

# Information Memorandum for **New China Sectors Index Fund**



The Manager

**AmFunds Management Berhad**

Registration number: 198601005272 (154432-A)

The Trustee

**Deutsche Trustees Malaysia Berhad**

Registration number: 200701005591 (763590-H)



This Information Memorandum is dated 31 May 2022 **Growing Your Investments in a Changing World**

SOPHISTICATED INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE INFORMATION MEMORANDUM. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY SOPHISTICATED INVESTORS, SEE SECTION 5: RISK FACTORS COMMENCING ON PAGE 43.

# ABOUT THIS INFORMATION MEMORANDUM

This is an Information Memorandum which introduces you to AmFunds Management Berhad and the New China Sectors Index Fund ("Fund"), which is a wholesale fund. This Information Memorandum outlines in general what you would need to know about the Fund and is intended for the exclusive use by prospective Sophisticated Investors (as defined herein) who should ensure that all information contained herein remains confidential.

This Information Memorandum is strictly private and confidential and solely for your own use. It is not to be circulated to any third party. No offer or invitation to purchase the units of the Fund, the subject of this Information Memorandum, may be made to anyone who is not a Sophisticated Investor.

Unless otherwise indicated, any reference in this Information Memorandum to any legislation, statute or statutory provision is a reference to that legislation, statute or statutory provision for the time being, as amended or re-enacted, and to any repealed legislation, statute or statutory provision which is re-enacted (with or without modification).

**SOPHISTICATED INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF SOPHISTICATED INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS IMMEDIATELY.**

## DISCLAIMER

An investment in the Fund carries with it a degree of risk. The value of units and the income from it, if any, may go down as well as up, investment in wholesale fund involve risks including the risk of total capital loss and no income distribution. Sophisticated Investors should consider the risk factors set out under Section 5: Risk Factors.

Statements made in this Information Memorandum are based on the law and practices currently in force in Malaysia and are subject to changes in such law and practices.

Any references to a time or day in this Information Memorandum shall be a reference to that time or day in Malaysia, unless otherwise stated.

No person has been authorised to issue any advertisement or to give any information, or to make any representations in connection with the offering, placing, subscription, sale, switching or redemption of units in the Fund other than those contained in this Information Memorandum or any supplemental document and, if issued, given or made, such advertisement, information or representations must not be relied upon

by an investor. Any purchase made by any person on the basis of statements or representations not contained in or inconsistent with the information and representations in this Information Memorandum or any supplemental document will be solely at the risk of the Sophisticated Investor. Sophisticated Investors may wish to consult their independent professional adviser about the suitability of the Fund for their investment needs.

This Information Memorandum does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Manager has the right to reject any application by a US Person. However, if you are investing through our appointed distributor who operates under a nominee system of ownership, kindly consult the respective distributor accordingly.

## **Personal Data**

As part of our day to day business, we collect your personal information when you apply to open an account with us, subscribe to any of our products or services or communicate with us. In return, we may use this information to provide you with our products or services, maintain our records or send you relevant information. We may use your personal information which includes information on any transactions conducted with us, for one or more of the following purposes, whether in Malaysia or otherwise:

- a. Assess your eligibility or suitability for our products which you had applied for and to verify your identity or financial standing through credit reference checks;
- b. To notify you of more and up to-date information such as improvements and new features to the existing products and services, development of new products, services and promotions which may be of interest to you;
- c. Manage and maintain your account(s) through regular updates, consolidation and improving the accuracy of our records. In this manner we can respond to your enquiries, complaints and to generally resolve disputes quickly so that we can improve our business and your relationship with us;
- d. Conduct research for analytical purposes, data mining and analyse your transactions / use of products and services to better understand your current financial / investment position and future needs. We will also produce data, reports and statistics from time to time, however such information will be aggregated so that your identity will remain confidential;
- e. Comply with the requirements of any law and regulations binding on us such as conducting anti-money laundering checks, crime detection / prevention, prosecution, protection and security;
- f. Enforcement of our rights to recover any debt owing to us including transferring or assigning our rights, interests and obligations under any of your agreement with us;
- g. In the normal course of general business planning, oversight functions, strategy formulation and decision making within AmBank Group;
- h. To administer and develop the Manager's and/or the Manager's associated companies within the AmBank Group business relationship with you;

- i. Outsourcing of business and back-room operations within AmBank Group and/or other service providers; and
- j. Any other purpose(s) that is required or permitted by any law, regulations, standards, guidelines and/or relevant regulatory authorities including with the trustee of the Fund.

Sophisticated Investors are advised to read our latest or updated Privacy Notice (notice provided as required under the Personal Data Protection Act 2010) available on our website at [www.aminvest.com](http://www.aminvest.com). Our Privacy Notice may be revised from time to time and if there is or are any revision(s), it will be posted on our website and/or other means of communication deemed suitable by us. However, any revision(s) will be in compliance with the Personal Data Protection Act 2010.

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# 1 DEFINITIONS

<b>AFM, the Manager, us, our or we</b>	AmFunds Management Berhad.
<b>AmBank</b>	AmBank (M) Berhad.
<b>AmBank Group</b>	Refers to AMMB Holdings Berhad and all its direct and indirect subsidiaries, including, but not limited to: AmBank (M) Berhad, AmBank Islamic Berhad, AmInvestment Bank Berhad, AmInvestment Group Berhad, AmFunds Management Berhad, AmIslamic Funds Management Sdn Bhd, AmFutures Sdn Bhd, AmCard Services Berhad and AmGeneral Insurance Berhad.
<b>AmInvest</b>	The brand name for the funds management business of AMMB Holdings Berhad comprising AmFunds Management Berhad and AmIslamic Funds Management Sdn Bhd.
<b>Application</b>	In respect of units of Target Fund, a creation application or a redemption application.
<b>AUD</b>	Australian Dollar.
<b>Auditor</b>	Has the same meaning as defined in the CMSA 2007.
<b>Business Day</b>	<p>A day on which the Bursa Malaysia and/or commercial banks in Kuala Lumpur are open for business.</p> <p>The Manager may declare certain Business Days to be non-Business Days although Bursa Malaysia and/or commercial banks in Kuala Lumpur are open, if the markets in which the Fund is invested in are closed for business. This is to ensure that investors are given a fair valuation of the Fund when making subscriptions or redemptions. This information will be communicated to you via our website at <a href="http://www.aminvest.com">www.aminvest.com</a>. Alternatively, you may contact our Customer Service at 603- 2032 2888.</p>
<b>CCASS</b>	Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors.
<b>Classes</b>	<p>Any number of class(es) of units representing similar interests in the assets of the Fund and Class means any one class of units.</p> <p>Classes that may be offered by the Fund are as follows:</p> <ul style="list-style-type: none"> <li>• <b>AUD-Hedged Class</b></li> <li>• <b>AUD Class</b></li> </ul>

	<ul style="list-style-type: none"> <li>• <b>EUR-Hedged Class</b></li> <li>• <b>RM-Hedged Class</b></li> <li>• <b>SGD-Hedged Class</b></li> <li>• <b>USD-Hedged Class</b></li> <li>• <b>HKD Class</b></li> </ul> <ul style="list-style-type: none"> <li>• <b>EUR Class</b></li> <li>• <b>RM Class</b></li> <li>• <b>SGD Class</b></li> <li>• <b>USD Class</b></li> </ul> <p>As of the date of this Information Memorandum, only these three (3) Classes (each a “Class” and collectively “Classes”) will be offered for subscriptions:</p> <ul style="list-style-type: none"> <li>• <b>HKD Class</b> – a class issued by the Fund which is denominated in HKD.</li> <li>• <b>RM Class</b> – a class issued by the Fund which is denominated in RM.</li> <li>• <b>RM-Hedged Class</b> – a class issued by the Fund which is denominated in RM and will be hedged against the base currency of the Fund.</li> </ul>
<b>CMSA 2007, CMSA, the Act</b>	Capital Markets and Services Act 2007 and any amendments made thereto.
<b>Code</b>	Code on Unit Trusts and Mutual Funds issued by the SFC, as may be amended from time to time.
<b>CRS</b>	Common Reporting Standards.
<b>Deed</b>	The deed dated 24 May 2022 and supplemental deeds (if any) entered into between the Manager and the Trustee in relation to the Fund.
<b>EUR</b>	Euro, the official currency of the European Union.
<b>FATCA</b>	Foreign Account Tax Compliance Act.
<b>Fund</b>	New China Sectors Index Fund.
<b>HKD</b>	Hong Kong Dollar.
<b>HKSCC</b>	Hong Kong Securities Clearing Company Limited or its successors.
<b>Index Provider</b>	The person responsible for compiling the Underlying Index against which the Target Fund benchmarks its investments and who holds the right to license the use of the Underlying Index to the Target Fund i.e., S&P Dow Jones Indices LLC.
<b>Index Securities</b>	Refers to (i) the constituent securities of the Underlying Index; (ii) such other securities the Index Provider has publicly announced shall form part of the Underlying Index in



	the future but are currently not constituent securities of the Underlying Index.
<b>Information Memorandum</b>	Information memorandum of the Fund.
<b>Investment Adviser</b>	Investment Adviser of the Target Fund i.e. ICBC Asset Management (Global) Company Limited.
<b>IUTA</b>	Institutional Unit Trust Scheme Adviser registered with the Federation of Investment Managers Malaysia (FIMM) to market and distribute unit trust funds.
<b>Latest Practicable Date (LPD)</b>	30 April 2022.
<b>Launch date</b>	The date of this Information Memorandum and is the date on which sales of units of the Fund may first be made; the Launch Date is also the date of constitution of the Fund.
<b>Management Company, Manager of Target Fund</b>	Management Company of the Target Fund i.e. CSOP Asset Management Limited or any other person (or persons) who for the time being is duly appointed as manager (or managers) of the trust of the Target Fund and accepted by the SFC as qualified to act as such for the purposes of the Code.
<b>Multi-Counter</b>	In respect of the Target Fund, the facility by which the units of the Target Fund traded in RMB, HKD and USD are each assigned separate stock codes on the SEHK and are accepted for deposit, clearing and settlement in CCASS in more than one eligible currency (RMB, HKD or USD) as described in the prospectus of the Target Fund.
<b>MYR, RM</b>	Ringgit Malaysia.
<b>NAV per unit</b>	Net Asset Value attributable to a Class divided by the number of units in circulation of that Class, at the valuation point.
<b>Net Asset Value (NAV)</b>	The value of all the assets of the Fund less the value of all the liabilities of the Fund at a valuation point. For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is inclusive of the management fee and trustee fee for the relevant day; where the Fund has more than one Class, there shall be a NAV attributable to each Class.
<b>p.a.</b>	Per annum.
<b>Participating Dealer</b>	A broker or dealer (licensed for Type 1 regulated activity under the Securities and Futures Ordinance issued by the SFC) which has entered into a Participation Agreement, and

	any reference in the prospectus of Target Fund to “Participating Dealer” shall, where the context requires, include a reference to any PD Agent so appointed by the Participating Dealer.
<b>Participation Agreement</b>	An agreement either (1) entered into between the trustee of the Target Fund, the Management Company and a Participating Dealer (and if applicable, supplemented with a supplemental participation agreement entered into between the same parties and the PD Agent), or (2) entered into between the trustee of the Target Fund, the Management Company, the Participating Dealer, HKSCC and the conversion agent, each setting out, amongst other things, the arrangements in respect of Applications by such Participating Dealer or PD Agent (as the case may be), as may be amended from time to time. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the operating guidelines.
<b>PD Agent</b>	A person who is admitted by the Hong Kong Securities Clearing Company Limited as either a direct clearing participant or a general clearing participant in Central Clearing and Settlement System and who has been appointed by a Participating Dealer as its agent for the creation and redemption of the Target Fund.
<b>PRC</b>	People’s Republic of China.
<b>PRC mainland, Mainland China</b>	Means all the customs territories of the PRC excluding Hong Kong, Macau and Taiwan of the PRC for purpose of interpretation of the prospectus of the Target Fund only.
<b>Primary Market Investor</b>	An investor who makes a request to a Participating Dealer or to a stockbroker who has opened an account with a Participating Dealer to effect an Application on his behalf.
<b>QFI or QFI Holder</b>	Means a qualified foreign investor approved pursuant to the relevant PRC mainland laws and regulations, as may be promulgated and/or amended from time to time, including both qualified foreign institutional investor (QFII) (i.e. QFI to make investment in PRC mainland domestic securities and futures market by remitting foreign currencies) and/or RMB qualified foreign institutional investors (RQFII) (i.e. QFI to make investment in PRC mainland domestic securities and futures market by remitting offshore RMB), as the case may be, or, as the context may require, the QFII/RQFII regime.
<b>Redemption</b>	Repurchase of units of the Fund.
<b>RMB, Renminbi</b>	Renminbi, the currency of the PRC mainland.

<b>SAFE</b>	State Administration of Foreign Exchange of the PRC mainland.
<b>SC, the SC</b>	Securities Commission Malaysia.
<b>SC Guidelines</b>	Guidelines on the Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC, and shall include any amendments and revisions contained herein or made pursuant thereto.
<b>Secondary Market Investor</b>	An investor who purchases and sells Target Fund in the secondary market on the SEHK.
<b>SEHK</b>	The Stock Exchange of Hong Kong Limited or its successors.
<b>SFC</b>	Securities and Futures Commission of Hong Kong or its successors.
<b>SGD</b>	Singapore Dollar.
<b>Sophisticated Investor(s)</b>	Means any person who comes within any of the categories of investors set out in Part 1, Schedule 6 and 7 of the CMSA, or any categories of investors as may be defined by the SC from time to time and shall include any amendments and revisions contained herein or made pursuant thereto.
<b>Special Resolution</b>	<p>Means a resolution passed by a majority of not less than three-fourths of the Unit Holders present and voting at the meeting in person or by proxy.</p> <p>For the purposes of terminating the Fund or a Class of the Fund, “Special Resolution” is passed by a majority in number holding not less than three-fourths of the value of the votes cast by the Unit Holders present and voting at the meeting in person or by proxy.</p>
<b>Stock Connects</b>	Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.
<b>S&amp;P New China Sectors (A-shares Capped) Index</b>	<p>Standard and Poor’s New China Sectors (A-shares Capped) Index.</p> <p><i>Note: The Underlying Index is a product of S&amp;P Dow Jones Indices LLC (“SPDJ”), and has been licensed for use by AFM. S&amp;P® is a registered trademark of S&amp;P Global (“S&amp;P”); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC (“Dow Jones”); The Fund is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&amp;P, any of their respective affiliates (collectively, “S&amp;P Dow Jones Indices”). S&amp;P Dow Jones Indices makes no representation or warranty, express or implied, to the</i></p>

	<p><i>owners of the Fund or any member of the public regarding the advisability of investing in securities generally or in the Fund particularly or the ability of the Underlying Index to track general market performance. S&amp;P Dow Jones Indices' only relationship to AFM with respect to the Underlying Index is the licensing of the Index and certain trademarks, service marks and/or trade names of S&amp;P Dow Jones Indices and/or its licensors. The Underlying Index is determined, composed and calculated by S&amp;P Dow Jones Indices without regard to AFM or the Fund. S&amp;P Dow Jones Indices have no obligation to take the needs of AFM or the owners of the Fund into consideration in determining, composing or calculating the Underlying Index. S&amp;P Dow Jones Indices are not responsible for and have not participated in the determination of the prices, and amount of the Fund or the timing of the issuance or sale of the Fund or in the determination or calculation of the equation by which the Fund is to be converted into cash, surrendered or redeemed, as the case may be. S&amp;P Dow Jones Indices have no obligation or liability in connection with the administration, marketing or trading of the Fund. There is no assurance that investment products based on the Underlying Index will accurately track index performance or provide positive investment returns. S&amp;P Dow Jones Indices LLC is not an investment advisor. Inclusion of a security within an index is not a recommendation by S&amp;P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.</i></p>
<b>Target Fund</b>	ICBC CSOP S&P New China Sectors ETF.
<b>Trustee</b>	Deutsche Trustees Malaysia Berhad.
<b>Underlying Index</b>	S&P New China Sectors (A-shares Capped) Index.
<b>Unit Holder(s), you</b>	<p>The person(s) for the time being registered under the provisions of the Deed as a holder of units of the Fund including the joint holders, whose name appears in the Manager's register of Unit Holders.</p> <p>Please note that if a Sophisticated Investor invests through a distributor via nominee system of ownership, the Sophisticated Investor will not be deemed a Unit Holder under the Deed.</p>
<b>US (United States) Person</b>	A US citizen or resident individual, a partnership or corporation organized in the US or under the laws of the US or any State thereof, a trust if: (i) a court within the US would have authority under applicable law to render orders or judgments concerning substantially all issues regarding

	administration of the trust, and (ii) one or more US persons have the authority to control all substantial decisions of the trust, or an estate of a decedent that is a citizen or resident of the US as defined in the Malaysia-US IGA Guidance Notes on Compliance Requirements for Malaysia-US Intergovernmental Agreement on FATCA issued by Inland Revenue Board Of Malaysia dated 11 September 2015, including any amendments, guidelines and other administrative actions made thereunder.
<b>USD</b>	US Dollar.
<b>Wholesale Fund</b>	A fund, the units which are issued, offered for subscription or purchase, or for which invitations to subscribe for or purchase the units have been made, exclusively to Sophisticated Investors.

## 2 CORPORATE DIRECTORY

### MANAGER

**AmFunds Management Berhad**  
**Registration number: 198601005272**  
**(154432-A)**

#### **Registered office**

22<sup>nd</sup> Floor, Bangunan AmBank Group,  
No.55, Jalan Raja Chulan,  
50200 Kuala Lumpur.  
Tel: (03) 2036 2633

#### **Business office**

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No.55, Jalan Raja Chulan,  
50200 Kuala Lumpur.  
Tel: (03) 2032 2888  
Fax: (03) 2031 5210  
Email: [enquiries@aminvest.com](mailto:enquiries@aminvest.com)  
Website: [www.aminvest.com](http://www.aminvest.com)

### TRUSTEE

**Deutsche Trustees Malaysia Berhad**  
**Registration number: 200701005591**  
**(763590-H)**

#### **Registered office / Business office**

Level 20, Menara IMC,  
8 Jalan Sultan Ismail,  
50250 Kuala Lumpur.  
Tel: (03) 2053 7522  
Fax: (03) 2053 7526  
Email: [dtmb.rtm@db.com](mailto:dtmb.rtm@db.com)

### TRUSTEE'S DELEGATE (CUSTODIAN)

**Deutsche Bank (Malaysia) Berhad**  
**Registration number: 199401026871**  
**(312552-W)**

#### **Registered office / Business office**

Level 18-20, Menara IMC,  
No. 8, Jalan Sultan Ismail,  
50250 Kuala Lumpur.  
Tel : (603) 2053 6788  
Fax: (603) 2031 8710

## 3 THE FUND'S DETAILED INFORMATION

### 3.1 Fund Information

<b>Fund Name</b>	New China Sectors Index Fund
<b>Base Currency of the Fund</b>	HKD
<b>Fund Type</b>	Growth
<b>Fund Category</b>	Wholesale (feeder fund)
<b>Investment Objective</b>	<p>The Fund seeks to provide capital growth by investing in one (1) collective investment scheme, which is an exchange-traded fund.</p> <p><i>Notes: Any material change to the investment objective of the Fund would require Unit Holders' approval.</i></p>
<b>Investment Strategy</b>	<p>The Fund seeks to achieve its investment objective by investing a minimum of 85% of the Fund's NAV in the Target Fund. This implies that the Fund has a passive strategy.</p> <p>Even though the Fund is passively managed, the Fund's investments will be actively rebalanced from time to time to accommodate for subscription and redemption requests, price movements or due to reasons beyond Manager's control. During this period, the Fund's investment may differ from the stipulated asset allocation. Additionally, the Manager does not intend to take temporary defensive measure for the Fund during adverse market, economic, political or any other conditions to allow the Fund to mirror the performance of the Target Fund.</p> <p><i>Note: A replacement of the Target Fund would require Unit Holders' approval.</i></p>
<b>Asset Allocation</b>	<ul style="list-style-type: none"><li>• A minimum of 85% of the Fund's NAV in the Target Fund; and</li><li>• A maximum of 15% of the Fund's NAV in liquid assets such as cash and deposits. For clarification, deposit includes cash with bank which pays interest.</li></ul>
<b>Performance Benchmark</b>	<p>S&amp;P New China Sectors (A-shares Capped) Index.</p> <p>(available at <a href="http://www.aminvest.com">www.aminvest.com</a>)</p>
<b>Income Distribution Policy</b>	<p>Subject to the availability of income, distribution (if any) is incidental.</p>

<b>Investor Profile</b>	<p>The Fund is suitable for Sophisticated Investors seeking:</p> <ul style="list-style-type: none"> <li>• potential capital appreciation on their investment;</li> <li>• participation in the global equity market; and</li> <li>• exposure to consumption and service-oriented sector.</li> </ul>
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### 3.2 Other Information

<b>Launch Date</b>	31 May 2022
<b>Initial Offer Period</b>	<p>A period of up to twenty-one (21) days commencing from the date units of the Fund are being offered for sale.</p> <p><i>Note: The Manager reserves the right to determine a shorter offer period and notify the Trustee. The decision for a shorter offer period is based on the sole discretion of the Manager.</i></p>
<b>Initial Offer Price</b>	<p><b>HKD Class:</b> HKD1.0000  <b>RM Class:</b> RM1.0000  <b>RM-Hedged Class:</b> RM1.0000</p>
<b>Financial Year End</b>	31 May
<b>Permitted Investment</b>	<p>As permitted under the Deed, the Fund will invest in any of the following investments:</p> <ol style="list-style-type: none"> <li>i. the Target Fund or any collective investment scheme having a similar objective with the Fund;</li> <li>ii. liquid assets which include but not limited to cash and deposits;</li> <li>iii. financial derivatives for hedging purposes; and</li> <li>iv. any other kind of investments as permitted by the SC or any other relevant authorities from time to time which is in line with the investment objective of the Fund.</li> </ol>
<b>Investment Limits and Restrictions</b>	The Fund must be invested in one (1) collective investment scheme.



