Index Fund may be invested in constituent securities issued by a single entity provided that:
- (a) it is limited to any constituent securities that each accounts for more than 10% of the weighting of the Underlying Index; and
  - (b) the Index Fund's holding of any such constituent securities may not exceed their respective weightings in the Underlying Index, except where weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature;
- 8.3 Investment restrictions in sub-paragraphs 8.2(a) and (b) of this Schedule 1 do not apply if:
- (a) an Index Fund adopts a representative sampling strategy which does not involve the full replication of the constituent securities of the Underlying Index in the exact weightings of such Underlying Index;
  - (b) the strategy is clearly disclosed in the relevant Appendix of the Index Fund;
  - (c) the excess of the weightings of the constituent securities held by the Index Fund over the weightings in the Underlying Index is caused by the implementation of the representative sampling strategy;
  - (d) any excess weightings of the Index Fund's holdings over the weightings in the Underlying Index must be subject to a maximum limit reasonably determined by the Index Fund after consultation with the SFC. In determining this limit, the Index Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the Underlying Index and any other suitable factors;
  - (e) limits laid down for the Index Fund pursuant to sub-paragraph 8.3(d) must be disclosed in the relevant Appendix of the Index Fund; and
  - (f) disclosure must be made in the Index Fund's interim and annual financial reports as to whether the limits imposed for the Index Fund itself pursuant to sub-paragraph 8.3(d) of this Schedule 1 have been complied with in full.
- 8.4 Subject to approval of the SFC, the investment restrictions in sub-paragraphs 1(b) and (c) of this Schedule 1 may be modified and the 30% limit in sub-paragraph 1(f) of this Schedule 1 may be exceeded, and an Index Fund may invest all of its assets in Government and other public securities in any number of different issues despite sub-paragraph 1(f) of this Schedule 1.

## **9. Borrowing and Leverage**

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

### **Cash borrowing**

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

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

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

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

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

## **APPENDIX 1: BMO BALANCED FUND**

*This Appendix (which forms part of, and should be read together with the rest of, the Prospectus) relates to the BMO Balanced Fund (the “Sub-Fund”), a sub-fund of the Trust. All references in this Appendix to the Sub-Fund are to BMO Balanced Fund. Unless otherwise defined in this Appendix, terms defined in the main body of this Prospectus have the same meaning when used in this Appendix.*

### **Investment Objective**

The investment objective of the Sub-Fund is to achieve long term capital growth while maintaining stable income. This will be achieved by investing primarily in a globally diversified portfolio of exchange traded funds (the “Underlying ETFs”) whose underlying assets cover the risk return spectrum. The Sub-Fund seeks to diversify its portfolio across a broad range of underlying asset classes and currencies globally, including emerging markets. Such underlying assets may include, but are not limited to equity securities, fixed income securities, commodities and money market instruments. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **Investment Strategy**

#### *Underlying ETFs selection*

The Underlying ETFs will be selected by reference to their appropriateness to meet the investment objective and the desired asset exposure required by the Manager in accordance with the investment strategy of the Sub-Fund. The Manager does not intend to have an investment focus in terms of sector, industry or market capitalisation.

The Sub-Fund will invest at least 70% (but less than 100%) of its Net Asset Value in the Underlying ETFs. The asset allocation of the Sub-Fund will change according to the Manager's views of fundamental economic and market conditions and investment trends, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market. Please refer to the “Indicative asset allocation” table below for an indication of the underlying asset allocation ranges of the Sub-Fund.

Each of the Underlying ETFs, which may or may not be authorised by the SFC, must meet the following criteria:

- (i) is listed and regularly traded on internationally recognised stock exchanges open to the public (excluding nominal listing), including but not limited to Canada, Hong Kong, Singapore, the United States (“US”) or the United Kingdom (“UK”), and the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code on Unit Trusts and Mutual Funds;
- (ii) seeks investment results corresponding to a rule-based underlying index or benchmark; and
- (iii) has an exposure to fixed income securities, equity securities and/or commodities.

The Manager may also consider other factors such as total expense ratio, tracking difference, currency exposure, dividend yield, fund size, liquidity, costs of trading and tax when selecting the Underlying ETFs.

