

**IMPORTANT:** If you are in any doubt about the contents of this Explanatory Memorandum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent professional financial advice.

Investors should note that this Explanatory Memorandum relates to Sub-Fund(s) which may offer both exchange-traded class of Units and unlisted (not exchange-traded) class of Units.

**E Fund (HK) Strategic Value Bond Fund**

**E Fund (HK) US Treasury 7-10 Year Index Fund**

**sub-funds of**

**E Fund Wealth Fund Series**

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**EXPLANATORY MEMORANDUM**

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29 July 2024

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## **IMPORTANT INFORMATION FOR INVESTORS**

**Important - If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional advice. Investors should note that this Explanatory Memorandum relates to Sub-Fund(s) which may offer both exchange-traded class of Units and unlisted (not exchange-traded) class of Units.**

E Fund Wealth Fund Series (the “Trust”) is an umbrella unit trust established under the laws of Hong Kong by the Trust Deed between E Fund Management (Hong Kong) Co., Limited as manager (the “Manager”) and Cititrust Limited as trustee (the “Trustee”). Where specified in the relevant Appendix, a Sub-Fund may issue both unlisted (not exchange-traded) classes of Units (“Unlisted Class of Units”) and/or exchange-traded classes of Units (“Listed Class of Units”).

A product key facts statement which contains the key features and risks of the relevant Sub-Fund is also issued by the Manager and such product key facts statement shall form part of this Explanatory Memorandum, and shall be read, in conjunction with, this Explanatory Memorandum. For a Sub-Fund which issues both Listed Class of Units and Unlisted Class(es) of Units, separate sets of product key facts statement will be available for the Listed Class of Units and the Unlisted Class(es) of Units that are offered to Hong Kong investors respectively.

The Manager and its directors accept full responsibility for the information contained in this Explanatory Memorandum as being accurate and confirm, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make such information misleading. However, neither the delivery of this Explanatory Memorandum nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum is correct as of any time subsequent to the date of its publication. This Explanatory Memorandum may from time to time be updated. Investors should check the Manager’s website at <http://www.efunds.com.hk> (this website has not been reviewed by the SFC) for the latest version of the Explanatory Memorandum.

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

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

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

In particular:

- (a) the Units have not been registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or

possessions or areas subject to its jurisdiction, or for the benefit of a U.S. Person ("U.S. Person" being defined as (i) an individual who is a United States citizen, a U.S. green card holder, or a resident of the United States for U.S. federal income tax purposes, (ii) a corporation or partnership organised under the laws of the United States or any political subdivision thereof, or (iii) an estate or trust, the income of which is subject to U.S. federal income taxation regardless of its source); and

- (b) the Trust has not been and will not be registered under the United States Investment Company Act of 1940 (as amended).

Prospective applicants for the Units should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile which might be relevant to the subscription, holding or disposal of Units.

Any investor enquiries or complaints should be submitted in writing to the Manager's office (Suites 3501-02, 35/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong) and the Manager will respond in writing within 14 Business Days.

## DIRECTORY

<b>Manager</b>	E Fund Management (Hong Kong) Co., Limited Suites 3501-02, 35/F Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Trustee</b>	Cititrust Limited 50/F, Champion Tower Three Garden Road Central, Hong Kong
<b>Transfer Agent</b>	Citicorp Financial Services Limited 9/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
<b>Custodian</b> (in respect of E Fund (HK) Strategic Value Bond Fund)	Industrial Bank Co., Ltd. (a joint stock company incorporated in the PRC with limited liability), Hong Kong Branch 10-12/F One International Finance Centre 1 Harbour View Street Central, Hong Kong
<b>Legal Counsel to the Manager</b>	Simmons & Simmons 30 <sup>th</sup> Floor One Taikoo Place 979 King's Road Hong Kong
<b>Auditors</b>	Ernst & Young 27th Floor One Taikoo Place 979 King's Road, Quarry Bay Hong Kong

## **DEFINITIONS**

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

<b>“After Listing”</b>	means, in respect of Listed Class of Units, the period which commences on the Listing Date and continues until the relevant Sub-Fund is terminated.
<b>“Appendix”</b>	means an appendix to this Explanatory Memorandum containing information in respect of a particular Sub-Fund.
<b>“Application”</b>	means, in respect of a Listed Class of Units, an application by a Participating Dealer for the creation or redemption of Units in accordance with the procedures for creation and redemption of Units set out in the Operating Guidelines, the relevant Participation Agreement and the terms of the Trust Deed.
<b>“Application Unit”</b>	means, in respect of a Listed Class of Units, such number of Units as specified in this Explanatory Memorandum (including the Appendix of the relevant Sub-Fund) or such other number of Units from time to time determined by the Manager, approved by the Trustee and notified by the Manager to the Participating Dealers.
<b>“Base Currency”</b>	means, in respect of a Sub-Fund unless otherwise specified in the relevant Appendix, the USD.
<b>“Business Day”</b>	means unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, a day (other than a Saturday or Sunday) on which:  (a) (i) (for a Sub-Fund with a Listed Class of Units) the SEHK is open for normal trading; and (ii) the relevant market on which Investments comprised in the Sub-Fund are traded is open for normal trading, or if there are more than one such market, the market designated by the Manager is open for normal trading;  (b) (for an Index Tracking Sub-Fund) the Index is compiled and published; and  (c) banks in Hong Kong are open for normal banking business or such other day or days as the Trustee and the Manager may agree from time to time, provided that where, as a result of a number 8 typhoon signal, black rain storm warning or other similar event, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, such day shall not be a business day unless the Trustee and the Manager determine otherwise.
<b>“Cancellation Compensation”</b>	means, in respect of a Listed Class of Units, an amount payable by a Participating Dealer for the account of the relevant Sub-Fund in respect of a Default or a cancellation of Creation Application or Redemption Application in accordance with the Trust Deed, the Participation Agreement and/or the Operating Guidelines

	applicable at the time the relevant Creation Application or Redemption Application is made.
<b>“CCASS”</b>	means the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors.
<b>“CCASS Settlement Day”</b>	means the term “Settlement Day” as defined in the General Rules of HKSCC.
<b>“CCDCC”</b>	means China Central Depository & Clearing Co., Ltd.
<b>“Code”</b>	means the Code on Unit Trusts and Mutual Funds issued by the SFC (as amended from time to time).
<b>“Connected Person”</b>	has the meaning as set out in the Code which at the date of the Explanatory Memorandum means, in relation to a company: <ul style="list-style-type: none"> <li>(a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company;</li> <li>(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a);</li> <li>(c) any member of the group of which that company forms part; or</li> <li>(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).</li> </ul>
<b>“Conversion Agency Agreement”</b>	means the agreement by which the Conversion Agent agrees with the Manager to provide its services in respect of Listed Class of Shares of a Sub-Fund, as may from time to time be entered amongst the Trust, the Manager, the Conversion Agent and HKSCC.
<b>“Conversion Agent” or “Service Agent”</b>	means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as conversion agent or service agent (as the case may be) in relation to a Listed Class of Units of a Sub-Fund.
<b>“Creation Application”</b>	means, in respect of a Listed Class of Units, an application by a Participating Dealer for the creation of Units in an Application Unit size in accordance with the Operating Guidelines and the Trust Deed.
<b>“CSDCC”</b>	means the China Securities Depository and Clearing Co., Ltd.
<b>“Custodian”</b>	means, in respect of E Fund (HK) Strategic Value Bond Fund, Industrial Bank Co., Ltd. (a joint stock company incorporated in the PRC with limited liability), Hong Kong Branch.

<b>“Dealing Day”</b>	means, in respect of any Sub-Fund, the days on which Units of that Sub-Fund may be subscribed or redeemed, as specified in the relevant Appendix.
<b>“Dealing Deadline”</b>	means, in respect of any Sub-Fund, such time on the relevant Dealing Day or any other Business Day as the Manager may from time to time with the approval of the Trustee determine in relation to (in respect of Unlisted Class(es) of Units) the subscription and redemption of Units, or (in respect of a Listed Class of Units) submission of Application(s) by a Participating Dealer, in each case as specified in the relevant Appendix.
<b>“Default”</b>	Means, in respect of a Listed Class of Units, a failure by a Participating Dealer in respect of:
	(A) a Creation Application to deliver the requisite securities and/or any relevant cash amount; or
	(B) a Redemption Application to deliver the Units the subject of the Redemption Application and/or any relevant cash amount.
<b>“Deposited Property”</b>	means, in respect of a Sub-Fund or a Class, all the assets (including Income Property), received or receivable by the Trustee, for the time being held or deemed to be held upon the trusts of and subject to the terms of the Trust Deed for the account of the relevant Sub-Fund or Class but excluding (i) Income Property standing to the credit of the distribution account of such Sub-Fund (other than interest earned thereon), and (ii) any other amount for the time being standing to the credit of the distribution account of such Sub-Fund.
<b>“Duties and Charges”</b>	means, in relation to any particular transaction or dealing in respect of a Listed Class of Units, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing and including but not limited to, in relation to an issue of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager or the Trustee to be made for the purpose of compensating or reimbursing the Trust for the difference between (a) the prices used when valuing the securities in the Trust Fund for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same securities if they were acquired by the Trust with the amount of cash received by the Trust upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same securities if they were sold by the Trust in order to realise the amount of cash required to be paid out of the Trust Fund upon such redemption of Units. For the avoidance of doubt, when calculating subscription and redemption prices, duties and charges may not include (if

	applicable) any commission payable to agents on sales and purchases of the Units or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of Units).
<b>“Encumbrance”</b>	means any mortgage, charge, pledge, lien, third party right or interest, any other encumbrance or security interest of any kind or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect other than any such encumbrance or security interest imposed by the terms of the relevant clearing system/depository or otherwise created by the terms of the Participation Agreement, the Trust Deed or any agreement between the Manager, the Trustee and the relevant Participating Dealer.
<b>“entities within the same group”</b>	means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards.
<b>“Extension Fee”</b>	means, in respect of a Listed Class of Units, the fee payable to the Trustee on each occasion the Manager, upon a Participating Dealer’s request, grants the Participation Dealer an extended settlement in respect of a Creation Application or Redemption Application.
<b>“FDI”</b>	means financial derivative instrument.
<b>“Government and other Public Securities”</b>	has the meaning as set out in the Code.
<b>“HKSCC”</b>	means the Hong Kong Securities Clearing Company Limited or its successors.
<b>“Hong Kong”</b>	means the Hong Kong Special Administrative Region of the People’s Republic of China.
<b>“Hong Kong Dollars” or “HKD”</b>	means the currency of Hong Kong.
<b>“Hong Kong Stock Exchange”</b>	means The Stock Exchange of Hong Kong Limited.
<b>“IFRS”</b>	means International Financial Reporting Standards issued by the International Accounting Standards Board.
<b>“Index”</b>	means, in respect of an Index Tracking Sub-Fund, the index or benchmark (as the context required) against which the relevant Index Tracking Sub-Fund may be benchmarked or may otherwise be referenced as set out in the relevant Appendix.
<b>“Index Provider”</b>	means, in respect of an Index Tracking Sub-Fund, the person responsible for compiling the Index against which the relevant Index Tracking Sub-Fund benchmarks its investments and who holds the right to licence the use of such Index to the relevant Index Tracking Sub-Fund as set out in the relevant Appendix.

<b>“Index Tracking Sub-Fund”</b>	means a Sub-Fund with a principal objective to track, replicate or correspond to a financial index or benchmark, with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the Index that it tracks.
<b>“Initial Offer Period”</b>	means, in respect of a Sub-Fund, the period during which Units in that Sub-Fund will be offered for subscription at a fixed price, as specified in the relevant Appendix. In the case of Listed Class of Units, “Initial Offer Period” shall be the period before the relevant Listing Date as set out in the relevant Appendix.
<b>“Insolvency Event”</b>	occurs in relation to a person where (i) an order has been made or an effective resolution passed for the liquidation or bankruptcy of the person; (ii) a receiver or similar officer has been appointed in respect of the person or of any of the person’s assets or the person becomes subject to an administration order; (iii) the person enters into an arrangement with one or more of its creditors or is deemed to be unable to pay its debts; (iv) the person ceases or threatens to cease to carry on its business or substantially the whole of its business or makes or threatens to make any material alteration to the nature of its business; or (v) the Manager in good faith believes that any of the above is likely to occur.
<b>“Issue Price”</b>	means, in relation to a Listed Class of Units, the price at which Units may be issued, determined in accordance with the relevant Appendix.
<b>“Listed Class of Units”</b>	means a class of Units which is listed on either the SEHK or any other Recognised Stock Exchange.
<b>“Listing Date”</b>	means, in respect of a Listed Class of Units, the date on which the Units are first listed and from which dealings therein are permitted to take place on SEHK, the expected date of which is set out in the relevant Appendix for the Sub-Fund.
<b>“Manager”</b>	means E Fund Management (Hong Kong) Co., Limited.
<b>“Market Maker”</b>	means a broker or dealer permitted by the SEHK to act as such by making a market for Listed Class of Units in the secondary market on the SEHK.
<b>“Multi-Counter”</b>	means, in respect of a Listed Class of Units, the facility by which the Listed Class of Units of a Sub-Fund traded in more than one currency (HKD, RMB and/or USD) are each assigned separate stock codes on the SEHK and are accepted for deposit, clearance and settlement in CCASS in more than one eligible currency (HKD, RMB and/or USD) as described in the relevant Appendix of this Explanatory Memorandum. Where the Units of a Sub-Fund is traded in two eligible currencies, the facility is referred to as a “Dual Counter”.
<b>“Net Asset Value”</b>	means, in relation to any Sub-Fund or class of Units, the net asset value of such Sub-Fund or class, as the context may require, in accordance with the provisions of the Trust Deed.

**“Operating Guidelines”**

means, in respect of a Listed Class of Units of a Sub-Fund, the guidelines for the creation and redemption of Units of that class as set out in the schedule to each Participation Agreement as amended from time to time by the Manager with the approval of the Trustee, and where applicable, with the approval of HKSCC and the Conversion Agent, and following consultation, to the extent reasonably practicable, with the relevant Participating Dealers, subject always, in respect of the relevant Operating Guidelines for a Participating Dealer, any amendment being notified in writing by the Manager in advance to the relevant Participating Dealer. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the class of Units applicable at the time of the relevant Application.

**“Participating Dealer”**

means, in respect of Listed Class of Units, a licensed broker or dealer who is (or who has appointed an agent or delegate who is) a person admitted for the time being by HKSCC as a participant of CCASS and who has entered into a Participation Agreement in form and substance acceptable to the Manager and the Trustee, and any reference in this Explanatory Memorandum to “Participating Dealer” shall include a reference to any agent or delegate so appointed by the Participating Dealer.

**“Participation Agreement”**

means an agreement entered into between, among others, the Manager, the Trustee and a Participating Dealer (and its agent, if applicable), and if determined necessary by the Manager (in its absolute discretion), each of HKSCC and the Conversion Agent, setting out, (amongst other things), the arrangements in respect of the issue of Listed Class of Units and the redemption and cancellation of Listed Class of Units. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the Operating Guidelines.

**“PBOC”**

means the People's Bank of China.

**“PRC” or “China” or “Mainland China”**

means the People's Republic of China, excluding for the purposes of interpretation of this Explanatory Memorandum only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan.

**“QFI”**

means a qualified foreign institutional 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.

**“Recognised Futures Exchange”**

means an international futures exchange which is recognised by the SFC or which is approved by the Manager.

<b>“Recognised Stock Exchange”</b>	means an international stock exchange which is recognised by the SFC or which is approved by the Manager.
<b>“Redemption Application”</b>	means, in respect of a Listed Class of Units, an application by a Participating Dealer for the redemption of Units in Application Unit size in accordance with the Operating Guidelines and the Instrument.
<b>“Redemption Price”</b>	Means, in respect of Unlisted Class(es) of Units, the price per Unit at which Units of the relevant class will be redeemed, which price shall be ascertained in accordance with the section headed “Redemption of Units” below.
<b>“Redemption Value”</b>	means, in respect of a Listed Class of Units, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.
<b>“RMB”</b>	means Renminbi Yuan, the lawful currency for the time being and from time to time of the PRC.
<b>“reverse repurchase transactions”</b>	means transactions whereby a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future.
<b>“sale and repurchase transactions”</b>	means transactions whereby a Sub-Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future.
<b>“securities financing transactions”</b>	means, collectively, securities lending transactions, sale and repurchase transactions and reverse repurchase transactions.
<b>“securities lending transactions”</b>	means transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee.
<b>“SFC”</b>	means the Securities and Futures Commission of Hong Kong.
<b>“SEHK”</b>	means The Stock Exchange of Hong Kong Limited or its successors.
<b>“SFO”</b>	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.
<b>“Service Agent’s Fee”</b>	means, in respect of Listed Class of Units, the fee which may be charged for the benefit of the Service Agent to each Participating Dealer on each book-entry deposit or withdrawal transaction made by the relevant Participating Dealer, the maximum level of which shall be determined by the Service Agent and set out in this Explanatory Memorandum.
<b>“Service Agreement”</b>	means each agreement by which the Service Agent provides its services in respect of Listed Class of Units of a Sub-Fund entered amongst the Manager, the Trustee, the Registrar, the Participating Dealer and the Service Agent and HKSCC.
<b>“Settlement Day”</b>	means, in respect of a Listed Class of Units, the Business Day which is two Business Days after the relevant Dealing Day (or such

	other Business Day as is permitted in relation to such Dealing Day (including the Dealing Day itself) pursuant to the Operating Guidelines or such other number of Business Days after the relevant Dealing Day as determined by the Manager in consultation with the Trustee from time to time and notified to the relevant Participating Dealers, either generally or for a particular class or classes of Units, pursuant to the Operating Guidelines or as otherwise described in the relevant Appendix.
<b>“Sub-Fund”</b>	means a sub-fund of the Trust, being a separate trust which is established pursuant to a supplemental deed and is maintained in accordance with the provisions of the Trust Deed and such supplemental deed and with respect to which one or more separate classes of Units is issued.
<b>“Subscription Price”</b>	Means, in respect of Unlisted Class(es) of Units, the price per Unit at which Units of a particular class will be issued, which price shall be ascertained in accordance with the section headed “Subscription of Units” below.
<b>“substantial financial institution”</b>	has the meaning as set out in the Code.
<b>“Transfer Agent”</b>	means Citicorp Financial Services Limited, in its capacity as the transfer agent of each Sub-Fund.
<b>“Transaction Fee”</b>	means the fee, in respect of Listed Class of Units, which may be charged for the benefit of the Trustee, the Registrar and/or the Conversion Agent or the Service Agent (as the case may be) to each Participating Dealer on each Dealing Day upon which an Application has been or Applications have been made by the relevant Participating Dealer.
<b>“Trust”</b>	means E Fund Wealth Fund Series.
<b>“Trust Deed”</b>	means the trust deed establishing the Trust entered into by the Manager and the Trustee dated 22 December 2023, and as amended and/or supplemented from time to time.
<b>“Trustee”</b>	means Cititrust Limited in its capacity as trustee of the Trust and each Sub-Fund.
<b>“Trust Fund”</b>	means, with respect to each Sub-Fund, all the property for the time being held or deemed to be held by the Trustee upon the trusts hereof, including the Deposited Property and Income Property attributable to that Sub-Fund and subject to the terms and provisions of this Deed, except any amount for the time being standing to the credit of the Distribution Account attributable to that Sub-Fund, and where such term is used generically, “ <u>Trust Fund</u> ” means the Trust Fund attributable to all Sub-Funds taken together.
<b>“Unit”</b>	means a unit of the class to which it relates and except where used in relation to a particular class of Unit, a reference to Units means and includes Units of all classes.
<b>“Unitholder”</b>	means a person registered as a holder of a Unit.

<b>“Unlisted Class of Units”</b>	means a class of Units which is neither listed on the SEHK nor any other Recognised Stock Exchange.
<b>“US dollars” or “USD”</b>	means the currency of the United States of America.
<b>“Valuation Day”</b>	means, such days as are described in the relevant Appendix of the relevant Sub-Fund.
<b>“Valuation Point”</b>	means the close of business in the last relevant market to close on a relevant Valuation Day or such other time on that day or such other day as the Manager and the Trustee may determine from time to time either generally or in relation to a particular Sub-Fund or Class of Units and as specified in the relevant Appendix.

## **INTRODUCTION**

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

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

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

If specified in the relevant Appendix, some Sub-Funds may issue both Listed Class of Units (which will be listed on the SEHK and, where indicated in the relevant Appendix, may be available for trading on the SEHK using a Multi Counter) and Unlisted Class(es) of Units.

Information relating to the Trust and the Sub-Fund, including the latest versions of the Sub-Fund's offering documentation, circulars, notices, announcements, financial reports and the latest available Net Asset Value will be available on the website <http://www.efunds.com.hk> (this website has not been reviewed by the SFC).

## **MANAGEMENT OF THE TRUST**

### **The Manager**

The Manager of the Trust is E Fund Management (Hong Kong) Co., Limited.

The Manager was incorporated with limited liability in August 2008 in Hong Kong and is licensed to conduct Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) Regulated Activities under Part V of the SFO with CE number ARO593. It is principally engaged in fund management and the provision of investment advisory services to corporations, institutions and individual investors.

The Manager is a wholly owned subsidiary of E Fund Management Co., Limited which was established on 17 April 2001. The parent company of the Manager is a fund management company licensed with China Securities Regulatory Commission and at the end of March 2020, assets under the parent company of the Manager's management exceeded RMB1.5 trillion, making it as one of the largest asset managers in China, and is also qualified for managing investment portfolios for both the National Council for Social Security Fund and Ministry of Labour and Social Security of China Decree 23 compliant enterprise annuity schemes.

The Manager undertakes the management of the assets of the Trust and retains discretionary powers in the management of a Sub-Fund unless otherwise specified in the relevant Appendix. The Manager may appoint sub-manager(s) or investment adviser(s) in relation to specific Sub-Fund(s). Unitholders shall be given not less than one month's prior notice should there be any new appointments of any sub-manager(s) or investment adviser(s) with discretionary investment powers. The remuneration of such sub-manager(s) and investment adviser(s) will be borne by the Manager.

The directors of the Manager are as follows:

#### ***Ma Jun***

Mr. Ma Jun, Master of Business Administration (EMBA). He is currently the Executive Vice President of E Fund Management Co., Ltd., member of the Fixed Income Investment Committee, the Chairman of E Fund Management (Hong Kong) Co., Ltd., the Person-in-Charge of RMB Qualified Foreign Investor (RQFII) business, Responsible Officer (RO) of dealing in securities, Responsible Officer (RO) of advising on securities, Responsible Officer (RO) of asset management, and member of Product Approval Committee. Mr Ma has previously served under the Sales Department of Junan Securities Co., Ltd., he has also served as Deputy General Manager of the Investment Department of Shenzhen Zhongda Investment Co., Ltd., Analyst of GF Securities Co., Ltd. He has also served various roles in E Fund Management Co., Ltd. as Fund Manager, General Manager of the Fixed Income Department, General Manager of the Cash Management Department, and General Manager of the Fixed Income Head Office, Assistant to the President, Director of Fixed Income Department, Chief Investment Officer of Fixed Income. He was also Director of E Fund Asset Management Co., Ltd.

#### ***Lou Lizhou***

Ms. Lou Lizhou, Master of Business Administration (EMBA), Master of Economics. She is currently the Deputy General Manager-level senior management of E Fund Management Co., Ltd., member of the FOF Investment Committee, the Chairman of E Fund Asset Management Co., Ltd. and Director of E Fund Management (Hong Kong) Co., Ltd. Ms. Lou has previously served various roles in United Securities Co., Ltd. as Analyst of the Securities Business Department, Analyst of the Research Department, Senior Manager of the Brokerage Business Department. She has also served various roles in E Fund Management Co., Ltd. as the Manager of the Sales Support Center, the Assistant General Manager of the Marketing Department, the Deputy General Manager of the Marketing Department, and the General Manager of Guangzhou branch, the Manager of Beijing branch, Assistant to President, General Manager of E Fund Asset Management Co., Ltd.