## 4 INFORMATION ON ICBC CSOP S&P NEW CHINA SECTORS ETF (THE TARGET FUND)

<b>Name of Target Fund</b>	ICBC CSOP S&P New China Sectors ETF
<b>Regulatory Authority</b>	SFC
<b>Management Company</b>	CSOP Asset Management Limited
<b>Investment Adviser</b>	ICBC Asset Management (Global) Company Limited
<b>Domicile</b>	Hong Kong
<b>Base Currency of the Target Fund</b>	HKD
<b>Date of Establishment</b>	8 December 2016
<b>Date of Listing / Dealing on SEHK</b>	HKD counter: 8 December 2016 RMB counter: 3 April 2018
<b>Commencement Date</b>	USD counter: 3 April 2018
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Codes</b>	HKD counter: 3167 RMB counter: 83167 USD counter: 9167
<b>Trading Board Lot Size</b>	50 units
<b>Application Unit size for Creation / Redemption (only by or through Participating Dealers)</b>	Minimum 100,000 units (or multiples thereof)
<b>Underlying Index</b>	S&P New China Sectors (A-shares Capped) Index Inception Date: 24 December 2018 Number of constituents: 116 Base Currency of Underlying Index: HKD
<b>Index Provider</b>	S&P Dow Jones Indices LLC (“SPDJ” or “Index Provider”)

### 4.1 About CSOP ETF Series

The Target Fund is a sub-fund of CSOP ETF Series (the “Trust”). The Trust is an umbrella unit trust constituted by way of a trust deed dated 25 July 2012 (as amended and restated on 15 June 2021), between CSOP Asset Management Limited as Manager of the Target Fund and HSBC Institutional Trust Services (Asia) Limited as trustee of the Target Fund, (as further amended and supplemented from time to time). The terms of the Trust deed are governed by the laws of Hong Kong.

## **4.2 Management Company of the Target Fund**

The Management Company of the Target Fund is CSOP Asset Management Limited. It was established in January 2008 and is licensed to carry on Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) regulated activities under Part V of the Securities and Futures Ordinance.

The Management Company, a subsidiary of China Southern Asset Management Co. Limited, is the first Hong Kong subsidiary set up by mainland Chinese fund houses to carry out asset management and securities advisory activities in Hong Kong.

The Management Company is dedicated to serving investors as a gateway for investment between China and the rest of the world. For inbound investment, the Management Company's boasting local expertise makes it the ideal adviser or partner of international investors. For outbound investment, it is keen to introduce suitable overseas investment opportunities to domestic Chinese institutional and retail investors. The Management Company provides discretionary management services and advisory services to both institutional investors and investment funds. The Management Company undertakes the management of the assets of the Trust.

## **4.3 Investment Adviser of the Target Fund**

The Management Company has appointed ICBC Asset Management (Global) Company Limited (the "Investment Adviser") as its Investment Adviser of the Target Fund pursuant to an investment advisory agreement entered into between the Management Company and the Investment Adviser. The Management Company has delegated its investment management duties in relation to shares issued by companies listed on the Shanghai Stock Exchange ("SSE") or the Shenzhen Stock Exchange ("SZSE") and traded in Renminbi (regardless of through the Stock Connect and/or the QFI status of the Management Company) ("China A-shares") to the Investment Adviser and the Investment Adviser will exercise investment discretion in respect of the investments in China A-shares of the Target Fund, in pursuit of the investment objective and in accordance with the investment approach and restrictions described in the prospectus of the Trust, subject to the control and review of the Management Company. The Investment Adviser will not provide investment management and advisory services in relation to securities issued outside of the PRC mainland.

ICBC Asset Management (Global) Company Limited is an asset management company incorporated in Hong Kong. The Investment Adviser is registered as a licensed corporation by the SFC in Hong Kong to carry out advising on securities (Type 4), advising on futures contracts (Type 5) and asset management (Type 9).

The Investment Adviser provides professional investment management and advisory services to unit trusts, institutional clients as well as high net worth private

individuals. Directors and senior management of the Investment Adviser are reputable and experienced investment professionals with in-depth international financial market knowledge.

The Investment Adviser is a wholly owned subsidiary of Industrial and Commercial Bank of China (Asia) Limited. Industrial and Commercial Bank of China (Asia) Limited is the Hong Kong banking business of Industrial and Commercial Bank of China Limited, the largest commercial bank in the PRC mainland. Industrial and Commercial Bank of China (Asia) Limited is principally engaged in banking, financial and other financial related services with focus on retail banking, commercial banking as well as corporate banking business.

The fees of the Investment Adviser, if any, will be paid by the Management Company.

#### **4.4 Investment Objective**

The investment objective of the Target Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index, namely, the S&P New China Sectors (A-shares Capped) Index. There is no assurance that the Target Fund will achieve its investment objective.

#### **4.5 Investment Strategy**

In order to achieve the investment objective of the Target Fund, the Management Company and the Investment Adviser (as applicable) will primarily use a full replication strategy by directly investing all, or substantially all, of the assets of the Target Fund in Index Securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these Index Securities have in the Underlying Index, as set out in Section 4.6 below.

The Target Fund may also invest not more than 5% of its net asset value in non-Index Securities which have investment profile that aims to reflect the profile of the Underlying Index.

The Target Fund may also invest not more than 5% of its net asset value in money market funds and in cash deposits for cash management purpose.

The Management Company and the Investment Adviser (as applicable) reviews the Index Securities held in the Target Fund's portfolio each business day. In order to minimise tracking error\*, it closely monitors factors such as any changes in the weighting of each Index Security in the Underlying Index, suspension, dividend distributions and the liquidity of the Target Fund's portfolio. The Management Company and the Investment Adviser (as applicable) will also conduct adjustment on the portfolio of the Target Fund regularly, taking into account tracking error reports, the index methodology and any rebalance notification of the Underlying Index.

The Management Company may invest in financial derivative instruments (“FDIs”) (mainly swaps with one or more counterparties) with no more than 15% of the Target Fund’s net asset value for investment and hedging purposes, where the Management Company believes such investments will help the Target Fund achieve its investment objective and are beneficial to the Target Fund. The swaps which may be invested by the Target Fund will be funded total return swap transaction(s) whereby the Target Fund will pass on the relevant portion of cash to the swap counterparty(ies) and in return the swap counterparty(ies) will provide the Target Fund with an exposure to the economic gain/loss in the performance of the relevant securities (net of indirect costs). Exposure of the Target Fund to the Index Securities (either through direct investment or FDIs) will be in substantially the same weightings (i.e. proportions) as these Index Securities have in the Underlying Index.

The Target Fund will not invest in any sale and repurchase transactions, reverse repurchase transactions and other similar over-the-counter transactions. Prior approval of the SFC will be sought and not less than one (1) month’s prior notice will be given to the unit holders of the Target Fund in the event the Management Company and the Investment Adviser (as applicable) wishes to invest in any sale and repurchase transactions, reverse repurchase transactions and other similar over-the-counter transactions.

Currently, it is intended that the Target Fund will directly obtain exposure to securities issued within the PRC mainland through the Stock Connect and/or the QFI status of the Management Company. The Target Fund may invest up to 100% of the Target Fund 's net asset value through either QFI and/or the Stock Connect.

Prior approval of the SFC will be sought and not less than one (1) month’s prior notice will be given to the unit holders of the Target Fund in the event the Management Company wishes to change the investment strategy of the Target Fund unless such changes satisfy the overriding principles and requirements prescribed by the SFC from to time and be considered as immaterial changes.

The investment strategy of the Target Fund is subject to the investment and borrowing restrictions set out in Section 4.8 below.

Note: \*The Management Company intends to limit the annual tracking error to 2% and the daily tracking difference to 0.1% without taking into account the provision of the capital gains tax.

#### **4.6 The Underlying Index**

The Underlying Index of the Target Fund is the S&P New China Sectors (A-shares Capped) Index.

## **General**

The Underlying Index is a modified market capitalisation weighted index that is compiled and published by S&P Dow Jones Indices LLC (the “Index Provider”). It is designed to measure the performance of Mainland China- and Hong Kong-domiciled companies in selected consumption and service-oriented industries. Its constituents include Hong Kong listed companies, US listed American Depository Receipts (ADRs) and China A-Shares.

The Underlying Index is constructed using the S&P New China Sectors Index with additional capping rules applied. In addition to the 10% single stock capping, the cumulative A-shares weight of all constituents is capped at 15%. The capping takes place at each semi-annual rebalancing, in line with the rebalancing of the S&P New China Sectors Index.

The Underlying Index is a net total return index which means that the performance of the index constituents is calculated on the basis that any dividends or distributions are reinvested after withholding tax deduction. The Underlying Index is denominated and quoted in HKD.

The Underlying Index was launched on 24 December 2018 and had a base level of 1000 on 31 December 2010. As of 28 June 2019, it had a total market capitalisation of HKD24,175.41 billion and 125 constituents.

The Management Company, Investment Adviser or their respective connected persons is independent of the Index Provider.

## **Index Methodology**

The constituents of the Underlying Index are Mainland China- and Hong Kong-domiciled companies from selected consumption and service-oriented sectors which are believed to reflect the growing “New China Economy”, and are selected by applying specific market capitalisation, liquidity and sector requirements as described below.

## **Selection Universe**

The selection universe of the Underlying Index comprises constituents of the S&P Total China + Hong Kong BMI Domestic (the “Parent Reference Index”) (which is an index representing the entire investable universe of Mainland China- and Hong Kong-based companies, and includes Hong Kong-listed companies, US-listed China ADRs and China A-Shares the “Selection Universe”).

Companies domiciled in Mainland China and Hong Kong are eligible for inclusion in the Parent Reference Index if they meet the following requirements:

*Market Capitalization.* The Parent Reference Index covers all publicly listed equities available to institutional investors with float-adjusted market values of USD100

million or more. At the annual reconstitution, index constituents are removed if their float-adjusted market capitalization falls below USD75 million.

*Trading Volume.* At the annual reconstitution, stocks must have an annual dollar value traded of at least USD 50 million over the previous 12 months to be added to the Parent Reference Index. Parent Reference Index constituents are excluded if their liquidity falls below USD 35 million during the previous 12 months.

*Ineligible Securities.* The following shares are not eligible for inclusion in the Parent Reference Index:

- Fixed-dividend shares
- Investment trusts
- Unit trusts
- Mutual fund shares
- Business Development Companies (BDCs)
- Closed-end funds
- Convertible bonds
- Equity warrants
- Limited Partnerships

### ***Index Eligibility***

In order to qualify for inclusion in the Underlying Index, a constituent of the Selection Universe must have the following at each rebalancing:

- (i) a float-adjusted market capitalisation of at least USD2.5 billion;
- (ii) a three-month average daily value traded of at least USD8 million;
- (iii) an Investable Weight Factor (IWF)\* of at least 15%; and
- (iv) a Global Industry Classification Standard (GICS®)# classification below.

<b>GICS Level</b>	<b>GICS Code</b>	<b>Description</b>
Sector	25	Consumer Discretionary
Sector	30	Consumer Staples
Sector	35	Health Care
Sector	50	Communication Services
Industry Group	2020	Commercial & Professional Services
Industry Group	4030	Insurance
Industry Group	4510	Software & Services Industry
Industry Group	551050	Independent Power and Renewable Electricity Producers
Sub-Industry	20301010	Air Freight & Logistics
Sub-Industry	20302010	Airlines
Sub-Industry	20304010	Railroads
Sub-Industry	20305010	Airport Services
Sub-Industry	20305020	Highways & Railtracks
Sub-Industry	45201020	Communications Equipment

If a company has an eligible U.S. listing and a Hong Kong secondary listing, the Hong Kong listing will be selected provided it meets the above criteria and has traded for at least three (3) months. If not, the U.S. listing is selected for index inclusion.

*\* The Investable Weight Factor is a float factor assigned to all constituents in the Selection Universe. The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The company's adjusted market capitalization determines an equity issue's relative weight in the index.*

*# The GICS® methodology was developed jointly by MSCI Inc and S&P in 1999 and has been widely accepted as an industry analysis framework for investment research, portfolio management and asset allocation. The GICS® classification system consists 11 sectors, 24 industry groups, 69 industries and 158 sub-industries. The GICS® sectors are: Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Communication Services, Utilities and Real Estate.*

### **Constituent Selection**

All stocks that pass the index eligibility criteria are added to the Underlying Index, up to a maximum of 300 constituents. If the number of eligible constituents is greater than 300, then all eligible constituents are ranked by float-adjusted market capitalisation, with the largest 300 stocks being selected as constituents of the Underlying Index.

### **Constituent Weighting**

The constituents of the Underlying Index are weighted by the modified market capitalisation. At each rebalancing, the constituents' weights are capped at 10% of the Underlying Index. The cumulative A-shares weight of all constituents is capped at 15%.

### **Index Rebalancing**

The Underlying Index is rebalanced semi-annually, effective at the close of the third Friday of June and December. The rebalancing reference date is the close of the last business day of the previous month.

Furthermore, additions to the Selection Universe that become effective at the same time as the Underlying Index's rebalancing effective date are eligible for index inclusion, provided they meet all of the index eligibility criteria. In addition, if a constituent is removed from the Selection Universe, it is also removed from the Underlying Index simultaneously.

### **Constituents of the Underlying Index and further information**

The constituents of the Underlying Index together with their respective weightings can be accessed on <https://supplemental.spindices.com/supplemental-data/hong-kong>.

For additional information of the Underlying Index including the index methodology, please refer to the website of the Index Provider at <https://us.spindices.com/indices/equity/sp-new-china-sectors-a-shares-capped-index-hkd>.

### **Index Code**

Bloomberg Code: *SPNCSCHN*

### **Replacement of the Underlying Index**

The Management Company reserves the right, with the prior approval of the SFC and provided that in its opinion the interests of the unit holders of the Target Fund would not be adversely affected, to replace the Underlying Index. The circumstances under which any such replacement might occur include but are not limited to the following events:

- (a) the Underlying Index ceasing to exist;
- (b) the licence to use the Underlying Index being terminated;
- (c) a new index becoming available that supersedes the existing Underlying Index;
- (d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the unit holders of the Target Fund than the existing Underlying Index;
- (e) investing in the Index Securities comprised within the Underlying Index becomes difficult;
- (f) the Index Provider increasing its licence fees to a level considered too high by the Management Company;
- (g) the quality (including accuracy and availability of the data) of the Underlying Index having in the opinion of the Management Company, deteriorated;
- (h) a significant modification of the formula or calculation method of the Underlying Index rendering that index unacceptable in the opinion of the Management Company; and
- (i) the instruments and techniques used for efficient portfolio management not being available.

The Management Company may change the name of the Target Fund if the Underlying Index changes or for any other reasons including if license to use the Underlying Index is terminated. Any change to (i) the use by the Target Fund of the Underlying Index and/or (ii) the name of the Target Fund will be notified to investors of the Target Fund.

## **4.7 Dealing in the Target Fund**

### **Exchange Listing and Trading**

Dealings in units of the Target Fund in HKD, RMB and USD have already commenced.



Currently, units of the Target Fund are listed and dealt only on the SEHK and no application for listing or permission to deal on any other stock exchanges is being sought as at the date of the prospectus of the Target Fund i.e. CSOP ETF Series Prospectus dated 28 April 2022. The Management Company has however, applied and obtained approval to cross-list the Target Fund on the SZSE under the Hong Kong-Mainland ETF Cross-listing Scheme. The cross-listed ETF was approved by the China Securities Regulatory Commission (CSRC) on 28 August 2020 and invests at least 90% of its assets in the Target Fund through the Qualified Domestic Institutional Investor (QDII) status. Application may be made in the future for a listing of units of the Target Fund on other stock exchanges subject to the applicable QFI regulations.

If trading of the units of the Target Fund on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for those units.

### **Buying and Selling of units of the Target Fund on SEHK**

A Secondary Market Investor can buy and sell units of the Target Fund on the SEHK through his stockbroker at any time the SEHK is open. Units of the Target Fund may be bought and sold in the trading board lot size (or the multiples thereof). The trading board lot size is currently 50 units.

However, please note that transactions in the secondary market on the SEHK will occur at market prices which may vary throughout the day and may differ from the net asset value per unit of the Target Fund due to market demand and supply, liquidity and scale of trading spread for the units of the Target Fund in the secondary market. As a result, the market price of the units of the Target Fund in the secondary market may be higher or lower than the net asset value per unit of the Target Fund.

### ***Trading of Target Fund on the SEHK***

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

Secondary Market Investors may place an order with a broker to sell the Target Fund on the SEHK at any time during the trading day. To sell the Target Fund – or to buy new ones – such investor will need to use an intermediary such as a stockbroker or any of the share dealing services offered by banks or other financial advisers.

The trading price of the Target Fund on the SEHK may differ from the net asset value per unit of the Target Fund and there can be no assurance that a liquid secondary market will exist for the units of the Target Fund.

Brokerage, stamp duty and other fees may be payable when selling (and purchasing) the Target Fund. There can be no guarantee that once the Target Fund is listed on the SEHK that it will remain listed.

## **Multi-Counter Trading**

### ***Introduction of Multi-Counter Trading (Secondary Market)***

The Management Company has arranged for the units of the Target Fund to be available for trading on the secondary market on the SEHK under a Multi-Counter arrangement, whereby the units of the Target Fund traded in HKD, RMB and USD are each assigned a separate stock code on the SEHK and are accepted for deposit, clearing and settlement in CCASS in more than one eligible currency (HKD, RMB or USD). Units of the Target Fund are denominated in HKD. The Target Fund will offer three (3) trading counters on the SEHK i.e. HKD counter, RMB counter and USD counter to investors for secondary trading purposes.

Units of the Target Fund traded under the Multi-Counter can be distinguished by their stock codes, their stock short names and a unique and separate ISIN as follows:

<b>Counter</b>	<b>Stock Code</b>	<b>Stock Short Name</b>	<b>Trading Currency</b>	<b>ISIN</b>
HKD Counter	3167	ICBCCSOPCHINA	HKD	HK0000316767
RMB Counter	83167	ICBCCSOPCHINA -R	RMB	HK0000406931
USD Counter	9167	ICBCCSOPCHINA -U	USD	HK0000406949

Units of the Target Fund traded in the HKD counter will be settled in HKD, units of the Target Fund traded in the RMB counter will be settled in RMB, and units of the Target Fund traded in the USD counter will be settled in USD. Apart from settlement in different currencies, the trading prices of units of the Target Fund in the Multi-Counter may be different as the HKD counter, RMB counter and USD counter are three (3) distinct and separate markets.

Under the Multi-Counter arrangement, creations and redemptions of new units for the Target Fund in the primary market will be made in HKD, RMB and USD only.

Investors can buy and sell units of the Target Fund traded in the same counter. Alternatively, they can buy in one counter and sell in any of the other two counters provided their brokers/intermediaries or CCASS participants provide HKD, RMB and USD trading services (as the case may be) at the same time and offer inter-counter transfer services to support Multi-Counter trading. However, investors should note that the trading price of units of the Target Fund traded in the HKD counter, RMB counter and USD counter may be different and there is a risk that due to different factors such as market liquidity, market demand and supply in the respective counters and the exchange rate among HKD and RMB (in both onshore and offshore markets) and USD, the market price on the SEHK of units of the Target Fund traded in RMB and USD may deviate significantly from the market price on the SEHK of units of the Target Fund traded in HKD.

Inter-counter buy and sell is permissible even if the trades take place within the same trading day. Investors should also note that some brokers/intermediaries may not provide inter-counter day trade services due to various reasons including operations, system limitations, associated settlement risks and other business considerations. Even if a broker/intermediary is able to provide such service, it may impose an earlier cut-off time, other procedures and/or fees.

More information with regards to the HKD counter and RMB counter is available in the frequently asked questions in respect of the HKD counter and RMB counter published on the Hong Kong Exchanges and Clearing Limited (HKEX)'s website [https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services?sc\\_lang=en](https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services?sc_lang=en).