The Sub-Fund will not invest in any leveraged, inverse, futures or synthetic ETFs.

The Sub-Fund may invest in an Underlying ETF which invests in financial derivative instruments for hedging purposes and provided that such Underlying ETF's net derivative exposure does not exceed 50% of its net asset value.

#### *Fixed income ETF investments*

The Sub-Fund may invest in Underlying ETFs with an exposure to fixed income securities, such as money market, US aggregate bonds, Eurodollar bonds, emerging markets bonds and high yield bonds. The Sub-Fund will have no restrictions on the credit ratings of the fixed income securities the Underlying ETF holds, and may invest up to 40% of its Net Asset Value in Underlying ETFs with exposure to securities which are rated below investment grade (i.e. below BBB-/Baa3) by internationally recognised credit rating agencies (such as Standard & Poor's, Moody's and/or Fitch), or which are unrated. For the purpose of the Sub-Fund, an "unrated" fixed income security is defined as a fixed income security where neither the security itself nor its issuer has a credit rating.

#### *Equity ETF investments*

The Sub-Fund may invest in Underlying ETFs with exposure to equity securities listed in Asia (including Japan, Hong Kong, Singapore), Canada, Europe, UK, US or emerging markets. There is no restriction on market capitalisations in relation to the equity securities in which the Underlying ETFs may invest, and the Underlying ETFs may invest substantially in securities issued by small and/or mid-cap companies.

#### *Physical Commodity ETF investments*

The Sub-Fund may invest in Underlying ETFs which are physical commodity (precious metals only) ETFs.

#### *Other investments*

The Sub-Fund may invest directly in equity securities and fixed income securities. It may also invest up to 10% of its Net Asset Value in unlisted collective investment schemes, ETFs which are not index tracking (commonly known as active ETFs) and ETFs which adopt a master-feeder structure.

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents for cash flow management.

#### *Limitation on charges*

Where appropriate, the Sub-Fund may invest in Underlying ETFs and other collective investment schemes (such as unlisted collective investment schemes, ETFs which are not index tracking and ETFs which adopt a master-feeder structure) which are also managed by the Manager or its connected persons and in such circumstances, all initial charges, redemption charges and management fees on such Underlying ETFs and other collective investment schemes managed by the Manager or its connected persons must be waived. In addition, the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by such Underlying ETFs and other collective investment schemes or their management company, or quantifiable monetary benefits in connection with investments in such Underlying ETFs and other collective investment schemes.

#### *Use of Derivatives / Investment in Derivatives*

The Sub-Fund may invest in financial derivative instruments for hedging purposes only.

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

#### *Securities lending, repurchase or reverse-repurchase transactions*

The Manager currently will not enter into any securities lending transactions, sale and repurchase transactions or reverse-repurchase transactions in respect of the Sub-Fund.

#### *Indicative asset allocation*

The following is an indication of the underlying asset allocation of the Sub-Fund:

<b>Asset class</b>	<b>Indicative percentage of Net Asset Value</b>
Equity ETFs	40% to 80%
Fixed income ETFs (including money market ETFs)	20% to 60%
Physical Commodity ETFs	0% to 10%
Equity securities	0% to 10%
Fixed income securities	0% to 10%
Unlisted collective investment schemes, ETFs which are not index tracking (commonly known as active ETFs) and ETFs which adopt a master-feeder structure	0% to 10%
Cash and cash equivalents	0% to 10%

#### **Investment Restrictions**

No waivers from the investment restrictions set out in Schedule 1 of the Prospectus have been sought or granted by the SFC.

#### **Leverage**

The expected maximum leverage arising from cash borrowing is 10% of the Sub-Fund's net asset value. For the purposes of this borrowing limit, back-to-back loans do not count as borrowing.

The Sub-Fund may invest in financial derivative instruments for hedging purposes only, and is therefore not expected to incur any leverage arising from the use of financial derivative instruments.

The actual level of leverage may be higher than the foregoing expected level in exceptional circumstances.