### ***Wu Xinrong***

Mr. Wu Xinrong, Master of Engineering. He is currently the Executive Vice President of E Fund Management Co., Ltd., member of the Equity Investment Committee, and Director of E Fund Management (Hong Kong) Co., Ltd. Mr. Wu has previously served various roles in E Fund Management Co., Ltd. as Analyst, Manager of Investment Management Department, Fund Manager, Deputy General Manager of the Fund Investment Department, Deputy General Manager of the Research Department, General Manager of the Research Department, General Manager of the Fund Investment Department, General Manager of the Public Fund Investment Department, General Manager of the Equity Investment Head Office, Assistant to the President, Director of Equity Investment Department, Director of E Fund International Holdings Co., Ltd.

### ***Gaohui Huang***

Ms. Huang Gaohui, MBA degree in Finance. Ms. Huang has eighteen years' financial industry experience. Prior to joining E Fund Management (Hong Kong) Co., Limited, Ms. Huang was a Marketing Manager at Guotai Junan Securities Co., Ltd. and Head of Institutional Sales at Century Securities Co., Ltd. Ms. Huang moved to Hong Kong in January 2012 and she is the Chief Executive Officer for E Fund Management (Hong Kong) Co., Limited with responsibility for developing its business.

### ***Fan Yue***

Mr. Fan Yue, Master of Business Administration. Mr. Fan is currently Deputy General Manager-level senior management and the Director of E Fund Management (Hong Kong) Co., Ltd. He has served in the Shenzhen Branch of the Industrial and Commercial Bank of China under International Business Department as section member, Office Manager and the Manager of the International Department of the China Securities Depository and Clearing Co.,Ltd. Shenzhen Branch. He has also served under the Shenzhen Stock Exchange as Assistant Director of the Beijing Center, Deputy Director of the Listing Department, Deputy Director of the Fund and Bond Department.

### ***Song Kun***

Mr. Song Kun, Master of Economics. He is currently a Board Member, CEO and CIO for alternative investment at E Fund Asset Management Co., Ltd., the Director of E Fund Management (Hong Kong) Co., Ltd. and the Executive Director and CEO of E Fund Private Equity Management Co., Ltd.. Prior to his current role, he served various roles in E Fund Management Co., Ltd., such as Industry Researcher, Assistant Fund Manager, Fund Manager, Assistant General Manager of Mutual Fund Investment Department, Vice General Manager of Mutual Fund Investment Department and General Manager of Mutual Fund Investment Department.

### ***Xue Wang***

Ms. Xue Wang, Master of Management. Ms. Wang has over 10 years of experience in the financial industry. She is currently a director and the Co-Chief Executive Officer of the Manager. Prior to joining the Manager, she was the General Manager of the Beijing Branch and the Rotating Secretary-General of the Retail Services Executive Committee of E Fund Management Co., Ltd. She holds a Master Degree in Management from Shanghai University of Finance and Economics, and a Bachelor Degree in Management from Shanghai University of Finance and Economics.

### ***Chen Liyuan***

Ms. Chen Liyuan, Master of Business Administration and Master of Laws. She is currently the Chief Operating Officer and Chairman of the Financial Technology Committee of E Fund Management Co., Ltd., and the Director of E Fund Management (Hong Kong) Co., Ltd. Ms. Chen has served various roles in E Fund Management Co., Ltd. as Supervisor of the Compliance Department,

Assistant General Manager of the Compliance Department, Deputy General Manager of the Compliance Department, General Manager of the Compliance Department, General Manager of the Compliance and Oversight Head Office and the General Manager of the Internal Audit Department, the Deputy General Manager-level senior management and the Director of E Fund Asset Management Co., Ltd.

## **The Trustee**

The Trustee of the Trust is Cititrust Limited, which is a registered trust company in Hong Kong. Cititrust Limited is a wholly-owned subsidiary of Citigroup Inc. (“Citigroup”). As a global financial services group, Citigroup and its subsidiaries provide a broad range of financial products and services, including consumer banking, corporate and investment banking, securities brokerage and wealth management to consumers, corporations, governments and institutions.

Under the Trust Deed, the Trustee shall take into its custody or under its control all the property forming part of the assets of the Trust and hold it in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by applicable laws and regulation, all registerable assets and cash from time to time comprised in the Trust shall be registered in the name of or held to the order of the Trustee. The Trustee shall in respect of any investments, assets and other property of a Sub-Fund which by nature cannot be held in custody, maintain a proper record of such investments, assets or property in its books under the name of that Sub-Fund. The Trustee also maintains the register of Unitholders of each Sub-Fund.

Subject to applicable regulatory requirements, the Trustee may appoint any person or persons (including a Connected Person of the Trustee) as custodian, nominee, agent or delegate of the Trustee, to hold all or any of the assets of any Sub-Fund, and may empower any such person to appoint, with no objection in writing from the Trustee, co-custodians, sub-custodians and/or delegates (each such custodian, nominee, agent, co-custodian, sub-custodian, and delegate a “Correspondent”). The Trustee shall (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such Correspondent; (b) be satisfied that such Correspondent retained remains suitably qualified and competent on an ongoing basis to provide the relevant services to the Trust or any Sub-Fund; and (c) be liable for the acts and omissions of any Correspondent which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee, but provided that the Trustee has discharged its obligations set out in (a) and (b) in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent which is not a Connected Person of the Trustee.

The Trustee has appointed Industrial Bank Co., Ltd. (a joint stock company incorporated in the PRC with limited liability), Hong Kong Branch, as the Custodian of E Fund (HK) Strategic Value Bond Fund.

Notwithstanding the above, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of Euro-clear Clearing System Limited or Clearstream Banking S.A. or any other recognised depositary or clearing system which may from time to time be approved by the Trustee and the Manager.

Subject as provided in the Trust Deed, the Trustee and its respective officers, employees, agents and delegates are entitled to be indemnified from the assets of the relevant Sub-Fund in respect of all liabilities and expenses incurred in relation to such Sub-Fund and against all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted to be done in any way relating to such Sub-Fund, except to the extent that such liability, expense, action, proceeding, cost, claim or demand arises out of the fraud, negligence or wilful default of the Trustee or its officers, employees, agents or delegates.

The Manager is solely responsible for making investment decisions in relation to the Trust and/or each Sub-Fund and the Trustee (including its delegates) is not responsible and has no liability for any investment decision made by the Manager. The Trustee does not act as guarantor or offeror

of the Units or any underlying investments of a Sub-Fund. The Trustee is not responsible for the preparation or issue of this Explanatory Memorandum. The appointment of the Trustee may be terminated in the circumstances set out in the Trust Deed.

The Trustee is entitled to the fees set out below under the section headed "Fees payable by the Trust" and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed. The fees and expenses of any Correspondent shall be paid out of the relevant Sub-Fund.

### **The Transfer Agent**

Citicorp Financial Services Limited is appointed by the Manager as transfer agent of each Sub-Fund under the terms of the Trust Deed. The Transfer Agent provides transfer agency services in respect of the each Sub-Fund including but not limited to processing the subscription and redemption of Units of the relevant Sub-Fund.

The Transfer Agent belongs to Citigroup and is a Connected Person of the Trustee.

### **The Custodian (in respect of E Fund (HK) Strategic Value Bond Fund and E Fund (HK) US Treasury 7-10 Year Index Fund)**

The Trustee has appointed Industrial Bank Co., Ltd. (a joint stock company incorporated in the PRC with limited liability) ("Industrial Bank"), acting through its Hong Kong Branch, as Custodian of the assets of E Fund (HK) Strategic Value Bond Fund and E Fund (HK) US Treasury 7-10 Year Index Fund pursuant to a custody agreement between the Trustee and the Custodian, as amended and supplemented from time to time.

Industrial Bank carries on licensed banking business in Hong Kong, and is a licensed bank under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong). Industrial Bank will be responsible for the safe custody of assets of E Fund (HK) Strategic Value Bond Fund.

As Industrial Bank is not a Connected Person of the Trustee, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of Industrial Bank provided that the Trustee has exercised reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of Industrial Bank in respect of E Fund (HK) Strategic Value Bond Fund and is satisfied that Industrial Bank remains suitably qualified and competent on an ongoing basis to provide the relevant services to E Fund (HK) Strategic Value Bond Fund.

The Custodian is not responsible for the preparation or issue of this Explanatory Memorandum and therefore accepts no responsibility for any information contained in this Explanatory Memorandum other than the description under the section headed "The Custodian".

The Custodian is entitled to the fees set out below under the section headed "Fees payable by the Trust".

### **The Service Agent or Conversion Agent (applicable in respect of Listed Class of Units only)**

Where a Sub-Fund creates and redeems in-kind in respect of SEHK listed Securities, HK Conversion Agency Services Limited may act as Conversion Agent under the terms of the Conversion Agency Agreement. HK Conversion Agency Services Limited otherwise acts as Service Agent under the terms of the Service Agreement. The Service Agent or Conversion Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Listed Class of Units in a Sub-Fund by Participating Dealers.

### **The Participating Dealers (applicable in respect of Listed Class of Units only)**

A Participating Dealer may act for its own account or for your account as its clients in making Creation Applications and Redemption Applications. Different Sub-Funds may have different Participating Dealers. The latest list of the Participating Dealers in respect of each Sub-Fund is available at [www.efunds.com.hk/fund.html](http://www.efunds.com.hk/fund.html) (the contents of which and of any other website referred to in this Explanatory Memorandum have not been reviewed by the SFC).

### **The Market Makers (applicable in respect of Listed Class of Units only)**

A Market Maker is a broker or dealer permitted by the SEHK to make a market for the Listed Class of Units in the secondary market and whose obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for the Listed Class of Units on the SEHK. Market Makers facilitate the efficient trading of Listed Class of Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK.

Subject to applicable regulatory requirements, the Manager use its best endeavours to put in place arrangements so that there is at all times at least one Market Maker for Listed Class of Units in each available counter. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will use its best endeavours to put in place arrangements so that there is at least one other Market Maker for each available counter of the Listed Class of Units of each Sub-Fund to facilitate the efficient trading of Listed Class of Units. The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker for each available counter of the Listed Class of Units of each Sub-Fund will give not less than 3 months' notice prior to terminating market making under the relevant market making agreement. The latest list of Market Makers in respect of each available counter for the Listed Class of Units of each Sub-Fund is available at [www.hkex.com.hk](http://www.hkex.com.hk) and [www.efunds.com.hk/fund.html](http://www.efunds.com.hk/fund.html) (the contents of which and of any other website referred to in this Explanatory Memorandum have not been reviewed by the SFC). Please refer to the section on "Website Information" for the warning and the disclaimer regarding information contained in such website.

### **The Listing Agent (applicable in respect of Listed Class of Units only)**

A Listing Agent will be appointed by the Manager for the Listed Class of Units of each Sub-Fund (if applicable) in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in respect of the listing of the Listed Class of Units of the relevant Sub-Fund on the SEHK. The Listing Agent shall be a licensed corporation which holds, amongst others, a Type 6 (advising on corporate finance) regulated activity licence under the SFO. The name of the Listing Agent for each Sub-Fund is set out in the relevant Appendix for that Sub-Fund if applicable.

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

### **Investment objective**

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

### **Investment strategy**

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

Where a Sub-Fund is an Index Tracking Sub-Fund, it will adopt either a full replication or a representative sampling strategy.

#### *Full Replication Strategy*

Where an Index Tracking Sub-Fund adopts a full replication strategy as its investment strategy, it will invest in substantially all the securities constituting the Index in substantially the same weightings (i.e. proportions) as these securities have in the Index. When a security ceases to be a constituent of the Index, rebalancing occurs which involves, among other things, selling the outgoing security and potentially using the proceeds to invest in the incoming security.

#### *Representative Sampling Strategy*

Where an Index Tracking Sub-Fund adopts a representative sampling strategy as its investment strategy, it will invest, directly in securities that are included in the Index or indirectly through FDIs, in a representative sample of the securities in the relevant Index that collectively reflects the investment characteristics of such Index and aims to replicate its performance. An Index Tracking Sub-Fund adopting a representative sampling strategy may or may not hold all of the securities that are included in the relevant Index, and may hold a portfolio of securities which are not included in the Index, provided that these collectively feature a high correlation with the Index.

### *Switching Between Strategies*

Whilst the full replication strategy is likely to track the performance of the relevant Index more closely when compared to the representative sampling strategy, it may not be the most efficient way to do so. Also, it may not always be possible or it may be difficult to buy or hold certain Securities comprising the Index. The Manager may therefore, in the appropriate circumstances, choose to use a representative sampling strategy, having regard to the number of securities constituting the Index, the liquidity of such securities, any restrictions on the ownership of such securities, the transaction expenses and other trading costs, and tax and other regulatory restrictions.

Investors should note that the Manager may switch between the above investment strategies, without prior notice to investors, in its absolute discretion as it believes appropriate in order to achieve the investment objective of the relevant Index Tracking Sub-Fund by tracking the relevant Index as closely (or efficiently) as possible for the benefit of investors.

### **Investment and borrowing restrictions**

Unless otherwise approved by the SFC, the following principal investment restrictions apply to each Sub-Fund under the Trust authorised by the SFC:

- (a) the aggregate value of the Sub-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 Sub-Fund, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code;
  - (1) investments in securities issued by such entity;

- (2) exposure to such entity through underlying assets of FDIs; and
- (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs,

for the avoidance of doubt, the restrictions and limitations on counterparty as set out in sub-paragraphs (a) and (b) and Chapter 7.28(c) of the Code will not apply to FDIs that are: (i) transacted on an exchange where the clearing house performs a central counterparty role; and (ii) marked-to-market daily in the valuation of their FDI positions and subject to margining requirements at least on a daily basis;

- (b) subject to (a) above and Chapter 7.28(c) of the Code, the aggregate value of the Sub-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 Sub-Fund;
  - (1) investments in securities issued by such entities;
  - (2) exposure to such entities through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;
- (c) the value of the Sub-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 Sub-Fund, unless:
  - (1) the cash is held before the launch of the Sub-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 a Sub-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 paragraph, cash deposits generally refer to those that are repayable on demand or have the right to be withdrawn by the Sub-Fund and not referable to provision of property or services.

- (d) ordinary shares issued by a single entity (other than Government and other Public Securities) held for the account of the Sub-Fund, when aggregated with other holdings of ordinary shares issued by 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 the entity;
- (e) not more than 15% of the total Net Asset Value of the Sub-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) above, where direct investment by a Sub-Fund in a market is not in the best interests of investors, a Sub-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 Sub-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 Unitholders or the Sub-Fund as a result must be clearly disclosed in the Explanatory Memorandum; and
- (3) the Sub-Fund must produce the reports required by Chapter 5.10(b) of 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 Sub-Fund.

(g) notwithstanding (a), (b) and (d) above, not more than 30% of the total Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue, except for a Sub-Fund which has been authorised by the SFC as an index fund, this limit may be exceeded with the approval of the SFC;

(h) subject to (g) above, a Sub-Fund may invest all of its assets in Government and other Public Securities in at least six different issues, and subject to the approval of the SFC, a Sub-Fund which has been authorised by the SFC as an index fund 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 Sub-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 recognized stock exchanges open to the public (nominal listing not accepted) and (a) 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 (b) 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 (i) listed securities for the purposes of and subject to the requirements in (a), (b) and (d) above; or (ii) collective investment schemes for the purposes of and subject to the requirements in (k) below. However, the investments in exchange traded funds shall be subject to (e) above and the relevant investment limits in exchange traded funds by a Sub-Fund should be consistently applied and clearly disclosed in the Explanatory Memorandum of a Sub-Fund;

(k) where the Sub-Fund invests in shares or units of other collective investment schemes (“underlying schemes”),

- (1) the value of the Sub-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 Sub-Fund; and
- (2) the Sub-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 Sub-Fund’s investment in units or shares in each such underlying scheme may not exceed 30% of the total Net Asset Value of the Sub-Fund, unless

the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Explanatory Memorandum of the Sub-Fund,

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

- (A) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where such 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, a Sub-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 does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in (j) above in compliance with (1) and (2) above;
- (B) where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then (a), (b), (d) and (e) are also applicable to the investments of the underlying scheme; and
- (C) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);

- (3) where a Sub-Fund invests in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and
- (4) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the manager of an underlying scheme, or any quantifiable monetary benefits in connection with investments in any underlying scheme;

(I) a Sub-Fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme and may be authorised as a feeder fund by the SFC. In this case,

- (1) the underlying scheme ("master fund") must be authorised by the SFC;
- (2) the Explanatory Memorandum must state that:
  - i. the Sub-Fund is a feeder fund into the master fund;
  - ii. for the purpose of complying with the investment restrictions, the Sub-Fund (i.e. feeder fund) and its master fund will be deemed a single entity;
  - iii. the Sub-Fund (i.e. feeder fund)'s annual report must include the investment portfolio of the master fund as at the financial year-end date; and
  - iv. the aggregate amount of all the fees and charges of the Sub-Fund (i.e. feeder fund) and its master fund must be clearly disclosed;
- (3) unless otherwise approved by the SFC on a case-by-case basis in respect of additional or different services and expertise provided by the Manager or its Connected Persons, no increase in the overall total of initial charges, redemption charges, Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Unitholders or by the Sub-

Fund (i.e. feeder fund) may result, if the master fund in which the Sub-Fund (i.e. feeder fund) invests is managed by the same Manager or by its Connected Person;

- (4) notwithstanding paragraph (k)(2)(c) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (k); and
- (m) if the name of the Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-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 Sub-Fund represents.

Each Sub-Fund shall not:

- (1) invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (2) 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)). In the case of investments in such shares and REITs, they shall comply with the investment restrictions and limitations set out in paragraphs (a), (b), (d), (e) and (k)(1) above, where applicable (for the avoidance of doubt, where investments are made in listed REITs, paragraphs (a), (b), (d) apply and where investments are made in unlisted REITs which are either companies or collective investment schemes, then paragraphs (e) and (k)(1) apply respectively);
- (3) make short sales if as a result the Sub-Fund would be required to deliver securities exceeding 10% of the total Net Asset Value of the Sub-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, a Sub-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;
- (4) subject to paragraph (e) above, lend or make a loan out of the assets of the Sub-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, or 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;
- (5) enter into any obligation on behalf of the Sub-Fund or acquire any asset or engage in any transaction for the account of the Sub-Fund which involves the assumption of any liability which is unlimited. The liability of Unitholders is limited to their investments in the relevant Sub-Fund; or
- (6) apply any part of the Sub-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 Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in FDIs for the purposes of the Chapter 7.29 and 7.30 of the Code.

*Note:* The investment restrictions set out above apply to each Sub-Fund, subject to the following in relation to each Index Tracking Sub-Fund: A collective investment scheme authorised by the SFC under the UT Code is usually restricted 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 total net asset value. Given the investment objective of each Index Tracking Sub-Fund and nature of the relevant Index, an Index Tracking Sub-Fund is allowed under Chapter 8.6(h) of the UT Code to hold investments in constituent securities of any single entity exceeding 10% of the relevant Index Tracking Sub-Fund's latest available Net Asset Value if such constituent securities account for more than 10% of the weighting of the Index and the relevant Index Tracking Sub-Fund's holding of any such constituent securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a result of changes in the composition of the Index and the excess is only transitional and temporary in nature.

However, the restrictions in Chapter 8.6(h)(i) and (ii) of the UT Code (as described above) do not apply in relation to an Index Tracking Sub-Fund if:

- (a) the relevant Index Tracking Sub-Fund adopts a representative sampling strategy which does not involve full replication of the constituent securities of the Index in the exact weightings of such Index;
- (b) the strategy is clearly disclosed in the relevant Appendix;
- (c) the excess of the weightings of the constituent securities held by the relevant Index Tracking Sub-Fund over the weightings in the Index is caused by the implementation of the representative sampling strategy;
- (d) any excess weightings of the relevant Index Tracking Sub-Fund's holdings over the weightings in the Index must be subject to a maximum limit reasonably determined by the relevant Index Tracking Sub-Fund after consultation with the SFC. In determining this limit, the relevant Index Tracking Sub-Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the Index and any other suitable factors;
- (e) limits laid down by the relevant Index Tracking Sub-Fund pursuant to the point above must be disclosed in the relevant Appendix;

disclosure must be made in the relevant Index Tracking Sub-Fund's interim and annual reports as to whether the limits imposed by such Index Tracking Sub-Fund itself pursuant to the above point (d) 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.

### **Borrowing restrictions**

The Manager may cause to borrow up to 10% of the total Net Asset Value of a Sub-Fund unless otherwise stated in the relevant Appendix, provided always that back to back borrowings shall not be taken into account when determining whether or not these limits have been exceeded by the relevant Sub-Fund. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in Chapters 7.32 to 7.35 of the Code shall not be subject to the limitations in this paragraph.

### **Financial derivative instruments**

Subject to the Code and the provisions of the Trust Deed, the Manager shall have the power on behalf of each Sub-Fund to agree and to enter into any FDI, for hedging or non-hedging (investment)

purposes, provided that the exposure to the underlying assets of the FDIs, together with other investments of the relevant Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets as set out in Chapters 7.1, 7.1A, 7.1B, 7.4, 7.5, 7.11, 7.11A, 7.11B and 7.14 of the Code.

#### *Hedging Purposes*

A Sub-Fund may acquire FDIs for hedging purpose provided that such FDIs shall meet all of the following criteria:

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

Hedging arrangement should be adjusted or re-positioned, where necessary and with due consideration on the fees, expenses and costs, to enable the Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

#### *Non-hedging (investment) purposes*

A Sub-Fund may acquire FDIs for non-hedging purposes (“investment purposes”), subject to the limit that the Sub-Fund’s net exposure relating to these FDIs (“net derivative exposure”) does not exceed 50% of its total Net Asset Value, except this limit may be exceeded for Sub-Funds approved by the SFC under Chapter 8.8 (structured funds) or 8.9 (funds that invest extensively in FDIs) of the Code. For the avoidance of doubt:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-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 positions;
- (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 as described in the above sub-section “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.

#### *Restrictions applicable to FDIs*

The FDIs invested by a Sub-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 Sub-Fund may invest according to its investment objectives and policies. Where a Sub-Fund invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions or limitations set out in paragraphs (a), (b), (c) and (g) under the section headed "Investment and borrowing restrictions" above provided that the relevant index is in compliance with Chapter 8.6(e) of the Code;

- (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 taking into account factors such as regulatory status of the entity or the group to which it belongs and the net asset value of the entity;
- (c) subject to paragraphs (a) and (b) under the section headed "Investment and borrowing restrictions" above, the Sub-Fund's net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the total Net Asset Value of the Sub-Fund. The exposure of the Sub-Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter FDIs 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 Manager or the Trustee 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 Sub-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.

A Sub-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 Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis. For such purposes, assets that are used to cover the Sub-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 a Sub-Fund shall be covered as follows:

- (a) in the case of FDIs transactions which will, or may at the discretion of the Trustee or the Manager, be cash settled, the Sub-Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- (b) in the case of FDIs transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation. In the case of holding alternative assets as cover, the Sub-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.

Where a financial instrument embeds a FDI, the requirements under “Financial Derivative Instruments” above will also apply to the embedded financial derivative. For such purposes, an “embedded financial derivative” is a FDI that is embedded in another security, namely the host contract.

## **Securities Financing Transactions**

The Trustee may, at the request of the Manager, enter into securities financing transactions in respect of a Sub-Fund, provided that:

- (a) they are in the best interests of the Unitholders;
- (b) the associated risks have been properly mitigated and addressed; and
- (c) the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

Please refer to the “Investment Strategy” section in each relevant Appendix for the policy regarding such arrangements for each Sub-Fund.