Investors of Target Fund should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Multi-Counter, including inter-counter transfers. Investors' attention is also drawn to the risk factors "Multi-Counter Trading risks".

### ***Transferability***

Units of the Target Fund traded in the three (3) counters are inter-transferable. Units of the Target Fund traded in the HKD counter, units of the Target Fund traded in the RMB counter and units of the Target Fund traded in the USD counter can be transferred amongst each other by way of an inter-counter transfer on a one-to-one basis.

Inter-counter transfer of units of the Target Fund will be effected and processed within CCASS only.

Units of the Target Fund which are bought using the Renminbi Equity Trading Support Facility (the "TSF"), TSF CCASS participants should, on behalf of their clients, arrange a TSF stock release before proceeding with the inter-counter transfer. Investors are advised to consult their brokers/intermediaries about their service schedule to effect a TSF unit release.

### ***Rights of the Unit Holders of the Target Fund***

Units of the HKD, RMB and USD counters belong to the same class in Target Fund and unit holders of units of the Target Fund traded on the three (3) counters are entitled to identical rights and are therefore treated equally.

### ***Fees and Other Transaction Costs***

The fees and costs payable by a Secondary Market Investor for buying and selling units of the Target Fund on the SEHK are the same for the HKD, RMB and USD counters.

HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer of the Target Fund from one counter to another counter.

#### **Creation Applications and Redemption Applications by Participating Dealers**

The general terms and procedures relating to creation Applications and redemption Applications by the Participating Dealers are set out in the prospectus of the Target Fund, which should be read in conjunction with the following specific terms and procedures which relate to the Target Fund only.

The Management Company currently allows cash creation and cash redemptions for units of the Target Fund. Under the Multi-Counter arrangement, any cash payable by Participating Dealers in cash Application must be in HKD, RMB or USD. Units of the Target Fund which are created must be deposited in CCASS in the HKD counter initially.

The Application unit size for Target Fund is 100,000 Units. Creation Applications submitted in respect of units of the Target Fund other than in Application unit size will not be accepted. The minimum subscription for the Target Fund is one (1) Application unit.

Units of the Target Fund can be redeemed by way of a redemption Application (through a Participating Dealer). The process of redemption of units of the Target Fund deposited under any counter is the same. Under the Multi-Counter arrangement, any cash proceeds received by Participating Dealers in a cash redemption shall be paid only in HKD, RMB or USD.

#### ***Dealing Period***

The dealing period on each dealing day for a creation Application or redemption Application in respect of the Target Fund commences at 9:00 a.m. (Hong Kong time) and ends at the dealing deadline at 2.00 p.m. (Hong Kong time), as may be revised by the Management Company from time to time. Any creation Application or redemption Application received after the dealing deadline will be considered as received on the next dealing day.

The cleared funds in respect of creation Applications must be received by 3:30 p.m. on the relevant dealing day or such other time as may be agreed by the trustee of the Target Fund, the Management Company and the relevant Participating Dealer.

## **4.8 Investment Restrictions**

#### **Investment Restrictions of the Target Fund**

The Target Fund is subject to the following principal investment restrictions:

- (a) the aggregate value of the Target Fund's investments in, or exposure to, any single entity through the following may not exceed 10% of the total net asset value of the Target Fund, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code in respect of index tracking fund:
  - (1) investments in securities issued by such entity;
  - (2) exposure to such entity through underlying assets of financial derivative instruments; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter financial derivative instruments;
  
- (b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of the Target Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the total net asset value of the Target Fund:
  - (1) investments in securities issued by such entity;
  - (2) exposure to such entity through underlying assets of financial derivative instruments; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter financial derivative instruments;
  
- (c) unless otherwise approved by the SFC, the value of Target Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the total net asset value of the Target Fund, unless:
  - (1) the cash is held before the launch of the Target Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
  - (2) the cash is proceeds from liquidation of investments prior to the merger or termination of the Target Fund, whereby the placing of cash deposits with various financial institutions may not be in the best interest of investors; or
  - (3) the cash is proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests;

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

- (d) ordinary shares issued by any single entity held for the account of the Target Fund, when aggregated with other ordinary shares of the same entity held for the account of all other sub-funds under the Trust collectively may not exceed 10% of the nominal amount of the ordinary shares issued by a single entity;
  
- (e) not more than 15% of the total net asset value of the Target Fund may be invested in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a 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;
- (f) notwithstanding (a), (b), (d) and (e), where direct investment by the Target Fund in a market is not in the best interests of investors, the Target Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:
    - (1) the underlying investments of the subsidiary, together with the direct investments made by the Target Fund, must in aggregate comply with the requirements of Chapter 7 of the Code;
    - (2) any increase in the overall fees and charges directly or indirectly borne by the unit holders of the Target Fund or the Target Fund as a result must be clearly disclosed in the prospectus of the Target Fund; and
    - (3) the Target Fund must produce the reports required by the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Target Fund;
  - (g) notwithstanding (a), (b) and (d), not more than 30% of the total net asset value of the Target Fund may be invested in government and other public securities of the same issue;
  - (h) subject to (g), the Target Fund may fully invest in government and other public securities in at least six (6) different issues. Subject to the approval of the SFC, the Target Fund which has been authorised by the SFC as an index fund may exceed the 30% limit in (g) and may invest all of its assets in government and other public securities in any number of different issues;
  - (i) unless otherwise approved by the SFC, the Target Fund may not invest in physical commodities;
  - (j) for the avoidance of doubt, exchange traded funds that are:
    - (1) authorised by the SFC under Chapter 8.6 or 8.10 of the Code; or
    - (2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 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 Chapter 8.10 of the Code,

may either be considered and treated as (x) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (y) collective investment schemes for the purposes of and subject to the requirements in paragraph (k) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and the relevant investment limits in exchange traded funds by the Target Fund should be

consistently applied and clearly disclosed in the prospectus of the Target Fund;

- (k) where the Target Fund invests in shares or units of other collective investment schemes (“underlying schemes”),
- (1) the value of the Target Fund’s investment in units or shares in underlying schemes which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC may not in aggregate exceed 10% of the total net asset value of the Target Fund; and
  - (2) the Target Fund may invest in one or more underlying schemes which are either schemes authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Target Fund’s investment in units or shares in each such underlying scheme may not exceed 30% of the total net asset value of the Target Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the prospectus of the Target Fund,

provided that in respect of (1) and (2) above:

- (i) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that 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 prescribed by Chapter 7 of the Code. For the avoidance of doubt, the Target Fund may invest in scheme(s) authorised by the SFC under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the Code) does not exceed 100% of its total net asset value, and exchange traded funds satisfying the requirements in paragraph (i) above in compliance with paragraph (k)(1) and (k)(2);
  - (ii) where the underlying schemes are managed by the Management Company, or by other companies within the same group that the Management Company belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme; the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
- (3) where an investment is made in any underlying scheme(s) managed by the Management Company or any of its connected persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and
  - (4) the Management Company or any person acting on behalf of the Target Fund or the Management Company may not obtain a rebate on any fees or charges levied by a underlying scheme or the manager of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme; and

- (l) if the name of Target Fund indicates a particular objective, investment strategy, geographic region or market, the Target Fund should, under normal market circumstances, invest at least 70% of its total net asset value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Target Fund represents.

The Management Company shall not on behalf of the Target Fund:

- (i) invest in a security of any class in any company or body if any director or officer of the Management Company individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Management Company collectively own more than 5% of those securities;
- (ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs));
- (iii) make short sales if as a result the Target Fund would be required to deliver securities exceeding 10% of the total net asset value of the Target Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted). For the avoidance of doubt, the Target Fund is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable laws and regulations;
- (iv) lend or make a loan out of the assets of the Target Fund, except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (v) subject to Chapter 7.3 of the Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code;
- (vi) enter into any obligation in respect of the Target Fund or acquire any asset or engage in any transaction for the account of the Target Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of unit holders of the Target Fund is limited to their investment in the Target Fund; or
- (vii) apply any part of the Target Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of the Target Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in financial derivative instruments.



Note: The investment restrictions set out above apply to the Target Fund, subject to the following: A collective investment scheme authorised by the SFC under the Code is usually restricted under Chapter 7.1 of the Code from making investments which would result in the value of that collective investment scheme's holdings of the securities of any single entity exceeding 10% of the collective investment scheme's net asset value. The Target Fund was authorised under Chapter 8.6 of the Code as an index tracking ETF, and given the investment objective of the Target Fund and nature of the Underlying Index, the Target Fund is allowed under Chapter 8.6(h) of the Code to, notwithstanding Chapter 7.1 of the Code, hold investments in constituent securities of any single entity exceeding 10% of the Target Fund's net asset value if such constituent securities account for more than 10% of the weighting of the Underlying Index and the Target Fund's holding of any such constituent securities does not exceed their respective weightings in the Underlying Index, except where the 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.

However, the restrictions in 8.6(h)(i) and (ii) (as described above) do not apply if:

- the Target Fund adopts a representative sampling strategy which does not involve full replication of the constituent securities of the underlying index in the exact weightings of such Underlying Index;
- the strategy is clearly disclosed in the prospectus of the Target Fund;
- the excess of the weightings of the constituent securities held by the Target Fund over the weightings in the Underlying Index is caused by the implementation of the representative sampling strategy;
- any excess weightings of the Target Fund's holdings over the weightings in the Underlying Index must be subject to a maximum limit reasonably determined by the Target Fund after consultation with the SFC. In determining this limit, the Target 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;
- limits laid down by the Target Fund pursuant to the point above must be disclosed in the prospectus of the Target Fund;
- disclosure must be made in the Target Fund's interim and annual reports as to whether the limits imposed by the Target Fund itself pursuant to the above point have been complied with in full. If there is non-compliance with the said limits during the relevant reporting period, this must be reported to the SFC on a timely basis and an account for such non-compliance should be stated in the report relating to the period in which the non-compliance occurs or otherwise notified to investors of the Target Fund.

### **Securities Lending Transaction**

The Management Company may, on behalf of the Target Fund, enter into securities lending transactions, with the maximum level for up to 50% and expected level for approximately 20% of the Target Fund's net asset value. The Management Company will be able to recall the securities lent out at any time. All securities lending

transactions will only be carried out in the best interest of the Target Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Management Company at its absolute discretion.

The details of the arrangements are as follows:

- (a) each counterparty for such transactions will be independent counterparties approved by the Management Company with credit rating of BBB- or above (by Moody's or S&P, or any other equivalent ratings by recognised credit rating agencies) or which are corporations licensed by the SFC or are registered institutions with the Hong Kong Monetary Authority;
- (b) the trustee or the custodian of the Target Fund, upon the instruction of the Management Company, will take collateral, which can be cash or non-cash assets fulfilling the requirements under "Collateral" below;
- (c) for sale and repurchase transactions, it is the intention of the Management Company to sell the securities for cash equal to the market value of the securities provided to the counterparty, subject to appropriate haircut. Cash obtained in sale and repurchase transactions will be used for meeting redemption requests or defraying operating expenses, but will not be re-invested;
- (d) the maximum and expected level of the Target Fund's assets available for these transactions will be as set out in this section; and
- (e) where any securities lending transaction has been arranged through the trustee or a connected person of the trustee of the Target Fund or the Management Company, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement.

As part of the securities lending transactions, the Target Fund must receive cash and/or non-cash collateral of at least 100% of the value of the securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be safe kept by the trustee of the Target Fund or an agent appointed by the trustee of the Target Fund. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Management Company will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4p.m. on trading day T+1.

Non-cash collateral received may not be sold, re-invested or pledged. Any reinvestment of cash collateral received shall be subject to the requirements as set out in the section "Collateral" below. Information as required under the Code will be disclosed in the annual and interim financial reports and on the Management Company's website (as the case may be).

To the extent that the Target Fund undertakes securities lending transactions, all revenues (net of direct and indirect expenses as reasonable and normal

compensation for the services rendered in the context of such transactions to the extent permitted by applicable legal and regulatory requirements) shall be returned to the Target Fund. The cost relating to securities lending transactions will be borne by the borrower.

Securities lending transactions, nonetheless, give rise to certain risks including counterparty risk, collateral risk and operational risk.

### **Borrowing Restrictions of the Target Fund**

The Management Company may borrow up to 10% of the total net asset value of Target Fund to acquire investments, to settle redemption proceeds or to pay expenses relating to Target Fund. For this purpose, back-to-back loans do not count as borrowing. Securities lending transactions and sale and repurchase transactions are also not borrowings for the purpose of, and are not subject to the borrowing restrictions under this section. The assets of the Target Fund may be charged, pledged or otherwise encumbered in any manner as security for any such borrowings.

If the investment and borrowing restrictions set out above are breached, the Management Company shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due regard to the interests of unit holders of the Target Fund. The Management Company is not immediately required to sell applicable investments if any of the investment restrictions are exceeded as a result of changes in the value of the Target Fund's investments, reconstructions or amalgamations, payments out of the assets of the Target Fund or redemption of units but for so long as such limits are exceeded, the Management Company shall not acquire any further investments which would result in such limit being further breached.

### **Financial Derivative Instruments (FDI)**

Subject always to the provisions of the deed of the Trust and the Code, the Management Company may on behalf of the Target Fund enter into any transactions in relation to swaps or other FDI.

The Target Fund may acquire FDIs for hedging purpose. The FDIs shall meet all of the following criteria to be considered as being acquired for hedging purposes:

- (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 of risks arising from the investments being hedged;
- (c) 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 Target Fund may acquire FDIs for non-hedging purposes (“investment purposes”), subject to the limit that the Target Fund’s net exposure relating to these FDIs (“net derivative exposure”) does not exceed 50% of the Target Fund’s total net asset value (unless otherwise approved by the SFC for the Target Fund pursuant to Chapter 8 of the Code). For the avoidance of doubt:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by the Target Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the position;
- (b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and
- (c) FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

Subject to the above, the Target Fund may invest in FDIs provided that the exposure to the underlying assets of the FDI, together with the other investments of the Target Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in the relevant provisions of Chapter 7 of the Code.

The FDIs invested by the Target Fund shall be either listed or 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 or currencies or other asset classes acceptable to the SFC, in which the Target Fund may invest according to its investment objectives and policies;
- (b) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the SFC on a case-by-case basis;
- (c) subject to paragraphs (a) and (b) under the Investment Restrictions of the Target Fund above, the net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the net asset value of the Target Fund. The exposure of the Target Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by the Target 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 FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Management Company or the trustee of the Target Fund or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Target Fund. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

The Target Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs (whether for hedging or for investment purposes). The Management Company shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis. For the purposes herein, assets that are used to cover the Target Fund's payment and delivery obligations incurred under transactions in FDIs should 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. A transaction in FDIs which gives rise to a future commitment or contingent commitment of the Target Fund should also be covered as follows:

- in the case of FDI transactions which will, or may at the Target Fund's discretion, be cash settled, the Target Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- in the case of FDI transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Target Fund should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Management Company considers the underlying assets to be liquid and tradable, the Target 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. In case of holding alternative assets as cover, the Target Fund should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

The above policies relating to FDIs apply to financial instruments which embeds a financial derivative as well.

### **Collateral**

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be 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;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
  - Credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as 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;
  - Haircut - collateral should be subject to prudent haircut policy which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. For the avoidance of doubt the price volatility of the asset used as collateral should be taken into account when devising the haircut policy;
  - Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and the Target Fund’s exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapter 7 of the Code;
  - 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 in such a way that it would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the financial derivative instruments or any of their related entities should not be used as collateral;
  - Management of operational and legal risks – the Management Company must have appropriate systems, operational capabilities and legal expertise for proper collateral management;
  - Independent custody – collateral must be held by the trustee of the Target Fund;
  - Enforceability – collateral must be readily accessible/enforceable by the trustee of the Target Fund without further recourse to the issuer of the financial derivative instruments or the counterparty of the securities financing transactions;
  - Cash collateral – any re-investment of collateral received for the account of the Target Fund shall be subject to the following requirements:
    - cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds 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, 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. Non-cash collateral received may not be sold, re-invested or pledged;

- cash collateral received is not allowed to be further engaged in any securities financing transactions; and
- 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;
- Encumbrances - collateral should be free of prior encumbrances; and
- Collateral generally should not include (i) structured products whose payouts rely on embedded financial derivative instruments or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

Subject to the requirements above, below is a summary of the collateral policy and criteria adopted by the Management Company:

- eligible collateral include cash, cash equivalents, government bonds, supranational bonds, corporate bonds, debt securities, stocks, funds and money market instruments;
- the issuer of collateral must be of high quality including governments, supranationals, government agencies, substantial financial institution, policy banks or government guaranteed entities with an investment grade credit rating. The rating by a recognised credit rating agency shall be taken into account in the credit assessment process. Securities rated with a non-investment grade credit rating is not eligible for collateral purpose. There are no criteria for country of origin of the counterparty;
- no maturity constraints will apply to the collateral received;
- regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral;
- the haircut policy takes account of market volatility, the foreign exchange volatility between collateral asset and underlying agreement, liquidity and credit risk of the collateral assets, and the counterparty's credit risk (for each eligible security type). Haircuts shall be set to cover the maximum expected decline in the market price of the collateral asset (over a conservative liquidation horizon) before a transaction can be closed out. Cash collateral will not be subject to haircut;
- the collateral would be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer;
- the collateral received would be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- collateral must be readily enforceable by the trustee of the Target Fund and may be subject to netting or set-off;

- cash collateral will generally not be used for reinvestment purposes unless otherwise determined by the Management Company and notified to investors of the Target Fund.

#### 4.9 Distribution Policy

Net income earned by the Target Fund will not be re-invested. The Management Company intends to distribute income to unit holders of the Target Fund **annually (in December)** having regard to the Target Fund's net income after fees and costs.

The Management Company will also have the discretion to determine if and to what extent distributions (whether directly or effectively) will be paid out of capital of the Target Fund.

The Management Company may, at its discretion, pay dividend out of capital. The Management Company may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Target Fund are charged to/paid out of the capital of the Target Fund, resulting in an increase in distributable income for the payment of dividends by the Target Fund and therefore, the Target Fund may effectively pay dividend out of capital. **Investors of the Target Fund should note that payments 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 the Target Fund's capital or effectively out of capital may result in an immediate reduction in the net asset value per unit of the Target Fund and will reduce any capital appreciation for the unit holders of the Target Fund.**

The composition of the distributions (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months are available by the Management Company on request and also on the Management Company's website <http://www.csopasset.com/en/products/new-china-sectors-etf>.

The distribution policy may be amended subject to the SFC's prior approval (where required) and upon giving not less than one (1) month's prior notice to unit holders of the Target Fund.

Distributions (if declared) will be declared in the base currency of the Target Fund (i.e. HKD). The Management Company will make an announcement prior to any distribution in respect of the relevant distribution amount in HKD only. The details of the distribution declaration dates, distribution amounts and ex-dividend payment dates will be published on the Management Company's website <http://www.csopasset.com/en/products/new-china-sectors-etf> and on HKEX's website [www.hkexnews.hk/listedco/listconews/advancedsearch/search\\_active\\_main.aspx](http://www.hkexnews.hk/listedco/listconews/advancedsearch/search_active_main.aspx).



There can be no assurance that a distribution will be paid.

Each unit holder of the Target Fund will receive distributions in HKD (whether holding HKD traded units of the Target Fund, RMB traded units of the Target Fund or USD traded units of the Target Fund). In the event that the relevant unit holder of the Target Fund has no HKD account, the unit holder may have to bear the fees and charges associated with the conversion of such dividend from HKD into RMB, USD or any other currency. Unit holders of the Target Fund are advised to check with their brokers/intermediaries on the arrangements concerning distributions.

Distribution payment rates in respect of units of the Target Fund will depend on factors beyond the control of the Management Company or trustee of the Target Fund 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.

#### **4.10 Temporary Suspension of Creations and Redemptions**

The Management Company may, after consultation with the trustee of the Target Fund, having regard to the best interest of unit holders of the Target Fund, suspend the creation or issue of the Target Fund, suspend the redemption of the Target Fund and/or delay the payment of any monies in respect of any redemption Application in the following circumstances:

- (a) during any period when trading on the SEHK is restricted or suspended;
- (b) during any period when a market on which an Index Security (that is a component of the relevant Underlying Index) has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
- (c) during any period when dealing on a market on which an Index Security (that is a component of the relevant Underlying Index) has its primary listing is restricted or suspended;
- (d) during any period when, in the opinion of the Management Company, settlement or clearing of Index Securities in the official clearing and settlement depository (if any) of such market is disrupted; or
- (e) during any period when the determination of the net asset value of the Target Fund is suspended or if any circumstance specified in the prospectus of the Target Fund.

Upon declaration of the suspension by the Management Company, the suspension shall take effect. During the suspension,

- (a) no Application shall be made by any of the Participating Dealers and in the event any Application is received in respect of any dealing day falling within such period of suspension (that has not been otherwise withdrawn), such Application shall be deemed as having been received immediately following the termination of the suspension;

- (b) no units of the Target Fund shall be created and issued or redeemed for the account of the Target Fund.