#### **Available Classes**

The Sub-Fund currently has the following classes of Units which are available to investors:

- Class A USD Acc
- Class A USD MDis
- Class A HKD MDis

#### **Base Currency**

The Base Currency of the Sub-Fund is USD.

## Dealing Procedures

For details of dealing procedures, please refer to the sections headed “SUBSCRIPTION OF UNITS”, “REDEMPTION OF UNITS” and “SWITCHING” in the main body of this Prospectus. The following apply to the Sub-Fund:

<i>Dealing Day</i>	each day (other than a Saturday or Sunday) on which banks in Hong Kong, the United States, the United Kingdom, and Canada are open for normal banking business or such other day or days as the Manager and the Trustee may determine from time to time, provided that where, as a result of a typhoon signal number 8, black rainstorm 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 Dealing Day unless the Manager and the Trustee determine otherwise
<i>Dealing Deadline</i>	1:00 pm (Hong Kong time) on the relevant Dealing Day

## Payment of redemption proceeds

As set out in the main body of this Prospectus, save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid by telegraphic transfer, within 7 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless legal or regulatory requirements in the relevant jurisdiction (such as foreign currency controls) to which the Sub-Fund is subject render the payment of the redemption proceeds within the aforesaid time period not practicable, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the relevant jurisdiction.

## Investment Minima

The following investment minima apply to the Sub-Fund:

<i>Minimum initial investment</i>	USD5,000 or its equivalent
<i>Minimum subsequent investment</i>	USD1,000 or its equivalent
<i>Minimum holding</i>	USD5,000 or its equivalent
<i>Minimum redemption amount</i>	USD1,000 or its equivalent

The Manager may, in its absolute discretion, waive or agree to a lower amount of any of the above investment minima (either generally or in any particular case).

## Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on the Manager’s website [www.bmo.hk](http://www.bmo.hk)<sup>\*</sup>.

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<sup>\*</sup> This website has not been reviewed by the SFC.

## Expenses and Charges

The following are the actual fees and charges payable in respect of each class of the Sub-Fund. Maximum fees permitted to be charged on one months' notice to Unitholders are set out under the section entitled "EXPENSES AND CHARGES" in the main body of this Prospectus.

### Fees payable by Unitholders

<i>Subscription fee</i>	Up to 5% of the subscription monies
<i>Redemption fee</i>	Nil
<i>Switching fee</i> <sup>^</sup>	Up to 1% of the redemption proceeds

<sup>^</sup> Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.

### Fees payable by the Sub-Fund

<i>Management fee</i> <sup>+</sup>	0.98% per annum of the Net Asset Value of the Units
<i>Performance fee</i>	Nil
<i>Trustee fee</i>	Included in Management Fee

### Management Fee

The Management Fee in respect of the Sub-Fund includes the Manager's fee, the Trustee's fee, the Administrator's fee, the Registrar's fees and the custodian's fees (if any), and will be payable quarterly in arrears. For the avoidance of doubt, the Management Fee does not include expenses of the auditor, ordinary legal and out-of-pocket expenses incurred by the Manager or the Trustee, transaction costs, other charges and expenses, and extraordinary items such as litigation expenses.

### Performance Fee

No performance fee will be charged for the Sub-Fund.

## Additional Risk Factors

Investors should note the following risk factors set out in the section entitled "RISK FACTORS" in the main body of this Prospectus, which are applicable to the Sub-Fund: "Investment risk", "Market risk", "Concentration risk", "Emerging market risk", "Counterparty risk", "Liquidity risk", "Exchange rate risk", "Restricted markets risk", "Legal and compliance risk", "Suspension risk", "Early termination risk", "Cross class liability risk", "Risk of no dividends", "Distributions payable out of capital or effectively out of capital risk", "Foreign Account Tax Compliance Act risk", "Risk of investing in equity securities" and "Risk of investing in fixed income instruments".

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<sup>+</sup> The management fee includes the Manager's fee, the Trustee's fee, the Administrator's fee, the Registrar's fees and the custodian's fees (if any). Please refer to the section "Management Fee" below.