A Sub-Fund which engages in securities financing transactions is subject to the following requirements:

- it shall have at least 100% collateralisation in respect of the securities financing transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions;
- all the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions to the extent permitted by applicable legal and regulatory requirements, shall be returned to the Sub-Fund;
- it shall ensure that it is able to at any time to recall the securities or the full amount of cash / collateral (as the case may be) subject to the securities financing transactions or terminate the securities financing transactions into which it has entered.

Further, details of the arrangements are as follows:

- (a) each counterparty for such transactions should be a financial institution subject to ongoing prudential regulation and supervision. There are no requirements imposed by the Manager on country of origin or minimum credit rating of counterparties;
- (b) the Trustee, upon the instruction of the Manager, will take collateral, which can be cash or non-cash assets fulfilling the requirements under “Collateral” below;
- (c) except related to borrowing, for sale and repurchase transactions, it is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty, subject to appropriate haircut. Unless otherwise stated in the relevant Appendix, 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 a Sub-Fund’s assets available for these transactions will be as set out in the relevant Appendix; and
- (e) where any securities lending transaction has been arranged through the Trustee or a Connected Person of the Trustee or the Manager, such transaction shall be conducted at arm’s length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement.

## **Collateral**

A Sub-Fund may receive collateral from a counterparty to over-the-counter FDI transactions and securities financing transactions. A Sub-Fund may receive collateral from such counterparty provided that the collateral complies with the requirements set out below:

- 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. Other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions, should also be considered where appropriate;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and the Sub-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 Chapters 7.1, 7.1A, 7.1B, 7.4, 7.5, 7.11, 7.11A, 7.11B and 7.14 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 FDIs, or the counterparty of securities financing transactions in such a way that it would undermine the effectiveness of the collateral. Securities issued by the counterparty or the issuer of the FDIs, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Trustee of the relevant Sub-Fund;
- Enforceability – collateral must be readily accessible/enforceable by the Trustee of the Sub-Fund without further recourse to the issuer of the FDIs, or the counterparty of the securities financing transactions;
- Re-investment – unless otherwise specified in the relevant Appendix and subject to prior consultation with the SFC, and in compliance with the applicable laws and regulations, 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. Non-cash collateral received may not be sold, re-invested or pledged;

For the purpose herein, “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. Any re-investment of cash collateral shall be subject to the following further restrictions and limitations:

- (i) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Clauses 18.3(B) and 18.3(I);
- (ii) cash collateral received is not allowed to be further engaged in any securities financing transactions; and
- (iii) 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 FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

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

- eligible collateral include cash, cash equivalents, government bonds, supranational bonds, corporate bonds, stocks, funds and money market instruments. For money market funds, collateral received may only be cash, high quality money market instruments and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality. For a debt security which itself does not have a credit rating, the Manager will assess the debt security by reference to the credit rating of the issuer, the guarantor or the keepwell provider;
- the issuer of collateral must be of high quality, with an investment grade rating. Securities rated with a non-investment grade credit rating is not eligible for collateral purpose. There is 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 and may be subject to netting or set-off;

- except in relation to borrowing, cash collateral will generally not be used for reinvestment purposes unless otherwise determined by the Manager and notified to investors.

Where a Sub-Fund receives collateral, a description of holdings of collateral (including but not limited to a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Sub-Fund (by percentage) secured/ covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Sub-Fund's annual and interim reports for the relevant period as required under Appendix E of the Code.

## **VALUATION**

### **Valuation rules**

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

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

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

- (ii) if any such price as referred to in (i) is not, in the opinion of the Manager, ascertainable at any relevant time, then regard shall be had to any certificate as to the value of such commodity or futures contract provided by a firm or institution making a market in such commodity or futures contract;
- (iii) the value of any futures contract (the "relevant Contract"), to the extent that it is not determined in accordance with (i) or (ii), shall be valued (1) where the relevant Contract is for the sale of a commodity, by subtracting, from the contract value of the relevant Contract, the sum of the amount determined by the Manager (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Sub-Fund in order to close the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and (2) where the relevant Contract is for the purchase of a commodity, by subtracting, from the amount determined by the Manager (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Sub-Fund in order to close the relevant Contract, the sum of the contract value of the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and
- (iv) if the provisions of (i) and (ii) do not apply to the relevant commodity, then the value shall be determined in accordance with (b) above as if such commodity were an unquoted investment;

(e) the value of each unit, share or interest in any collective investment scheme which is valued as at the same day as the Sub-Fund shall be the net asset value per unit, share or other interest in such collective investment scheme calculated as at that day or, if the Manager so determines, if such collective investment scheme is not valued as at the same day as the Sub-Fund, shall be the last published net asset value per unit, share or other interest in such collective investment scheme, provided that if no net asset value and bid prices are available, the value thereof shall be determined from time to time in such manner as the Manager shall determine in consultation with the Trustee;

(f) notwithstanding paragraphs (a) to (e) above, the Manager may, in consultation with the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment is required to reflect the fair value of the investment;

(g) the value of any investment (whether of a borrowing or other liability or an investment or cash) in a currency other than the Base Currency of the Sub-Fund or the currency of denomination of the relevant class will be converted into the Base Currency or the currency of denomination of such class (as the case may be) at the rate (whether official or otherwise) which the Trustee shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange;

(h) according to IFRS, the Sub-Fund should apply the price within the bid-ask spread that is most representative of fair value in the circumstances to the entity's net exposure to those market risks according to the IFRS. Any such adjustments will be disclosed in the annual accounts, including a reconciliation. Otherwise, non-compliance with IFRS may result in the auditors issuing a qualified or an adverse opinion on the annual accounts depending on the nature and level of materiality of the non-compliance; and

- (i) for the purposes of the above, a collective investment scheme which is listed and regularly traded on a securities market (other than a nominal listing) is deemed to be a quoted investment.

### **Suspension of calculation of Net Asset Value**

The Manager may, after consultation with the Trustee and having regard to the best interests of Unitholders, declare a suspension of the determination of the Net Asset Value of a Sub-Fund in exceptional circumstances, being the whole or any part of any period during which:

- (a) there is a closure of or the restriction or suspension of trading on any securities market or commodities market or futures exchange on which a substantial part of the investments of the Sub-Fund is normally listed, quoted, traded or dealt or a breakdown in any of the means normally employed in ascertaining the prices of investments of the relevant Sub-Fund;
- (b) in the case of an Index Tracking Sub-Fund, during any period when a market on which a security (that is a component of the Index) has its primary listing, or the official clearing and settlement depositary (if any) of such market, is closed;
- (c) in the case of an Index Tracking Sub-Fund, during any period when dealing on a market on which a security (that is a component of the Index) has its primary listing is restricted or suspended;
- (d) in the case of an Index Tracking Sub-Fund, during any period when the relevant Index is not compiled or published;
- (e) for any other reason the value of any of the investments or other assets of the Sub-Fund cannot, in the opinion of the Manager or the Trustee, reasonably, promptly and fairly be ascertained;
- (f) there is a breakdown in the systems and/or means of communication normally employed in ascertaining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, Subscription Price or Redemption Price of the relevant class, or when for any other reason the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, Subscription Price, or Redemption Price of the relevant class cannot, in the opinion of the Manager, be ascertained in a prompt or accurate manner;
- (g) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise a substantial part of the investments of the relevant Sub-Fund or it is not possible to do so without seriously prejudicing the interests of relevant Unitholders;
- (h) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the investments of the relevant Sub-Fund or the issue or redemption of Units in the Sub-Fund is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange;
- (i) where the Sub-Fund is invested in one or more collective investment schemes and the realisation of interest in any relevant collective investment scheme(s) (representing a substantial portion of the assets of the Sub-Fund) is suspended or restricted;
- (j) the business operations of the Manager, the Trustee or any agent of the Manager or the Trustee in relation of the operations of Trust and/or the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes, or acts of God;
- (k) when the Unitholders or the Manager have resolved or given notice to terminate that Sub-Fund;

- (l) such other circumstance or situation exists as set out in the supplemental deed establishing a Sub-Fund; or
- (m) the issue, redemption or transfer of Units of the relevant Sub-Fund or class would result in the violation of any applicable law or a suspension or extension is, in the opinion of the Manager, required by any applicable law or applicable legal process.

Such suspension will take effect forthwith upon the declaration thereof and thereafter there will be no determination of the Net Asset Value of the Sub-Fund until the Manager declares the suspension at an end, except that the suspension will terminate in any event on the day following the first Dealing Day on which (i) the condition giving rise to the suspension ceases to exist and (ii) no other condition under which suspension is authorised exists.

Whenever the Manager declares such a suspension it shall, immediately after any such declaration and at least once a month during the period of such suspension, publish a notice on the Manager's website <http://www.efunds.com.hk> (this website has not been reviewed by the SFC).

No Units in a Sub-Fund may be issued, switched or redeemed during such a period of suspension.

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

The latest Subscription Price, Issue Price, Redemption Price and/or Redemption Value (as the case may be for the relevant Class) and latest Net Asset Value per Unit for each Class in issue are available on the Manager's website <http://www.efunds.com.hk> (this website has not been reviewed by the SFC).

## **EXPENSES AND CHARGES**

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

*Investors should note that certain fees and expenses are applicable only to Listed Class of Units, and certain other fees and expenses are applicable only to Unlisted Class(es) of Units.*

### **Fees payable in respect of Unlisted Classes of Units only**

The following fees and charges are payable by Unitholders of an Unlisted Class of Units:

#### Subscription Fee

Under the Trust Deed, the Manager is entitled to impose a subscription fee on the issue of Unlisted Class of Units of any Sub-Fund of up to a maximum of 3% of the Subscription Price.

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

#### Redemption fee

Under the Trust Deed, the Manager is entitled to impose a redemption fee on the redemption of Unlisted Class of Units of any Sub-Fund of up to a maximum of 3% of the Redemption Price of such Units.

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

#### Switching fee

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Unlisted Class of Units of up to 2% of the Redemption Price of the Units of the Existing Class being switched.

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

### **Fees and Expenses Payable in respect of Listed Class of Units Only**

For a Sub-Fund which issues Listed Class of Units, details of the fees and expenses payable in respect of the Listed Class of Units will be set out in the relevant Appendix. Below is an overview for reference only.

<b>(a) Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Listed Class of Units (applicable both during the Initial Offer Period and After Listing)</b>	<b>Amount</b>
Transaction Fee	As set out in the relevant Appendix <sup>1</sup>
Service Agent's fee	HKD1,000 <sup>2</sup> per book-entry deposit and withdrawal transaction
Registrar fee	As set out in the relevant Appendix <sup>3</sup>
Application cancellation fee	As set out in the relevant Appendix <sup>4</sup>
Extension fee	As set out in the relevant Appendix <sup>5</sup>
Stamp duty	Nil
All other Duties and Charges incurred by the Custodian or the Manager in connection with the creation or redemption	As applicable
<b>(b) Fees and expenses payable by investors of Listed Class of Units</b>	<b>Amount</b>
<i>(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer (applicable both during the Initial Offer Period and After Listing)</i>	
Fees and charges imposed by the Participating Dealer <sup>6</sup>	Such amounts as determined by the relevant Participating Dealer
<i>(ii) Fees payable by all investors in respect of dealings in the Shares on SEHK (applicable After Listing)</i>	
Brokerage fees	Market rates
Transaction levy	0.0027% <sup>7</sup>
AFRC transaction levy	0.00015% <sup>8</sup>
Trading fee	0.00565% <sup>9</sup>
Stamp duty	Nil
Inter-counter transfers (if applicable)	HKD5 <sup>10</sup>

<sup>1</sup> A Transaction Fee is payable by a Participating Dealer for the benefit of the Trustee, the Registrar, the Conversion Agent (if any) and/or the Service Agent (if any). A Participating Dealer may pass on to the relevant investor such Transaction Fee.

<sup>2</sup> The Service Agent's fee of HKD1,000 is payable by each Participating Dealer to the Service Agent for each book-entry deposit transaction or book-entry withdrawal transaction.

<sup>3</sup> The Registrar will charge each Participating Dealer a fee for each Creation Application and Redemption Application.

<sup>4</sup> An application cancellation fee is payable to the Trustee for the account of the Registrar in respect of either a withdrawn or failed Creation Application or Redemption Application (other than in certain circumstances such as following a suspension of creations or redemptions by the Manager).

<sup>5</sup> An extension fee is payable to the Trustee on each occasion the Manager, upon a Participating Dealer's request, grants the Participating Dealer an extended settlement in respect of a Creation Application or Redemption Application.

<sup>6</sup> The Participating Dealer may increase or waive the level of its fees in its discretion. Information regarding these fees and charges is available upon request to the relevant Participating Dealer.

## **Fees payable by the Trust (applicable to both Listed Class of Units and Unlisted Class of Units)**

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

### Management fee

The Trust Deed provides that the Manager is entitled to a management fee in respect of each Sub-Fund it manages, the maximum amount of which is equal to 3% per annum of the Net Asset Value of the relevant Sub-Fund. Any increase in the management fee in respect of a Sub-Fund (i) up to this maximum level, will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Unitholders; and (ii) beyond this maximum level, is subject to approval by extraordinary resolution of the affected Unitholders. The management fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

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

The current management fee applicable in respect of each Sub-Fund or Class is set out in the relevant Appendix.

### Performance fee

The Manager may also charge a performance fee in respect of any Sub-Fund. Details of any performance fee are set out in the relevant Appendix.

### Trustee fee

The Trust Deed provides that the Trustee is entitled to a trustee fee in respect of each Sub-Fund, a Trustee Fee the maximum amount of which is equal to 0.1% per annum of the Net Asset Value of the relevant Sub-Fund. Any increase in the trustee fee in respect of a Sub-Fund (i) up to this maximum level, will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Unitholders; and (ii) beyond this maximum level, is subject to approval by extraordinary resolution of the affected Unitholders. The trustee fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

The Trustee will be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses (including sub-custodian fees, if any) incurred in the course of their duties.

The Trustee fee is inclusive of fees payable to the Trustee and the Transfer Agent.

### Custodian fee

The Trust Deed provides that the Custodian is entitled to a custodian fee in respect of each Sub-Fund, a Custodian Fee the maximum amount of which is equal to 0.03% per annum of the Net Asset Value of the relevant Sub-Fund, unless such fee is included as part of the Trustee fee. Any increase in the custodian fee in respect of a Sub-Fund (i) up to this maximum level, will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Unitholders; and (ii) beyond this maximum level, is subject to approval by extraordinary

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<sup>7</sup> Transaction levy of 0.0027% of the trading price of the Shares, payable by the buyer and the seller.

<sup>8</sup> AFRC transaction levy of 0.00015% of the trading price of the Shares, payable by the buyer and the seller.

<sup>9</sup> Trading fee of 0.00565% of the trading price of the Listed Class of Shares, payable by the buyer and the seller.

<sup>10</sup> This fee is only applicable to Sub-Funds which have adopted a Dual Counter. HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer of a Sub-Fund between one counter and the other counter. Investors should check with their brokers regarding any additional fees.

resolution of the affected Unitholders. The custodian fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

### Other charges and expenses

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

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

### **Establishment costs**

The costs of establishing the Trust and the first Sub-Fund (i.e. E Fund (HK) Strategic Value Bond Fund) are estimated to be approximately HK\$450,000. These costs will be charged to the first Sub-Fund and amortised over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors of the Sub-Fund).

Where subsequent sub-funds under the Trust are established in the future, the Manager may determine that the unamortised establishment costs of the Trust or a part thereof may be re-allocated to such subsequent sub-funds.

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

### **Cash rebates and soft commissions**

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

The Manager and/or any of its Connected Persons further reserve the right to effect transactions by or through the agency of another person with whom the Manager and/or any of its Connected Persons has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision are of demonstrable benefit to the Unitholders. Any transactions executed through such party must be consistent with best execution standards and brokerage rates must not be in excess of customary institutional full-service brokerage rates. Periodic disclosure will be made in the relevant Sub-Fund’s annual report in the form of a statement describing the Manager’s soft dollar policies and

practices, including a description of the goods and services received by the Manager. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

## **RISK FACTORS**

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

### **General risks**

#### Investment objective risk

There is no assurance that the investment objectives of a Sub-Fund will actually be achieved, notwithstanding the efforts of the Manager since changes in political, financial, economic, social and/or legal conditions are not within the control of the Manager. Accordingly, there is a risk that investors may not recoup the original amount invested in a Sub-Fund or may lose a substantial part or all of their initial investment. Investors should carefully consider whether they can afford to bear the risks of investing in the relevant Sub-Fund.

#### Investment risk

Investors should be aware that investment in any Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur.

#### Market risk

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

#### Concentration risk

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

#### Emerging market risk

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

#### Counterparty risk

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

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

#### Liquidity risk

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

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

#### Exchange rate risk

Assets of a Sub-Fund may be denominated in currencies other than the base currencies of such Sub-Fund and the currency of some assets may not be freely convertible. The relevant Sub-Fund may be adversely affected by changes in exchange rates between the currencies in which the assets of the relevant Sub-Fund are held and the base currency of such Sub-Fund.

#### Restricted markets risk

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

#### Legal and compliance risk

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

#### Suspension risk

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

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

### Early termination risk

Under the Trust Deed, a Sub-Fund may be terminated by the Manager or the Trustee in certain conditions and in the manner as described in “Termination of the Trust or any Sub-Fund” in the section entitled “General” in this Explanatory Memorandum. It is possible that, in the event of such termination, a Sub-Fund will not be able to achieve its investment objective and investors will have to realise any investment loss and will receive an amount less than the capital they originally invested. There will also be costs arising from early termination, to be borne by Unitholders, in which case the Net Asset Value will be adversely affected.

### Cross class liability risk

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

### Valuation and accounting risk

Investors should note that, under IFRS, establishment costs should be expensed as incurred. However for the purpose of calculating of net asset value for subscription and redemption purposes, establishment costs are to be amortised over a period of five years, which may lead to a different valuation had the accounting been in accordance with IFRS. The Manager has considered the impact of such non-compliance and does not expect this issue to affect the results and the calculation of Net Asset Value of the Sub-Funds materially. To the extent that the valuation or accounting basis adopted by any Sub-Fund deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements to comply with IFRS.

### Foreign Account Tax Compliance Act (“FATCA”) risks

As discussed in detail under the “Taxation” section, FATCA imposes rules with respect to certain payments to non-US persons, such as each Sub-Fund. Each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA, an intergovernmental agreement with the US (the “IGA”) and the terms of an FFI Agreement (referred to as an agreement that sets forth the requirements of FATCA, for a foreign financial institution (an “FFI”) to be treated as complying with the requirements of FATCA) to avoid any withholding tax. E Fund (HK) Strategic Value Bond Fund has already registered with the US Internal Revenue Service (the “IRS”) as a “reporting financial institution” under a Model 2 IGA with a Global Intermediary Identification Number JEF93R.99999.SL.344.

Nevertheless, in the event that a Sub-Fund is not able to comply with the requirements imposed by FATCA, the IGA or the terms of an FFI Agreement and such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of such Sub-Fund may be adversely affected and the Trust and such Sub-Fund may suffer significant loss as a result.

In the event a Unitholder does not provide the requested information and/or documentation related to FATCA, whether or not that actually leads to FATCA compliance failures by the relevant Sub-Fund, or a risk of the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Trust and each of such relevant Sub-Fund reserves the right to take any

action and/or pursue all remedies at its disposal including, without limitation, (i) reporting the relevant information of such Unitholder to the IRS (subject to applicable laws or regulations in Hong Kong); (ii) withholding or deducting any reasonable amount from such Unitholder's redemption proceeds or other distribution proceeds to the extent permitted by applicable laws and regulations; (iii) deeming such Unitholder to have given notice to redeem all his Units in the relevant Sub-Fund; and/or (iv) bringing legal action against such Unitholder for losses suffered by the Trust or the relevant Sub-Fund as a result of such withholding tax. The Manager and/or Trustee in taking any such action or pursuing any such remedy must act in good faith and on reasonable grounds and in accordance with all applicable laws and regulations.

In cases where Unitholders invest in the Sub-Fund through an intermediary, Unitholders are reminded to check whether such intermediary is FATCA compliant and in accordance with all applicable laws and regulations. Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation and in respect of its investment in each Sub-Fund, as well as the potential impact of FATCA on each Sub-Fund.

### CSDR Cash Penalty Regime

New rules under the settlement discipline regime introduced under Regulation (EU) No 909/2014 ("CSDR") which are intended to reduce the number of settlement fails within EU central securities depositories (such as Euroclear and Clearstream) entered into force on 1 February 2022. These measures include the introduction of a new cash penalties regime under which the participant within the relevant central securities depositary responsible for a settlement fail will be required to pay a cash penalty which is in turn distributed to the other participant. This is intended to serve as an effective deterrent for participants that cause settlement fails. In certain circumstances, such penalties and related expenses will be borne (either directly or indirectly) out of the assets of a Sub-Fund on whose behalf the in-scope transaction was entered into, thus resulting in increased operational and compliance costs being borne by the relevant Sub-Fund.

### **Investment risks**

#### Equity securities risk

A Sub-Fund may engage in trading equity securities. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value, due to factors such as the possibility of sudden or prolonged market declines and risks associated with individual companies. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. Economic, political or issuer-specific changes may adversely affect individual companies. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumours of accounting irregularities. These factors may adversely affect the relevant Sub-Fund and, consequently, the Net Asset Value per Unit.

#### Risk of investing in debt securities:

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

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

Fixed income instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of debt securities only after all secured claims have been satisfied in full. Each Sub-Fund holding such investments is therefore fully exposed to the credit risk of its counterparties as an unsecured creditor.

*Below investment grade and unrated debt securities risk:* A Sub-Fund may invest in debt securities which are below investment grade or which are non-rated. As mentioned above, such instruments are generally more susceptible to the credit risk of the issuers, and as a result such investments assume greater risks because of generally reduced liquidity and greater fluctuation in value. The valuation of these instruments may also be more difficult and thus the relevant Sub-Fund's prices may be more volatile.

*Risks of credit rating downgrades:* Credit rating of debt securities or that of their issuers may be downgraded, thus adversely affecting the value and performance of a Sub-Fund holding such investments.

*Risks of PRC debt securities:* A Sub-Fund may invest in debt securities issued or distributed within the PRC. The financial market of the PRC is at an early stage of development, and many of such PRC debt securities may be unrated, which exposes such Sub-Fund to greater risks because of generally reduced liquidity, greater price volatility and greater credit risk. Such Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who will generally be incorporated in the PRC and therefore not subject to the laws of Hong Kong.

*Limited availability of offshore RMB debt securities:* A Sub-Fund may invest in RMB debt securities issued or distributed outside the PRC. However, the quantity of RMB debt securities issued or distributed outside the PRC that are available is currently limited, and the remaining maturity of such instruments may be short. In the absence of available debt securities, or when such instruments held are at maturity, a Sub-Fund holding such investments may have to allocate a significant portion of its portfolio in RMB negotiated term deposits with authorised financial institutions until suitable debt securities are available in the market. This may adversely affect the relevant Sub-Fund's return and performance.

#### Risk of investing in structured debt instruments (including mortgage-backed securities)

A Sub-Fund may invest in securitised or structured debt instruments (collectively, "structured debt instruments"). Such structured debt instruments include asset-backed securities, mortgage-backed securities, collateralised debt instruments and collateralised loan obligations. Such structured debt instruments provide exposure, synthetically or otherwise, to underlying assets and the risk/return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. The underlying assets can take many forms including, but not limited to, credit card receivables, residential mortgages, corporate loans, manufactured housing loans or any type of receivables from a company or structured vehicle that has regular cash flows from its customers. Some structured debt instruments may employ leverage which can cause the price of the instruments to be more volatile than if they had not employed leverage. In addition, investments in structured debt instruments may be less liquid than other securities. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently such Sub-Fund's investment in structured debt instruments may be more susceptible to liquidity risk. The liquidity of a structured debt instrument can be less than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

### Risk of investing in financial derivative instruments

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

The eventuation of any of the above risks could have an adverse effect on the Net Asset Value of a Sub-Fund which uses FDIs. There is also no guarantee that the use of FDIs for hedging purposes will be effective and the Sub-Funds may therefore be subject to substantial loss.