The Management Company shall notify the SFC if dealing in the Target Fund is suspended and publish a notice of suspension immediately following such suspension and, at least once a month during the period of suspension, on its website at [www.csopasset.com/etf](http://www.csopasset.com/etf) or in such publications as the Management Company decides.

A Participating Dealer may at any time after a suspension has been declared and before termination of such suspension withdraw an Application submitted prior to such suspension by notice in writing to the Management Company and the Management Company shall promptly notify the trustee of the Target Fund accordingly.

If the Management Company has not received any such notification of withdrawal of such Application before termination of such suspension, the trustee of the Target Fund shall, subject to and in accordance with the provisions of the Trust deed, create and issue the Target Fund or redeem the Target Fund in respect of such Application and such Application shall be deemed to be received immediately following the termination of such suspension.

The suspension shall terminate (i) when the Management Company, after consultation with the trustee of the Target Fund, having regard to the best interests of the unit holders of the Target Fund, declares the suspension at an end, or (ii) in any event on the day following the first business day on which the condition giving rise to the suspension ceases to exist; and no other condition under which suspension is authorised under the Trust deed exists.

#### **Suspension of Dealing of the Target Fund on the SEHK (Secondary Market)**

Dealing of the Target Fund on the SEHK, or trading on the SEHK generally, may at any time be suspended by the SEHK subject to any conditions imposed by the SEHK if the SEHK considers it necessary for the protection of investors or for the maintenance of an orderly market or in such other circumstances as the SEHK may consider appropriate.

#### **4.11 Fees Charged by the Target Fund**

<b>Sales Charge</b>	Not applicable
<b>Redemption Charge</b>	Not applicable
<b>Management Fee</b>	0.99% p.a. of the net asset value of the Target Fund.
<b>Trustee's and Registrar's Fee</b>	The management fee is inclusive of the Target Fund trustee's and registrar's fee and the Management Company

	will pay the fees of the trustee and the registrar of the Target Fund out of the management fee. The trustee's fee is inclusive of fees payable to the custodian and PRC custodian of the Target Fund. The trustee of the Target Fund shall also be entitled to be reimbursed out of the assets of the Target Fund all out-of-pocket expenses incurred.
<b>Service Agent's Fee</b>	The service agent is entitled to receive a monthly reconciliation fee of HKD5,000 from the Target Fund. For any period less than a month, the reconciliation fee is payable by the Target Fund on a pro-rata basis and accrues on a daily basis.
<b>Investment Adviser's Fee</b>	The management fee is inclusive of the Investment Adviser's fee and the Management Company will pay the fees of the Investment Adviser (if any) out of the management fee.

***For detailed information of the Target Fund as may be updated and amended from time to time, please refer to the Target Fund's prospectus available on <http://www.csopasset.com/en/products/new-china-sectors-ef>.***

## 5 RISK FACTORS

All investments carry some degree of risk. Therefore, before making an investment decision, you may consider the different types of risk that may affect the Fund or you individually.

<b>General risks associated with investing in a wholesale fund</b>	
<b>Market Risk</b>	Market risk refers to the possibility that an investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the fund's net asset value.
<b>Inflation Risk</b>	This is the risk that Sophisticated Investors' investment in the fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce Sophisticated Investors' purchasing power even though the value of the investment in monetary terms has increased.
<b>Manager's Risk</b>	This risk refers to the day-to-day management of the fund by the manager which will impact the performance of the fund. For example, investment decisions undertaken by the manager, as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the deed, relevant law or guidelines due to factors such as human error or weaknesses in operational process and systems, may adversely affect the performance of the fund.
<b>Non-Compliance Risk</b>	<p>This is the risk of the manager or the trustee not complying with their respective internal policies, the deed and its supplemental deed, securities law or guidelines issued by the regulators relevant to each party, which may adversely affect the performance of the fund when the manager or the trustee takes action to rectify the non-compliance. For example, non-compliance could occur due to factors such as human error or shortfalls in operational and administrative processes, or external factors such as market movements.</p> <p>This risk may be mitigated by having sufficient internal controls in place to ensure compliance with all applicable requirements at all times.</p>
<b>Loan Financing Risk</b>	This risk occurs when investors take a loan/financing to finance their investment. The inherent risk of investing with borrowed money includes investors being unable to service the repayments. In the event units are used as collateral, an investor may be required to top-up the investors' existing instalment if the prices of units fall below a certain level due to market conditions. Failing which, the units may be sold at a lower net asset value per unit as compared to the net asset value per unit at the point of purchase towards settling the loan/financing.

<b>General risks associated with investing in a wholesale fund</b>	
	<i>Note: The Manager does not provide financing for the purchase of units of the Fund. However, if an investor obtains financing from other providers, this is the risk that the investor should be aware of.</i>
<b>Country Risk</b>	Investments of the fund in any country may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the fund invests in. For example, the deteriorating economic condition of the countries may adversely affect the value of the investments undertaken by the fund in those affected countries. This in turn may cause the net asset value or prices of units to fall.

<b>Specific risks associated with the investment portfolio of the Fund</b>	
<b>Risk of a Passive Strategy</b>	As the Fund adopts a passive strategy of investing a minimum of 85% of its NAV into the Target Fund at all times, this strategy would result in the Fund being exposed to the risk of its NAV declining when the Target Fund's net asset value declines. This is because the Fund is closely mirroring the performance of the Target Fund and will not be adopting any temporary defensive strategies in response to such declines. All investment decisions are left with the fund manager of the Target Fund.
<b>Risk of not meeting the Fund's Investment Objective</b>	<p>This is the risk that the Fund may deviate from the intended investment objective, the Manager may liquidate the investments in the Target Fund and hold 100% of the Fund's NAV in cash, in order to protect the Unit Holders' interest, under circumstances including but not limited to the following:</p> <ol style="list-style-type: none"> <li>there is an adverse change to the regulatory and political regime in which the Target Fund operates;</li> <li>there is a material change to the investment objective of the Target Fund; and</li> <li>there is an unfavourable change to the feature of the Target Fund (e.g. fees, distribution policy)</li> </ol> <p>Subsequently, the Manager, in consultation with the Trustee will decide on whether to terminate the Fund or replace the Target Fund with a new target fund.</p> <p><i>Note: A replacement of the Target Fund would require Unit Holders' approval. The termination of the Fund would be carried out in accordance with the relevant laws and the provisions of the Deed.</i></p>

<b>Specific risks associated with the investment portfolio of the Fund</b>	
<b>Secondary Trading Risk</b>	The units of the Target Fund are traded on the SEHK. The trading price of the Target Fund on the SEHK may differ from the net asset value per unit of the Target Fund and there can be no guarantee that a liquid secondary market will exist for the units of the Target Fund. There can be no assurance that once the Target Fund is listed on the SEHK that it will remain listed. The Manager may proceed to terminate the Fund or replace the Target Fund with another fund if the Target Fund is delisted from the SEHK, and the Unit Holders will be notified accordingly.
<b>Currency Risk</b>	<p>As the Fund offers multiple currency Classes, certain Class(es) would be exposed to currency risk. This is the risk associated with investments in certain Class(es) of the Fund which is denominated in currency different from the base currency of the Fund. When the base currency of the Fund depreciates against the denomination currency of certain Class(es), the Class(es) will suffer currency losses. This is in addition to any gains or losses derived from the Fund's investment in the Target Fund.</p> <p>The Manager may at its discretion hedge the currency exposure of any of the Class(es) against the base currency of the Fund to mitigate currency risk for the benefit of the Class(es).</p> <p>However, it should be noted that the Fund's investment in the Target Fund may still be exposed to currency gains or losses resulting from fluctuations in foreign exchange rates between the base currency of the Target Fund and the other currencies which the Target Fund may be exposed to.</p>
<b>Income Distribution Risk</b>	It should be noted that the distribution of income is not guaranteed. Circumstances preventing the distribution of income include, among others, insufficient realised returns to enable income distribution. As per the SC Guidelines, distribution of income should only be made from realised gains or realised income.
<b>Liquidity Risk</b>	The Fund will be investing a minimum of 85% of its assets in the Target Fund. There may be exceptional circumstances, which could cause delays in the redemption of shares of the Target Fund and units of the Fund. In the event of exceptional circumstances such as suspension of calculation of net asset value of the Target Fund, no shares of the Target Fund will be redeemed.

*Note: The abovementioned risks which Sophisticated Investors should consider before investing into the Fund should not be considered to be an exhaustive list. Sophisticated Investors should be aware that investments in the Fund may be exposed to other risks of an exceptional nature from time to time.*

<b>Specific risks associated with the Target Fund</b>	
<b>Passive Investments</b>	The Target Fund is not actively managed. The Target Fund invests in the Index Securities and/or non-Index Securities included in or reflecting its Underlying Index regardless of their investment merit. The Management Company does not attempt to select securities individually or to take defensive positions in declining markets. Accordingly, the lack of discretion to adapt to market changes due to the inherent investment nature of the Target Fund means that falls in the related Underlying Index are expected to result in a corresponding fall in the value of the Target Fund.
<b>Tracking Error Risk</b>	<p>The Target Fund's returns may deviate from the Underlying Index due to a number of factors. For example, the fees and expenses of the Target Fund, liquidity of the market, imperfect correlation of returns between the Target Fund's assets and the securities constituting its Underlying Index, the rounding of share prices, foreign exchange costs, changes to the Underlying Index and regulatory policies may affect the Management Company's ability to achieve close correlation with the Underlying Index of the Target Fund and to rebalance the Target Fund's holdings of Index Securities and/or non-Index Securities in response to changes in the constituents of the Underlying Index. Further, the Target Fund may receive income (such as interests and dividends) from its assets while the Underlying Index does not have such sources of income. There is no guarantee or assurance of exact or identical replication at any time of the performance of the relevant Underlying Index.</p> <p>Although the Management Company regularly monitors the tracking error of the Target Fund, there can be no assurance that the Target Fund will achieve any particular level of tracking error relative to the performance of its Underlying Index.</p>
<b>Risks relating to Investments</b>	<i>Consumption sector risk.</i> The performance of PRC mainland and Hong Kong companies active in the consumer discretionary sector are correlated to the growth rate of the consumer market, individual income levels and their impact on levels of domestic consumer spending in the PRC mainland and Hong Kong, which in turn depend on the worldwide economic conditions, which have recently deteriorated significantly in many countries and regions and may remain depressed for the foreseeable future. On the other hand, companies in the consumer staples sector are subject to government regulation affecting the permissibility of using various food additives and production methods, which regulations could affect company profitability. The success of food, beverage, household and personal products companies may be strongly affected by marketing campaigns, performance

## Specific risks associated with the Target Fund

of the overall domestic and international economy, interest rates, competition and consumer confidence and spending.

There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. There can be no assurance that historical growth rates of the PRC mainland economy and the PRC mainland consumer market will continue. Any future slowdowns or declines in the PRC mainland or Hong Kong economy or consumer spending may materially and adversely affect the business of the companies in the consumer discretionary sector and/or consumer staples sector and as a result the performance of the Target Fund.

Health care sector risks. The economic prospects of the health care sector are generally subject to greater influences from governmental policies and regulations than those of many other industries. Certain health care companies may allocate greater than usual financial resources to research and product development and experience above - average price movements associated with the perceived prospects of success of the research and development programs. In addition, certain health care companies may be adversely affected by lack of commercial acceptance of a new product or process or by technological change and obsolescence.

Software, internet and related services industries risks. Many of the companies in the software, internet and related services industries have a relatively short operating history. Rapid changes could render obsolete the products and services offered by the companies in which the Target Fund invests and cause severe or complete declines in the prices of the securities of those companies. Additionally, companies in these sectors may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Any errors or vulnerabilities that may be discovered in the code of an internet company after release may adversely affect the business and operating results of such company. If the Target Fund invests in any of these companies, its investment may be adversely affected.

There may be substantial government intervention in the internet industry, including restrictions on investment in internet companies if such companies are deemed sensitive to relevant national interests. Some governments in the world have sought,



## Specific risks associated with the Target Fund

and may in the future seek, to censor content available through internet, restrict access to products and services offered by internet companies that the Target Fund invests in from their country entirely or impose other restrictions that may affect the accessibility of such products and services for an extended period of time or indefinitely. In the event that access to the internet products and services is restricted, in whole or in part, in one or more countries, the ability of such internet companies to retain or increase their user base and user engagement may be adversely affected, and their operating results may be harmed. This may in turn affect the value of investment of the Target Fund.

The internet business is subject to complex laws and regulations including privacy, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or advertisement engagement, or otherwise harm the internet business. They may also delay or impede the development of new products and services. Compliance with these existing and new laws and regulations can be costly and may require significant time and attention of management and technical personnel. All these may have impact on the business and/or profitability of the internet companies in which the Target Fund invests and this may in turn adversely affect the value of investment of the Target Fund.

Communication services sector risk. Companies in the communication services sector may be affected by industry competition, substantial capital requirements, government regulation and obsolescence of communication services products and services due to technological advancement.

Infrastructure industry risk. Companies in the infrastructure industry may be subject to a variety of factors that could adversely affect their business or operations, including high interest costs in connection with capital construction programs, high degrees of leverage, costs associated with governmental, environmental and other regulations, the level of government spending on infrastructure projects, and other factors. The stock prices of transportation companies may be affected by supply and demand for their specific product, government regulation, world events and economic conditions. Utilities companies face intense competition, which may have an adverse effect on their profit margins, and the rates charged by regulated utility companies are

## Specific risks associated with the Target Fund

subject to review and limitation by governmental regulatory commissions.

Sustainable energy solutions industry risk. The sustainable energy solutions industry can be significantly affected by obsolescence of existing technology, general economic conditions, fluctuations in energy prices and supply and demand of alternative energy fuels, energy conservation, the success of exploration projects and tax and other government regulations and policies. Companies in this industry could be adversely affected by commodity price volatility, imposition of import controls, increased competition, depletion of resources, technological developments and labour relations. Changes in the governments' policies towards sustainable power and energy solutions also may adversely affect the performance of the Target Fund.

Transportation industry risk. The transportation industry may be adversely affected by economic changes, increases in fuel and operating costs, labour relations, insurance costs and government regulations.

Government intervention and action by governments risk. There may be substantial government intervention in the internet industry, including restrictions on investment in internet companies if such companies are deemed sensitive to relevant national interests. Some governments in the world have sought, and may in the future seek, to censor content available through internet, restrict access to products and services offered by internet companies that the Target Fund invests in from their country entirely or impose other restrictions that may affect the accessibility of such products and services for an extended period of time or indefinitely. In the event that access to the internet products and services is restricted, in whole or in part, in one or more countries, the ability of such internet companies to retain or increase their user base and user engagement may be adversely affected, and their operating results may be harmed. This may in turn affect the value of investment of the Target Fund.

Changes in laws and regulations risk. The internet business is subject to complex laws and regulations including privacy, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or advertisement

## Specific risks associated with the Target Fund

engagement, or otherwise harm the internet business. They may also delay or impede the development of new products and services. Compliance with these existing and new laws and regulations can be costly and may require significant time and attention of management and technical personnel. All these may have impact on the business and/or profitability of the internet companies in which the Target Fund invests and this may in turn adversely affect the value of investment of the Target Fund.

Concentration risk. The Target Fund focuses on Mainland China- and Hong Kong-domiciled companies, which subjects it to greater concentration risk. The Target Fund may be more volatile than a broadly-based fund such as a global or regional investment fund as it is more susceptible to fluctuation in value resulting from adverse conditions in a single country. The value of the Target Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting the market in Mainland China and Hong Kong.

US market risks. The US economy has traditionally been considered to be one of the most stable and productive economies in the world. However, the recent financial crisis and/or economic recession, decreasing US imports, new trade regulations, changes in the US dollar exchange rates, and increasing public debt pose concerns on the development of the US economy. This may have adverse impact on the US securities in which the Target Fund invests and the net asset value of the Target Fund. The Target Fund's investment in the US securities may also be subject to US taxes and this may reduce the Target Fund's return.

ADRs associated risks. Exposure to American Depository Receipts (ADRs) may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depository bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depository bank, there could be a risk that the underlying shares would not be attributed to holders of ADRs, although segregation is an integral part of the depository agreement regulating the issuance of the ADRs. In such case, the likeliest scenario would be the trading suspension and thereafter a freeze of the price of the ADRs impacted by such bankruptcy event. Bankruptcy events in respect of the depository banks issuing the ADRs may negatively affect the performance and/or the liquidity of the Target Fund. There are fees related to ADRs, for example fees charged by banks for the custody of underlying assets of ADRs, which may impact the

## Specific risks associated with the Target Fund

performance of the ADRs. Also, holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Target Fund may also be subject to liquidity risk as ADRs are often less liquid than the corresponding underlying stocks.

Foreign exchange risk. The base currency of the Target Fund is HKD but a portion of the Target Fund's assets are invested in securities denominated in currency other than HKD (e.g. USD and RMB). If a substantial portion of the revenue and income of the Target Fund is received in a currency other than HKD, any fluctuation in the exchange rate of the HKD relative to the relevant foreign currency will affect the net asset value of the Target Fund denominated in HKD regardless of the performance of its underlying portfolio. Investors of the Target Fund are therefore, subject to the fluctuation of the exchange rate of the HKD and the currency of denomination of the underlying assets of the Target Fund.

Trading differences risk. As the relevant PRC mainland or US stock exchanges may be open when units in the Target Fund are not priced, the value of the securities China A-Shares and ADRs in the Target Fund's portfolio may change on days when investors will not be able to purchase or sell the Target Fund's units. Further the price of China A-Shares and ADRs listed on the above stock exchanges may not be available during part of or all of the SEHK trading sessions due to trading hour differences which may result in units of Target Fund being traded at a premium or discount to its net asset value.

### Mainland China Market/China A-Share Market Risks

Mainland China market/Single country investment risk. Insofar as the Target Fund invests substantially in securities issued in Mainland China, or issued by Mainland China-based issuers, or otherwise relating to the Mainland China market, it may be subject to risks inherent in the Mainland China market and additional concentration risks.

Dependence upon trading on China A-Share market risk. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which the China A-Shares may be purchased or sold by the Target Fund and the net asset value of the Target Fund may be adversely affected if trading markets for China A-Shares are limited or absent. Investors should note that the SZSE and the SSE on which China A-Shares are traded are undergoing development and the market capitalisation of those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and

**Specific risks associated with the Target Fund**

unstable (for examples due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. A Participating Dealer may not be able to create and redeem units of the Target Fund if any China A-Shares constituting the portfolio of the Target Fund are not available. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the China A-Shares traded on such markets and thereby may affect the value of the Target Fund.

*Suspension of the China A-Share market risk.* Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible for the Management Company to liquidate positions and can thereby expose the Target Fund to losses. Under such circumstances, while creation/redemption of the Target Fund's units may be suspended, subject to the Management Company's discretion, the trading of the Target Fund on the SEHK may or may not be suspended. If some of the China A-Shares comprising the portfolio of the Target Fund are suspended, it may be difficult for the Management Company to determine the net asset value of the Target Fund. Where a significant number of the China A-Shares comprising the portfolio of the Target Fund are suspended, the Management Company may determine to suspend the creation and redemption of units of the Target Fund, and/or delay the payment of any monies in respect of any redemption Application. If the trading of the Target Fund on the SEHK continues when the China A-Share market is suspended, the trading price of the Target Fund may deviate away from the net asset value.

As a result of the trading band limits imposed by the stock exchanges in Mainland China on China A-Shares, it may not be possible for Participating Dealers to create and/or redeem units of the Target Fund on a business day, because the China A-Shares constituting the portfolio of the Target Fund may not be available if the trading band limit has been exceeded for such China A-Shares or it is impossible to liquidate positions. This may lead to higher tracking error and may expose the Target Fund to losses. Further, the price of the units of the Target Fund may be traded at a premium or discount to its net asset value.

**Risks associated with investing in FDIs**

The Management Company may invest no more than 15% of the NAV of the Target Fund in FDIs through one or more counterparty(ies). As such, the Target Fund may suffer significant loss if a counterparty to the FDIs failed to perform its obligations, or in case of insolvency or default of the counterparty(ies).

## Specific risks associated with the Target Fund

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Target Fund. Exposure to FDIs may lead to a high risk of significant loss by the Target Fund.

The Management Company has put in place measures to address the risks due to investment in FDIs. For example, the Management Company will ensure that counterparties to transactions of over-the-counter FDIs or their guarantors must be substantial financial institutions. Collateral accepted by the Target Fund will be high quality assets only, and the Management Company will continuously monitor the quality of collateral to ensure no deterioration of collateral received by the Target Fund.

### Renminbi related Risks

Renminbi currency risk. RMB is currently not a freely convertible currency and is subject to foreign exchange control and fiscal policies of and repatriation restrictions imposed by the Chinese government. If such policies change in future, the Target Fund's or the investors' position may be adversely affected.

Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Target Fund.