In addition, the following risk factors are specific to the Sub-Fund:

#### Investment risk

The Sub-Fund's investment portfolio may decrease in value due to any of the key risk factors below and therefore your investment in the fund may suffer losses. There is no guarantee of the repayment of principal.

#### Risk relating to dynamic asset allocation strategy

The Sub-Fund may incur greater transaction costs than a fund with static allocation strategy. The dynamic asset allocation strategy may not achieve the desired results under all circumstances and market conditions.

#### Risk of investing in equity securities

The Sub-Fund may invest in Underlying ETFs with exposure to equity securities – there are risks involved in the Underlying ETF's investments in equity securities, which may in turn adversely affect the Net Asset Value of the Sub-Fund. Please refer to "Risks of investing in equity securities" under the section headed "RISK FACTORS" in the main body of this Prospectus.

#### Risks of investing in the Underlying ETFs and other collective investment schemes

*General:* The Sub-Fund primarily invests in the Underlying ETFs and may also invest in other collective investment schemes (such as unlisted collective investment schemes, ETFs which are not index tracking and ETFs which adopt a master-feeder structure) (collectively, the "Underlying Schemes"). As such, the Sub-Fund may be subject to the risks associated with the Underlying Schemes. The Sub-Fund does not have control over the investments of the Underlying Schemes and there is no assurance that the investment objective and strategy of the Underlying Schemes will be successfully achieved which may have a negative impact on the Net Asset Value of the Sub-Fund.

*Liquidity risks:* The Underlying Schemes may not be regulated by the SFC. There may be additional costs involved when investing in these Underlying Schemes. There is also no guarantee that the Underlying Schemes will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when they are made.

*Conflicts of interest risks:* There will be potential conflicts of interest where the Sub-Fund invests in shares or units of an Underlying Scheme managed by the Manager or its connected persons. Such investment will present indirect benefits to the Manager or its connected persons, including but not limited to the increase in assets under management and/or seed money of the Underlying Scheme and resulting economies of scale. The Manager manages these conflicts by having robust procedures around the selection of the Underlying Scheme and will endeavour to ensure that such conflicts are resolved fairly and all transactions between the Sub-Fund and any of such Underlying Schemes are on an arm's length basis.

*Passive investment risks:* The Underlying ETFs are passively managed and the manager of the Underlying ETFs will not have the discretion to adapt to market changes due to the inherent investment nature of the Underlying ETFs. Decreases in the underlying index of the Underlying ETFs are expected to result in corresponding decreases in the value of the Sub-Fund.

*Tracking error risks:* The Underlying ETFs may be subject to tracking error risk, which is the risk that their performance may not track that of the underlying index exactly. This tracking error may result from the investment strategy used, and fees and expenses. There can be no assurance of exact or identical replication at any time of the performance of the underlying index

*Trading risks:* The units/shares of any exchange traded Underlying Schemes in which the Sub-Fund invests may be traded at large discounts or premiums to their net asset value, which may in turn affect the Net Asset Value of the Sub-Fund.

#### Risks of investing in fixed income securities

The Sub-Fund may invest in Underlying ETFs with an exposure to fixed income, such as money market, US aggregate bonds, Eurodollar bonds, emerging markets bonds and high yield bonds – there are risks involved in the Underlying ETFs' investments in fixed income securities, which may in turn adversely affect the Net Asset Value of the Sub-Fund. Please refer to "Risks of investing in fixed income securities" under the section headed "RISK FACTORS" in the main body of this Prospectus.

#### Risks relating to investment in money market instruments

Investment in an Underlying ETF which invests in money market instruments is not the same as placing funds on deposit with a bank or deposit-taking company. The manager of the Underlying ETF has no obligation to redeem units / shares at the offer value and the Underlying ETF is not subject to the supervision of any regulator that regulates banks or deposit-taking companies. The Underlying ETF may suffer losses in trading such instruments which in turn may affect the Net Asset Value of the Sub-Fund.

#### Risks of investing in emerging markets

The Sub-Fund may invest in Underlying ETFs which invests in emerging markets – there are risks involved in the Underlying ETFs' investments in emerging markets, which may in turn adversely affect the Net Asset Value of the Sub-Fund. Please refer to "Emerging market risk" under the section headed "RISK FACTORS" in the main body of this Prospectus.