### Over-the-counter markets risk

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

In addition, certain instruments traded on the OTC markets (such as certain customised FDIs and structured products) can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments.

### Hedging risk

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

### Potential conflicts of interest

The Manager and its connected persons may act as the adviser or investment manager to other clients (including funds) now or in the future. They may additionally serve as consultants to partners or shareholders in other investment funds, companies and investment firms. Investors in a Sub-Fund should understand that certain investments may be appropriate for that Sub-Fund and also for other clients advised or managed by the Manager or its connected persons.

Investment decisions for the Sub-Fund and for such other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current

holdings, the current investment views of the Manager, availability of cash for investment, and the size of their positions generally.

The Manager or its connected persons may give advice and recommend securities to other managed accounts or investment funds, which may differ from advice given to, or securities recommended or bought for a Sub-Fund even though their investment objectives may be the same as or similar to that Sub-Fund's objectives.

The directors of the Manager, the Manager and their respective affiliates may also own Units in a Sub-Fund and hold, dispose or otherwise deal with such Units as well as hold or deal in any investments notwithstanding that similar investments may be held by or for the account of a Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with a Sub-Fund. Each will at all times have regard in such event to its obligations to such Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly and taking into account investors' interests. For more information, please refer to the section headed "General Information - Conflicts of Interest".

### **Risks Associated with Investment in an Index Tracking Sub-Fund**

#### Passive Investment Risk

An Index Tracking Sub-Fund is not actively managed. Accordingly, an Index Tracking Sub-Fund may be affected by a decline in the market segments relating to the relevant Index or Indices. The Manager will not take defensive positions in declining markets. Investors may lose a significant part of their respective investments if the Index falls. Each Index Tracking Sub-Fund invests (either directly or indirectly) in the securities included in or representative of the relevant Index regardless of their investment merit, except to the extent of any representative sampling strategy. The Manager does not attempt to take defensive positions unless under extreme market circumstances, the Manager will adopt temporary defensive position for protection of the Index Tracking Sub-Fund. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of an Index Tracking Sub-Fund will mean a decline in the Index or Indices are expected to result in corresponding falls in the Net Asset Values of the Index Tracking Sub-Fund, and investors may lose substantially all of their investment.

#### Representative Sampling Risk

With a representative sampling strategy, an Index Tracking Sub-Fund does not hold all of the securities in its Index and may invest in securities not included in its Index, provided that the sample closely reflects the overall characteristics of the Index which the Manager believes will help the Index Tracking Sub-Fund achieve its investment objective. The securities held by an Index Tracking Sub-Fund may also be over or underweight relative to the securities in its Index. It is therefore possible that an Index Tracking Sub-Fund may be subject to larger tracking error.

#### Tracking Error Risk

An Index Tracking Sub-Fund's returns may deviate from the Index due to a number of factors. For example, the fees and expenses of an Index Tracking Sub-Fund, any adoption of a representative sampling strategy, costs of using FDIs, liquidity of the market, imperfect correlation of returns between an Index Tracking Sub-Fund's assets and the securities constituting its Index, inability to rebalance an Index Tracking Sub-Fund's holdings of securities or FDIs in response to high portfolio turnover, transaction costs, a temporary lack of liquidity in the markets for the securities or FDIs held by an Index Tracking Sub-Fund, changes in the constituents of the Index, rounding of security or FDIs prices, inability to acquire the required number of securities or FDIs due to limited Sub-Fund size, changes to the Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the performance of the relevant Index. The level of fees, taxes and expenses payable by an Index Tracking Sub-Fund will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of each Index Tracking Sub-Fund can be

estimated, the growth rate of an Index Tracking Sub-Fund, and hence its Net Asset Value, cannot be anticipated. The above factors may cause an Index Tracking Sub-Fund's returns to deviate from the performance of its Index. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time to achieve the performance of the relevant Index.

### **Risks Associated with the Indices (applicable to Index Tracking Sub-Funds only)**

#### Fluctuations Risk

The performance of the Units of an Index Tracking Sub-Fund should, before fees and expenses, correspond closely with the performance of the relevant Index. If the relevant Index experiences volatility or declines, the price of the Units of the Index Tracking Sub-Fund which tracks that Index will vary or decline accordingly.

#### Licence to Use Index may be Terminated Risk

The Manager is granted a licence by the Index Provider to use each Index to create the relevant Index Tracking Sub-Fund based on the Index and to use certain trade-marks and any copyright in the Index. An Index Tracking Sub-Fund may not be able to fulfil its objective and may be terminated if the licence agreement is terminated. The initial term of the licence agreement may be limited in period and thereafter renewable for only short periods. There can be no guarantee that the relevant licence agreement will be perpetually renewed. For further information on the grounds for terminating the licence agreement, please refer to the section on "Index Licence Agreement" in each Index Tracking Sub-Fund's Appendix. Although the Manager will seek to find a replacement Index, an Index Tracking Sub-Fund may also be terminated if the relevant Index ceases to be compiled or published and there is no replacement Index using the same or substantially similar formula for the method of calculation as used in calculating the Index.

#### Compilation of Index Risk

The securities of each Index are determined and composed by the relevant Index Provider without regard to the performance of the relevant Index Tracking Sub-Fund. Each Index Tracking Sub-Fund is not sponsored, endorsed, sold or promoted by the relevant Index Provider. Each Index Provider makes no representation or warranty, express or implied, to investors in any Index Tracking Sub-Fund or other persons regarding the advisability of investing in securities generally or in any Index Tracking Sub-Fund particularly. Each Index Provider has no obligation to take the needs of the Manager or investors in the relevant Index Tracking Sub-Fund into consideration in determining, composing or calculating the relevant Index. There is no assurance that an Index Provider will compile the relevant Index accurately, or that the Index will be determined, composed or calculated accurately. In addition, the process and the basis of computing and compiling the Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by the Index Provider without notice. Consequently there can be no guarantee that the actions of an Index Provider will not prejudice the interests of the relevant Index Tracking Sub-Fund, the Manager or investors.

#### Composition of an Index May Change Risk

The securities constituting an Index will change as the securities of the Index are delisted, or as the securities mature or are redeemed or as new securities are included in the Index or where the methodology of the Index is changed by the Index Provider. When this happens the weightings or composition of the securities owned by the relevant Index Tracking Sub-Fund (either directly or indirectly) will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units of an Index Tracking Sub-Fund will generally reflect the performance of the relevant Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units. However, there can be no guarantee that an Index

Tracking Sub-Fund will, at any given time accurately reflect the composition of the relevant Index (please refer to the section on “Tracking Error Risk”).

### **Risk Associated with Differences in Trading, Fee and Cost Arrangements between Listed Class and Unlisted Class(es) of Units**

Each Sub-Fund may offer both Listed Class of Units and Unlisted Class(es) of Units. Dealing arrangements in respect of Listed Class of Units and Unlisted Class(es) of Units are different, and depending on market conditions, investors of the Listed Class of Units may be at an advantage compared to investors of the Unlisted Class(es) of Units, or vice versa. The Net Asset Value per Unit of each of the Listed Class of Units and Unlisted Class(es) of Units may also be different due to the different fees (such as the management fee) and costs applicable to each such class of Units.

In addition, investors should note that different cost mechanisms apply to Listed Class of Units and Unlisted Class(es) of Units. For Listed Class of Units, the Transaction Fee and Duties and Charges in respect of Creation and Redemption Applications are paid by the Participating Dealer applying for or redeeming such Units and/or the Manager. Investors of Listed Class of Units in the secondary market will not bear such Transaction Fees and Duties and Charges (but for the avoidance of doubt, may bear other fees, such as SEHK trading fees, as described under the section “Fees and Expenses”). On the other hand, the subscription and redemption of Unlisted Class(es) of Units may be subject to a subscription fee and redemption fee respectively, which will be payable to the Manager by the investor subscribing or redeeming. In addition, the Manager may, in its absolute discretion, in addition to the Subscription Price and/or Redemption Price, in certain circumstances, add or deduct an amount of Subscription Adjustment Allowance or Redemption Adjustment Allowance (as the case may be) it considers represents an appropriate provision for transactional fees or expenses which are customarily incurred by the Sub-Fund, and such additional amount will be paid to the Custodian and will form part of the assets of the relevant Sub-Fund. Please refer to Schedule 2 for further information on Subscription Adjustment Allowance and Redemption Adjustment Allowance.

Any or all of these factors may lead to a difference in the Net Asset Value of the Listed Class of Units and Unlisted Class(es) of Units.

#### Trading Arrangements in respect of Unlisted Class(es) of Units

Unlike investors of Listed Class of Units who may buy and sell Units in the secondary market during SEHK trading hours, investors of Unlisted Class(es) of Units are only able to subscribe and redeem at the relevant Subscription Price and Redemption Price (as the case may be) based on the latest available Net Asset Value as at the end of each Dealing Day. As such, holders of Listed Class of Units would have intra-day trading opportunities which will not be available to holders of Unlisted Class(es) of Units. In a stressed market scenario, holders of Listed Class of Units can sell their Units on the secondary market during SEHK trading hours if the market continues to deteriorate, while holders of Unlisted Class(es) of Units will not be able to do.

#### Trading Arrangements in respect of Listed Class of Units

Conversely, secondary market investors generally do not have access to the redemption facilities which are available to investors of Unlisted Class(es) of Units. During stressed market conditions, Participating Dealers may, on their own account or on behalf of any primary market investors, redeem Listed Class of Units on the primary market at the Net Asset Value of the relevant Sub-Fund, but the secondary market trading prices may have diverged from the corresponding Net Asset Value. In such circumstances, holders of the Listed Class of Units in the secondary market will be at an apparent disadvantage to holders of the Unlisted Class(es) of Units as the latter will be able to redeem from the relevant Sub-Fund at Net Asset Value whilst the former will not.

Please also refer to “Risks Associated with Market Trading (applicable to Listed Class of Units only)” below for additional risks relating to Listed Class of Units.

## **Risks Associated with Market Trading (applicable to Listed Class of Units only)**

### Absence of Active Market and Liquidity Risks

Although Listed Class of Units of each Sub-Fund is listed for trading on the SEHK, there can be no assurance that an active trading market for such Units will develop or be maintained. In addition, if the underlying securities have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Listed Class of Units and the ability of an investor to dispose of his, her or its Listed Class of Units at the desired price. If an investor needs to sell his, her or its Listed Class of Units at a time when no active market for them exists, the price received for the Units – assuming an investor is able to sell them – is likely to be lower than the price received if an active market did exist.

### No Trading Market in the Listed Class of Units Risk

Although Listed Class of Units is listed on the SEHK and one or more Market Makers have been appointed, there may be no liquid trading market for the Listed Class of Units or that such Market Maker(s) may cease to fulfil that role. Further, there can be no assurance that Listed Class of Units will experience trading or pricing patterns similar to those of exchange traded funds which are issued by investment companies in other jurisdictions or those traded on the SEHK which are based upon indices other than the Index.

### Suspension of Trading Risk

Investors and potential investors will not be able to buy, nor will investors be able to sell, Listed Class of Units on the SEHK during any period in which trading of the Listed Class of Units is suspended. The SEHK may suspend the trading of Listed Class of Units whenever the SEHK determines that it is appropriate and in the interest of a fair and orderly market to protect investors. The subscription and redemption of Units may also be suspended if the trading of Units is suspended.

### Listed Class of Units May Trade at Prices Other than Net Asset Value Risk

Listed Class of Units may trade on the SEHK at prices above or below the most recent Net Asset Value. The Net Asset Value per Unit of each Sub-Fund is calculated at the end of each Dealing Day and fluctuates with changes in the market value of the relevant Sub-Fund's holdings. The trading prices of the Listed Class of Units fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value. The trading price of the Listed Class of Units may deviate significantly from Net Asset Value particularly during periods of market volatility. Any of these factors may lead to the Listed Class of Units of the relevant Sub-Fund trading at a premium or discount to the Net Asset Value. On the basis that Listed Class of Units can be created and redeemed in Application Unit size at Net Asset Value, the Manager believes that large discounts or premiums to Net Asset Value are not likely to be sustained over the long-term.

While the creation/redemption feature is designed to make it likely that the Listed Class of Units will normally trade at prices close to the relevant Sub-Fund's next calculated Net Asset Value attributable to the Listed Class of Units, trading prices are not expected to correlate exactly with the relevant Sub-Fund's Net Asset Value attributable to the Listed Class of Units due to reasons relating to timing as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from Net Asset Value. In particular, if an investor purchases Listed Class of Units at a time when the market price is at a premium to Net Asset Value or sells when the market price is at a discount to Net Asset Value, then the investor may sustain losses.

### Cost of Trading Listed Class of Units Risk

As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Listed Class of Units on the SEHK, investors may pay more than the Net Asset Value per Unit of the Listed Class of Units when buying the Listed Class of Units on the SEHK, and may receive less than the Net Asset Value per Unit of the Listed Class of Units when selling Listed Class of Units on the SEHK. In addition, investors on the secondary market will also incur the cost of the trading spread, being the difference between what investors are willing to pay for the Listed Class of Units (bid price) and the price at which they are willing to sell Listed Class of Units (ask price). Frequent trading may detract significantly from investment results and an investment in Listed Class of Units may not be advisable particularly for investors who anticipate making small investments regularly.

#### Restrictions on Creation and Redemption of Listed Class of Units Risk

Investors should note that Listed Class of Units of a Sub-Fund is not like a typical retail investment fund offered to the public in Hong Kong (for which units or shares can generally be purchased and redeemed directly from the manager). Listed Class of Units of a Sub-Fund may only be created and redeemed in Application Unit sizes directly by a Participating Dealer (either on its own account or on behalf of an investor through a stockbroker which has opened an account with the Participating Dealer). Other investors of Listed Class of Units may only make a request (and if such investor is a retail investor, through a stockbroker which has opened an account with a Participating Dealer) to create or redeem Listed Class of Units in Application Unit sizes through a Participating Dealer which reserves the right to refuse to accept a request from an investor to create or redeem Listed Class of Units under certain circumstances. Alternatively, investors may realise the value of their Listed Class of Units by selling their Units through an intermediary such as a stockbroker on the SEHK, although there is a risk that dealings on the SEHK may be suspended. Please refer to the section headed "Creations and Redemptions (Primary Market)" for details in relation to the circumstances under which creation and redemption applications can be rejected.

#### Secondary Market Trading Risk

Listed Class of Units in a Sub-Fund may trade on the SEHK when the relevant Sub-Fund does not accept orders to subscribe or redeem Units. On such days, Listed Class of Units may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the Sub-Fund accepts subscription and redemption orders.

#### Reliance on Market Makers Risk

Although it is a requirement that the Manager uses its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Listed Class of Units of each Sub-Fund, there may be circumstances such as the revocation of the relevant market making approvals or registration or other changes beyond the control of the Manager that may result in the sudden loss of a Market Maker for a Sub-Fund. It should be noted that liquidity in the market for the Listed Class of Units may be adversely affected if there is no market maker for a Sub-Fund or, where there is a Multi-Counter, if there is no Market Maker for any of the counters of Listed Class of Units of a Sub-Fund. The Manager will seek to mitigate this risk by using its best endeavours to put in place arrangements so that at least one Market Maker for each available counter of the Listed Class of Units of each Sub-Fund gives not less than 3 months' notice prior to terminating market making under the relevant market making agreements. It is possible that there is only one Market Maker to the Listed Class of Units of a Sub-Fund or to a counter of the Listed Class of Units of a Sub-Fund or the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker. There is also no guarantee that any market making activity will be effective.

#### Reliance on Participating Dealers Risk

The creation and redemption of Listed Class of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Listed Class of Units during any period when, amongst other

things, dealings on the SEHK are restricted or suspended, settlement or clearing of securities through the CCASS is disrupted or (for an Index Tracking Sub-Fund only) the Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Listed Class of Units if some other event occurs that impedes the calculation of the Net Asset Value of the relevant Sub-Fund or disposal of the relevant Sub-Fund's securities cannot be effected. Where a Participating Dealer appoints an agent or delegate (who is a participant of CCASS) to perform certain CCASS-related functions, if the appointment is terminated and the Participating Dealer fails to appoint an alternative agent or delegate, or if the agent or delegate ceases to be a participant of CCASS, the creation or realisation of Listed Class of Units by such Participating Dealer may also be affected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Listed Class of Units freely.

#### Trading Time Differences Risk (if applicable)

As a stock exchange or futures exchange may be open when the Listed Class of Units are not priced, the value of any security which comprises the Index or the portfolio of the Sub-Fund may change when investors may not be able to buy or sell Listed Class of Units. Further the price of securities may not be available during part of the Trading Day due to trading hour differences which may result in the trading price of Listed Class of Units deviating from the Net Asset Value per Unit attributable to Listed Class of Units. When trading FDIs there may be a time difference between the trading times of the FDIs and the underlying index constituents or the underlying securities. There may be imperfect correlation between the value of the underlying index constituents or securities and the FDIs, which may prevent a Sub-Fund from achieving its investment objective.

#### Listed Class of Units may be Delisted from the SEHK Risk

The SEHK imposes certain requirements for the continued listing of securities, including the Listed Class of Units, on the SEHK. Investors cannot be assured that any Sub-Fund will continue to meet the requirements necessary to maintain the listing of Listed Class of Units on the SEHK or that the SEHK will not change the listing requirements. If the Listed Class of Units of a Sub-Fund is delisted from the SEHK, Unitholders will have the option to redeem their Listed Class of Units by reference to the Net Asset Value of the Sub-Fund attributable to the Listed Class of Units. Where the relevant Sub-Fund remains authorised by the SFC, such procedures required by the UT Code will be observed by the Manager including as to notices to Unitholders, withdrawal of authorisation and termination, as may be applicable. Should the SFC withdraw authorisation of a Sub-Fund for any reason it is likely that the Listed Class of Units may also have to be delisted.

## **TAXATION**

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

### **Hong Kong**

#### **Profits Tax**

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

No profits tax should be payable by Unitholders of that Sub-Fund in Hong Kong (whether by way of withholding or otherwise) in respect of income distributions from the relevant Sub-Fund. In respect of any profits arising on a sale, redemption or other disposal of Units, Hong Kong profits tax (which is currently imposed at a rate of 16.5% for corporations and 15% for unincorporated business) may arise where such transactions form part of a trade or business carried on by Unitholders of that Sub-Fund in Hong Kong, and where the profits, not being regarded as capital in nature, arising in or derived from such trade or business carried on in Hong Kong and being sourced in Hong Kong. Unitholders of that Sub-Fund who are not acquiring the Units as part of a trade or business that they carry on in Hong Kong will not be liable to profits tax in respect of any profits from the disposal/redemption of Units. Unitholders should seek advice from their own professional advisers with regard to their investment in the relevant Sub-Fund.

#### **Stamp Duty**

In respect of an Unlisted Class of Units, no Hong Kong stamp duty should be payable in relation to the issuance or redemption of Units.

No Hong Kong stamp duty should be payable where the sale or transfer of Units in that Sub-Fund is effected by selling the relevant Units back to the Manager, who then either extinguish the Units or re-sells the Units to another person within two months thereof.

Other types of sales or purchases or transfers of Units by the Unitholders in that Sub-Fund should be liable to Hong Kong stamp duty of 0.2% (equally borne by the buyer and the seller) on the higher of the consideration amount or market value.

In respect of a Listed Class of Units, under a remission order issued by the Secretary for the Treasury on 20 October 1999, no Hong Kong stamp duty is payable on transfer of Hong Kong stocks to the Trust / a Sub-Fund (which have been authorised under Section 104 of the SFO), in exchange for issue of Units or transfer of Hong Kong stocks from the Trust / a Sub-Fund in consideration for redemption of Units. Under the Stamp Duty (Amendment) Ordinance 2015 stamp duty payable in respect of any contract notes or instruments of transfer relating to transactions in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) on the SEHK is not payable. Accordingly transfers of Units in any Sub-Fund

(which is an exchange traded fund as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) will not attract stamp duty and no stamp duty is payable by Unitholders.

#### Foreign Account Tax Compliance Act ("FATCA")

Sections 1471 – 1474 (commonly referred to as "FATCA") of the US Internal Revenue Code of 1986, as amended from time to time (the "US Code") impose rules with respect to certain payments to non-US persons, such as the Sub-Fund, including interest and dividends from securities of US issuers and potentially on gross proceeds from the sale of such securities at a later date. All such payments (referred to as "withholdable payment") may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (the "IRS") to identify US persons (within the meaning of the US Code) that own, directly or indirectly, Units in the Sub-Funds. To avoid such withholding on payments made to it, a foreign financial institution (an "FFI"), such as the Sub-Fund (and, generally, other investment funds organised outside the US), generally will be required to enter into an agreement (an "FFI Agreement") with the IRS under which it will agree to identify its direct or indirect owners who are US persons and report certain information concerning such US owners to the IRS.

In general, an FFI which does not sign an FFI Agreement and is not otherwise exempt will face a 30% withholding tax on withholdable payments, including dividends, interest and certain derivative payments derived from US sources. In addition, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest and certain non-US source payments attributable to the amounts that would be subject to FATCA withholding (referred to as a "foreign passthru payments") may also be subject to FATCA withholding in the future.

The Hong Kong government has entered into an intergovernmental agreement with the US (the "IGA") on 13 November 2014 for the implementation of FATCA, adopting Model 2 IGA arrangement. Under such Model 2 IGA arrangement, FFIs in Hong Kong (such as the Sub-Fund) can enter into an FFI Agreement with the IRS, register with the IRS and comply with the terms of an FFI Agreement. Otherwise the Sub-Fund will be subject to a 30% withholding tax on relevant US-sourced payments and other withholdable payments.

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

The Sub-Fund will endeavour to satisfy the requirements imposed under FATCA, the IGA and the terms of an FFI Agreement to avoid any withholding tax. Broadly, the IGA requires the Sub-Fund to, amongst other things: (i) register as a "reporting financial institution" with the IRS; (ii) conduct due diligence on its accounts (i.e. unitholder) to identify whether any such accounts are considered "US Account" under the IGA; and (iii) report to the IRS the required information on such US Accounts on an annual basis. The Sub-Fund has already registered with the IRS to be treated as "reporting financial institutions" under a Model 2 IGA. E Fund (HK) Strategic Value Bond Fund has been registered with the IRS as a reporting financial institution under a Model 2 IGA with a Global Intermediary Identification Number JEF93R.99999.SL.344.

#### Provision by Unitholders of documentation under FATCA or other applicable laws

Each Unitholder (i) will be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Trust or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding (or mitigate backup withholding) in any jurisdiction from or through which the Trust or

the relevant Sub-Fund receives payments and/or (B) to satisfy reporting or other obligations under US Code and the United States Treasury Regulations promulgated under the US Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certification or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation or future applicable laws.

#### Power to disclose information to tax authorities

Subject to applicable laws and regulations in Hong Kong and the consent to report from the Unitholder as required under the IGA, the Trust, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, taxpayer identification number (if any), and certain information relating to the Unitholder's holdings, to enable the Trust or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA). Investors should refer to "Foreign Account Tax Compliance Act risks" in the section headed "Risk Factors" for disclosures regarding compliance with the regulations under the United States Foreign Account Tax Compliance Act and the IGA between Hong Kong and the US.

Each Unitholder and prospective investor should consult its own tax advisor as to the potential impact of FATCA in its own tax situation, as well as the potential impact of FATCA on the Sub-Fund.

Please also refer to "Risks related to FATCA" in the section "Risk Factors".