Offshore RMB market risk. The onshore RMB ("CNY") is the only official currency of the PRC mainland and is used in all financial transactions between individuals, state and corporations in the PRC mainland ("Onshore RMB Market"). Hong Kong is the first jurisdiction to allow accumulation of RMB deposits outside the PRC mainland ("Offshore RMB Market"). Since June 2010, the offshore RMB ("CNH") is traded officially, regulated jointly by the Hong Kong Monetary Authority and the People's Bank of China ("PBOC"). As a result of the controls on cross-border transfers of Renminbi between Hong Kong and Mainland China, the Onshore RMB Market and the Offshore RMB Market are, to an extent, segregated, and each market may be subject to different regulatory requirements that are applicable to the Renminbi. The CNY may therefore trade at a different foreign exchange rate compared to the CNH. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The Target Fund's investments may potentially be exposed to both the CNY

## Specific risks associated with the Target Fund

and the CNH, and the Target Fund may consequently be exposed to greater foreign exchange risks and/or higher costs of investment (for example, when converting other currencies to the Renminbi at the CNH rate of exchange).

However, the current size of RMB-denominated financial assets outside the PRC mainland is limited. At the end of 31 July 2016, the total amount of RMB (CNH) deposits held by institutions authorised to engage in RMB banking business in Hong Kong amounted to approximately RMB667.11 billion. In addition, participating authorised institutions are required by the Hong Kong Monetary Authority to maintain a total amount of RMB assets (in the form of, inter alia, cash and the institution's settlement account balance with the Renminbi clearing bank, holding of RMB sovereign bonds issued in Hong Kong by the PRC Ministry of Finance and bond investment through the PRC mainland interbank bond market) of no less than 25% of their RMB deposits, which further limits the availability of RMB that participating authorised institutions can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. The Renminbi clearing bank only has access to onshore liquidity support from PBOC (subject to annual and quarterly quotas imposed by PBOC) to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement. The Renminbi clearing bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions.

Although it is expected that the Offshore RMB Market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC mainland laws and regulations on foreign exchange. There is no assurance that new PRC mainland laws and regulations will not be promulgated, terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC mainland may affect the liquidity of the Target Fund. To the extent the Management Company is required to source RMB in the offshore market, there is no assurance that it will be able to source such RMB on satisfactory terms, if at all.

Offshore RMB ("CNH") remittance risk. RMB is not freely convertible at present. The PRC mainland government continues to regulate conversion between RMB and foreign currencies

## Specific risks associated with the Target Fund

despite the significant reduction over the years by the PRC mainland government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover 20 provinces and municipalities in the PRC mainland and to make RMB trade and other current account item settlement available in all countries worldwide. On 25 February 2011, the Ministry of Commerce (the "MOFCOM") promulgated the Circular on Issues concerning Foreign Investment Management (the "MOFCOM Circular"). The MOFCOM Circular states that if a foreign investor intends to make investments in the PRC mainland (whether by way of establishing a new enterprise, increasing the registered capital of an existing enterprise, acquiring an onshore enterprise or providing loan facilities) with RMB that it has generated from cross-border trade settlement or that is lawfully obtained by it outside the PRC mainland, MOFCOM's prior written consent is required. While the MOFCOM Circular expressly sets out the requirement of obtaining MOFCOM's prior written consent for remittance of RMB back in the PRC mainland by a foreign investor, the foreign investor may also be required to obtain approvals from other PRC mainland regulatory authorities, such as the PBOC and SAFE, for transactions under capital account items. As the PBOC and SAFE have not promulgated any specific PRC mainland regulation on the remittance of RMB into the PRC mainland for settlement of capital account items, foreign investors may only remit offshore RMB into the PRC mainland for capital account purposes such as shareholders' loan or capital contribution upon obtaining specific approvals from the relevant authorities on a case-by-case basis. There is no assurance that the PRC mainland government will continue to gradually liberalise the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 (as extended in June 2010) will not be discontinued or that new PRC mainland regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of RMB into or outside the PRC mainland. Such an event could have an adverse effect on the operations of the Target Fund, including limiting the ability of the Target Fund to remit RMB in relation to its investment in the PRC mainland domestic markets into or outside the PRC mainland.

Currently the Bank of China (Hong Kong) Limited is the only clearing bank for offshore RMB in Hong Kong. A clearing bank is an offshore bank that can obtain RMB funding from the PBOC to



<b>Specific risks associated with the Target Fund</b>	
	<p>square the net RMB positions of other participating banks. In February 2004, Bank of China (Hong Kong) Limited launched its RMB clearing services following its appointment by the PBOC. Remittance of RMB funds into Mainland China may be dependent on the operational systems developed by the Bank of China (Hong Kong) Limited for such purposes, and there is no assurance that there will not be delays in remittance.</p>
<b>Risks relating to the QFI Regime</b>	<p><u>QFI risk.</u> The Target Fund is not a QFI but may obtain access to China A-Shares, or other permissible investments directly using QFI status of a QFI. The Target Fund may invest directly in QFI eligible securities investment via the QFI status of the Management Company.</p> <p>Investors should note that QFI status could be suspended or revoked, which may have an adverse effect on the Target Fund's performance as the Target Fund may be required to dispose of its securities holdings. In addition, certain restrictions imposed by the Chinese government on QFIs may have an adverse effect on the Target Fund's liquidity and performance.</p> <p>SAFE regulates and monitors the repatriation of funds out of the PRC mainland by the QFI pursuant to the "Regulations on Funds of Domestic Securities and Futures Investment by Foreign Institutional Investors" issued by the PBOC and the SAFE on 7 May 2020 and effective from 6 June 2020 (the "QFI Fund Regulations"). Repatriations by QFIs in respect of an open-ended fund utilizing the QFI status (such as the Target Fund) conducted in RMB are currently permitted daily and are not subject to repatriation restrictions or prior approval from SAFE, although authenticity and compliance reviews will be conducted by the PRC custodian, and monthly reports on remittances and repatriations will be submitted to SAFE by the PRC custodian. There is no assurance, however, that PRC mainland rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Further, such changes to the PRC mainland rules and regulations may take effect retrospectively. Any restrictions on repatriation of the invested capital and net profits may impact on the Target Fund's ability to meet redemption requests from the unit holders of the Target Fund. Furthermore, as the custodian's or the PRC custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the custodian or the PRC custodian in case of non-compliance with the QFI regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming unit holder of the Target Fund as soon as practicable, and within three (3) business days, and after the completion of the repatriation of funds concerned. It should</p>

## Specific risks associated with the Target Fund

be noted that the actual time required for the completion of the relevant repatriation will be beyond the Management Company's control.

SAFE is vested with the power to impose regulatory sanctions if the QFI or the PRC custodian violates any provision of the QFI Fund Regulations. Any violations could result in the revocation of the QFI status or other regulatory sanctions. Therefore in the event that the QFI status of the Management Company is revoked or cancelled due to violation of the QFI Fund Regulations in relation to any funds under the management of the Management Company, this will have an adverse impact on all the funds (including the Target Fund) under the Management Company's management as a whole.

Investors of the Target Fund should note that there can be no assurance that a QFI will continue to maintain its QFI status, or that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations, or that dealings of the Target Fund will not be suspended. In extreme circumstances, the Target Fund may incur significant losses due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to QFI investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The current QFI laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the QFI laws, rules and regulations will not be abolished. The Target Fund, which invests in the PRC mainland markets through a QFI, may be adversely affected as a result of such changes.

Application of QFI rules risk. The application of the QFI regulations may depend on the interpretation given by the relevant Chinese authorities. The Chinese authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future.

Any changes to the relevant rules may have an adverse impact on investors' investment in the Target Fund. In the worst scenario, the Management Company may determine that the Target Fund shall be terminated if it is not legal or viable to

## Specific risks associated with the Target Fund

operate the Target Fund because of changes to the application of the relevant rules.

QFI systems risk. The current QFI regulations include rules on investment restrictions applicable to the Target Fund. In the event of any default of the PRC custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC mainland, the Target Fund may encounter delays in recovering its assets which may in turn impact the net asset value of the Target Fund.

Liquidity of China A-Shares risk. Due to the potential liquidity constraint of the underlying Index Securities, the Management Company may not be able to efficiently process the transactions for the creation and redemption Applications without adverse impact on the fund value of the Target Fund therefore the existing investors' interest. Accordingly, the Management Company may impose a limit on the total number of units of the Target Fund to be created or redeemed each day.

PRC Custodian risk. The trustee of the Target Fund shall take into its custody or under its control property of the Target Fund and hold it on trust for unit holders of the Target Fund. The assets held/credited in the securities account(s) are segregated and independent from the proprietary assets of the PRC custodian. However, investors should note that, under PRC mainland law, cash deposited in the cash account(s) of the Target Fund with the PRC custodian will not be segregated but will be a debt owing from the PRC custodian to the Target Fund as a depositor. Such cash will be co-mingled with cash that belongs to other clients or creditors of the PRC custodian. In the event of bankruptcy or liquidation of the PRC custodian, the Target Fund will not have any proprietary rights to the cash deposited in such cash account(s), and the Target Fund will become an unsecured creditor, ranking pari passu with all other unsecured creditors, of the PRC custodian. Whilst the opinion from PRC mainland legal counsel indicates the legal position based on understanding of current PRC mainland laws, such opinion may not be conclusive; and ultimately the interpretation and operation of the relevant PRC mainland laws and regulations depend on the judicial and/or regulatory authorities of the PRC mainland.

The Target Fund may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the Target Fund will suffer.

## Specific risks associated with the Target Fund

PRC mainland brokerage risk. The execution of transactions may be conducted by PRC mainland broker(s) appointed by the Management Company as a QFI. More than one PRC mainland brokers can be appointed in respect of each stock exchange in the PRC mainland. If any of the designated PRC mainland broker in the PRC mainland cannot be used, the operation of the Target Fund will be adversely affected and may cause units of the Target Fund to trade at a premium or discount to its net asset value or the Target Fund may not be able to track the Underlying Index. Further, the operation of the Target Fund may be adversely affected in case of any acts or omissions of the PRC mainland brokers, which may result in a higher tracking error or the Target Fund being traded at a significant premium or discount to its net asset value.

If only a limited number of PRC mainland brokers may be appointed, the Target Fund may not necessarily pay the lowest commission available in the market. The Management Company however, in the selection of PRC mainland brokers will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards.

There is a risk that the Target Fund may suffer losses from the default, bankruptcy or disqualification of the PRC mainland brokers. In such event, the Target Fund may be adversely affected in the execution of any transaction. As a result, the net asset value of the Target Fund may also be adversely affected.

Subject to the applicable laws and regulations, the Management Company will make arrangements to satisfy itself that the PRC mainland brokers have appropriate procedures to properly segregate the Target Fund's securities from those of the relevant PRC mainland brokers.

### Risks associated with Stock Connect

The Target Fund may invest through the Stock Connect and is subject to the following additional risks:

Quota limitations risk. The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound daily quota drops to zero or the Northbound daily quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Target Fund's ability to invest in China A-Shares through the Stock Connect on a timely basis, and the Target Fund may not be able to effectively pursue its investment strategies.

## Specific risks associated with the Target Fund

Suspension risk. It is contemplated that each of the SEHK, the SSE and the SZSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through the Stock Connect is affected, the Target Fund's ability to access the PRC mainland market will be adversely affected.

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

Operational risk. The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland China stock market directly.

The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

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

Further, the "connectivity" in the Stock Connect program requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system ("China Stock Connect System") was set up by the SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant

## Specific risks associated with the Target Fund

systems failed to function properly, trading in both markets through the program could be disrupted. The Target Fund's ability to access the China A-Share market (and hence to pursue its investment strategy) will be adversely affected.

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

If the Target Fund desires to sell certain China A-Shares it holds, it must transfer those China A-Shares to the respective accounts of its brokers before the market opens on the day of selling ("trading day"). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, the Target Fund may not be able to dispose of holdings of China A-Shares in a timely manner.

Recalling of eligible stocks risk. When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Target Fund, for example, when the Management Company and the Investment Adviser (as applicable) wishes to purchase a stock which is recalled from the scope of eligible stocks.

Clearing and settlement risk. HKSCC and China Securities Depository and Clearing Corporation Limited ("ChinaClear") have established the clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market would on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

As the national central counterparty of the PRC mainland's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote.

## Specific risks associated with the Target Fund

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Target Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

Nominee arrangements in holding China A-Shares risk. HKSCC is the "nominee holder" of the SSE Securities and the SZSE securities acquired by Hong Kong and overseas investors through the Stock Connect.

The CSRC Stock Connect rules expressly provide that investors enjoy the rights and benefits of the SSE securities and the SZSE securities acquired through the Stock Connect in accordance with applicable laws.

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

It should be noted that, under the CCASS rules, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the SSE securities and the SZSE securities in the PRC mainland or elsewhere. Therefore, although the Target Fund's ownership may be ultimately recognised, the Target Fund may suffer difficulties or delays in enforcing its rights in China A-Shares.

Participation in corporate actions and shareholders' meetings risk. HKSCC will keep CCASS participants informed of corporate actions of SSE securities and SZSE securities. Hong Kong and overseas investors (including the Target Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE securities and SZSE securities may be as short as one business day only. Therefore, the Target Fund may not be able to participate in some corporate actions in a timely manner.

## Specific risks associated with the Target Fund

Hong Kong and overseas investors (including the Target Fund) are holding SSE securities and SZSE securities traded via the Stock Connect program through their brokers or custodians. According to existing mainland practice, multiple proxies are not available. Therefore, the Target Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE securities and SZSE securities.

No protection by Investor Compensation Fund risk. Investment through Shanghai-Hong Kong Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers in their obligations. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement. On the other hand, since the Target Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC mainland brokers, they are not protected by the China Securities Investor Protection Fund in the PRC mainland. Therefore the Target Fund is exposed to the risks of default of the broker(s) it engages in its trading in A-Shares through the programme.

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

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

Taxation risk. On 14 November 2014, the Ministry of Finance and the State of Administration of Taxation have jointly promulgated Caishui [2014] No.81 ("Notice No.81") in relation to the taxation rule on the Stock Connect. Under Notice No.81, with effect from



## Specific risks associated with the Target Fund

17 November 2014, corporate income tax, individual income tax and business tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Target Fund) on the trading of China A-Shares through the Stock Connect. However, dividends will be subject to 10% withholding tax and the company distributing the dividend has the withholding obligation. If the recipient of the dividend is entitled to a lower treaty rate, it can apply to the in-charge tax bureau of the payor for a refund. Investments in the Target Fund may be subject to the risks associated with changes in the PRC mainland tax laws and such changes may have retrospective effect and may adversely affect the Target Fund.

Shenzhen-Hong Kong Stock Connect specific risks. The Shenzhen-Hong Kong Stock Connect is newly launched and does not have an operating history and the risks identified above are particularly relevant to the Shenzhen-Hong Kong Stock Connect due to the lack of an operating history. Investors should note that the performance of the Shenzhen-Hong Kong Stock Connect may not be the same as the performance of the Shanghai-Hong Kong Stock Connect to date.

### Multi-Counter Trading Risks

Multi-Counter risk. The Multi-Counter arrangement adopted by the Target Fund may bring additional risks for investment in the Target Fund and may make such investment riskier than investment in single counter exchange traded funds. For example where for some reason there is a settlement failure on an inter-counter day trade if the units of one counter are delivered to CCASS at the last settlement on a trading day, there may not be enough time to transfer the units to the other counter for settlement on the same day.

Moreover, where there is a suspension of the inter-counter transfer of units of the Target Fund among the HKD counter, the RMB counter and the USD counter for any reasons, for example, operational or systems interruption, unit holders of the Target Fund will only be able to trade their units of the Target Fund in the currency of the relevant counter. Accordingly it should be noted that inter-counter transfers may not always be available. Investors of the Target Fund are recommended to check the readiness of their brokers/intermediaries in respect of the Multi-Counter trading and inter-counter transfer.

Investors of the Target Fund without RMB accounts or USD accounts may buy and sell HKD traded units only. Such investors will not be able to buy or sell RMB traded units or USD traded units and should note that distributions are made in HKD only.

## Specific risks associated with the Target Fund

Inter-counter trading risk. Although an investor may buy from one counter and sell the same on the other counter in the same day, it is possible that some brokers/intermediaries and CCASS participants may not be familiar with and may not be able to (i) buy units of the Target Fund in one counter and to sell units of the Target Fund in the other, (ii) carry out inter-counter transfers of units of the Target Fund, or (iii) trade units of the Target Fund in the HKD counter, RMB counter and USD counter at the same time. In such case (i) to (iii), another broker, intermediary or CCASS participant may need to be used. This may inhibit or delay dealing in the HKD traded units of the Target Fund, RMB traded units of the Target Fund and USD traded units of the Target Fund and may mean investors of the Target Fund may only be able to trade their units of the Target Fund in one currency. Investors are recommended to check the readiness of their brokers/intermediaries in respect of the Multi-Counter trading and inter-counter transfers.

Investors should therefore consult their brokers/intermediaries on the services that the brokers/intermediaries may provide in this regard along with the associated risks and fees. In particular, some brokers/intermediaries may not have in place systems and controls to facilitate inter-counter trading and/or inter-counter day trades.

Difference in trading prices risk. There is a risk that due to different factors such as market liquidity, market supply and demand in the respective counters and the exchange rate among HKD and RMB and USD, the market price on the SEHK of units of the Target Fund traded in RMB or USD may deviate significantly from the market price on the SEHK of units of the Target Fund traded in HKD. The trading price of HKD traded units of the Target Fund, RMB traded units of the Target Fund or USD traded units of the Target Fund is determined by market forces and so will not be the same as the trading price of units of the Target Fund multiplied by the prevailing rate of foreign exchange. Accordingly when selling units of the Target Fund traded in RMB or USD or buying units of the Target Fund traded in RMB or USD, an investor may receive less or pay more than the equivalent amount in HKD if the trade of the relevant units of the Target Fund is in HKD and vice versa. There can be no assurance that the price of units of the Target Fund in each counter will be equivalent.

Currency exchange risk. Investors who bought units of the Target Fund on the RMB counter or USD counter may be subject to currency exchange risk as the assets of the Target Fund are

<b>Specific risks associated with the Target Fund</b>	
	<p>denominated in HKD and the net asset value of the Target Fund will be calculated in HKD.</p> <p><u>HKD distributions risk.</u> Investors should note that where a unit holder of the Target Fund holds units of the Target Fund traded under the RMB counter or the USD counter, the relevant unit holder will only receive distributions in HKD and not RMB or USD. In the event the relevant unit holder has no HKD account, the unit holder may have to bear the fees and charges associated with the conversion of such dividend from HKD into RMB, USD or any other currency. Unit holders of the Target Fund are advised to check with their brokers concerning arrangements for distributions.</p>
<b>Risks relating to the Nature of Product</b>	<p><u>Risks in light of the cross-border nature of the Target Fund.</u> Target Fund is a HKD-denominated physical exchange traded fund that directly invests in China A-Share market (which is a market with restricted access) under the Stock Connect and QFI regime. In light of the cross-border nature of the Target Fund, it is riskier than traditional exchange traded funds which invest directly in markets other than the China A-Share market and therefore, is subject to operational and settlement risks. Operational risks may arise from technical failures of communication and trading systems, and any breaches of the relevant operational policies or guidelines by the relevant staff of the Management Company and the Investment Adviser (as applicable). Whilst the Management Company and the Investment Adviser (as applicable) has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee that events beyond the control of the Management Company and the Investment Adviser (as applicable) (e.g. trading errors or system errors) will not occur. The occurrence of such events may adversely affect the value of the Target Fund.</p> <p>To the extent that the Target Fund transacts in the China A-Share market, the Target Fund may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the Target Fund's portfolio and adversely affect the Target Fund.</p>
<b>Risks relating to the Underlying Index of Target Fund</b>	<p><u>New index risk.</u> The Underlying Index is a new index having only been launched on 24 December 2018. Given the Underlying Index is relatively new, the Target Fund may be riskier than other exchange traded funds tracking more established indices with a longer operating history.</p>

## Specific risks associated with the Target Fund

Underlying Index risk. The Target Fund may be subject to the following risks in relation to the Underlying Index:

- i. If the Underlying Index is discontinued or the licence from the Index Provider is terminated, the Management Company may, in consultation with the trustee of the Target Fund, seek the SFC's prior approval to replace the Underlying Index with an index that is tradable and has similar objectives to the Underlying Index. Please refer to Target Fund's disclosure on "*Replacement of Underlying Index*" on the circumstances in which the Underlying Index may be replaced by the Management Company. Such change shall be made in accordance with the provisions of the trust deed of the Target Fund and with the prior approval of the SFC under the Code, and unit holders of the Target Fund will be duly notified of the same. For the avoidance of doubt, index-tracking will remain the Target Fund's investment objective.

The Management Company has been granted a licence by the Index Provider to use the Underlying Index in connection with the Target Fund. The licence granted commenced on 16 August 2016 and is subject to an initial term of five (5) years, and can thereafter be automatically renewed for successive terms of three (3) years unless either party provides written notice to the other party of its intent not to renew at least 90 days prior to the end of the then current term, or unless otherwise terminated in accordance with the licence agreement. There is no guarantee that the licence agreement shall not be terminated. In addition, there is no guarantee or assurance of exact or identical replication at any time of the performance of the Underlying Index.