#### Foreign exchange risk

Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. Also, a class of Units may be designated in a currency other than the base currency of the Sub-Fund. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

#### Risk of investing in financial derivative instruments

The Sub-Fund may from time to time invest in financial derivative instruments for hedging purposes. The use of such derivatives exposes the Sub-Fund to additional risks, including volatility risk, valuation risk, leverage risk, liquidity risk, correlation risk, counterparty/credit risk, legal risk, over-the-counter transaction risk and settlement risk. Please also refer to "Risk of investing in financial derivative instruments" under the section headed "RISK FACTORS" in the main body of this Prospectus.

#### Dividends risk / Distributions payable out of capital or effectively out of capital risk

There is no guarantee that any dividends will be distributed and thus investors may not receive any distributions. Where there is a distribution, there will not be a target level of dividend payout.

Where any distribution involves payment of dividends out of capital and/or effectively out of capital of the Sub-Fund, investors should note that a high distribution yield does not imply a positive or high return on the total investment.

Please refer to “Risk of no dividends” and “Distributions payable out of capital or effectively out of capital risk” under the section headed “RISK FACTORS” in the main body of this Prospectus.

### **Distribution policy**

The Manager currently does not intend to make dividend distributions in respect of Class A USD Acc Units. The net income (i.e. the income after deducting the relevant fees and expenses) from the Sub-Fund’s investments will be retained in the Net Asset Value of Class A USD Acc Units (which will be reflected in its Net Asset Value per Unit) and reinvested by the Manager.

The Manager currently intends to make monthly dividend distributions for the following Classes of Units at its discretion:

- Class A USD MDis
- Class A HKD MDis

Dividends may be paid out of capital or effectively out of capital of the relevant Class, and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. There is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

# **BMO FUNDS (the “Trust”)**

## **BMO BALANCED FUND (the “Sub-Fund”)**

### **Addendum to the Prospectus (“Addendum”)**

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

This Addendum forms an integral part of and should be read in conjunction with the prospectus of the Trust dated November 2019 (“**Prospectus**”), and must not be distributed separately. Capitalised terms used herein but not otherwise defined will have the same meanings as defined in the Prospectus.

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

The Securities and Futures Commission of Hong Kong (“**SFC**”) takes no responsibility for the accuracy of any of the statements made or opinions expressed in this Addendum.

SFC authorisation is not a recommendation or endorsement of the Trust and the Sub-Fund nor does it guarantee the commercial merits of the Trust and the Sub-Fund or their performances. It does not mean the Trust and the Sub-Fund are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

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The Prospectus is amended as follows:

### **SUBSCRIPTION, REDEMPTION AND SWITCHING OF UNITS**

1. The second paragraph under the sub-section headed “**Application Procedure**” under the section headed “**SUBSCRIPTION OF UNITS**” on page 15 of the Prospectus shall be deleted in its entirety and replaced as follows:

“Applications for Units during the relevant Initial Offer Period, together with cleared funds, must be received by the Registrar no later than 5:00 pm (Hong Kong time) on the last day of the relevant Initial Offer Period. After the Initial Offer Period, applications must be received by the Registrar by the relevant Dealing Deadline. Application requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day, provided that the Manager may agree to accept an application in respect of any Dealing Day which is received after the Dealing Deadline but prior to the Valuation Point relating to that Dealing Day and notifies the Trustee.”

2. The second paragraph under the sub-section headed “**Redemption Procedure**” under the section headed “**REDEMPTION OF UNITS**” on page 17 of the Prospectus shall be deleted in its entirety and replaced as follows:

“Any redemption request must be received by the Registrar before the Dealing Deadline. Investors redeeming Units through a distributor (or its nominee) should submit their redemption requests to the distributor (or its nominee) in such manner as directed by the distributor (or its nominee). Distributors (or their nominees) may have different dealing procedures, including earlier cut-off times for receipt of redemption requests. Where an investor holds its investment in Units through a distributor (or its nominee), the investor wishing to redeem Units must ensure that the distributor (or its nominee), as the registered Unitholder, submits the relevant redemption request by the Dealing Deadline. Redemption requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day, unless the Manager determines otherwise and notifies the Trustee.”