#### Common Reporting Standard (the "CRS")

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") (as amended from time to time) came into force on 30 June 2016. This is the legislative framework for the implementation of the OECD's Standard for Automatic Exchange of Financial Account Information (commonly known as "CRS") in Hong Kong. The CRS requires financial institutions (the "FIs") in Hong Kong to obtain information from the account holders, conduct due diligence on the account holders and file such information as it relates to reportable account holders who are tax resident in Reportable Jurisdictions (as defined below) with the Hong Kong Inland Revenue Department (the "IRD") which in turn will exchange the information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions which Hong Kong has activated exchange relationship ("Reportable Jurisdictions"); however, under CRS, the Sub-Fund and/or its agents are not restricted from obtaining information relating to residents of jurisdictions other than Reportable Jurisdictions.

The Trust will be required to comply with the requirements of the Ordinance, which means that the Trust and/or its agents shall obtain and provide to the IRD the required information relating to the Unitholders where required.

The Ordinance as implemented by Hong Kong requires the Trust to, amongst other things: (i) register as a "Reporting Financial Institution" with the IRD to the extent the Trust maintain any reportable accounts; (ii) conduct due diligence on its accounts (i.e. Unitholder) to identify whether any such accounts are considered "Reportable Accounts" under the Ordinance; and (iii) report to the IRD the required information on such Reportable Accounts on an annual basis. Broadly, CRS requires that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a Reportable Jurisdiction; and (ii) certain entities controlled by individuals who are tax resident in a Reportable Jurisdiction.

Under the Ordinance, details of reportable Unitholders or their controlling persons (as the case may be), including but not limited to their name, date of birth, address, jurisdiction of tax residence, tax identification number(s) (if any), account details, account balance/value of the interest in the units, and income or sale or redemption proceeds, is required to be reported to the IRD.

The IRD is expected on an annual basis to transmit the required information reported to it to the competent authorities of the relevant Reportable Jurisdiction(s).

By investing in the Sub-Fund and/or continuing to invest in the Sub-Fund, Unitholders acknowledge that they may be required to provide additional information to the Trust, the Manager and/or the Trust's agents in order for the Trust to comply with the Ordinance. Each Unitholder will update the relevant information when such information is no longer accurate. The Unitholder's information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect Unitholders or other persons associated with such Unitholders as appropriate), may be exchanged by the IRD to authorities in other jurisdictions. The failure of a Unitholder to provide any requested information, may result in the Trust, the Manager and/or other agents of the Trust taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned in accordance with applicable laws and regulations, exercised by the Manager acting in good faith and on reasonable grounds.

Each Unitholder and prospective investor should consult with its own tax advisor as to the potential impact of CRS in its own tax situation, as well as the potential impact of CRS on the Sub-Fund(s).

## **GENERAL**

### **Reports and accounts**

The Trust's and each Sub-Fund's financial year end is on 31 December in each year. The first financial year end of the Trust is 31 December 2024.

Audited annual financial reports drawn up in accordance with IFRS and unaudited interim financial reports will be prepared for each financial year. Financial reports will be available in English only.

Once financial reports are issued, Unitholders will be notified of where such reports, in printed and electronic forms, can be obtained. Such notices will be sent to Unitholders on or before the issue date of the relevant financial reports, which will be within four months after the end of the financial year in the case of audited annual financial reports, and within two months after 30 June in each year in the case of unaudited interim financial reports. Once issued the financial reports will be available in softcopy from the website <http://www.efunds.com.hk> (this website has not been reviewed by the SFC) and in hardcopy for inspection at the Manager's office free of charge during normal working hours (hardcopies are also available for Unitholders to take away free of charge upon request).

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

### **Distribution policy**

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

Distributions (if any) declared in respect of an interim accounting period or an accounting period, as described in the relevant Appendix, shall be distributed among the Unitholders of the relevant classes of Units rateably in accordance with the number of Units held by them on the record date in respect of such interim accounting period or accounting period, as the case may be. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date shall be entitled to the distribution declared in respect of the corresponding interim accounting period or accounting period, as the case maybe.

Any payment of distributions will be made in the base currency or class currency of the relevant classes (as determined by the Manager or the Trustee) by direct transfer into the appropriate bank account or by cheque at the risk of the Unitholders (or in such other manner as may be agreed with the Manager and the Trustee). Any distribution which is not claimed for six years will be forfeited and become part of the assets of the relevant Sub-Fund.

### **Trust Deed**

The Trust was established as an umbrella unit trust under the laws of Hong Kong by the Trust Deed made between the Manager and the Trustee. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Trustee and the Manager out of the assets of the Trust or the relevant Sub-Fund(s) and their relief from liability in certain circumstances, subject to the proviso that nothing in any of the provisions of the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from or indemnify them against any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

## **Modification of Trust Deed**

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such modification (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Trust or the relevant Sub-Fund; or (ii) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law); or (iii) is made to correct a manifest error. In all other cases, modifications, alterations and additions involving material changes require the sanction of an extraordinary resolution of the Unitholders affected or the SFC's approval. To the extent an amendment to the Trust Deed requires prior approval from the SFC, the Manager will seek such prior approval from the SFC. Notice of any amendment or modification which is necessary to enable Unitholders to appraise the position of the Sub-Fund in accordance with any applicable law and regulation, in respect of which the Trustee and the Manager shall have certified in accordance with the aforesaid, will be given by the Manager.

## **Meetings of Unitholders**

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

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

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

## **Transfer of Units**

Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee and duly stamped with adequate stamp duty before the form is passed to the Transfer Agent. The transferor will be deemed to remain the Unitholder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

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

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

## **Compulsory redemption**

If it shall come to the notice of the Trustee or the Manager that any Units are owned directly, indirectly or beneficially (i) by a U.S. Person; (ii) in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager or the Trustee, might result in the Manager, the Trustee or the relevant Sub-Fund incurring or suffering any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Trustee or the relevant Sub-Fund to any additional regulation to which the Manager, the Trustee or the relevant Sub-Fund might not otherwise have incurred or suffered or been subject; or (iii) in breach of any applicable law or applicable requirements of any country or governmental authority, the Trustee or the Manager may give notice to the relevant Unitholder requiring him to transfer such Units to a person who would not thereby be in contravention of any such restrictions as aforesaid or may give a request in writing for the redemption of such Units in accordance with the terms of the Trust Deed. If any Unitholder upon whom such a notice is served pursuant to the Trust Deed does not, within 30 days of such notice, transfer or redeem such Units as aforesaid or establish to the satisfaction of the Trustee or the Manager (whose judgment shall be final and binding) that such Units are not held in contravention of any such restrictions he shall be deemed upon the expiry of the 30 day period to have given a request in writing for the redemption of all such Units.

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

The Trust shall continue until it is terminated in one of the ways set out below.

The Trust may be terminated on the occurrence of any of the following events: (a) any law shall be passed which renders it illegal or, in the opinion of the Trustee or the Manager, impracticable or inadvisable to continue the Trust; (b) the Trustee shall be unable to find a person acceptable to the Trustee to act as the new manager within 30 days after the removal or retirement of the Manager; (c) the Trustee shall have decided to retire but within 3 months from the date of the Trustee giving its written notice to the Manager to retire as the Trustee, the Manager shall be unable to find a suitable person who is willing to act as trustee; (d) if the Trustee and the Manager agree that it is undesirable to continue the Trust and the affected Unitholders sanction the termination by way of extraordinary resolution; or (e) the affected Unitholders of the Trust determine, by extraordinary resolution, that the Trust should be terminated (in which case, such termination shall take effect from the date on which such extraordinary resolution is passed or such later date (if any) as the extraordinary resolution may provide).

Any Sub-Fund may also be terminated on the occurrence of any of the following events: (a) any law shall be passed which renders it illegal or, in the opinion of the Trustee or the Manager, impracticable or inadvisable to continue the Sub-Fund; (b) if the Trustee and the Manager agree that it is undesirable to continue the Sub-Fund and the affected Unitholders sanction the termination by way of extraordinary resolution; or (c) the affected Unitholders of the Sub-Fund determine, by extraordinary resolution, that the Sub-Fund should be terminated (in which case, such termination shall take effect from the date on which such extraordinary resolution is passed or such later date (if any) as the extraordinary resolution may provide).

The Trust may be terminated by the Trustee giving prior written notice to the Manager and the Unitholders if any of the following events shall occur: (a) the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver shall be appointed over any of its assets and shall not be discharged within 60 days; (b) the Trustee shall form the opinion for good and sufficient reason and shall so state in writing to the Manager that the Manager is incapable of performing its duties under the Trust Deed satisfactorily; (c) the Manager shall fail to perform its duties under the Trust Deed satisfactorily or the Manager shall do any other thing which in the opinion of the Trustee is calculated to bring the Trust into disrepute or to be harmful to the interests of the Unitholders; (d) if any law or regulation shall be passed or amended or any regulatory

directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Trustee makes it impracticable or inadvisable to continue the Trust; (e) either the Trustee shall be unable to find a person acceptable to the Trustee to act as the new manager within 30 days after the removal of the Manager for the time being pursuant to the provisions of the Trust Deed or the person nominated by the Trustee shall fail to be approved by an extraordinary resolution; or (f) the Trustee shall have decided to retire but within 30 days of the Trustee giving notice to the Manager of its desire to retire the Manager shall be unable to find a suitable person who is willing to act as trustee.

The Trust may be terminated by the Manager in its absolute discretion by notice in writing to the Trustee: (a) if the aggregate Net Asset Value of the Units in all Sub-Funds outstanding shall be less than US\$50,000,000; (b) if any law or regulation shall be passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue the Trust; (c) if within a reasonable time and using commercially reasonable endeavours, the Manager shall be unable to find a person acceptable to the Manager to act as the new trustee after deciding to remove the Trustee for the time being pursuant to the provisions of the Trust Deed; (d) if the Manager is unable to implement its investment strategy in respect of all Sub-Funds; (e) if the Trust only has Index Tracking Sub-Funds, and if the Indices against which the relevant Index Tracking Sub-Funds may be benchmarked or may otherwise be referenced are no longer available for benchmarking or if the Sub-Funds only has Listed Class of Units and such Units of all Sub-Funds are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; or (f) if the Sub-Funds only have Listed Class of Units and if, at any time, all Sub-Funds cease to have any Participating Dealer or Market Maker.

Any Sub-Fund may also be terminated by the Manager in its absolute discretion by notice in writing to the Trustee: (a) if the aggregate Net Asset Value of the Units in the Sub-Fund outstanding shall be less than US\$50,000,000; (b) if any law or regulation shall be passed or amended or any regulatory directive or order is imposed that affects the Sub-Fund and which renders the Sub-Fund illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue the Sub-Fund; (c) if the Manager is unable to implement its investment strategy in respect of the Sub-Fund; (d) if the Index (if any) against which the relevant Sub-Fund may be benchmarked or may otherwise be referenced is no longer available for benchmarking or if the relevant Sub-Fund only has Listed Class of Units and such Units of the relevant Sub-Fund are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; or (e) if the relevant Sub-Fund only has Listed Class of Units and if, at any time, the relevant Sub-Fund ceases to have any Participating Dealer.

Prior notice of termination of the Trust or any Sub-Fund will be provided to Unitholders, the notice period of which will be determined in accordance with the Code. Such notice to Unitholders is subject to the SFC's prior approval.

Upon termination of the Trust or a Sub-Fund, the Trustee and the Manager will arrange for the sale of all investments remaining as part of the assets and discharging all liabilities of the Trust or the relevant Sub-Fund (as the case may be). Thereafter, the Trustee will distribute to the Unitholders, in proportion to the Units held by them, any net cash proceeds derived from the realisation of the assets and available for the purposes of such distribution, provided that the Trustee may retain out of any moneys as part of the assets full provisions for all costs, charges, expenses, claims and demands properly incurred, made or apprehended by the Trustee or the Manager. Please refer to the Trust Deed for further details. Any unclaimed proceeds or other cash held by the Trustee may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment. Please refer to the Trust Deed for further details.

## **Documents available for inspection**

Copies of the Trust Deed, this Explanatory Memorandum and the latest annual and interim reports (if any) are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager. Copies of the Trust Deed can be purchased from the Manager at a nominal amount.

## **Anti-Money Laundering Regulations**

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

The Trustee, the Manager and their respective delegates and agents each reserves the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Trustee, the Manager or any of their respective delegates or agents may refuse to accept the application and return the application monies relating to such application.

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

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

## **Liquidity risk management**

The Manager has put in place measures to effectively manage the liquidity risk of the Sub-Funds. The Manager's risk management function monitors the implementation of liquidity risk management policies on a day-to-day basis. The risk management function regularly communicates with the portfolio managers on each Sub-Fund's liquidity risk issues. The Manager also has in place liquidity risk management tools (such as those described under the "Restrictions on Redemption" section) which allow the Manager to process redemptions in an orderly manner and to ensure that all investors are treated fairly.

On an on-going basis, the Manager's risk management function will assess each Sub-Fund's liquidity position against internal liquidity indicators. The Manager considers a range of quantitative metrics and qualitative factors in arriving at a liquidity assessment. The Manager can break down the underlying liquidity of investments based on average or total days to liquidate, so it can determine the time horizon and cost needed to liquidate positions. Pre-trade analysis can be carried out in order to avoid potentially exceeding a security's daily volume and thereby influencing its price.

Where a Sub-Fund is unable to meet the indicators, the risk management function will consider whether additional analysis is needed to be performed and whether further action should be taken

to manage the liquidity risk of the Sub-Fund. Policies have been put in place and documentation will be maintained on the assessments. The Manager will also perform liquidity stress testing on the Sub-Funds on an ongoing basis. The liquidity risk management policies and procedures will be reviewed periodically and as needed.

### **Conflicts of Interest**

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

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

It is expected that transactions for any Sub-Fund may be carried out with or through Connected Persons of the Manager, any investment delegate or the Trustee. The Manager will ensure that all transactions carried out by or on behalf of each Sub-Fund will be in compliance with all applicable laws and regulations. The Manager will use due care in the selection of such Connected Persons to ensure that they are suitably qualified in the circumstances, and will monitor and ensure that all such transactions are conducted on an arm’s length basis and are consistent with best execution standards. The fees or commissions payable to any such Connected Persons will not be greater than those which are payable at the prevailing market rate for such transactions. All such transactions and the total commissions and other quantifiable benefits received by such Connected Persons will be disclosed in the relevant Sub-Fund’s annual report.

### **Cross-trades**

Cross-trades between a Sub-Fund and other funds managed by the Manager or its affiliates may be undertaken when the Manager considers that, as part of its portfolio management, such cross-trades would be in the best interests of the Unitholders to achieve the investment objective, restrictions and policy of the relevant Sub-Fund. By conducting cross-trades, the Manager may achieve trading efficiencies and savings for the benefit of the Unitholders.

In conducting transactions, the Manager will ensure that the trades are executed on arm’s length terms at current market value and the reasons for such trades shall be documented prior to execution, in accordance with the SFC’s Fund Manager Code of Conduct.

## **Index Licence Agreements (applicable in respect of Index Tracking Sub-Funds only)**

Please refer to the relevant Appendix for details in respect of each Index.

## **Material Changes to an Index (applicable in respect of Index Tracking Sub-Funds only)**

The SFC should be consulted on any events that may affect the acceptability of an Index. Significant events relating to an Index will be notified to the Shareholders of the relevant Index Tracking Sub-Fund as soon as practicable. These may include a change in the methodology/rules for compiling or calculating the Index, or a change in the objective or characteristics of the Index.

## **Replacement of an Index (applicable in respect of Index Tracking Sub-Funds only)**

The Manager reserves the right, with the prior approval of the SFC and provided that in its opinion the interests of the Shareholders of the relevant Index Tracking Sub-Fund would not be adversely affected, to replace an Index with another index in accordance with the provisions of the UT Code and the Instrument. The circumstances under which any such replacement might occur include but are not limited to the following events:

- (a) the relevant Index ceasing to exist;
- (b) the licence to use the Index being terminated;
- (c) a new index becoming available that supersedes the existing 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 Shareholders than the existing Index;
- (e) investing in the securities and/or FDIs comprised within the Index becomes difficult;
- (f) the Index Provider increasing its licence fees to a level considered too high by the Manager;
- (g) the quality (including accuracy and availability of the data) of the Index having in the opinion of the Manager, deteriorated;
- (h) a significant modification of the formula or calculation method of the Index rendering that index unacceptable in the opinion of the Manager; and
- (i) the instruments and techniques used for efficient portfolio management not being available.

The Manager may change the name of an Index Tracking Sub-Fund if the relevant Index changes or for any other reasons including if licence to use the Index is terminated. Any change to (i) the use by the relevant Index Tracking Sub-Fund of the Index and/or (ii) the name of the relevant Index Tracking Sub-Fund will be notified to investors.

## **Information Available on the Internet**

The Manager will publish important news and information with respect to each Sub-Fund (including, for Index Tracking Sub-Funds, in respect of the relevant Index), in the English and Chinese languages (unless otherwise specified), on the following website [www.efunds.com.hk/fund.html](http://www.efunds.com.hk/fund.html) (which has not been reviewed or approved by the SFC) and, where applicable in respect of Listed Class of Units, HKEX's website [www.hkex.com.hk](http://www.hkex.com.hk) including:

- (a) this Explanatory Memorandum and the product key facts statement(s) in respect of the Sub-Fund(s) (as revised from time to time). Investors should note that where a Sub-Fund offers both Listed Class of Units and Unlisted Class(es) of Units to Hong Kong investors, separate

sets of product key facts statement will be available for the Listed Class of Units and the Unlisted Class(es) of Units of the same Sub-Fund respectively;

- (b) the latest annual audited financial reports and half yearly unaudited financial reports (in English only);
- (c) any notices relating to material changes to the Sub-Fund(s) which may have an impact on its investors such as material alterations or additions to this Explanatory Memorandum (including each product key facts statement) or any of the constitutive documents of the Company and/or a Sub-Fund;
- (d) any public announcements and notices made by the Manager in respect of the Sub-Fund(s), including information with regard to the Sub-Fund(s) and (where applicable) the relevant Index, the suspension of creations and redemptions of Units, the suspension of the calculation of its Net Asset Value, changes in its fees and (in respect of Listed Class of Units) the suspension and resumption of trading in its Units;
- (e) (in respect of Listed Class of Units only) the near real time indicative Net Asset Value per Share of each Sub-Fund in the relevant base currency and in each trading currency of the Sub-Fund (updated every 15 seconds during SEHK trading hours in HKD);
- (f) the last Net Asset Value of each Sub-Fund in the relevant base currency and the last Net Asset Value per Share of each Sub-Fund in the relevant base currency and (in respect of Listed Class of Units only) each trading currency of the Sub-Fund (updated on a daily basis on each Dealing Day);
- (g) the past performance information of each Sub-Fund;
- (h) (in respect of each Index Tracking Sub-Fund) the daily tracking difference, the average daily tracking difference and the tracking error of each Sub-Fund;
- (i) the full portfolio information of each Sub-Fund (updated on a daily basis unless otherwise specified in the relevant Appendix);
- (j) (in respect of Listed Class of Units only) the latest list of the Participating Dealers and Market Makers for each Sub-Fund; and
- (k) in respect of a Sub-Fund which may distribute dividends, the composition of distributions (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital), if any, for a 12-month rolling period.

The near real time indicative Net Asset Value per Unit (in each trading currency of the Sub-Fund) referred to above is indicative and for reference only. This is updated every 15 seconds during SEHK trading hours and is calculated by ICE Data Services.

In respect of each Index Tracking Sub-Fund, real-time updates about the Index can be obtained through other financial data vendors. Investors should obtain additional and the latest updated information about the Index (including without limitation, a description of the way in which the Index is calculated, any change in the composition of the Index, any change in the method for compiling and calculating the Index) via the Manager's website at [www.efunds.com.hk/fund.html](http://www.efunds.com.hk/fund.html) and the Index Provider's website (neither of which, nor any other website referred to in this Explanatory Memorandum, has been reviewed by the SFC). Please refer to the section on "Website Information" for the warning and the disclaimer regarding information contained in such website.

## **Websites**

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

## **SCHEDULE 1 – PROVISIONS RELATING TO THE OFFER, SUBSCRIPTION, SWITCHING AND REDEMPTION OF THE UNLISTED CLASS OF UNITS**

*This Schedule 1 contains disclosure relating to the Unlisted Class of Units only. Unless the context otherwise requires, references to “Units” and “Unitholders” in this Schedule shall be construed to refer to an Unlisted Class of Units of a Sub-Fund and a Unitholder of such Units respectively. Save for terms defined below, all other terms used in this Schedule shall have the same meanings as assigned to them under the main part of the Explanatory Memorandum.*

### **SUBSCRIPTION OF UNITS**

#### **Initial issue of Units**

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

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

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

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

#### **Subsequent issue of Units**

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

The Subscription Price on any Dealing Day will be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class of that Sub-Fund then in issue and rounded to 2 decimal places (0.005 and above being rounded up; below 0.005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager after consulting the Trustee. Any rounding adjustment will be retained by the relevant Sub-Fund. The Subscription Price will be calculated in the Base Currency of the relevant Sub-Fund, and quoted in the Base Currency or (for classes with a class currency other than the Base Currency) in the class currency of such classes, converted at the exchange rate agreed by the Manager and the Trustee.

The Manager is entitled to include as an addition to the Subscription Price an amount it considers represents an appropriate provision for transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, which are customarily incurred in investing a sum equal to the application monies and issuing the relevant Units or the remittance of money to the Trustee. Any such additional amount will be paid to the relevant Sub-Fund and will form part of the assets of the relevant Sub-Fund.

The Manager is entitled to impose a subscription fee on the Subscription Price of each Unit. The

Manager may retain the benefit of such subscription fee or may pay all or part of the subscription fee (and any other fees received) to recognised intermediaries or such other persons as the Manager may at its absolute discretion determine. Details of the subscription fee are set out in the section headed "Expenses and Charges" below.

### **Application procedure**

To subscribe for Units, an applicant should complete the application form supplied with this Explanatory Memorandum and return the original form (if the original is required by the Manager or the Trustee), together with the required supporting documents, to the Transfer Agent via the authorised distributor or the Manager.

Applications for Units during the relevant Initial Offer Period, together with cleared funds, must be received by no later than such time (as stated in the relevant Appendix) on the last day of the relevant Initial Offer Period. After the Initial Offer Period, applications must be received by the relevant Dealing Deadline.

Unless otherwise agreed by the Manager or the Trustee, application forms may be sent by post, facsimile or other electronic means from time to time determined by the Manager or the Trustee. Subsequent applications may also be sent by post, facsimile or other electronic means from time to time determined by the Manager or the Trustee. The original application form is not required to be submitted unless otherwise required by the Manager or the Trustee. Applicants who choose to send an application form by fax or other electronic means bear the risk of the form not being received by the Transfer Agent. Applicants should therefore, for their own benefit, confirm with the Transfer Agent safe receipt of an application form. None of the Manager, the Trustee or the Transfer Agent (nor any of their respective officers, employees, agents or delegates) will be responsible to an applicant for any loss resulting from non-receipt or illegibility of any application form sent by fax or other electronic means or for any loss caused in respect of any action taken as a consequence of such application believed in good faith to have originated from properly authorised persons.

Unless the Manager otherwise determines, payment for Units shall be due in cleared funds in the relevant currency within 3 Business Days following the relevant Dealing Day on which an application was received by the Dealing Deadline. If payment in cleared funds is not received prior to such time as aforesaid, the application may, at the discretion of the Manager, be considered void and cancelled. In such event the Manager may require the applicant to pay to the Trustee, for the account of the relevant Sub-Fund, in respect of each Unit cancelled, the amount (if any) by which the Subscription Price on the relevant Dealing Day exceeds the applicable Redemption Price on the date of cancellation and the Trustee shall be entitled to charge the applicant a cancellation fee for the administrative costs involved in processing the application and subsequent cancellation.