The Target Fund may be terminated if the Underlying Index is discontinued and/or the licence agreement is terminated and the Management Company is unable to identify or agree with any Index Provider terms for the use of a suitable replacement index, using, in the opinion of the Management Company, the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index and which meets the acceptability criteria under Chapter 8.6(e) of the Code. Accordingly, investors should note that the ability of the Target Fund to track the Underlying Index and the viability of the Target Fund depend on the continuation in force of the licence agreement in respect of the Underlying Index or a suitable replacement.

<b>Specific risks associated with the Target Fund</b>	
	<p>ii. There may be changes in the constituent securities of the Underlying Index from time to time. For example, a constituent security may be delisted or a new eligible security may be added to the Underlying Index. In such circumstances, in order to achieve the investment objective of the Target Fund, the Management Company may rebalance the composition of a basket. The price of the units of the Target Fund may rise or fall as a result of these changes. Thus, an investment in units of the Target Fund will generally reflect the Underlying Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the units of the Target Fund.</p> <p>iii. The process and the basis of computing and compiling the Underlying Index and any of its related formulae, constituent companies and factors may also be changed or altered by the Index Provider at any time without notice. There is also no warranty, representation or guarantee given to the investors as to the accuracy or completeness of the Underlying Index, its computation or any information related thereto.</p>
<b>Risks relating to change of Underlying Index</b>	<p><u>Past performance risk.</u> As a result of the change in Underlying Index, past performance of the Target Fund prior to 8 April 2019 was achieved under circumstances which no longer apply. Investors should exercise caution when considering the past performance of the Target Fund prior to 8 April 2019.</p>
<b>Securities Lending Transactions Risks</b>	<p><u>Counterparty risk.</u> The borrower may fail to return the securities in a timely manner or at all. The Target Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Target Fund's ability in meeting delivery or payment obligations from redemption requests.</p> <p><u>Collateral risk.</u> As part of the securities lending transactions, the Target Fund must receive at least 100% of the valuation of the securities lent as collateral marked-to-market on a daily basis. However, there is a risk of shortfall of collateral value due to inaccurate pricing of the collateral, adverse market movements in the collateral value, or change of value of securities lent. This may cause significant losses to the Target Fund if the borrower fails to return the securities lent out. The Target Fund may also be subject to liquidity and custody risk of the collateral, as well as legal risk of enforcement.</p> <p><u>Operational risk.</u> By undertaking securities lending transactions, the Target Fund is exposed to operational risks such as delay or</p>

<b>Specific risks associated with the Target Fund</b>	
	failure of settlement. Any such delay or failure may restrict the Target Fund's ability in meeting delivery or payment obligations from redemption requests.
<b>Reliance on the Investment Adviser Risk</b>	The Management Company has delegated the investment discretion in relation to China A-Shares of the Target Fund to the Investment Adviser and will rely on the Investment Adviser's expertise and systems for the Target Fund's investments in China A-shares. Any disruption in the communication with or assistance from the Investment Adviser or a loss of service of the Investment Adviser or any of its key personnel may adversely affect the operations of the Target Fund.
<b>Other Risks</b>	<p><u>Operating risk.</u> There is no assurance that the performance of the Target Fund will be identical to the performance of the Underlying Index. The level of fees, taxes and expenses payable by the Target Fund will fluctuate in relation to the net asset value of the Target Fund. Although the amounts of certain ordinary expenses of the Target Fund can be estimated, the growth rate of the Target Fund, and hence its net asset value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the Target Fund or the actual level of its expenses. The Management Company may terminate the Target Fund. On the termination of the Target Fund, the Target Fund will be liquidated and investors will receive distributions of cash although the Management Company has the power to decide to make distributions in specie.</p> <p><u>No market in the units risk.</u> Although the units of the Target Fund are to be listed on the SEHK and the Management Company will use its best endeavours to put in place arrangements so that there is at all times at least one (1) market maker for units of the Target Fund traded in each of the HKD counter, the RMB counter and the USD counter, investors should be aware that there may be no liquid trading market for the units of the Target Fund or that such market maker(s) may cease to fulfil that role. Further, there can be no assurance that units of the Target Fund will experience trading or pricing patterns similar to those of other exchange traded fund which are traded on the SEHK and which are based upon indices.</p> <p><u>Termination of market maker risk.</u> A market maker may cease to act as a market maker for the units of the Target Fund in accordance with the terms of its agreement including upon giving prior written notice. The termination notice period for at least one (1) market maker for units of the Target Fund will be ninety (90) days. The liquidity for the HKD traded units of the Target Fund, RMB traded units of the Target Fund and USD traded units of the</p>

## Specific risks associated with the Target Fund

Target Fund may be affected if there is no market maker for the HKD traded units of the Target Fund, RMB traded units of the Target Fund and USD traded units of the Target Fund respectively. The Management Company will use its best endeavours to put in place arrangements so that there is at least one (1) market maker for each counter (although these market makers may be the same entity) to facilitate efficient trading of units of the relevant trading currency of the Target Fund (i.e. HKD, RMB and USD). It is possible that there is only one (1) SEHK market maker for each counter of the Target Fund or the Management Company may not be able to engage a substitute market maker within the termination notice period of a market maker, and there is also no guarantee that any market making activity will be effective.

Liquidity risk. Units of the Target Fund will be a new security and following listing on the SEHK, it is unlikely that the units of the Target Fund will initially be widely held. Accordingly, any investor buying units of the Target Fund in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, at least one (1) market maker has been appointed. In turn this may affect the liquidity and trading price of the units of Target Fund in the secondary market. Therefore, unit holders of the Target Fund may not be able to sell their units in the secondary market in as timely a manner as some other equity products denominated in HKD listed in Hong Kong, and the trading price may not fully reflect the intrinsic value of the units of the Target Fund.

Distributions paid out of capital. The Management Company may, at its discretion, pay dividend out of capital. The Management Company may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Target Fund are charged to/paid out of the capital of the Target Fund, resulting in an increase in distributable income for the payment of dividends by the Target Fund and therefore, the Target Fund may effectively pay dividend out of the capital. Investors of the Target Fund should note that the payment of distributions out of or effectively out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount. Any such distributions may result in an immediate reduction in the net asset value per unit of the Target Fund.

## **Risk Management Strategy**

Risk management of the Fund forms an integral part of the investment process. The Fund's portfolio is constructed and managed within pre-determined guidelines including risk returns trade-off, which will be reviewed periodically by the Manager. Assessment of risk is an important part of the asset allocation process. The investment team of the Manager has the discretion to select instruments/securities from the authorised investment list.



## 6 FEES, CHARGES AND EXPENSES

Unless stated otherwise, all fees, charges and/or expenses disclosed in the Information Memorandum are exclusive by way of example and not limitation; goods and services tax, value added tax, consumption tax, levies, duties and other taxes as may be imposed by the Government of Malaysia from time to time (collectively known as “Taxes”). If these fees, charges and/or expenses are subject to any Taxes, such Taxes shall be borne and payable by the Unit Holders and/or the Fund (as the case may be) at the prevailing rate, including any increase or decrease to the rate, in addition to the fees, charges and/or expenses stated herein.

### 6.1 Charges

This table describes the charges that you may **directly** incur when you buy or redeem units of the Fund (*rounded to 2 decimal points*):

Entry Charge	Distribution Channel	Entry Charge
	Direct Sales	Up to 5.00% of the NAV per unit of the Class(es).
	IUTA	Up to 5.00% of the NAV per unit of the Class(es).
<p><i>Notes:</i>            There will be no entry charge payable by AmBank Group staff.            Sophisticated Investors are advised that they may negotiate for lower entry charge prior to the conclusion of sales.            The Manager reserves the right to waive or reduce the entry charge from time to time at its absolute discretion.</p>		
Exit Penalty	There will be no exit penalty for this Fund.	
Other Charges	Other direct charges that you may incur are as follows:	
	<p><b>Transfer Fee</b>            Nil</p> <p><b>Bank Charges or Fees</b>            Bank charges or fees, if any, will be borne by you.</p> <p><b>Switching Fee</b>  <u>Switching between funds managed by the Manager</u>            Unit Holders are only allowed to switch to other funds where the currency denomination is the same as the Class of the Fund switched out. For switches between any of the funds</p>	

managed by the Manager, Sophisticated Investors will be charged on the differences of entry charge between funds switched, which is up to a maximum of 6.00% of NAV per unit of the fund switched into. No entry charge will be imposed if the fund to be switched into has a lower entry charge.

Switching between Class(es) of the Fund

Unit Holders are not allowed to switch between Class(es).

## 6.2 Ongoing Fees and Expenses

Due to the multiple Classes in the Fund, the fees and expenses for the Fund are apportioned based on the size of the Class relative to the whole Fund. This means the multi-class ratio (“MCR”) is calculated by taking the “Opening Value of a Class” for a particular day and dividing it with the “Opening Value of the Fund” for that same day. This apportionment is expressed as a ratio and calculated as a percentage.

As an illustration, assuming there is an indirect fee chargeable to the Fund of HKD100 and the size of the HKD Class is 40%, RM-Hedged Class is 30%, AUD Class is 15% and SGD Class is 15% of the Fund, the ratio of the apportionment based on the percentage will be 40:30:15:15 (HKD:RM-Hedged:AUD:SGD) i.e. 40% being borne by HKD Class, 30% being borne by RM-Hedged Class, 15% being borne by AUD Class and SGD Class respectively.

“Opening Value of the Fund” refers to the NAV of the Fund before income and expenses.

“Opening Value of a Class” refers to the NAV of a Class before income and expenses.

The fees and expenses that you may **indirectly** incur are as follows.

### (a) Annual Management Fee

An annual management fee of up to 1.00% p.a. of the Fund’s NAV is charged and then apportioned to each Class based on the MCR. The management fee is calculated on a daily basis and will be paid monthly to us. From the illustration below, it shows that there is no double charging of management fee.

An illustration of the calculation and apportionment of the daily management fee is as follows:

Assuming a total fund size of HKD100 million and the Target Fund’s management fee is 0.99% p.a. and investments have been made in RM-Hedged Class and HKD Class, then the daily accrued management fee for the day would be:

	<u>HKD</u>
Investments	85,000,000.00
Others (Liquid assets)	15,000,000.00
NAV (before fees)	<u>100,000,000.00</u>

### Management fee for the day:

[ (Investments + Liquid assets) x 1.00% ] ÷ Number of days in a year

1. Charged by the Target Fund:  
 = (HKD85,000,000.00 x 0.99%) ÷ 365 2,305.48
  
2. Charged by the Fund:
  - a) Investments  
 = (HKD85,000,000.00 x 0.01%) ÷ 365 23.29
  
  - b) Liquid assets  
 = (HKD15,000,000.00 x 1.00%) ÷ 365 410.96
  
  - c) = 23.29 + 410.96 434.25

### Class-level apportionment (assumed ratio: HKD:RM-Hedged, 60:40)

HKD Class	260.55
RM-Hedged Class	173.70
<b>Total</b>	<b>434.25</b>

### (b) Annual Trustee Fee

The Trustee is entitled to an annual trustee fee for acting as trustee for the Fund. This fee is calculated daily and paid monthly. The trustee fee is up to 0.03% p.a. of the NAV of the Fund (excluding foreign sub-custodian fee and charges, where applicable). An illustration of the trustee fee per day is as follows:

Assuming the NAV of the Fund is HKD100 million and the trustee fee is 0.03% p.a. of the NAV of the Fund, then the daily accrued trustee fee would be:

	<u>HKD</u>
Trustee's fee for the day charged to the Fund:	
(NAV of the Fund x Trustee fee) ÷ Number of days in a year	
= (HKD100,000,000.00 x 0.03%) ÷ 365	82.19

**(c) Fund Expenses**

The Manager and the Trustee may be reimbursed out of the Fund for any cost reasonably incurred in the administration of the Fund. The Fund's expenses currently include but are not limited to audit fees, tax agent's fees, printing and postages of annual and quarterly reports, bank charges, investment committee fee for independent members, lodgement fees for Fund's reports, foreign custodians' charges (if any) in respect of any foreign investments of the Fund, fees paid to brokers or dealers (if any) and other expenses as permitted by the Deed.

**THERE ARE FEES AND CHARGES INVOLVED AND SOPHISTICATED INVESTORS ARE ADVISED TO CONSIDER THEM BEFORE INVESTING IN THE FUND.**

# 7 TRANSACTION INFORMATION

## 7.1 Valuation of Assets

In undertaking any of its investments, the Manager will ensure that all the assets of the Fund are valued at fair value in compliance with the SC guidelines and relevant laws at all times. Investments of the Fund are valued in accordance to the following:

- Collective investment schemes

The valuation for investment in listed collective investment schemes shall be determined by reference to the market price (i.e. official closing price or last known transacted price on the eligible market on which the investment is quoted).

However, if –

- (a) the market price does not represent the fair value of the listed collective investment schemes, for example during abnormal market conditions; or
- (b) no market price is available, including in the event of a suspension in the quotation of the listed collective investment schemes for a period exceeding fourteen (14) days, or such shorter period as agreed by the Trustee,

then the listed collective investment schemes should be valued at fair value, as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

- Deposits

The value of any deposits placed with financial institutions shall be determined on each Business Day, with reference to the principal value of such investments and the accrued income for the relevant period.

- Derivatives

The valuation is based on marked to market prices. The methods or bases of valuation will have to be verified by the Auditor of the Fund and approved by the Trustee.

## 7.2 Pricing and Valuation Points

The Fund adopts a single pricing policy i.e. subscription and redemption of units will be carried out at the NAV per unit. The valuation point of the Fund will be on daily basis (e.g. each business day).

The Fund also adopts forward pricing which means price for units will be calculated at the next valuation point after the complete documentation is received by the Manager.

Valuation point refers to such time(s) on a Business Day as may be decided by the Manager wherein the NAV per unit of the relevant Class(es) is calculated. Since the

Fund may invest in foreign markets, the valuation of the Class(es) will be carried out on the next Business Day (T+1) by 5.00 p.m. This is to cater for the currency translation of the Target Fund to the Class(es)'s base currency based on the bid exchange rate quoted by Bloomberg or Refinitiv at 4.00 pm (UK time) which is equivalent to 11.00 pm or 12.00 am midnight (Malaysian time) on the same day, or such other time as stipulated in the Investment Management Standards issued by the Federation of the Investment Managers Malaysia (FIMM).

A Sophisticated Investor will buy units at the NAV per unit of the relevant Class as at the next valuation point after an instruction for purchase is received plus applicable entry charge of the Class; and redemption will be calculated based on the NAV per unit of the relevant Class as at the next valuation point after an instruction for redemption is received.

### **Incorrect Pricing**

In the event of any incorrect pricing of units of the Class(es), the Manager shall take immediate remedial action to rectify the incorrect pricing. Where the incorrect pricing:

- (i) is equal or more than zero point five per centum (0.50%) of the NAV per unit; and
- (ii) the total impact on an individual account is less than RM 10.00 or its foreign currency equivalent in absolute amount.

then the Manager shall reimburse the relevant Class and/or the affected Unit Holder in the following manner:

- (a) where the error is as a result of over valuation (i.e. the price quoted is higher than the actual price), the Manager shall reimburse:
  - (i) the relevant Class (for the difference between the redemption amount paid out by the relevant Class and the amount per the amended valuation); and/or
  - (ii) the Unit Holders (for the difference between the value of subscription amount paid by the Unit Holder and the amount per the amended valuation).
- (b) where the error is as a result of under valuation (i.e. the price quoted is lower than the actual price), the Manager shall reimburse:
  - (i) the relevant Class (for the difference between the value of subscription amount paid by the Unit Holder and the amount per the amended valuation); and/or
  - (ii) the Unit Holders (for the difference between the redemption amount paid out by the relevant Class and the amount per the amended valuation).

Subject to any regulatory requirements, the Manager shall have the right to amend, vary or revise the above said limits or threshold from time to time.

## **Policy on rounding adjustment**

The NAV per unit for the Fund is rounded to four (4) decimal points. Redemption proceeds, units created, fees and charges are rounded to two (2) decimal points.

## **NAV per unit of the Class(es)**

Due to the multiple Classes in the Fund, the valuation of the Fund will be done in the Fund's base currency i.e. HKD. As such, all assets and/or cash that are not denominated in HKD will be converted to HKD for valuation purposes. The foreign exchange rate used for this purpose shall be based on the bid exchange rate quoted by Bloomberg or Refinitiv at 4.00 pm (UK time) which is equivalent to 11.00 pm or 12.00 am midnight (Malaysian time) on the same day, or such other time as stipulated in the Investment Management Standards issued by the FIMM.

### **Illustration:**

The following is a hypothetical example of the computation of the NAV per unit in Class currency at each valuation point based on the Multi Class Fund (MCF) Ratio with the assumption that the investment has been made in RM-Hedged Class and HKD Class:

“Opening Value of the Fund” refers to the NAV of the Fund before income and expenses.  
“Opening Value of a Class” refers to the NAV of a Class before income and expenses.

		<b>Fund (HKD) Total</b>	<b>RM-Hedged Class</b>	<b>HKD Class</b>
<b>Day 1 – by 4.00pm</b>				
Sales amount received	A		RM20,000,000.00	HKD10,000,000.00
NAV per unit	B		RM1.0200	HKD1.0000
Units in Circulation	C=A÷B		19,607,843.14	10,000,000.00
Foreign exchange (“FX”) translation on Day 1 (FX as per Valuation date – using FIMM FX guidelines)	D		1.80	1.00
Value of the Fund (HKD)	E=AxD	HKD46,000,000.00	HKD36,000,000.00	HKD10,000,000.00
<b>Day 2</b>				
Opening Value of the Fund (HKD)	E	HKD46,000,000.00	HKD36,000,000.00	HKD10,000,000.00
Multi Class Fund (MCF) Ratio <sup>^</sup>	F	100%	78.26%	21.74%
Add: Income (HKD) (Proportionate based on MCF Ratio <sup>^</sup> )	G	HKD15,000.00	HKD11,739.00	HKD3,261.00
Less: Administration expenses (HKD)	H	(HKD1,000.00)	(HKD782.60)	(HKD217.40)

		Fund (HKD) Total	RM-Hedged Class	HKD Class
(Proportionate based on MCF Ratio <sup>A</sup> )				
NAV before management fee and trustee fee for the day	<b>I=E+G-H</b>	<b>HKD46,014,000.00</b>	<b>HKD36,010,956.40</b>	<b>HKD10,003,043.60</b>
- investment in Target Fund (85% of NAV)	J=I x 85%	HKD39,111,900.00		
- investment in other liquid assets (15% of NAV)	K=I x 15%	HKD6,902,100.00		
<b>Class expenses</b>				
Management fee (% p.a.)				
- charged on investment in Target Fund	L	0.01%		
- charged on other liquid assets	M	1.00%		
Management fee for the day (HKD) (Proportionate based on MCF Ratio <sup>A</sup> )	$N = \frac{(J \times L) + (K \times M)}{365}$	(199.81)	(156.37)	(43.44)
Trustee fee (% p.a.)	P	0.03%		
Trustee fee for the day (HKD) (Proportionate based on MCF Ratio <sup>A</sup> )	$Q = \frac{(I \times P)}{365 \times F}$	(37.82)	(29.60)	(8.22)
<b>NAV</b>	<b>S=I-N-Q</b>	<b>HKD46,013,762.37</b>	<b>HKD36,010,770.43</b>	<b>HKD10,002,991.94</b>
<b>Units in Circulation</b>	<b>C</b>		<b>19,607,843.14</b>	<b>10,000,000.00</b>
<b>NAV per unit in Base Currency (HKD)</b>	<b>T=S÷C</b>		<b>HKD01.8365</b>	<b>HKD1.0003</b>
FX translation on Day 2 (FX as per Valuation date – as per FIMM FX guidelines)	U		1.82	1.00
<b>NAV per unit in Class currency</b>	<b>T÷U</b>		<b>RM1.0091</b>	<b>HKD1.0003</b>
Sales/(Redemption) amount received for Day 2	V		RM2,000,000.00	(HKD500,000.00)
FX translation on Day 2 (FX as per Valuation date – as per FIMM FX guidelines)	W		1.82	1.00
Value of the sales/redemption (HKD)	X = VxW	HKD3,140,000.00	HKD3,640,000.00	(HKD500,000.00)



		<b>Fund (HKD) Total</b>	<b>RM-Hedged Class</b>	<b>HKD Class</b>
Value of the Fund (HKD)	Y=S+X	HKD49,153,762.37	HKD39,650,770.43	HKD9,502,991.94
<b>Day 3</b>				
Opening Value of the Fund (HKD)	Y	HKD49,153,762.37	HKD39,650,770.43	HKD9,502,991.94

*Note: ^ Multi Class Fund (MCF) Ratio is apportioned based on the size of the Class relative to the whole Fund. This means the MCF Ratio is calculated by taking the Opening Value of a Class divided by the Opening Value of the Fund. This apportionment is expressed as a ratio and calculated as a percentage.*