3. The following new paragraph shall be added before the last paragraph under the section headed “**SWITCHING**” on page 20 of the Prospectus:

“Switching requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day, unless the Manager determines otherwise and notifies the Trustee.”

To obtain the latest version of the Prospectus of the Trust, please contact the Manager at 36/F & Suite 3808 One Exchange Square, 8 Connaught Place, Central, Hong Kong or online at <http://www.bmo.hk><sup>1</sup>.

**BMO Global Asset Management (Asia) Limited**  
**as Manager of the Trust and the Sub-Fund**

**Date: 19 March 2020**

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<sup>1</sup> This website has not been reviewed by the SFC.

# **BMO FUNDS (the “Trust”)**

## **BMO BALANCED FUND (the “Sub-Fund”)**

### **Second Addendum to the Prospectus (“Addendum”)**

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

This Second Addendum forms an integral part of and should be read in conjunction with the prospectus of the Trust dated November 2019, as may be supplemented and amended from time to time (“**Prospectus**”), and must not be distributed separately. Capitalised terms used herein but not otherwise defined will have the same meanings as defined in the Prospectus.

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

The Securities and Futures Commission of Hong Kong (“**SFC**”) takes no responsibility for the accuracy of any of the statements made or opinions expressed in this Addendum.

SFC authorisation is not a recommendation or endorsement of the Trust and the Sub-Fund nor does it guarantee the commercial merits of the Trust and the Sub-Fund or their performances. It does not mean the Trust and the Sub-Fund are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

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The Prospectus is amended as follows:

1. The paragraph under the sub-section headed “**General**” under the section headed “**SUBSCRIPTION OF UNITS**” on page 16 of the Prospectus shall be deleted in its entirety and replaced as follows:

“All holdings of Units will be in registered form and certificates will not be issued. Evidence of title of Units will be the entry on the register of Unitholders in respect of each Sub-Fund. Unitholders should therefore be aware of the importance of ensuring that the Registrar is informed of any change to the registered details. Fractions of a Unit may be issued rounded down to the nearest 3 decimal places. Subscription monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. A maximum of 4 persons may be registered as joint Unitholders.”

2. The sub-section headed “**Dealing Procedures**” under the section headed “**APPENDIX 1: BMO BALANCED FUND**” on page 62 of the Prospectus shall be deleted in its entirety and replaced as follows:

## **“Dealing Procedures**

For details of dealing procedures, please refer to the sections headed “SUBSCRIPTION OF UNITS”, “REDEMPTION OF UNITS” and “SWITCHING” in the main body of this Prospectus. The following apply to the Sub-Fund:

<i>Dealing Day</i>	each day (other than a Saturday or Sunday) on which banks in Hong Kong, the United States, the United Kingdom, and Canada are open for normal banking business or such other day or days as the Manager and the Trustee may determine from time to time, provided that (1) where, as a result of a typhoon signal number 8, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, or (2) where the afternoon trading session of the Stock Exchange of Hong Kong (the “ <b>SEHK</b> ”) is scheduled to be closed (such as Lunar New Year’s eve, Christmas’ eve and New Year’s eve) as indicated at the SEHK’s website, or (3) where the SEHK’s trading hours are reduced by the SEHK in accordance with The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, such day shall not be a Dealing Day unless the Manager and the Trustee determine otherwise
<i>Dealing Deadline</i>	1:00 pm (Hong Kong time) on the relevant Dealing Day

”

To obtain the latest version of the Prospectus of the Trust, please contact the Manager at 36/F & Suite 3808 One Exchange Square, 8 Connaught Place, Central, Hong Kong or online at <https://www.bmo.hk><sup>1</sup>.

**BMO Global Asset Management (Asia) Limited**  
**as Manager of the Trust and the Sub-Fund**

**2 July 2020**

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<sup>1</sup> This website has not been reviewed by the SFC.