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

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

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

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

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

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

### **Payment procedure**

Subscription monies should be paid in the currency in which the relevant Sub-Fund is denominated. Payment details are set out in the application form.

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

### **General**

All holdings of Units will be in registered form and certificates will not be issued. Evidence of title of Units will be the entry on the register of Unitholders in respect of each Sub-Fund. Unitholders should therefore be aware of the importance of ensuring that the Trustee is informed of any change to the registered details. Fractions of a Unit may be issued rounded down to the nearest 2 decimal places, unless otherwise specified in the Appendix of a relevant Sub-Fund. Subscription monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. A maximum of 4 persons may be registered as joint Unitholders.

## **REDEMPTION OF UNITS**

### **Redemption procedure**

Unitholders who wish to redeem their Units in a Sub-Fund may do so on any Dealing Day by submitting a redemption request to the Transfer Agent via an authorised distributor or the Manager.

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

A redemption request may be sent by post, facsimile or other electronic means from time to time determined by the Manager or the Trustee. The redemption request must specify the name of the Sub-Fund, the class (if applicable) and the value or number of Units to be redeemed, the name(s) of the registered Unitholder(s) and give payment instructions for the redemption proceeds.

Unless otherwise requested by the Manager or the Trustee, the original of any redemption request is not required to be submitted. A Unitholder who chooses to send an application form by fax or other electronic means bears the risk of the form not being received by the Transfer Agent.

Unitholders should therefore, for their own benefit, confirm with the Transfer Agent safe receipt of a redemption request. Neither the Manager, the Trustee or the Transfer Agent (nor any of their respective officers, employees, agents or delegates) will be responsible to a Unitholder for any loss resulting from non-receipt or illegibility of any redemption request sent by fax or other electronic means or for any loss caused in respect of any action taken as a consequence of such request believed in good faith to have originated from properly authorised persons.

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

### **Payment of redemption proceeds**

The Redemption Price on any Dealing Day will be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the relevant Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class then in issue and rounded to 2 decimal places (0.005 and above being rounded up; below 0.005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager after consulting the Trustee. Any rounding adjustment will be retained by the relevant Sub-Fund. The Redemption Price will be calculated in the Base Currency of the relevant Sub-Fund, and quoted in the Base Currency or (for classes with a class currency other than the Base Currency) in the class currency of such classes, converted at the exchange rate agreed by the Manager and the Trustee.

The Manager is entitled to deduct from the Redemption Price an amount which it considers represents an appropriate provision for transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, which are customarily incurred by the relevant Sub-Fund (the "Additional Amount"). Any such deducted amount will be retained by and form part of the assets of the relevant Sub-Fund.

The Manager may at its option impose a redemption fee in respect of the Units to be redeemed as described in the section headed "Expenses and Charges" below. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption fee to be imposed (within the permitted limit provided in the Trust Deed) on each Unitholder. The redemption fee will be retained by the Manager.

The amount due to a Unitholder on the redemption of a Unit will be the Redemption Price, less any redemption fee and Additional Amount.

Redemption proceeds will not be paid to any redeeming Unitholder until (a) unless otherwise agreed in writing by the Manager and the Trustee, the written original of the redemption request duly signed by the Unitholder has been received by the Transfer Agent and (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Transfer Agent.

Subject as mentioned above, and save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid in relevant class currency of the relevant Sub-Fund by telegraphic transfer, within 7 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the markets in which a substantial portion of the relevant Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of redemption proceeds within the aforesaid time period not practicable, but in such a case the details of such

legal or regulatory requirements will be set out in the relevant Appendix and the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant markets. Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Unitholder.

Payment will only be made to a bank account in the name of the Unitholder. No third party payments will be made.

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

### **Restrictions on redemption**

In the event that redemption requests are received for the redemption of Units (both Listed Class of Units and Unlisted Class of Units) representing in aggregate more than 10 per cent. (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of the total Net Asset Value or total number of Units in a Sub-Fund then in issue, the Manager may direct the Trustee to reduce the requests rateably and pro rata amongst all Unitholders (in respect of both Listed Class of Units and Unlisted Class of Units) seeking to redeem Units on the relevant Dealing Day and carry out only sufficient redemptions which, in aggregate, amount to 10 per cent. (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of the total Net Asset Value or total number of Units in the relevant Sub-Fund then in issue. Units which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests in respect of the relevant Sub-Fund themselves exceed 10 per cent. (or such higher percentage as the Manager may determine in respect of that Sub-Fund) of the total Net Asset Value or total number of Units in such Sub-Fund then in issue) in priority to any other Units in that Sub-Fund for which redemption requests have been received. Units will be redeemed at the Redemption Price prevailing on the Dealing Day on which they are redeemed. If requests for redemption are so carried forward, the Manager will promptly inform the Unitholders concerned.

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

### **Suspension of Creations and Redemptions**

The Manager may, after consultation with the Trustee, having regard to the best interests of Unitholders, declare a suspension of the issue, subscription and/or redemption of Units of any Sub-Fund or class, and/or extend the period for the payment of redemption moneys to all persons who have redeemed Units of any Class under any of the circumstances set out in the section headed "Suspension of calculation of Net Asset Value". The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the website <http://www.efunds.com.hk> (the contents of which and of other websites referred to in this Explanatory Memorandum have not been reviewed by the SFC) or in such other publications as it decides.

The Manager shall consider any subscription or redemption application received during the period of suspension (that has not been otherwise withdrawn) as having been received immediately following the termination of the suspension. The period for settlement of any redemption will be extended by a period equal to the length of the period of suspension.

A suspension shall remain in force until the earlier of (a) the Manager declaring the suspension is at an end; and (b) the first Dealing Day on which (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised exists.

### **Transfer of Unlisted Class of Units**

Unlisted Class of Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee and duly stamped with adequate stamp duty before the form is passed to the Trustee. The transferor will be deemed to remain the Unitholder of the Units transferred until the name of the transferee is entered in the Register of Unitholders in respect of such Units.

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

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

## **SUSPENSION OF ISSUE AND REDEMPTIONS**

The Manager may, after consultation with the Trustee, having regard to the best interests of Unitholders, declare a suspension of the issue and/or redemption of Units of any Sub-Fund or class, and/or extend the period for the payment of redemption moneys to all persons who have redeemed Units of any Class under any of the circumstances set out in the section headed "Suspension of calculation of Net Asset Value".

## **SWITCHING**

The Manager may from time to time permit Unitholders to switch some or all of their Units of any Unlisted Class of Units of any Sub-Fund (the "Existing Class") into Units of other Unlisted Class of such Sub-Fund or any Unlisted Class of Units of any other Sub-Fund which has been authorised by the SFC (the "New Class"). Unitholders may request such switching by giving notice to the Transfer Agent via an authorised distributor or the Manager by post, facsimile or other electronic means from time to time determined by the Manager or the Trustee. None of the Manager, the Trustee nor the Transfer Agent (nor any of their respective officers, employees, agents or delegates) shall be responsible to any Unitholder for any loss resulting from the non-receipt or illegibility of a request for switching transmitted by facsimile, or for any loss caused in respect of any action taken as a consequence of instructions believed in good faith to have originated from the Unitholder. A request for the switching of part of a holding of Units will not be effected if, as a result, the Unitholder would hold less than the minimum holding specified for the New Class (if any).

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Units of up to 2% of the Redemption Price of the Units of the Existing Class being switched. The switching fee will be deducted from the amount reinvested in the New Class and will be paid to the Manager.

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

- redemption of the Units of the Existing Class will be dealt with by reference to the

Redemption Price on that Dealing Day (the “Switching Redemption Day”);

- where the Existing Class and the New Class have different currencies of denomination, the redemption proceeds of Units of the Existing Class, after deduction of any switching fee, shall be converted into the currency of denomination of the New Class; and
- the redemption proceeds will be used to subscribe for Units of the New Class at the relevant Subscription Price on the Dealing Day on which the Transfer Agent receives cleared funds by the Dealing Deadline of the New Class (the “Switching Subscription Day”). The price at which Units of the New Class may be issued may, at the discretion of the Manager, include as an addition to the Subscription Price a further amount which it considers represents an appropriate provision for extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, which are likely to be incurred in investing a sum equal to the amount used to subscribe for Units of the New Class and issuing the relevant Units or the remittance of money to the Transfer Agent. Any such additional amount will be paid to the relevant Sub-Fund and will form part of the assets of the relevant Sub-Fund.

Subject to the time required to remit redemption proceeds in respect of the Units of the Existing Class, the Switching Subscription Day may be later than the Switching Redemption Day.

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

Investors should note that switching between Listed Class of Units and Unlisted Class of Units is not available.

## **SCHEDULE 2 – PROVISIONS RELATING TO THE OFFER, CREATION, REDEMPTION, LISTING AND TRADING OF THE LISTED CLASS OF UNITS**

*This Schedule 2 contains disclosure relating to the Listed Class of Units only. Unless the context otherwise requires, references to “Units” and “Unitholders” and “Registrar” in this Schedule shall be construed to refer to a Listed Class of Units of a Sub-Fund, an Unitholder of such Units and the Registrar for such Units respectively. Save for terms defined below, all other terms used in this Schedule shall have the same meanings as assigned to them under the main part of the Explanatory Memorandum.*

### **THE OFFERING PHASES**

#### **Initial Offer Period**

During the Initial Offer Period, Participating Dealers (acting for themselves or for their clients) may apply for Listed Class of Units (to be available for trading on the Listing Date) by means of Creation Applications on each Dealing Day for themselves and/or their clients in accordance with the Operating Guidelines.

To be dealt with during the Initial Offer Period, the relevant Participating Dealer must submit the Creation Applications to the Manager and the Trustee on a Business Day no later than 3 Business Days prior to the Listing Date unless otherwise stated in the relevant Appendix.

If a Creation Application is received by the Manager and Trustee after the deadline as specified in the relevant Appendix, that Creation Application shall be carried forward and deemed to be received at the opening of business on the Listing Date, which shall be the Dealing Day for the purposes of that Creation Application.

Creation Applications must be made in Application Unit size, which is the number of Units specified in the relevant Appendix. The Issue Price during the Initial Offer Period is set out in the Appendix (where applicable).

Please refer to the section on “Creations and Redemptions (Primary Market)” below for the operational procedures in respect of Creation Applications.

#### **After Listing**

The After Listing phase commences on the Listing Date and continues until the relevant Listed Class of Units is terminated.

You can acquire or dispose the Listed Class of Units in either of the following two ways:

- (a) buy and sell Units on the SEHK; or
- (b) apply for creation and redemption of Units through Participating Dealers.

#### *Buying and selling of Listed Class of Units on the SEHK*

After Listing, all investors can buy and sell Listed Class of Units in the secondary market in Trading Board Lot Size (as described in the section “Key Information” in the relevant Appendix) or whole multiples thereof like ordinary listed stocks through an intermediary such as a stockbroker or through any of the share dealing services offered by banks or other financial advisers at any time the SEHK is open.

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 Net Asset Value per Unit due to market demand and supply, liquidity and scale of trading spread for the Listed Class of Units in the

secondary market. As a result, the market price of the Listed Class of Units in the secondary market may be higher or lower than Net Asset Value per Unit.

Please refer to the section on "Exchange Listing and Trading (Secondary Market)" below for further information in respect of buying and selling of Listed Class of Units on the SEHK.

#### *Creations and Redemptions Through Participating Dealers*

Listed Class of Units will continue to be created and redeemed in the primary market at the Issue Price and Redemption Value respectively through Participating Dealers in Application Unit size. Where stated in the relevant Appendix, in-kind creations or in-kind redemptions may be permitted by the Manager. The Application Unit size and currency for settlement are as set out in the relevant Appendix.

To be dealt with on a Dealing Day, the relevant Participating Dealer must submit the Applications to the Manager and the Trustee before the Dealing Deadline on the relevant Dealing Day. If an Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Application shall be treated as having been received and accepted at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Application. Participating Dealers are under no obligation to create or redeem generally or for their clients and may charge their clients such fee or fees as such Participating Dealers determine.

Settlement for subscribing Listed Class of Units in cash is due by such time as agreed in the Operating Guidelines on the relevant Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

Settlement for redeeming Listed Class of Units is due by such time as agreed in the Operating Guidelines on the relevant Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

Notwithstanding any Multi Counter (if applicable) for Listed Class of Units, all settlement is in the Base Currency of the relevant Sub-Fund only.

After Listing, all Listed Class of Units will be registered in the name of HKSCC Nominees Limited on the register of the relevant Sub-Fund. The register of the relevant Sub-Fund is the evidence of ownership of Units. The beneficial interests in Listed Class of Units of any client of the Participating Dealers shall be established through such client's account with the relevant Participating Dealer or with any other CCASS participants if the client is buying from the secondary market.

#### **Timetable**

##### *Initial Offer Period*

The Initial Offer Period and the Listing Date of the Listed Class of Units of a new Sub-Fund is set out in the Appendix of the new Sub-Fund.

The purpose of the Initial Offer Period is to enable Participating Dealers to subscribe for Listed Class of Units either on their own account or for their clients, in accordance with the Trust Deed and the Operating Guidelines. During this period, Participating Dealers (acting for themselves or for their clients) may apply for Listed Class of Units to be available for trading on the Listing Date by creation. No redemptions are permitted during the Initial Offer Period.

Upon receipt of a Creation Application from a Participating Dealer (acting for itself or its clients) during the Initial Offer Period, the Manager shall procure the creation of Units for settlement on the Initial Issue Date.

Participating Dealers may have their own application procedures for their respective clients and may set application and payment cut-off times for their respective clients which are earlier than those set out in this Explanatory Memorandum and which may change from time to time. The

Dealing Deadline in respect of Units in a Sub-Fund may also change due to market related events. Investors are therefore advised to consult with the relevant Participating Dealer on its requirements if they want a Participating Dealer to subscribe for Units on their behalf.

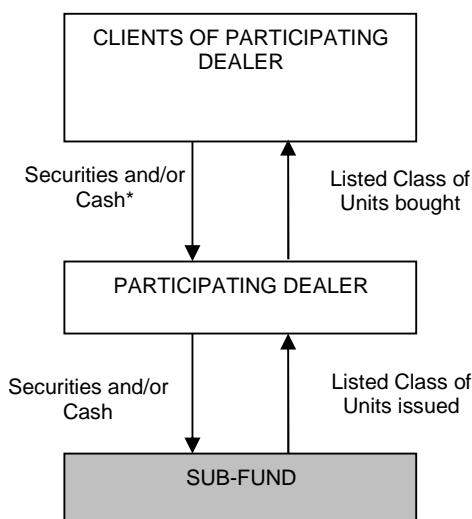
#### *After Listing*

“After Listing” commences on the Listing Date and continues until the relevant Listed Class of Units is terminated. All investors may buy and sell Units in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for creation and redemption of Units in the primary market.

#### **Diagrammatic Illustration of Investment in the Listed Class of Units of a Sub-Fund**

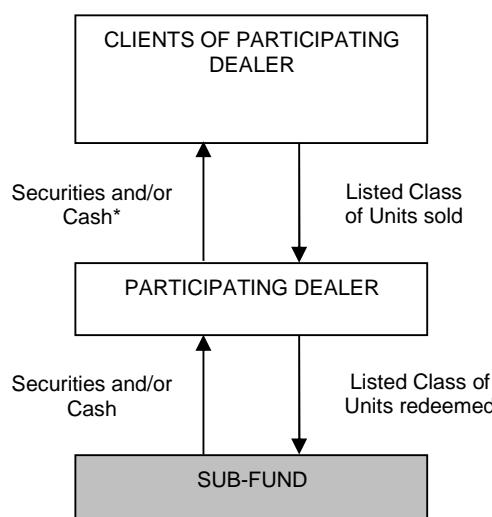
The diagrams below illustrate the issue or redemption and the buying or selling of a Listed Class of Units:

(a) Issue and buying of Listed Class of Units in the primary market – Initial Offer Period and After Listing



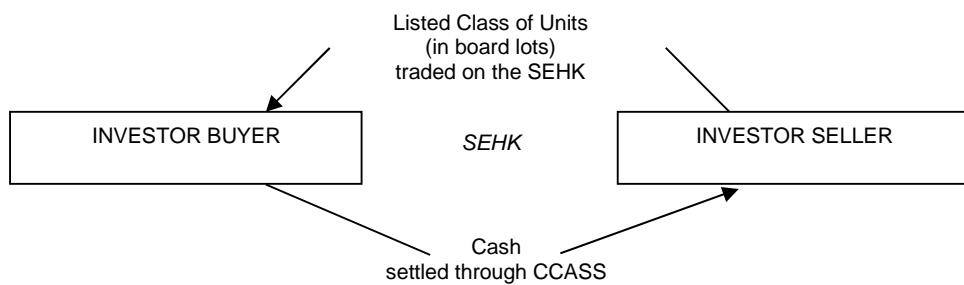
*\* Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the creation currency.*

(b) Redemption and sale of Listed Class of Units in the primary market – After Listing



*\* Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the redemption currency.*

(c) Buying or selling of Listed Class of Units in the secondary market on the SEHK – After Listing



**Summary of Offering Methods and Related Fees**

*Initial Offer Period*

<u>Method of Offering*</u>	<u>Minimum Number of Units (or multiple thereof)</u>	<u>Channel</u>	<u>Available to</u>	<u>Consideration, Fees and Charges**</u>
Cash creation	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Cash Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges
In-kind creation	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Portfolio of securities Cash component Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges

*After Listing*

<u>Method of Acquisition or Disposal of Units*</u>	<u>Minimum Number of Units (or multiple thereof)</u>	<u>Channel</u>	<u>Available to</u>	<u>Consideration, Fees and Charges**</u>
Purchase and sale in cash through brokers on the SEHK (secondary market)	Board lot size (see relevant Appendix)	On the SEHK	Any investor	Market price of Units on SEHK Brokerage fees and Duties and Charges
Cash creation and redemption	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Cash Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges
In-kind creation and redemption	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Portfolio of securities Cash component Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges

\* The methods of creation available to the Participating Dealers in respect of each Sub-Fund, whether in-kind or in cash, are specified in the relevant Appendix.

\*\* Please refer to "Fees and Expenses" for further details. The currency for payment of subscription monies is specified in the relevant Appendix.

## CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

### Investment in Listed Class of Units

There are 2 methods of making an investment in the Listed Class of Units of a Sub-Fund and of disposing of Listed Class of Units to realise an investment in a Sub-Fund.

The first method is to create Listed Class of Units at the Issue Price or redeem Listed Class of Units at the Redemption Value directly with the Sub-Fund in the primary market through a Participating Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of the relevant Sub-Fund. Where a Sub-Fund has a Multi Counter, a Participating Dealer may, subject to

arrangement with the Manager, elect to CCASS to have Listed Class of Units which it creates deposited in any available counter (RMB counter, HKD counter and USD counter). Notwithstanding a Multi Counter arrangement, all creation and redemption for Listed Class of Units must be in the Base Currency of that Sub-Fund.

Because of the size of the capital investment (i.e. Application Unit size) required either to create or redeem Listed Class of Units through the Participating Dealer in the primary market, this method of investment is more suitable for institutional investors and market professionals. Participating Dealers are under no obligations to create or redeem Listed Class of Units for their clients and may impose terms, including charges, for handling creation or redemption orders as they determine appropriate, as described in more detail in this section.

The second method is to buy or to sell Listed Class of Units in the secondary market on the SEHK which is more suitable for retail investors. The secondary market price of Listed Class of Units may trade at a premium or discount to the Net Asset Value of the relevant Sub-Fund.

This section describes the first method of investment and should be read in conjunction with the Participation Agreement and the Trust Deed. The section on "Exchange Listing and Trading (Secondary Market)" below relates to the second method of investment.

### **Creation of Listed Class of Units Through Participating Dealers**

Any application for the creation of Listed Class of Units of a Sub-Fund must only be made through a Participating Dealer in respect of an Application Unit size as set out in the "Key Information" section. Investors cannot acquire Listed Class of Units directly from a Sub-Fund. Only Participating Dealers may submit Creation Applications to the Manager and the Trustee.

Listed Class of Units in each Sub-Fund are continuously offered through a Participating Dealer, who may apply for them on any Dealing Day for its own account or for your account as their client(s), in accordance with the Operating Guidelines, by submitting a Creation Application to the Manager and the Trustee.

In addition, a Participating Dealer reserves the right to reject, acting in good faith, any creation request received from a client under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the creation or issue of Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to a substantial part of the investments of the Sub-Fund;
- (c) where acceptance of the creation request or any Security in connection with such creation request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer necessary for compliance with applicable legal and regulatory requirements; or
- (d) circumstances outside the control of the Participating Dealer which make it for all practicable purposes impossible to process the creation request.

### *Requirements Relating to Creation Requests by Potential Investors*

The methods and currency of creation available to the Participating Dealers in respect of each Sub-Fund, whether in-kind (i.e. the creation of Units in exchange for a transfer of securities) or in cash or (if permitted by the Manager) both in-kind and in cash, are specified in the relevant Appendix. A Participating Dealer may in its absolute discretion require a creation request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Creation

Application be effected in a particular method. Specifically, the Manager has the right to (a) accept cash equal to or in excess of the market value at the Valuation Point for the relevant Dealing Day of such Security in lieu of accepting such Security as constituting part of the Creation Application; or (b) accept cash collateral on such terms as it determines if (i) such Security is likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with the Creation Application; or (ii) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Security.

A Participating Dealer may impose fees and charges in handling any creation request which would increase the cost of investment. Investors are advised to check with the Participating Dealer as to relevant fees and charges. Although the Manager has a duty to monitor the operations of each Sub-Fund closely, neither the Manager nor the Trustee is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or the Trustee or to accept any such creation requests received from clients.

A Participating Dealer may also impose timing deadlines for the submission by its clients of any creation request and require any such clients to complete the relevant client acceptance procedures and requirements (including, where necessary, providing such documentation and certifications as required by the Participating Dealer) in order to ensure that an effective Creation Application in respect of a Sub-Fund can be submitted by it to the Manager and the Trustee. Investors are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

The Application Unit size for a Sub-Fund is the number of Listed Class of Units specified in the relevant Appendix. Creation Applications submitted in respect of Listed Class of Units other than in Application Unit size will not be accepted. The minimum subscription for each Sub-Fund is one Application Unit.

#### *Creation Process*

A Participating Dealer may from time to time submit Creation Applications in respect of Listed Class of Units of a Sub-Fund to the Manager and the Trustee, following receipt of creation requests from clients or where it wishes to create Listed Class of Units of the relevant Sub-Fund for its own account.

If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. The current Dealing Deadline After Listing on the relevant Dealing Day is specified in the relevant Appendix, or such other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK, the Recognised Futures Exchange or the Recognised Stock Exchange are reduced.

Creation monies should be paid in the Class Currency of the relevant Listed Class of Units. Creation monies in cleared funds should be received within 1 Business Day following (i) the relevant Dealing Day on which the Creation Application was received by the Dealing Deadline or (ii) in the case of applications for Listed Class of Units during the Initial Offer Period, the last day of the relevant Initial Offer Period, or such other period as determined by the Manager. Payment details are set out in the relevant Operating Guidelines.

To be effective, a Creation Application must:

- a. be given by a Participating Dealer in accordance with the Trust Deed, the relevant Participation Agreement and the relevant Operating Guidelines;
- b. specify the number of Listed Class of Units and the Class of Units (where applicable) which is the subject of the Creation Application; and

- c. include the certifications required in the Participation Agreement and Operating Guidelines (if any) in respect of creations of Listed Class of Units, together with such certifications and opinions of counsel (if any) as each of the Trustee and the Manager may separately consider necessary to ensure compliance with applicable securities and other laws in relation to the creation of Units which are the subject of the Creation Application.