### **Making an investment**

Assuming that a Sophisticated Investor wants to invest HKD10,000 in the HKD Class of the Fund and the NAV per unit is HKD1.0000 and entry charge is 5.00% of the NAV per unit of the HKD Class. The Sophisticated Investor will need to pay the amount as illustrated below to the Manager:

<b>Items</b>	<b>HKD/Units</b>	<b>Explanation</b>
(i) Amount to be invested (investment amount)	HKD10,000	
(ii) Units issued to Sophisticated Investor	10,000 units	HKD10,000/ HKD1.0000 per unit
(iii) Entry charge incurred by Sophisticated Investor	500	10,000 units x HKD1.0000 x 5.00%
(iv) Amount payable by Sophisticated Investor	HKD10,500	HKD10,000 + HKD500

### **Redeeming an investment**

Assuming that a Sophisticated Investor wishes to redeem 10,000 units from the HKD Class of the Fund and the NAV per unit of the HKD Class is HKD1.0005 with no exit penalty. Hence, the total amount payable to the Sophisticated Investor is HKD10,005 as illustrated below:

<b>Items</b>	<b>HKD/Units</b>	<b>Explanation</b>
(i) Units redeemed	10,000 units	
(ii) Gross amount payable to Sophisticated Investor	HKD10,005	10,000 units x HKD1.0005
(iii) Exit penalty incurred by Sophisticated Investor	0	No exit penalty
(iv) Amount payable to Sophisticated Investor	HKD10,005	HKD10,005 - 0

### 7.3 Making an Investment

<b>Minimum Initial Investment</b>	<p><b>HKD Class:</b> HKD10,000  <b>RM Class:</b> RM5,000  <b>RM-Hedged Class:</b> RM5,000</p> <p><i>Note: The Manager reserves the right to change the stipulated amount from time to time. You may request for a lower amount subject to the Manager's discretion to accept.</i></p>
<b>Minimum Additional Investment</b>	<p><b>HKD Class:</b> HKD1,000  <b>RM Class:</b> RM1,000  <b>RM-Hedged Class:</b> RM1,000</p> <p><i>Note: The Manager reserves the right to change the stipulated amount from time to time. You may request for a lower amount subject to the Manager's discretion to accept.</i></p>
<b>Step 1 Eligibility</b>	<p><b>Sophisticated Investors, with 18 years of age and above for individual who are not US Persons.</b></p> <p><i>Notes:</i></p> <p>(1) <i>The Manager has the right to reject any application by a US Person. However, if you are investing through our appointed distributor who operates under a nominee system of ownership, kindly consult the respective distributor accordingly.</i></p> <p>(2) <i>If a Unit Holder is a US Person or subsequently becomes a US Person and such fact comes to the attention of the Manager:</i></p> <p>a) <i>The Manager is entitled to act in accordance with FATCA, relevant laws, rules, regulations, notes and circulars issued by the relevant authorities from time to time including but not limited to withholding such amount of the income derived from the units held by such US Person (if any); and</i></p> <p>b) <i>The Manager shall by a notice in writing to that US Person require him/her to either redeem all the units of the Fund or transfer all the units of the Fund to a non-US Person within thirty (30) days from the date of the notice. Upon expiry of thirty (30) days from the date of such notice, the Manager reserves the right to compulsorily redeem all the units held by such US Person.</i></p>
<b>Step 2 Forms To Be Completed and</b>	<p><b><u>For initial investment:</u></b></p> <p>(1) A full set of account opening form;  (2) Proof of payment;  (3) Suitability assessment form;</p>

<p><b>Documents Required</b></p>	<p>(4) Personal Data Protection Act consent form (if applicable);</p> <p>(5) FATCA and CRS documentation:</p> <ol style="list-style-type: none"> <li>a) Self-certification by individual / entity;</li> <li>b) W-8BEN / W-8BEN-E Form (if applicable); and</li> <li>c) W-9 Form (if applicable); and</li> </ol> <p>(6) Additional documents requested by the Manager (if applicable).</p> <p><b><i>Individual investor/jointholder</i></b></p> <p>For a single applicant, photocopy of National Registration Identity Card (NRIC) for Malaysian or passport for foreigner. For joint applicant, photocopy of NRIC for Malaysian or passport for foreigner of first named joint applicant and the subsequent named joint applicant.</p> <p><b><i>Non-individual/corporate investors</i></b></p> <ol style="list-style-type: none"> <li>(1) Copy of NRIC/passport of all authorised signatory(ies);</li> <li>(2) Copy of NRIC/passport of directors/shareholders/partners;</li> <li>(3) A certified true copy of the Memorandum and Articles of Association, business registration documents, certificate of registration or its equivalent;</li> <li>(4) A certified true copy of Form 24 and 49 or its equivalent;</li> <li>(5) An original/extract copy of a board resolution approving investments in the Fund or its equivalent;</li> <li>(6) List of authorised personnel to effect any instructions pertaining to the Fund if the list of authorised personnel is not mentioned in the board resolution or its equivalent;</li> <li>(7) A copy of the latest audited financial statement of accounts;</li> <li>(8) Any other approvals required from relevant authorities; and</li> <li>(9) Any other documents requested by the Manager.</li> </ol> <p><b><u>For additional investment:</u></b></p> <ol style="list-style-type: none"> <li>(1) Transaction form or letter of instruction (for non-individual or corporate investors only); and</li> <li>(2) Proof of payment.</li> </ol>
<p><b>Step 3 Manner of Payment and Delivery</b></p>	<p>Upon clearance based on our “Know-Your-Customer” (KYC) policy, you can deposit payment into our account upon being advised by us. Your application will be accepted and shall be processed based on the net amount received. If you deposit payment into our account without notifying us, we reserve the right to reject your application and hold such amount until claimed.</p>

Payments can be made by depositing payment into our account using either cheque, bank draft or telegraphic transfer payable to:

**“AmFunds Management Berhad – Trust A/C”**

**For individual investors:** You are advised to write your name, NRIC/ passport number and contact number at the back of the cheque or bank draft.

**For corporate investors:** You are advised to write your company name, company no. and contact number at the back of the cheque or bank draft.

You can submit the application with complete documentation (including the proof of payment) and payment to us or submit the same to any of our appointed distributors. If we do not receive complete documentation with the payment we reserve the right to reject the application. If you deposit payment into our account and do not notify or provide us with the complete documentation, we shall reject your application and hold such amount until claimed. Sales of units will be processed upon receipt of complete documentation and proof of payment.

We reserve the right to vary the manner of payment from time to time, and shall be communicated to you.

*Note: Where payment is by cheque, the cheque must be issued by the Sophisticated Investor. In the case of bank draft, a copy of the application for the bank draft as approved by the relevant bank must be submitted with the bank draft. **Any payment from third party other than the Sophisticated Investor will be rejected.***

**Processing an Application/  
Cut-off Time**

- If an application with complete documentation is accepted by the Manager or our appointed distributors **before 4.00 p.m.** on a Business Day, it will be processed at the closing NAV per unit of the same Business Day.
- If an application with complete documentation is accepted by the Manager or our appointed distributors **after 4.00 p.m.** on a Business Day or on a non-Business Day, it will be processed at the closing NAV per unit of the next Business Day.

*Notes:*

- *The Manager reserves the right to reject any application that is unclear, incomplete and/or not accompanied by the required documents or proof of payment. Incomplete*

	<p><i>applications will not be processed until all the necessary information has been received.</i></p> <ul style="list-style-type: none"> <li><i>You should note that different distributors may have different cut off times in respect of receiving application request. You are advised to contact the relevant distributors to obtain further information and should check with the relevant distributors on their cut off time in respect of receiving application request.</i></li> </ul>
<b>Cooling-off Right</b>	Not applicable for this Fund.
<b>Confirmation of an Application</b>	You shall be issued a transaction advice within two (2) weeks of processing your application. No certificates are issued. Instead your details are entered into the register of Unit Holders, which is kept at our head office and can be inspected during business hours.
<b>Miscellaneous Application Information</b>	You will be responsible for all losses and expenses of the Fund in the event of any failure to make payments according to the procedures outlined in this Information Memorandum. Such losses and expenses shall be deducted by the Manager from your account with us. We reserve the right to reject any application. We also reserve the right to change or discontinue any of our application procedures.

**SOPHISTICATED INVESTORS ARE ADVISED NOT TO MAKE PAYMENT IN CASH TO ANY INDIVIDUAL AGENT WHEN PURCHASING UNITS OF THE FUND.**

#### **7.4 Making Redemptions**

<b>Minimum Redemption / Switching</b>	<p><b>All Classes:</b> 1,000 units</p> <p><i>Note: The Manager reserves the right to change the stipulated amount from time to time. You may request for a lower amount subject to the Manager's discretion to accept.</i></p>
<b>Minimum Holding / Balance</b>	<p><b>All Classes:</b> 1,000 units</p> <p><i>Note: The Manager reserves the right to change the stipulated amount from time to time. You may request for a lower amount subject to the Manager's discretion to accept.</i></p>
<b>Forms To Be Completed</b>	<p>(1) Transaction form signed by individual unit holder(s)/ authorised signatory(ies); or</p> <p>(2) Letter of instruction (for non-individual or corporate investors only).</p>
<b>Submission of Redemption Request / Cut-off Time</b>	<p>Redemption request can be made on any Business Day by completing the transaction form or letter of instructions.</p> <ul style="list-style-type: none"> <li>If a redemption request with complete documentation is accepted by the Manager or our appointed distributors</li> </ul>

	<p><b>before 4.00 p.m.</b> on a Business Day, it will be processed at the closing NAV per unit of the same Business Day.</p> <ul style="list-style-type: none"> <li>If a redemption request with complete documentation is accepted by the Manager or our appointed distributors <b>after 4.00 p.m.</b> on a Business Day or on a non-Business Day, it will be processed at the closing NAV per unit of the next Business Day.</li> </ul> <p><i>Notes:</i></p> <ul style="list-style-type: none"> <li><i>The Manager reserves the right to reject any application that is unclear, incomplete and/or not accompanied by the required documents. Incomplete applications will not be processed until all the necessary information has been received.</i></li> <li><i>You should note that different distributors may have different cut off times in respect of receiving redemption request. You are advised to contact the relevant distributors to obtain further information and should check with the relevant distributors on their cut off time in respect of receiving redemption request.</i></li> </ul>
<b>Payment of Redemption Proceeds</b>	Within fourteen (14) calendar days of receiving the redemption request with complete documentation.
<b>Manner of Payment</b>	<p>Redemption proceeds will be made in the currencies which the units are denominated will be paid to a bank account (active account) held in your own name or the first named Unit Holder (for joint account) either by telegraphic transfer, cheque or bank draft.</p> <p><i>Note: We reserve the right to vary the manner of payment from time to time, and shall be communicated to you.</i></p>
<b>Miscellaneous Redemption Information</b>	We reserve the right to defer the calculation of redemption price with the consent of the Trustee (or as permitted by the SC) after receiving the redemption request if in our judgment, an earlier payment would adversely affect the Fund.

**No redemption will be paid in cash under any circumstances.**

## 7.5 Distribution Payment

<b>Mode of Income Distribution</b>	<p>Subject to the availability of income, distribution (if any) is incidental.</p> <p><u>RM and RM-Hedged Classes</u> Distribution, if any, will be deposited into your bank account held in your name or the first named Unit Holder (for joint account) or to pay such income distribution by way of a bank</p>
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draft under any circumstances where the income distribution cannot be transferred.

If you do not state your option in the account opening form or transaction form, and if income distribution is paid, such income will be automatically reinvested in the forms of units.

Other Classes except for RM and RM-Hedged Classes

Distribution, if any, will be automatically reinvested into your account with us at no cost, based on the NAV per unit of the relevant Class at the end of Business Day of the income distribution date.

*Notes: Income distribution amount (if any) for each of the Classes could be different and is subject to the sole discretion of the Manager. For RM and RM-Hedged Classes only, if income distribution earned does not exceed RM500, it will be automatically reinvested.*

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## **7.6 Unclaimed Moneys**

Any moneys payable to you which remains unclaimed (hereinafter referred to as unclaimed amount) for the last twelve (12) months or such period as may be prescribed under the Unclaimed Moneys Act 1965 from the date of payment will be paid to Registrar of Unclaimed Moneys in accordance with the requirements of the Unclaimed Moneys Act 1965. Thereafter, all claims need to be made to the Registrar of Unclaimed Moneys.

## **7.7 Other Relevant Information When Making an Investment**

### **Switching Facility**

Unit Holders are only allowed to switch to other funds where the currency denomination is the same as the Class of the Fund switched out. For switches between any of the funds managed by the Manager, Unit Holders will be charged on the differences of the entry charge between funds switched, which is up to a maximum of 6% of NAV per unit of the fund switched into. No entry charge will be imposed if the fund to be switched into has a lower entry charge.

Unit Holders are not allowed to switch between Class(es).

Please note that the price of the Fund to be switched out and the price of another Fund to be switched into may be of different days.

### **Transfer Facility**

Transfer facility is not available for this Fund.

## **Temporary Suspension of Determination of NAV and of the Issue and Redemption of Units**

The Manager may suspend the determination of the NAV of the Fund, the issue of units and the redemption of units in the following circumstances:

- (a) during any period when the Malaysian market on which a material part of the investments of the Fund is closed, or during which dealings are substantially suspended or restricted;
- (b) during the existence of any state of affairs which constitutes an emergency as a result of which disposal of investments of the Fund is not possible;
- (c) during any breakdown in the means of communication normally employed in determining the price of the Fund's investments on any market;
- (d) when for any other reason the prices of any investments owned by the Fund cannot promptly or accurately be ascertained;
- (e) during any period when remittance of monies which will or may be involved in the realization of or in the payment for any of the Fund's investments cannot, in the opinion of the Manager, be carried out at normal rates of exchange;
- (f) in the event of the publication of a notice convening a Unit Holders meeting; or
- (g) if in our judgement, an earlier payment of redemption proceeds would adversely affect the Fund.

Unit Holders who have requested for subscription and/or switching and/or redemption of their units will be notified in writing of any such suspension of the right to subscribe, to switch or to require redemption of units and will be promptly notified upon termination of such suspension. Any suspension shall be in accordance with the Deed.

## **Customer Identification Program**

Pursuant to the relevant laws of Malaysia on money laundering, we have an obligation to prevent the use of the Fund for money laundering purposes. As such, we and/or our appointed distributors have put in place a "Know Your Customer" ("KYC") policy where procedures are in place to identify and verify the investor's identification through documents such as identity card, passport, constituent documents or any other official documents.

We and/or our appointed distributors reserve the right to request such information, either at the time an application is made or thereafter, as is necessary to verify the identity of an investor (or each of the investors in the case of joint investors) and/or to periodically update our records. We and/or our appointed distributors require you to provide us with your information and information of beneficial owner such as name, date of birth, national registration card number, residential and business address, (and mailing address if different), name of beneficial owner, address of beneficial owner, national registration card number of beneficial owner, date of birth of beneficial owner or other information and official identification.



For corporate clients, we and/or our appointed distributors require you to provide us the name of the company, principal place of business, source of income/asset, identification documents of the directors/shareholders/partners, board resolution pertaining to the investment and the person authorized to operate the account, all of which as per requirements under regulation when you open or re-open an account.

We and/or our appointed distributors also reserve the right to request additional information including the source of the funds, source of wealth, net worth, annual income and identity of any beneficial owners as may be required to support the verification information and to allow us to complete adequate due diligence. In the event of delay or failure by the investor to produce any information required for verification purpose, we and/or our appointed distributors may refuse to accept an application request. In relation to a subscription application, any monies received will be returned without interest/profit to the account from which the monies were originally debited, and in relation to redemption application, no units will be redeemed to the investor. We and/or our appointed distributors also reserve the right to place restrictions on transactions or redemptions on your account until your identity is verified.

In the event of any breaches to the applicable laws on money laundering, we have a duty to notify the relevant authority.

### **Anti-Money Laundering (“AML”)/KYC Obligation on distributor**

If you have invested in the Fund via a distributor, there may be additional information that the distributor may need to provide to us, which may include the release of your particulars and details of ultimate beneficiaries / ultimate beneficial owners investing in the Fund to us. Without such information being provided, we may be required to reject your subscription or redemption request until such information is provided by the distributor to us.

### **Cross Trade**

The Manager may conduct cross trades between funds and private mandates it currently manages provided that all criteria imposed by the regulators are met.

Notwithstanding, cross trades between the personal account of an employee of the Manager and the Fund’s account and between the Manager’s proprietary trading accounts and the Fund’s account are strictly prohibited. The execution of cross trade will be reported to the investment committee and disclosed in the Fund’s report accordingly.

### **Rebates and Soft Commission**

We do not retain any rebates from, or share in any commission with any broker or dealer in consideration for dealings in a fund’s assets. In line thereto, any rebate or shared commission is directed to the account of the fund concerned, and is subject to prevailing regulatory requirements by the SC.

## **Borrowing/Financing**

The Fund is prohibited from borrowing other assets (including borrowing of securities within the meaning of *Securities Borrowing and Lending Guidelines*) in connection with its activities. However, the Fund may borrow cash for the purpose of meeting repurchase requests for units of the Fund and for short-term bridging requirements. Such borrowings are subject to the following:

- (a) the Fund's cash borrowing is only on a temporary basis and that the borrowings are not persistent;
- (b) the borrowing period should not exceed one month;
- (c) the aggregate borrowings of the Fund should not exceed 10% of the Fund's NAV at the time the borrowing is incurred; and
- (d) the Fund only borrows from financial institutions.

## **8 THE MANAGEMENT COMPANY**

### **8.1 Corporate Information of the Manager**

AFM was incorporated on 9 July 1986 and is a wholly owned by AmInvestment Bank Berhad with effective from 21 July 2016. As at LPD, AFM has more than thirty (30) years of experience in the unit trust industry.

AFM is the holder of a Capital Markets and Services Licence for the regulated activities of fund management, dealing in securities restricted to unit trusts and dealing in private retirement scheme issued under the Act.

### **8.2 Roles, Duties and Responsibilities of the Manager**

The Manager is responsible for setting the investment policies and objective for the Fund. The Manager is also responsible for the promotion and administration of the Fund which include but not limited to issuing units, preparing and issuing information memorandum.

AFM is responsible to manage, invest, realize, reinvest or howsoever deal with the Fund in accordance with the investment objective and guidelines, including investment limits and restrictions of the Fund.

### **8.3 Designated Fund Manager**

#### **Wong Yew Joe**

Wong Yew Joe is the designated person responsible for the fund management function of the Fund. He is the Chief Investment Officer of AFM overseeing investments in the firm. He has more than twenty (20) years of experience in financial services and funds management. Over this tenure, his roles covered investment analysis, trading and portfolio management. He also played a key role in product development, business development and managing client relationships.

Yew Joe first joined the Funds Management Division in 2006 as a fund manager. His last post was the Head of Fixed Income and oversaw investments in Islamic fixed income instruments and other related instruments. He holds a Bachelor of Commerce (Accounting and Finance) from the University of Southern Queensland, Australia. He also holds a Capital Markets Services Representative's License for the regulated activity of fund management.

### **8.4 Material Litigation**

As at the LPD, the Manager is not engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give rise to any proceedings which might materially affect the business or financial position of the Manager and of its delegates.

***Note: Please refer to our website ([www.aminvest.com](http://www.aminvest.com)) for further information on the Manager and other corporate information which may be updated from time to time.***

## **9 THE TRUSTEE**

### **9.1 About Deutsche Trustees Malaysia Berhad**

Deutsche Trustees Malaysia Berhad (“DTMB”), Registration No. 200701005591 (763590-H) was incorporated in Malaysia on 22 February 2007 and commenced business in May 2007. DTMB is registered as a trust company under the Trust Companies Act 1949, with its business address at Level 20, Menara IMC, 8 Jalan Sultan Ismail, 50250 Kuala Lumpur.

DTMB is a member of Deutsche Bank Group (“Deutsche Bank”). Deutsche Bank provides commercial and investment banking, retail banking, transaction banking and asset and wealth management products and services to corporations, governments, institutional investors, small and medium-sized businesses, and private individuals.

### **9.2 Experience in Trustee Business**

DTMB is part of Deutsche Bank’s Securities Services, which provides trust, custody and related services on a range of securities and financial structures. As at LPD, DTMB is the trustee for 211 collective investment schemes including unit trust funds, wholesale funds, exchange-traded funds and private retirement schemes.

DTMB’s trustee services are supported by Deutsche Bank (Malaysia) Berhad (“DBMB”), a subsidiary of Deutsche Bank, financially and for various functions, including but not limited to financial control and internal audit.

### **9.3 Roles, Duties and Responsibilities of the Trustee**

DTMB’s main functions are to act as trustee and custodian of the assets of the Fund and to safeguard the interests of Unit Holders of the Fund. In performing these functions, the Trustee has to exercise due care and vigilance and is required to act in accordance with the relevant provisions of the Deed, the CMSA 2007 and all relevant laws.

### **9.4 Trustee’s Disclosure of Material Litigation**

As at LPD, the Trustee has not (a) engaged in any material litigation and arbitration, including those pending or threatened, nor (b) aware of any facts likely to give rise to any proceedings which might materially affect the business/financial position of the Trustee.

## **9.5 Trustee's Delegate**

The Trustee has appointed DBMB as the custodian of the assets of the Fund. DBMB is a wholly-owned subsidiary of Deutsche Bank AG. DBMB offers its clients access to a growing domestic custody network that covers over thirty (30) markets globally and a unique combination of local expertise backed by the resources of a global bank. In its capacity as the appointed custodian, DBMB's roles encompass safekeeping of assets of the Fund; trade settlement management; corporate actions notification and processing; securities holding and cash flow reporting; and income collection and processing.

All investments of the Fund are registered in the name of the Trustee for the Fund, or where the custodial function is delegated, in the name of the custodian to the order of the Trustee for the Fund. As custodian, DBMB shall act only in accordance with instructions from the Trustee.

## **9.6 Disclosure on Related-Party Transactions/Conflict of Interests**

As the Trustee for the Fund and the Manager's delegate for the fund accounting and valuation services (where applicable), there may be related party transactions involving or in connection with the Fund in the following events:

- (1) Where the Fund invests in the products offered by Deutsche Bank AG and any of its group companies (e.g. money market placement, collective investment schemes, etc.);
- (2) Where the Fund has obtained financing from Deutsche Bank AG and any of its group companies, as permitted under the SC Guidelines and other applicable laws;
- (3) Where the Manager appoints DTMB to perform its back office functions (e.g. fund accounting and valuation); and
- (4) Where DTMB has delegated its custodian functions for the Fund to DBMB.

DTMB will rely on the Manager to ensure that any related party transactions, dealings, investments and appointments are on terms which are the best available for or to the Fund and are on an arm's length basis as if between independent parties.

While DTMB has internal policies intended to prevent or manage conflicts of interests, no assurance is given that their application will necessarily prevent or mitigate conflicts of interests. DTMB's commitment to act in the best interests of the Unit Holders of the Fund do not preclude the possibility of related party transactions or conflicts.

## 10 SALIENT TERMS OF THE DEED

**Please note that if an investor invests through a distributor via a nominee system of ownership, the investor will not be deemed a Unit Holder under the Deed.**

### 10.1 Rights and Liabilities of Unit Holders

A Sophisticated Investor is deemed to be a Unit Holder when units are issued upon the Manager accepting completed documentation with payment.

Each unit held in the Fund entitles a Unit Holder to an equal and proportionate beneficial interest in the Fund. However, a Unit Holder does not own or have a right to any particular asset held by the Fund and cannot participate in management decisions except in very limited circumstances as set out in the Deed.

As a Unit Holder, you have the right to:

- (a) Receive income distribution (if any);
- (b) Have your units redeemed;
- (c) Transfer your units, subject to Manager's discretion;
- (d) Participate in termination or winding up of the Fund;
- (e) Call, attend and vote at meetings of unit holders (the rules governing the holding of meetings are set out in the law and the Deed);
- (f) Receive statement of investments, annual and quarterly reports of the Fund; and
- (g) To exercise such other rights and privileges as provided for in the Deed.

The law and the Deed limit a Unit Holder's liability to the value of their investments in the Fund. Accordingly, if the Fund's liabilities exceed its assets, no Unit Holder by reason alone of being a Unit Holder, will be personally liable to indemnify the Trustee or the Manager or any of their respective creditors.

### 10.2 Fees and Charges Permitted by the Deed

The following are the maximum fees and charges as provided in the Deed:

<b>Entry Charge</b>	Up to 10.00% of the NAV per unit of the Class(es)
<b>Exit Penalty</b>	Up to 10.00% of the NAV per unit of the Class(es)
<b>Annual Management Fee</b>	Up to 5.00% p.a. of the NAV of the Class(es)
<b>Annual Trustee Fee</b>	Up to 0.03% p.a. of the NAV of the Fund (excluding foreign custodian fees and charges, where applicable)

The increase in the fees and charges can only be made in accordance with the Deed and the relevant laws. Any increase in the fees and/or the charges above the level disclosed in the Information Memorandum may be made provided that the maximum level stated in the Deed shall not be breached. Any increase in the fees or charges above the maximum level disclosed in the Deed shall require Unit Holders' approval at a duly convened Unit Holders' meeting and subsequently a supplemental deed and supplemental information memorandum will be issued.

In the event of any increase in the fees and/or the charges above the level disclosed in the Information Memorandum and within the level disclosed in the Deed, a supplemental information memorandum will be issued.

### **10.3 Permitted Expenses Payable out of the Fund**

The expenses (or parts thereof) which are directly related and necessary for the day to day operation and administration of the Fund are payable out of the Fund's assets. As provided in the Deed, these would include (but are not limited to) the following:

- (a) commissions/fees paid to brokers/dealers in effecting dealings in the investments of the Fund, shown on the contract notes or confirmation notes;
- (b) taxes and other duties charged on the Fund by the government and/or other authorities;
- (c) costs, fees and expenses properly incurred by the Auditor and tax agent of the Fund;
- (d) fees for the valuation of any investment of the Fund;
- (e) costs, fees and expenses incurred for any modification of the Deed save where such modification is for the benefit of the Manager and/or the Trustee;
- (f) costs, fees and expenses incurred for any meeting of the Unit Holders save where such meeting is convened for the benefit of the Manager and/or the Trustee;
- (g) costs, commissions, fees and expenses of the sale, purchase, insurance and any other dealing of any asset of the Fund;
- (h) costs, fees and expenses incurred in engaging any specialist approved by the Trustee for investigating or evaluating any proposed investment of the Fund;
- (i) costs, fees and expenses incurred in engaging any valuer, adviser (including but not limited to legal advisors/lawyers) or contractor for the benefit of the Fund;
- (j) costs, fees and expenses incurred in the preparation and audit of the taxation, returns and accounts of the Fund;
- (k) costs, fees and expenses incurred in the termination of the Fund or a class of Units or the removal of the Trustee or the Manager and the appointment of a new trustee or management company;
- (l) costs, fees and expenses incurred in relation to any arbitration or other proceedings concerning the Fund or any asset of the Fund, including proceedings against the Trustee or the Manager by the other for the benefit of the Fund (save to the extent that legal costs incurred for the defence of either of them are not ordered by the court to be reimbursed by the Fund);
- (m) remuneration and out of pocket expenses of the person(s) or members of a committee undertaking the oversight function of the Fund, unless the Manager



- decides otherwise;
- (n) costs, fees and expenses deemed by the Manager to have been incurred in connection with any change or the need to comply with any change or introduction of any law, regulation or requirement (whether or not having the force of law) of any governmental or regulatory authority;
  - (o) costs, fees and expenses incurred in relation to printing and postage of annual and quarterly reports;
  - (p) fees in relation to fund accounting;
  - (q) (where the custodial function is delegated by the Trustee) charges and fees paid to sub-custodians in respect of the foreign investments of the Fund (if any); and
  - (r) any tax and/or other indirect or similar tax now or hereafter imposed by law or required to be paid in connection with any costs, fees and expenses incurred under sub-paragraphs (a) to (q) above.

#### **10.4 Retirement, Removal and Replacement of the Trustee**

Provided always that the Manager has in place a corporation approved by the relevant authorities to act as the trustee of the Fund, the Trustee may retire upon the expiration of twelve (12) months' notice in writing to the Manager of its desire so to do, or such other period as the Manager and the Trustee may agree upon.

The Trustee may be removed and another trustee may be appointed by Special Resolution of the Unit Holders at a duly convened meeting of which notice has been given to the Unit Holders in accordance with the Deed.

#### **10.5 Retirement, Removal and Replacement of the Manager**

The Manager may be removed by the Trustee where:

- (a) if the Manager has failed or neglected to carry out its duties to the satisfaction of the Trustee and the Trustee considers that it would be in the best interests of Unit Holders for the Trustee to do so after the Trustee has given notice to the Manager of that opinion and the reasons for that opinion, and has considered any representations made by the Manager in respect of that opinion, and after consultation with the relevant authorities and with the approval of the Unit Holders by way of a Special Resolution;
- (b) unless expressly directed otherwise by the relevant authorities, if the Manager is in breach of any of its obligations or duties under the Deed or the relevant laws, or has ceased to be eligible to be a management company under the relevant laws; or
- (c) the Manager has gone into liquidation, except for the purpose of amalgamation or reconstruction or some similar purpose, or has had a receiver appointed to the property and is not removed or withdrawn within thirty (30) days from appointment or has ceased to carry on business;

and the Manager shall not accept any extra payment or benefit in relation to such removal.

Subject to the approval of the relevant authorities, the Manager shall have the power to retire in favour of some other corporation and as necessary under any relevant law upon giving to the Trustee twelve (12) months' notice in writing of its desire to do so or such other period as the Manager and the Trustee may agree subject to the conditions stated in the Deed.

## **10.6 Termination of the Fund**

### **Termination of Trust by the Manager**

Subject to the provisions of the relevant laws, the Manager may without having to obtain the prior consent of the Unit Holders, terminate the trust hereby created and wind up the Fund if such termination:

- (a) is required by the relevant authorities; or
- (b) is in the best interests of Unit Holders and the Manager deems it to be uneconomical for the Manager to continue managing the Fund.

Notwithstanding the aforesaid, if the Fund is left with no Unit Holders, the Manager shall be entitled to terminate the Fund.

Upon the termination of the trust by the Manager, the Manager shall as soon as practicable, give to each Unit Holder of the Fund being wound up notice of such termination in accordance with the relevant laws; the Manager shall notify the existing Unit Holders in writing of the following options:

- (a) to receive the net cash proceeds derived from the sale of all the investment and assets of the Fund less any payment for liabilities of the Fund and any cash produce available for distribution in proportion to the number of Units held by them respectively;
- (b) to use the net cash proceeds to invest in any other wholesale fund managed by the Manager upon such terms and conditions as shall be set out in the written notification; or
- (c) to choose any other alternative as may be proposed by the Manager in accordance with the relevant laws and regulations.

### **Termination of Trust by the Trustee**

In any of the following events:

- (a) if the Manager has gone into liquidation, except for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee and the relevant authorities;
- (b) if, in the opinion of the Trustee, the Manager has ceased to carry on business; or
- (c) if, in the opinion of the Trustee, the Manager has to the prejudice of Unit Holders failed to comply with the provisions of the Deed or contravened any of the provisions of any relevant law;

the Trustee shall summon a meeting of Unit Holders in accordance with the provisions of the Deed for the purpose of seeking directions from the Unit Holders.

If at any such meeting a Special Resolution to terminate the trust in respect to the Fund and to wind-up the Fund is passed by the Unit Holders, the Trustee shall apply to the court for an order confirming such Special Resolution.

Upon such application by the Trustee, the court may, if it considers it to be in the interests of the Unit Holders, confirm the Special Resolution and make such orders as it thinks necessary or expedient for the termination of the trust in respect of the Fund and the effective winding-up of the Fund.

The termination of the trust and the winding up of the Fund shall not affect the continuity of any other trusts and wholesale funds created and established hereunder.

## **10.7 Termination of a Class of Units**

If the Fund has more than one class of Units, the Manager may terminate a particular class of Units in accordance with the relevant laws. The Manager may only terminate a particular class of Units if the termination of that class of Units does not prejudice the interests of Unit Holders of any other class of Units. For the avoidance of doubt, the termination of a class of Units shall not affect the continuity of any other class of Units of the Fund.

Notwithstanding the above and subject to the provisions of any relevant law, the Manager may without having to obtain the prior consent of the Unit Holders, terminate a particular class of Units if the termination of the class of Units is in the best interests of the Unit Holders of the class of Units and the Manager deems it to be uneconomical for the Manager to continue managing the class of Units.

If at a meeting of Unit Holders to terminate a class of Units, a Special Resolution to terminate the class Units is passed by the Unit Holders of that class:

- (a) the Trustee and the Manager shall notify the relevant authorities in writing of the passing of the Special Resolution; and
- (b) the Trustee or the Manager shall as soon as practicable inform all Unit Holders of the Fund of the termination of that class of Units.

The Trustee shall then arrange for a final review and audit of the final accounts of the Fund attributable to that class of Units by the Auditor. Upon the completion of the termination of that class of Units, the Trustee and the Manager shall notify the relevant authorities of the completion of the termination of that class of Units.

## 10.8 Unit Holders' Meeting

### Quorum required for a Unit Holders' meeting

The quorum required for a meeting of the Unit Holders of the Fund or a class of Units, as the case may be, shall be five (5) Unit Holders, whether present in person or by proxy.

- (a) However, if the Fund or a class of Units, as the case may be, has five (5) or less Unit Holders, the quorum required for a meeting of the Unit Holders of the Fund or a class of Units, as the case may be, shall be two (2) Unit Holders, whether present in person or by proxy; or if the Fund or a class of Units, as the case may be, has only two (2) Unit Holders, the quorum required for a meeting of the Unit Holders of the Fund or a class of Units, as the case may be, shall be one (1) Unit Holder, whether present in person or by proxy.
- (b) If the meeting has been convened for the purpose of voting on a Special Resolution, the Unit Holders present in person or by proxy must hold in aggregate at least twenty five per centum (25%) of the Units in circulation of the Fund or the applicable class of Units, as the case may be, at the time of the meeting.
- (c) If the Fund or a class of Units, as the case may be, has only one (1) remaining Unit Holder, such Unit Holder, whether present in person or by proxy, shall constitute the quorum required for the meeting of the Unit Holders of the Fund or a class of Units, as the case may be.

The Unit Holders may participate in a Unit Holders' meeting by video conference, web-based communication, electronic or such other communication facilities or technologies available from time to time and to vote at the Unit Holders' meeting. For the avoidance of doubt, the chairman of the meeting shall be present at the meeting either virtually or physically at the main venue of the Unit Holders' meeting.

Participation by a Unit Holder in a Unit Holders' meeting by any of the communication facilities referred to above shall be deemed as present at the said Unit Holders' meeting and shall be counted towards the quorum notwithstanding the fact that the Unit Holder is not physically present at the main venue of where the Unit Holders' meeting is to be held.

### Virtual Unit Holders' meeting

Subject to any applicable laws, the Manager and/or the Trustee shall have the power to convene a virtual meeting of Unit Holders by video conference, web-based communication, electronic or such other communication facilities or technologies available from time to time, subject to the fulfilment of the following conditions:

- (a) the Manager and/or the Trustee shall:
  - (i) ensure that there is reliable infrastructure to enable the conduct of a virtual meeting including enabling the Unit Holders to exercise their rights to speak and vote at the virtual meeting;
  - (ii) provide guidance to the Unit Holders on the requirements and method

- (iii) of participating in the virtual meeting using the selected platform; identify a broadcast venue as the place of meeting and to state the online platform that will be used for the virtual meeting in the written notice to the Unit Holders;
- (iv) ensure only Unit Holders are allowed to participate in the virtual meeting; and
- (v) observe the applicable directive, safety and precautionary requirements prescribed by the relevant authorities;
- (b) the broadcast venue shall be a physical venue in Malaysia where the chairman of the meeting shall be physically present;
- (c) participation by a Unit Holder in a Unit Holders' meeting by any of the communication facilities referred to in this section shall be deemed as present at the said Unit Holders' meeting and shall be counted towards the quorum notwithstanding the fact that the Unit Holder is not physically present at the main venue of where the Unit Holders' meeting is to be held; and
- (d) the provisions of the Deed shall apply mutatis mutandis to a virtual meeting of Unit Holders.

Unless otherwise prescribed by the relevant laws, a Unit Holders' meeting summoned pursuant to this section shall not be deemed to have proceeded for such period or periods where any of the communication facilities referred to in this section have been disconnected. The chairman of the meeting shall have the discretion to adjourn the meeting which had been disconnected and which cannot be reconnected within a reasonable time, to another date and time to be agreed by the Unit Holders present at the meeting.

## **10.9 Meeting Directed by the Unit Holders**

The Manager shall, within twenty-one (21) days of receiving a direction from not less than fifty (50) Unit Holders or one-tenth (1/10) of all the Unit Holders of the Fund or of that class of Units, as the case may be, summon a meeting of the Unit Holders of the Fund or of a particular Class of the Fund by:

- (a) sending by post at least seven (7) days before the date of the proposed meeting a notice of the proposed meeting to all the Unit Holders, at the Unit Holder's last known address or, in the case of jointholders, to the jointholder whose name stands first in the records of the Manager to the jointholder's last known address;
- (b) publishing at least fourteen (14) days before the date of the proposed meeting an advertisement giving notice of the proposed meeting in a national language national daily newspaper and in one other newspaper approved by the relevant authorities; and
- (c) specifying in the notice the place and time of the meeting and the terms of the resolutions to be proposed at the meeting.

The Unit Holders may direct the Manager to summon a meeting for any purpose including, without limitation, for the purpose of:

- (a) requiring the retirement or removal of the Manager;
- (b) requiring the retirement or removal of the Trustee;

- (c) considering the most recent financial statements of the Fund;
- (d) giving to the Trustee such directions as the meeting thinks proper; or
- (e) considering any matter in relation to the Deed;

provided always that the Manager shall not be obliged to summon any such meeting unless direction has been received from not less than fifty (50) Unit Holders or one-tenth (1/10) of all the Unit Holders of the Fund.

### **10.10 Meeting Summoned by the Manager or the Trustee**

The Manager or the Trustee may summon a meeting of Unit Holders for any purpose whatsoever by:

- (a) giving at least fourteen (14) days' written notice to Unit Holders; and
- (b) specifying in the notice, the place and time of the meeting and the terms of the resolutions to be proposed.

## **11 RELATED PARTY TRANSACTIONS OR CONFLICT OF INTEREST**

All transactions with related parties are to be executed on terms which are best available to the Fund and which are not less favourable to the Fund than an arm's length transaction between independent parties. The Fund may have dealings with parties related to the Manager. The related parties defined are AmIslamic Funds Management Sdn Bhd ("AIFM"), AmInvestment Bank Berhad, AmInvestment Group Berhad, AmBank (M) Berhad and AmBank Islamic Berhad.

Trading in securities by an employee is allowed, provided that the policies and procedures in respect of the personal account dealing are observed and adhered to. The directors, investment committee members and employees are required to disclose their portfolio holdings and dealing transactions as required under the Personal Account Dealing Policy and the Management of Conflict of Interest Policy. Further, the abovementioned shall make disclosure of their holding of directorship and interest in any company.

To the best of Trustee's knowledge, there has been no event of conflict of interest or related party transaction which exists between the Trustee and the Manager or any potential occurrence of it.

## 12 ADDITIONAL INFORMATION

### 12.1 Keeping You Informed

#### **When you invest**

A transaction advice slip/ tax invoice will be sent to you.

#### **Statement of investment**

We will send you a half-yearly statement. It will state the balance of units held by you together with all transactions made since the last statement.

#### **Reports**

We will send you:

- The annual report within two (2) months of the Fund's financial year end; and
- Quarterly reports within two (2) months of the end of the period covered.

#### **Tax voucher**

We will send you tax vouchers (if any) which will set out the information that is needed to complete your tax return form.

#### **Internet**

We publish updated information on our website [www.aminvest.com](http://www.aminvest.com).

**Please take note that if you have invested through our appointed distributor via a nominee system of ownership, please obtain the above-mentioned information from that distributor.**

### 12.2 Keeping Us Informed

#### **Changing your account details**

You will be required to inform us or your personal adviser from our appointed distributor in writing on any changes of your account details. Account details will amongst other things, include the following:

- your address;
- bank account details;
- signing instructions; and
- how income distributions are to be paid (if any).

Kindly ensure that you keep us or your personal adviser from our appointed distributor updated on any changes to your account details. This will enable us to keep you informed of the latest development of your investments and to ensure any payment of income distribution (if any) is paid successfully to your account or such cheque/ bank draft reaches you successfully at your updated address. Failure to inform us of any changes to your account details may result in us being unable to contact you and failure to make any income distribution payment to you, such income distribution will become unclaimed moneys and be treated as unclaimed moneys under Section 7.6.



### **Investor feedback and complaints**

We encourage feedback from you in order for us to upgrade our services to meet your needs. Additionally, if you have any complaints, you may direct your complaints to your personal adviser from our appointed distributor. You may also direct your feedback or complaints to us by contacting our customer service representative at (03) 2032 2888 or email [enquiries@aminvest.com](mailto:enquiries@aminvest.com). If you wish to write to us, please address your letter to:

AmFunds Management Berhad  
9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur

## 13 DIRECTORY

Head Office      AmFunds Management Berhad  
9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: (03) 2032 2888      Fax: (03) 2031 5210  
Email: enquiries@aminvest.com

Postal Address      AmFunds Management Berhad  
P.O. Box 13611, 50816 Kuala Lumpur

For enquiries about this Fund and any other funds offered by AmFunds Management Berhad, please call (03) 2032 2888 between 8.45 a.m. to 5.45 p.m. (Monday-Thursday), 8.45 a.m. to 5.00 p.m. (Friday)

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