The Manager shall have the right to reject, acting in good faith, any Creation Application under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the creation or issue of Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where in the opinion of the Manager, acceptance of the Creation Application would have an adverse effect on the relevant Sub-Fund;
- (c) where, if relevant to a Sub-Fund, in the opinion of the Manager, acceptance of the Creation Application would have a material impact on the relevant market on which a substantial part of the investments of the Sub-Fund, has its primary listing;
- (d) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to a substantial part of the investments of the Sub-Fund;
- (e) where acceptance of the Creation Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager necessary for compliance with applicable legal and regulatory requirements;
- (f) circumstances outside the control of the Manager which make it for all practicable purposes impossible to process the Creation Application;
- (g) any period when the business operations of the Manager, the Trustee, or any agent of the Trustee or the Manager, in relation to the creation of Units in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from epidemic, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (h) an Insolvency Event occurs in respect of the relevant Participating Dealer.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such Creation Application in accordance with the Operating Guidelines. Where for any reason there is a limit to the number of Listed Class of Units which can be created, priority will be given to Participating Dealers and the relevant Creation Applications as set out in the Operating Guidelines.

The Manager's right to reject a Creation Application is separate and in addition to a Participating Dealer's right to reject, acting in good faith, any creation request received from a client of the Participating Dealer under exceptional circumstances. Notwithstanding a Participating Dealer has accepted creation requests from its clients and in that connection submitted an effective Creation Application, the Manager may exercise its rights to reject such Creation Application in the circumstances described herein.

Where the Manager accepts a Creation Application from a Participating Dealer, it shall instruct the Trustee to effect (i) for the account of the Sub-Fund, the creation of Listed Class of Units in Application Unit size in exchange for a transfer of cash and/or securities (at the discretion of the Participating Dealer but subject to the Manager's agreement); and (ii) the issue of Listed Class of Units to the Participating Dealer, both in accordance with the Operating Guidelines and the Trust Deed.

### *Issue of Listed Class of Units*

Listed Class of Units will be issued at the Issue Price prevailing on the relevant Dealing Day, provided that the Manager may add to such Issue Price such sum (if any) as represents an appropriate provision for Duties and Charges. Please refer to the section on "Issue Price and Redemption Value" for the calculation of the Issue Price.

On receipt of a Creation Application by a Participating Dealer for Listed Class of Units in a Sub-Fund during the relevant Initial Offer Period, the Manager shall procure the creation and issue of Units in that Sub-Fund on the relevant Initial Issue Date.

Units are denominated in the base currency of the relevant Sub-Fund (unless otherwise determined by the Manager) as set out in the relevant Appendix and no fractions of a Unit shall be created or issued by the Trustee.

The creation and issue of Listed Class of Units pursuant to a Creation Application shall be effected on the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was accepted and the register will be updated on the relevant Settlement Day or the Dealing Day immediately following the Settlement Day if the settlement period is extended. If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application.

After consultation with the Manager, the Trustee shall be entitled to refuse to enter (or allow to be entered) Units in the register if at any time the Trustee is of the opinion that the provisions as set out in the Trust Deed, the relevant Operating Guidelines or the relevant Participation Agreement, in regard to the issue of Units, are being infringed.

### *Fees Relating to Creation Applications*

The Service Agent or Conversion Agent (as the case may be), the Registrar and/or the Trustee may charge a Transaction Fee in respect of Creation Applications and may on any day vary the rate of the Transaction Fee they charge (but not as between different Participating Dealers in respect of the same Sub-Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units. See the section on "Fees and Expenses" for further details.

In relation to cash creation of Units, the Manager reserves the right to require the Participating Dealer to pay or cause to be paid an additional sum as the Manager in its discretion considers appropriate for the Duties and Charges. The Participating Dealer may pass on to the relevant investor such additional sum.

Any commission, remuneration or other sum payable by the Manager to any agent or other person in respect of the issue or sale of any Listed Class of Units shall not be added to the Issue Price of such Unit and shall not be paid from the assets of any Sub-Fund.

### **Cancellation of Creation Applications**

A Creation Application once submitted cannot be revoked or withdrawn without the consent of the Manager.

The Trustee, after informing the Manager may cancel a creation order in respect of any Listed Class of Units deemed created pursuant to a Creation Application if it has not received good title to all securities and/or cash (including Transaction Fees, Duties and Charges) relating to the Creation Application by the Settlement Day, provided that the Manager may at its discretion, with the

approval of the Trustee (a) extend the settlement period (either for the Creation Application as a whole or for a particular Security) such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the Manager or the Trustee or their Connected Persons or otherwise) as the Manager may determine and in accordance with the provisions of the Operating Guidelines; or (b) partially settle the Creation Application to the extent to which securities and/or cash has been vested in the Trustee, on such terms and conditions the Manager may determine including terms as to any extension of the settlement period for the outstanding securities or cash.

In addition to the preceding circumstances, the Manager may also cancel any creation order of any Listed Class of Units if it determines by such time as it specifies in the Operating Guidelines that it is unable to invest the cash proceeds of any Creation Application.

Upon the cancellation of any creation order of any Listed Class of Units deemed created pursuant to a Creation Application as provided for above or if a Participating Dealer otherwise withdraws subject to the Manager's consent a Creation Application (other than in certain circumstances contemplated in the Trust Deed such as when the Manager declares a suspension of creations of Units), any securities or any cash received by or on behalf of the Trustee in connection with a Creation Application shall be redelivered to the Participating Dealer (without interest) as soon as practicable and the relevant Listed Class of Units shall be deemed for all purposes never to have been created and the Participating Dealer shall have no right or claim against the Manager, the Trustee and/or the Service Agent or Conversion Agent (as the case may be) in respect of such cancellation provided that:

- (a) the Trustee may charge the relevant Participating Dealer an application cancellation fee (see the section on "Fees and Expenses" for further details);
- (b) the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of relevant Class, in respect of each Listed Class of Units so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if the Participating Dealer had, on the date on which such Listed Class of Units are cancelled, made a Redemption Application, together with charges, expenses and losses incurred by the Sub-Fund as a result of such cancellation;
- (c) the Transaction Fee in respect of such Creation Application shall remain due and payable (notwithstanding that the Creation Application shall be deemed to never have been made) and once paid shall be retained by and for the benefit of the Trustee, the Registrar and/or the Service Agent or Conversion Agent (as the case may be) (see the section on "Fees and Expenses" for further details); and
- (d) no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of the cancellation of such Listed Class of Units.

### **Redemption of Listed Class of Units Through Participating Dealers**

Any application for the redemption of Listed Class of Units of a Sub-Fund must only be made through a Participating Dealer in respect of an Application Unit size or whole multiples thereof. Investors cannot redeem Listed Class of Units directly from the relevant Sub-Fund. Only Participating Dealers may submit Redemption Applications to the Manager and the Trustee.

A Participating Dealer may redeem Listed Class of Units on any Dealing Day for its own account or for the account of its clients in accordance with the Operating Guidelines, by submitting a Redemption Application to the Manager and the Trustee.

In addition, a Participating Dealer reserves the right to reject, acting in good faith, any redemption request received from a client under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the creation or issue of Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to a substantial part of the investments of the Sub-Fund;
- (c) where acceptance of the redemption request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer necessary for compliance with applicable legal and regulatory requirements; or
- (d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the redemption request.

*Requirements Relating to Redemption Requests by Potential Investors*

The methods and currency of redemption available to the Participating Dealers in respect of each Sub-Fund, whether in-kind (i.e. the redemption of Units in exchange for a transfer of securities plus any cash amount) or in cash only, are as set out in the relevant Appendix. A Participating Dealer may in its absolute discretion require a redemption request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Redemption Application be effected in a particular method. Specifically, the Manager has the right to instruct the Trustee to deliver cash equivalent of any Security in connection with the Redemption Application to the Participating Dealer if (a) such Security is likely to be unavailable for delivery or available in insufficient quantity for delivery in connection with the Redemption Application; or (b) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Security.

Notwithstanding a Multi Counter being adopted for a Sub-Fund, any cash proceeds received by a Participating Dealer in a Redemption Application shall be paid in the Base Currency of the Sub-Fund only.

A Participating Dealer may impose fees and charges in handling any redemption request which would increase the cost of investment and/or reduce the redemption proceeds. You are advised to check with the Participating Dealer as to relevant fees and charges. Although the Manager has a duty to monitor the operations of each Sub-Fund closely, neither the Manager nor the Trustee is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or the Trustee or to accept any such redemption requests received from clients. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by a Participating Dealer.

A Participating Dealer may also impose timing deadlines for the submission by its clients of any redemption request and require any such clients to complete the relevant client acceptance procedures and requirements (including, where necessary, providing such documentation and certifications as required by the Participating Dealer) in order to ensure that an effective Redemption Application in respect of a Sub-Fund can be submitted by it to the Manager and the Trustee. You are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

*Redemption Process*

A Participating Dealer may from time to time submit Redemption Applications in respect of the Listed Class of Units of a Sub-Fund to the Manager and the Trustee, following receipt of redemption requests from clients or where it wishes to redeem Listed Class of Units of the relevant Sub-Fund for its own account.

If a Redemption Application is received and accepted on a day which is not a Dealing Day or is received and accepted after the relevant Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as having been received and accepted at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Redemption Application. The current Dealing Deadline After Listing on the relevant Dealing Day is specified in the relevant Appendix, or such other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK are reduced.

To be effective, a Redemption Application must:

- (a) be given by a Participating Dealer in accordance with the Trust Deed, the relevant Participation Agreement and the relevant Operating Guidelines;
- (b) specify the number of Listed Class of Units and the Class of Units (where applicable) which is the subject of the Redemption Application; and
- (c) include the certifications required in the Participation Agreement and Operating Guidelines (if any) in respect of redemptions of Listed Class of Units, together with such certifications and opinions of counsel (if any) as each of the Trustee and the Manager may separately consider necessary to ensure compliance with applicable securities and other laws in relation to the redemption of Listed Class of Units which are the subject of the Redemption Application.

The Manager shall have the right to reject, acting in good faith, any Redemption Application under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the creation or issue of Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund or class is suspended;
- (b) where in the opinion of the Manager, acceptance of the Redemption Application would have an adverse effect on either the relevant Sub-Fund or on a market on which a security (that is a constituent of the Index of the relevant Sub-Fund) has its primary listing;
- (c) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to a substantial part of the investments of the Sub-Fund;
- (d) where acceptance of the Redemption Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager necessary for compliance with applicable legal and regulatory requirements;
- (e) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Redemption Application; or
- (f) during any period when the business operations of the Manager, the Trustee or any agent of the Trustee or the Manager in relation to the redemption of Units in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from epidemic, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such Redemption Application in accordance with the Operating Guidelines. Where for any reason there is a limit to the number of Units that can be redeemed, priority will be given to Participating Dealers and the relevant Redemption Applications as set out in the Operating Guidelines.

The Manager's right to reject a Redemption Application is separate and in addition to a Participating

Dealer's right to reject, acting in good faith, any redemption request received from a client under exceptional circumstances. Notwithstanding a Participating Dealer has accepted redemption requests from clients and in that connection submitted an effective Redemption Application, the Manager may exercise its rights to reject such Redemption Application in the circumstances described herein.

Where the Manager accepts a Redemption Application from a Participating Dealer, it shall (i) effect the redemption and cancellation of the relevant Listed Class of Units; and (ii) require the Trustee to transfer to the Participating Dealer securities and/or cash in accordance with the Operating Guidelines and the Trust Deed.

The Participating Dealer will then transfer the securities and/or cash to the relevant client if the Redemption Application was submitted by the Participating Dealer for the account of its client.

#### *Redemption of Listed Class of Units*

Any accepted Redemption Application will be effected on the Settlement Day provided that a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Manager and the Trustee) has been received and provided further that the Trustee shall have received (unless otherwise provided in the Operating Guidelines) the full amount of any amount payable by the Participating Dealer including the Transaction Fee and any other Duties and Charges have been either deducted or otherwise paid in full.

For valuation purposes only, the Listed Class of Units shall be deemed to have been redeemed and cancelled after the Valuation Point on the Dealing Day on which the Redemption Application was accepted. The name of the Unitholder of such Units shall be removed from the register in respect of those Units redeemed and cancelled on the relevant Settlement Day.

The Redemption Value of Listed Class of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit of a Sub-Fund on the relevant Dealing Day rounded to the nearest 3 decimal places (0.0005 or above being rounded up, and less than 0.0005 being rounded down). The benefit of any rounding adjustments will be retained by the relevant Class. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received.

Payment of redemption proceeds will normally be made within 3 Business Days of the relevant Dealing Day and may be delayed subject to specific circumstances stipulated in the relevant Operating Guidelines. The interval between the receipt of a properly documented Redemption Application and payment of redemption proceeds may not exceed one calendar month provided that there is no delay in submitting all duly completed redemption documentation and the determination of the Net Asset Value or dealing in Listed Class of Units is not suspended.

The Manager may at its discretion extend the settlement period upon receipt of the extended settlement request by a Participating Dealer in respect of the Redemption Application on such terms and conditions (including as to the payment of any fees to the Manager or Extension Fee to the Trustee or their respective Connected Persons or otherwise) as the Manager may in its discretion determine, in accordance with the Operating Guidelines.

In any event, investors should note that payment of the redemption proceeds to the investors may be delayed if the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements, thus rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, the extended time frame for the payment of redemption money shall reflect the additional time needed in light of the specific circumstances in the relevant market(s).

#### *Fees Relating to Redemption Applications*

The Service Agent or Conversion Agent (as the case may be), the Registrar and/or the Trustee

may charge a Transaction Fee in respect of Redemption Applications and may on any day vary the rate of the Transaction Fee they charge (but not as between different Participating Dealers in respect of the same Sub-Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any amount due to the Participating Dealer in respect of such Redemption Application(s)) for the benefit of the Trustee, the Registrar and/or the Service Agent or Conversion Agent (as the case may be). See the section on "Fees and Expenses" for further details.

In relation to cash redemption of Listed Class of Units, notwithstanding the aforesaid regarding the redemption and cancellation of such Units based on Net Asset Value, the Manager may require the Participating Dealer to pay an additional sum as the Manager in its discretion considers appropriate for the Duties and Charges. The Participating Dealer may pass on to the relevant investor such additional sum.

The Trustee may deduct from the redemption proceeds such sum (if any) as the Manager may consider represents an appropriate provision for the Transaction Fee and/or other Duties and Charges.

### **Cancellation of Redemption Applications**

A Redemption Application once given cannot be revoked or withdrawn without the consent of the Manager.

No Security shall be transferred and/or no cash amount shall be paid in respect of any Redemption Application unless the Listed Class of Units, which are the subject of the Redemption Application, have been delivered to the Trustee free and clear of any Encumbrance for redemption by such time on the Settlement Day or other dealing set forth in the Trust Deed and/or Operational Guidelines as the Trustee and the Manager shall for the time being prescribe for Redemption Applications generally.

In the event that Units, which are the subject of a Redemption Application, are not delivered to the Trustee for redemption in accordance with the foregoing or are not free and clear of any Encumbrance (other than in certain circumstances contemplated in the Trust Deed such as when the Manager declares a suspension of redemptions of Listed Class of Units):

- (a) the Trustee may charge the relevant Participating Dealer an application cancellation fee (see the section on "Fees and Expenses" for further details);
- (b) the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the relevant Sub-Fund, in respect of each Listed Class of Units so cancelled Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if the Participating Dealer had, on the actual date when the Manager is able to repurchase any replacement securities made a Creation Application in accordance with the provisions of the Trust Deed plus such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the Sub-Fund as a result of such cancellation;
- (c) the Transaction Fee in respect of such Redemption Application shall remain due and payable (notwithstanding that the Redemption Application shall be deemed to never have been made) and once paid, shall be retained by and for the benefit of the Trustee, the Registrar and/or the Service Agent or Conversion Agent (as the case may be) (see the section on "Fees and Expenses" for further details); and
- (d) no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

## Deferred Redemption

In the event that redemption requests are received for the redemption of Units (both Listed Class of Units and Unlisted Class of Units) representing in aggregate more than 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund as permitted by the SFC, if required) of the total Net Asset Value in a Sub-Fund then in issue, the Manager may direct the Trustee to reduce the requests rateably and pro rata amongst all Unitholders (of both Listed Class of Units and Unlisted Class of Units) seeking to redeem Units on the relevant Dealing Day and carry out only sufficient redemptions which, in aggregate, amount to 10% (or such higher percentage as the Manager may determine in respect of a Sub-Fund as permitted by the SFC, if required) of the total Net Asset Value in the relevant Sub-Fund then in issue. Units which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests in respect of the relevant Sub-Fund themselves exceed 10% (or such higher percentage as the Manager may determine in respect of that Sub-Fund as permitted by the SFC, if required) of the total Net Asset Value in the relevant Sub-Fund then in issue) in priority to any other Units in the relevant Sub-Fund for which redemption requests have been received. Units will be redeemed at the Redemption Value prevailing on the Dealing Day on which they are redeemed.

## Suspension of Creations and Redemptions

The Manager may, after consultation with the Trustee, having regard to the best interests of Unitholders, declare a suspension of the issue, creation and/or redemption of Units of any Sub-Fund or class, and/or extend the period for the payment of redemption moneys to all persons who have redeemed Units of any Class under any of the circumstances set out in the section headed "Suspension of calculation of Net Asset Value".

In addition, the Manager may (in consultation with the Trustee and, in respect of redemptions, where practicable following consultation with the relevant Participating Dealers), having regard to the best interests of Unitholders, suspend the creation or issue of Units of any Sub-Fund or class, suspend the redemption of Units of any Sub-Fund or class and/or (subject to all applicable legal or regulatory requirements where payment of redemption proceeds exceeds one calendar month) delay the payment of any monies and transfer of any securities in respect of any Creation Application and/or Redemption Application in the following circumstances:

- (a) during any period when trading on the SEHK is restricted or suspended; or
- (b) during the existence of any state of affairs as a result of which delivery or purchase of securities or disposal of investments for the time being included in the relevant Sub-Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant Sub-Fund.

The Manager may, in consultation with the Trustee, suspend the right to subscribe for Units of the relevant Sub-Fund if, or if as a result of the investment of the proceeds of issue of such Units in accordance with its investment objective, the Trust collectively holds or would hold in aggregate more than 10% of the ordinary shares issued by any single entity. In addition, where the Sub-Funds under the Trust hold in aggregate more than the limit of 10% of the ordinary shares issued by any single entity, the Manager will make it a priority objective to take all other necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the website <http://www.efunds.com.hk> (the contents of which and of other websites referred to in this Explanatory Memorandum have not been reviewed by the SFC) or in such other publications as it decides.

The Manager shall consider any Redemption Application or any Creation Application received

during the period of suspension (that has not been otherwise withdrawn) as having been received immediately following the termination of the suspension. The period for settlement of any redemption will be extended by a period equal to the length of the period of suspension.

A Participating Dealer may, at any time after a suspension has been declared and before termination of such suspension, withdraw any Creation Application or Redemption Application by notice in writing to the Manager and the Trustee for the Trustee to return to the Participating Dealer any securities and/or cash received by it in respect of the Creation Application (without interest) as soon as practicable.

A suspension shall remain in force until the earlier of (a) the Manager declaring the suspension is at an end; and (b) the first Dealing Day on which (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised exists.

### **Evidence of Unitholding**

Listed Class of Units will be deposited, cleared and settled by the CCASS. Units are held in registered entry form only, which means that no Unit certificates are issued. HKSCC Nominees Limited is the registered owner (i.e. the sole holder of record) of all outstanding Listed Class of Units deposited with the CCASS and is holding such Units for the participants in accordance with the General Rules of CCASS. Furthermore, the Trustee and the Manager acknowledge that pursuant to the General Rules of CCASS neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Listed Class of Units. Investors owning Listed Class of Units in CCASS are beneficial owners as shown on the records of the participating brokers or the relevant Participating Dealer(s) who are participants of CCASS.

### **Transfer of Listed Class of Units**

The Trust Deed provides that a Unitholder may transfer Units with the consent of the Manager subject to the provisions of the Trust Deed. As all Listed Class of Units will be held in CCASS, an investor is entitled to transfer such Listed Class of Units held by him by using the standard transfer form issued by SEHK or by an instrument in writing in such other form (and if the transferor or the transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution) as the Trustee may from time to time approve. A transferor will be deemed to remain the Unitholder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of the Units being transferred. Each instrument of transfer must relate to a single Sub-Fund only. If and to the extent that all Listed Class of Units are deposited, cleared and settled in CCASS, HKSCC Nominees Limited will be the sole Unitholder of Listed Class of Units, holding such Units for the persons admitted by HKSCC as a participant of CCASS and to whose account any such Units are for the time being allocated in accordance with the General Rules of CCASS.

## **EXCHANGE LISTING AND TRADING (SECONDARY MARKET)**

### *General*

The purpose of the listing of the Listed Class of Units on the SEHK is to enable investors to buy and sell Listed Class of Units on the secondary market, normally via a broker or dealer in smaller quantities than would be possible if they were to subscribe and/or redeem Listed Class of Units in the primary market.

The market price of a Listed Class of Units listed or traded on the SEHK may not reflect the Net Asset Value per Unit. Any transactions in the Listed Class of Units on the SEHK will be subject to the customary brokerage commissions and/or transfer taxes associated with the trading and settlement through the SEHK. There can be no guarantee that once the Units are listed on the SEHK they will remain listed.

The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Listed Class of Units of each Sub-Fund. Where a Multi Counter has been adopted in respect of a Sub-Fund the Manager will use its best endeavours to put in place arrangements so that there is at least one Market Maker for each available counter although these Market Makers may be the same entity. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the Market Maker's role, the Manager may make available to a Market Maker, the portfolio composition information which is made available to a Participating Dealer.

Listed Class of Units may be purchased from and sold through the Market Makers. However, there is no guarantee or assurance as to the price at which a market will be made. In maintaining a market for Listed Class of Units, the Market Makers may make or lose money based on the differences between the prices at which they buy and sell Listed Class of Units, which is to a certain extent dependent on the difference between the purchase and sale prices of the underlying securities. Market Makers may retain any profits made by them for their own benefit and they are not liable to account to the relevant Sub-Fund in respect of their profits.

If you wish to buy or sell Listed Class of Units on the secondary market, you should contact your brokers.

Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS Settlement Day after any Trading Day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

If trading of the Listed Class of Units on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for the Listed Class of Units.

Listed Class of Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Explanatory Memorandum. Application may be made in the future for a listing of Units of any Sub-Fund on one or more other stock exchanges.

Participating Dealers should note that they will not be able to sell or otherwise deal in the Listed Class of Units on the SEHK until dealings begin on the SEHK.

## **ISSUE PRICE AND REDEMPTION VALUE**

The Issue Price which is the subject of a Creation Application during the Initial Offer Period of a Sub-Fund will be a fixed amount per Unit, , or such other amount from time to time determined by the Manager and approved by the Trustee. The Issue Price during the Initial Offer Period will be set out in the relevant Appendix.

After the expiry of the Initial Offer Period, the Issue Price of Listed Class of Units created and issued by a Creation Application, will be the prevailing Net Asset Value of the relevant Sub-Fund attributable to the Listed Class of Units as at the relevant Valuation Point divided by the total number of Listed Class of Units in issue rounded to the nearest 3 decimal places (0.0005 or above being rounded up, and less than 0.0005 being rounded down).

The Redemption Value on a Dealing Day shall be the prevailing Net Asset Value of the relevant Sub-Fund attributable to the Listed Class of Units as at the relevant Valuation Point divided by the total number of Listed Class of Units in issue rounded to the nearest 3 decimal places (0.0005 or above being rounded up, and less than 0.0005 being rounded down).

The benefit of any rounding adjustments will be retained by the relevant Class of Units.

The latest Net Asset Value of the Units is available at the website <http://www.efunds.com.hk> (the contents of which and of other websites referred to in this Explanatory Memorandum have not been reviewed by the SFC) or published in such other publications as the Manager decides.

Neither the Issue Price nor the Redemption Value takes into account Duties and Charges, Transaction Fees or fees payable by a Participating Dealer

## APPENDIX 1: E FUND (HK) STRATEGIC VALUE BOND FUND

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the E Fund (HK) Strategic Value Bond Fund (the “Sub-Fund”), a sub-fund of the Trust. All references in this Appendix to the Sub-Fund are to E Fund (HK) Strategic Value Bond Fund. Terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix.*

### Investment Objective

The investment objective of the Sub-Fund is to generate income and long term capital growth.

There can be no assurance that the Sub-Fund will achieve its investment objective.

### Investment Strategy

#### Primary investments

The Sub-Fund seeks to achieve its objective by investing primarily (at least 70% of its Net Asset Value) in debt securities issued or traded in the global debt securities markets, which may include investment grade, non-investment grade and/or unrated debt securities with no limit on duration. The Sub-Fund may invest all of its assets in developed markets or emerging markets, with no set proportion between investments in developed markets and emerging markets. The Sub-Fund will invest in a portfolio of fixed and floating rate debt securities and debt securities issued by government and government-related issuers, and/or corporate entities, which may include Mainland China property developers. The Sub-Fund’s investment in debt securities issued by Mainland China property developers will not be more than 30% of its Net Asset Value. The Sub-Fund may also purchase debt securities issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Sub-Fund will not invest in perpetual bonds. The Sub-Fund’s investment horizon is not restricted geographically, it may invest all of its assets in a single region or in global debt securities. Countries or regions which the Sub-Fund may invest in include, but are not limited to Hong Kong, Mainland China, Singapore, the European Union and the United States.

Debt securities shall include debt issued or guaranteed by governments, local authorities/public authorities and corporates denominated in hard currencies (i.e. globally traded major currencies).

The Sub-Fund may invest up to 30% of its Net Asset Value (including urban investment bonds) in Mainland China through the Bond Connect (as defined below) or directly (also referred to as CIBM direct).

The Sub-Fund may also invest up to 30% of its Net Asset Value in “Dim Sum” bonds (i.e. bonds issued outside of Mainland China but denominated in RMB).

The weighted average duration of the debt securities in the Sub-Fund’s portfolio will not exceed 5 years.

The Sub-Fund may invest all of its assets in debt securities that are rated below investment grade or unrated. A long-term debt security is considered investment grade if its credit rating is BBB- or higher by Standard & Poor’s or Fitch Ratings or Baa3 or higher by Moody’s or equivalent rating as rated by an international credit rating agency. A short-term debt security is considered investment grade if its credit rating is A-3 or higher by Standard & Poor’s or F3 or higher by Fitch Ratings or P-3 or higher by Moody’s or equivalent rating as rated by an international credit rating agency. For split credit ratings, the highest rating shall apply.

For Mainland China debt securities, a long-term debt security is considered investment grade if it has a minimum credit rating of AA+ and a short-term debt security is considered investment grade if it has a minimum credit rating of A-1, as rated by China Chengxin International Credit Rating Co., Ltd or China Lianhe Credit Rating Co., Ltd, or equivalent ratings by one of the local rating agencies recognised by the relevant authorities in Mainland China. For split credit ratings, the highest rating shall apply.

For the purpose of the Sub-Fund, “unrated” refers to where neither the instrument itself nor its issuer has a credit rating assigned by international credit rating agencies. For a debt security which itself does not have a credit rating, the Manager will assess the debt security by reference to the credit rating of the issuer, the guarantor or the keepwell provider.

For all debt securities, the Manager will also conduct its own assessment of the credit risks of the debt securities on an ongoing basis based on quantitative and qualitative fundamentals, including but not limited to the leverage, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, the competitive position and corporate governance etc. of the issuer, guarantor or keepwell provider to ensure that the debt securities in which the Sub-Fund invests is of sound credit quality.

#### Ancillary investments

The Sub-Fund may invest up to 30% of its Net Asset Value in (1) collateralised and/or securitised products, such as asset backed securities, mortgage backed securities and asset backed commercial papers and/or (2) onshore urban investment bonds (城投債), which are debt securities issued by Mainland China local government financing vehicles (the “LGFVs”) and traded in the listed bond market and inter-bank bond market in Mainland China. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

The Sub-Fund may also invest up to 30% of its Net Asset Value in debt securities with loss-absorption features, which will be limited to Tier 2 capital instruments only. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund may also utilise FDIs for hedging, efficient portfolio management and/or investment purposes to the extent permitted by Chapter 7 of the Code.

The Sub-Fund may also invest no more than 30% of the Net Asset Value in money market funds (which are either authorised by the SFC, eligible schemes (as defined by the SFC) or non-eligible schemes (as defined by the SFC) in accordance with the Code), and may hold cash or cash equivalents, to the extent not invested in accordance with the above, for cash management purpose, except under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may invest temporarily up to 100% of the Net Asset Value in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management. Investments in non-eligible schemes may not exceed 10% of the Net Asset Value.

The Sub-Fund may conduct securities lending, sale and repurchase and/or reverse repurchase transactions (collectively, “securities financing transactions”) in aggregate for up to 50% of its Net Asset Value. Such sale and repurchase and reverse repurchase transactions will be conducted over-the-counter. The details of the policies regarding the securities financing transactions are set out in the section “Investment Objective, Strategy and Restrictions” in the main body of this Explanatory Memorandum.

Notwithstanding the requirements on re-investment of collateral as described under the sub-section headed “Collateral” under the section “Investment Objective, Strategy and Restrictions” in the main body of this Explanatory Memorandum, the Sub-Fund may re-invest the cash collateral received

from sale and repurchase transactions in investments other than those set out in 7.36(j) of the Code provided that the following requirements are met:

1. the re-investment, together with the Sub-Fund's net derivative exposure, do not in aggregate exceed 50% of the Sub-Fund's Net Asset Value;
2. the re-investment is consistent with the Sub-Fund's investment objective and strategies;
3. the re-investment is limited to securities which are sufficiently liquid and of good quality; and
4. the re-investment is subject to the corresponding investment restrictions and limitations applicable to such investments or exposure as set out in Chapter 7 of the Code and complies with Notes (3) and (4) to 7.36(j) of the Code.

Re-investment of cash collateral received from sale and repurchase transactions in compliance with the above requirements shall not be subject to the limitation in 7.21 of the Code which allows borrowing of the Sub-Fund of up to 10% of the Sub-Fund's Net Asset Value.

The Sub-Fund will invest no more than 10% of its Net Asset Value in debt securities that are issued and/or guaranteed by a single sovereign issuer which is below investment grade and/or unrated.

The Sub-Fund currently has no intention to invest in structured deposits, or to take any short positions. If any of this changes in the future, prior approval of the SFC will be sought (if required) and not less than one month's notice will be provided to Unitholders before the Sub-Fund enters into any such transaction.

#### *Investment via the Northbound Trading Link under Bond Connect*

Bond Connect is a new initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China ("Bond Connect") established by China Foreign Exchange Trade System & National Interbank Funding Centre ("CFETS"), China Central Depository & Clearing Co., Ltd ("CCDCC"), Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

Bond Connect is governed by rules and regulations as promulgated by the PRC authorities. Such rules and regulations may be amended from time to time and include (but are not limited to):

- the "Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong (Decree No.1 [2017])" (內地與香港債券市場互聯互通合作管理暫行辦法(中國人民銀行令[2017]第1號)) issued by the PBOC on 21 June 2017;
- the "Guide on Registration of Overseas Investors for Northbound Trading in Bond Connect" (中國人民銀行上海總部“債券通”北向通境外投資者准入備案業務指引) issued by the Shanghai Head Office of PBOC on 22 June 2017; and
- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in China, eligible foreign investors will be allowed to invest in the bonds circulated in the PRC inter-bank bond market through the northbound trading of Bond Connect ("Northbound Trading Link"). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the

CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Pursuant to the prevailing regulations in China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the CCDCC and Interbank Clearing Company Limited). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

#### Investment under the CIBM Direct

Pursuant to the “Announcement (2016) No 3” issued by the PBOC (中國人民銀行公告 [2016] 第3號) on 24 February 2016, foreign institutional investors can invest in the Mainland inter-bank bond market (“CIBM Direct”) subject to other rules and regulations as promulgated by the Mainland Chinese authorities, i.e. PBOC and the State Administration of Foreign Exchange of the PRC (“SAFE”). Such rules and regulations may be amended from time to time and include (but are not limited to):

- the “Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets” (境外機構投資者投資銀行間債券市場備案管理實施細則) issued by the Shanghai Head Office of PBOC on 27 May 2016;
- the “Circular concerning the Foreign Institutional Investors’ Investment in Interbank bond market in relation to foreign currency control” (國家外匯管理局關於境外機構投資者投資銀行間債券市場有關外匯管理問題的通知) issued by SAFE on 27 May 2016; and
- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, foreign institutional investors who wish to invest directly in the Mainland inter-bank bond market may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

In terms of fund remittance, foreign investors (such as the Sub-Fund) may remit investment principal in RMB or foreign currency into Mainland China for investing in the Mainland inter-bank bond market. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after the completion of the filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. For repatriation, where a Sub-Fund repatriates funds out of Mainland China, the ratio of RMB to foreign currency (“Currency Ratio”) should generally match the original Currency Ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%.

#### Investment Restrictions

No waivers from the investment restrictions set out in the main body of this Explanatory Memorandum have been sought or granted by the SFC.

#### Base Currency

The Base Currency of the Sub-Fund is USD.

#### Available Classes

Units in the following classes are currently available for issue to investors:

For the retail public in Hong Kong:

- Class A (accumulation) RMB Units;
- Class A (distribution) RMB Units;
- Class A (accumulation) (hedged) RMB Units;
- Class A (distribution) (hedged) RMB Units;
- Class A (accumulation) USD Units;
- Class A (distribution) USD Units;
- Class A (accumulation) HKD Units; and
- Class A (distribution) HKD Units.

For institutional investors, professional investors and other investors as determined by the Manager:

- Class I (accumulation) RMB Units;
- Class I (distribution) RMB Units;
- Class I (accumulation) (hedged) RMB Units;
- Class I (distribution) (hedged) RMB Units;
- Class I (accumulation) USD Units;
- Class I1 (distribution) USD Units;
- Class I2 (distribution) USD Units;
- Class I (accumulation) HKD Units; and
- Class I (distribution) HKD Units.

### **Initial Offer Period**

The Initial Offer Period of the Sub-Fund commenced at 9:00 a.m. (Hong Kong time) on 15 January 2024 and ended at 4:00 p.m. (Hong Kong time) on 30 January 2024 (or such other dates or times as the Manager may determine).

The Initial Offer Period of the new Class I (accumulation) USD Units will commence at 9:00 a.m. (Hong Kong time) on 2 July 2024 and end at 4:00 p.m. (Hong Kong time) on 2 July 2024 (or such other dates or times as the Manager may determine).

The initial Subscription Price is RMB100 per Unit for RMB denominated classes, USD10 per Unit for USD denominated classes and HKD100 per Unit for HKD denominated classes.

The Manager may decide not to issue any Units in the event that less than the equivalent of USD100,000 is raised during the Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by cheque by post or by telegraphic transfer or by such other means as the Manager and the Trustee consider appropriate at the applicant's risk (without interest and net of expenses) within 14 Business Days after the expiry of the Initial Offer Period.

### **Dealing Procedures**

For details of dealing procedures, please refer to the sections headed "Subscription of Units", "Redemption of Units" and "Switching" in the main body of this Explanatory Memorandum. The following apply to the Sub-Fund:

<i>Dealing Day</i>	each Business Day
<i>Dealing Deadline</i>	4:00 pm (Hong Kong time) on the relevant Dealing Day

The Subscription Price of Class A USD Units and Class I USD Units will be calculated and quoted in the Base Currency of the Sub-Fund. The Subscription Price of Class A RMB Units and Class I RMB Units will be calculated in the Base Currency of the Sub-Fund and quoted in RMB. The Subscription Price of Class A HKD Units and Class I HKD Units will be calculated in the Base Currency of the Sub-Fund and quoted in HKD.

Notwithstanding the description in the section "Subscription of Units" in the main body of this Explanatory Memorandum, the Subscription Price on any Dealing Day will be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class of that Sub-Fund then in issue and rounded to 3 decimal places (0.0005 and above being rounded up; below 0.0005 being rounded down).

### **Valuation Day**

Each Dealing Day will be a Valuation Day.

### **Payment of Redemption Proceeds**

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

Notwithstanding the description in the section "Redemption of Units" in the main body of this Explanatory Memorandum, the Redemption Price on any Dealing Day will be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class then in issue and rounded to 3 decimal places (0.0005 and above being rounded up; below 0.0005 being rounded down).

It is only in exceptional circumstances where the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus making the payment of the redemption proceeds within one calendar month not practicable, the Sub-Fund would have a longer redemption payment period exceeding one calendar month in light of the specific circumstances in the relevant markets. In such a case, proper records

will be kept by the Manager to demonstrate and justify this (e.g. the Sub-Fund is directly subject to or adversely affected by the restrictions which are beyond the reasonable control of the Manager) and Unitholders and the SFC will be properly and promptly informed. In any event, the redemption proceeds will be paid to Unitholders as soon as possible after the receipt of the proceeds by the Sub-Fund.

## Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A (accumulation) RMB Units	Class A (accumulation) USD Units	Class A (accumulation) HKD Units	Class I (accumulation) RMB Units	Class I (accumulation) USD Units	Class I (accumulation) HKD Units
	Class A (distribution) RMB Units	Class A (distribution) USD Units	Class A (distribution) HKD Units	Class I (distribution) RMB Units	Class I1 (distribution) USD Units	Class I (distribution) HKD Units
	Class A (accumulation) (hedged) RMB Units			Class I (accumulation) (hedged) RMB Units	Class I2 (distribution) USD Units	
	Class A (distribution) (hedged) RMB Units			Class I (distribution) (hedged) RMB Units		
<i>Minimum initial investment</i>	RMB100	USD10	HKD100	RMB1,000,000	USD100,000	HKD1,000,000
<i>Minimum subsequent investment</i>	RMB100	USD10	HKD100	RMB1,000,000	USD100,000	HKD1,000,000
<i>Minimum holding</i>	RMB100	USD10	HKD100	RMB1,000,000	USD100,000	HKD1,000,000
<i>Minimum redemption amount</i>	RMB100	USD10	HKD100	RMB1,000,000	USD100,000	HKD1,000,000

The Manager may in its discretion agree to accept applications for subscription or redemption generally or in a particular case below the applicable minimum amounts.

## Publication of Net Asset Value

For Units offered in Hong Kong, the latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on the Manager's website [www.efunds.com.hk](http://www.efunds.com.hk) (this website has not been reviewed by the SFC) on each Dealing Day.

## Expenses and Charges

The following are the actual fees and charges payable in respect of Class A and Class I Units. Maximum fees permitted to be charged on one months' notice to Unitholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum.

#### Fees payable by Unitholders

All Classes	
<i>Subscription fee</i>	Up to 3% of the Issue Price
<i>Redemption fee</i>	Nil
<i>Switching fee</i>	Nil

#### Fees payable by the Sub-Fund

	<b>Class A Units</b>	<b>Class I Units</b>
<i>Management fee</i>	1% per annum of the Net Asset Value of the Sub-Fund	0.3% per annum of the Net Asset Value of the Sub-Fund
<i>Performance fee</i>	Nil	Nil
<i>Trustee fee</i>	0.05% per annum of the Net Asset Value of the Sub-Fund and subject to a minimum of USD10,000 per month, inclusive of fees payable to the Trustee acting as the Registrar, exclusive of sub-custodian fees (if any) and out-of-pocket expenses	
<i>Custodian fee</i>	0.03% per annum of the Net Asset Value of the Sub-Fund and subject to a minimum of USD500 per month	
<i>Establishment costs</i>	The costs for establishing the Sub-Fund, including inception fees, costs of seeking and obtaining the authorisation by the SFC and all relevant legal and printing costs, are estimated to be approximately HK\$450,000. Such establishment costs will be borne by the Sub-Fund and amortised over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors of the Sub-Fund).	

The Manager may, in its absolute discretion, (i) share with intermediaries the payment of all or any portion of the subscription fee, redemption fee and/or management fee and (ii) share with, waive, reduce or rebate the payment of all or any portion of the subscription fee, redemption fee and/or management fee to institutional investors (not being retail investors) provided that such fees and charges are those which the Manager is entitled to receive for its own benefit.

#### **Additional Risk Factors specific to the Sub-Fund**

The following risk factors are specific to the Sub-Fund. Investors should also note the relevant risk factors set out in the section entitled "Risk Factors" in the main body of this Explanatory Memorandum.

#### Risk of investing in debt securities

#### *Interest rate risk*

The Sub-Fund's investments in debt securities are subject to interest rate risk. Generally, the value of debt securities is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Long-term debt securities in general are subject to higher sensitivity to interest rate changes than short-term debt securities. Any increase in interest rates may adversely impact the value of the Sub-Fund's fixed income portfolio.

#### *Credit/counterparty risk*

Investment in debt securities is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the issuers of the debt securities held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

Fixed income instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of debt securities only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of debt securities, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all.

#### *Credit rating risk and downgrading risk*

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. Fixed income instruments with a credit rating may be subject to the risk of being downgraded. In the event of downgrading in the credit rating of an instrument or that of its issuer, the Sub-Fund's investment value in such instrument may be adversely affected. If the Sub-Fund continues to hold such securities, it will be subject to additional risk of loss. The Manager may or may not be able to dispose of the instruments that are being downgraded at a reasonable price or at all.

#### *Valuation risk*

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

#### *Sovereign debt risk*

The Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate

in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

#### Emerging markets risk

The Sub-Fund may invest all of its assets in emerging markets, which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the risk factor headed "Emerging markets risk" under the section headed "Risk Factors" in the main part of this Explanatory Memorandum for details.

#### Mainland China real estate sector risk

The Sub-Fund may from time to time invest a substantial portion of its Net Asset Value in debt securities issued by Mainland China property developers. The Sub-Fund is therefore subject to the credit/default risk of these issuers which may be affected by various factors affecting the real estate market in Mainland China, including but not limited to the following: (i) changes in general economic and market conditions; (ii) changes in the value of real estate properties; (iii) risks related to local economic conditions, overbuilding and increased competition; (iv) increases in property taxes and operating expenses; (v) changes in zoning laws; (vi) variations in rental income, neighbourhood values or the appeal of property to tenants; (vii) the availability of financing; (viii) changes in interest rates and leverage; (ix) specialised management skills and (x) losses from casualty or condemnation.

#### Risk associated with high yield (below investment grade or unrated) debt securities / liquidity risk

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

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

Investment in debt securities will be especially subject to the risk that during certain periods, the liquidity of particular issuers or industries, or all securities within a particular investment category, will shrink or disappear suddenly and without warning as a result of adverse economic, market or political events, or adverse investor perceptions whether or not accurate.

For unlisted bonds, in the absence of a regular and active secondary market, the Sub-Fund may not be able to sell its bond holdings at prices the Manager considers advantageous and may need to hold the bonds until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its listed bonds at a discount in order to satisfy such requests and the Sub-Fund may suffer losses. The Manager seeks to control the liquidity risk of the Sub-Fund's bond portfolio by a series of internal management measures in order to meet Unitholders' redemption requests.

#### "Dim Sum" bonds risk

The offshore RMB (“CNH”) bond market, also known as “Dim Sum” bond market, is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the CNH markets by the relevant regulators.

#### Risk associated with PRC onshore bonds

##### *PRC inter-bank bond market risk*

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the PRC inter-bank bond market may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

The Sub-Fund is also exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via Bond Connect, the relevant filings, registration with the PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the PRC inter-bank bond market via the Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the PRC inter-bank bond market, the Sub-Fund’s ability to invest in the PRC inter-bank bond market will be adversely affected. In such event, the Sub-Fund’s ability to achieve its investment objective will be negatively affected.

##### *Risks associated with Bond Connect*

The relevant rules and regulations on Bond Connect are subject to change which may have potential retrospective effect. Where a suspension in the trading through Bond Connect is effected, the Sub-Fund’s ability to access the PRC market through the programme will be adversely affected.

##### *Settlement risks*

Settlement procedures in China are less developed and less reliable and may involve the Sub-Fund’s delivery of Securities, or transfer of title to Securities, before receipt of payment for their sale. The Sub-Fund may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. The Sub-Fund may incur substantial losses if its counterparty fails to pay for Securities the Sub-Fund has delivered, or for any reason fails to complete its contractual obligations owed to the Sub-Fund. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of Securities. Such delays could result in substantial losses for the Sub-Fund if investment opportunities are missed or if the Sub-Fund is unable to acquire or dispose of a security as a result.

To the extent the Sub-Fund transacts in the inter-bank bond market in China, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. All trades settled through CCDCC are on delivery versus payment basis. If a counterparty defaults

in delivering the securities, the trade may be cancelled and this may adversely affect the value of the Sub-Fund.

The Sub-Fund may invest in the Chinese bond market via the exchange market and all bond trades will be settled through the CCDCC. If a counterparty defaults in payment or delivery obligation, a trade may be delayed and this may adversely affect the value of the Sub-Fund.

#### *Credit rating agency risk*

The credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by Mainland Chinese rating agencies may therefore not be directly comparable with those given by other international rating agencies.

#### *PRC tax risk*

Based on professional and independent tax advice, the Sub-Fund (i) will make relevant provision of 10% on interest from PRC debt securities if PRC withholding income tax ("WHT") is not withheld at source at the time when such income is received (where WHT is already withheld at source, no provision will be made) and (ii) will not make tax provision on the gross unrealised and realised capital gains derived from disposal of debt securities that may be subject to PRC tax.

There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of the Sub-Fund's investments in the PRC via Bond Connect or CIBM direct. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. There is a risk that taxes may be levied in future on the Sub-Fund for which no provision is made, which may potentially cause substantial loss to the Sub-Fund.

The Net Asset Value of the Sub-Fund may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the PRC tax authorities. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the withholding policy of the Sub-Fund accordingly, taking into account independent professional tax advice. The Manager will act in the best interest of the Sub-Fund at all times.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If no provision is made by the Manager in relation to all or part of the actual tax levied by the PRC tax authorities in future, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to those borne at the time of investment in the Sub-Fund. Even if tax provisions are made, the amount of such provisions may not be sufficient to meet the actual tax liabilities. Any shortfall between the provision and the actual tax liabilities, which will be debited from the Sub-Fund's assets, will adversely affect the Sub-Fund's Net Asset Value. The actual tax liabilities may be lower than the tax provision made. Depending on timing of their subscriptions and/or redemptions, Unitholders may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

#### Risks associated with collateralised and/or securitised products

The Sub-Fund may invest in collateralised and/or securitised products, such as asset backed securities, mortgage backed securities and asset backed commercial papers, which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to

extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

#### Risks associated with urban investment bonds

Urban investment bonds are issued by LGFVs, such bonds are typically not guaranteed by local governments or the central government of the Mainland. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

#### Risk of investing in other funds

The Sub-Fund may invest in underlying money market funds to pursue its investment objective. Such money market funds may be authorised by the SFC, or they may be eligible schemes (and not SFC-authorised) or non-eligible schemes. The Manager does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The value of the shares or units of the underlying funds will take into account their fees and expenses, including fees (in some cases including performance fees) charged by their investment managers. Some underlying funds may also impose fees or levies which may be payable by the Sub-Fund when it subscribes to or redeems out of such underlying funds. Whilst the Manager will take the level of any such fees into account when deciding whether or not to invest, investors should nevertheless be aware that investing into underlying funds may involve another layer of fees, in addition to the fees charged by the Sub-Fund.

There is also no guarantee that the underlying funds the Sub-Fund invests in will have sufficient liquidity to meet the Sub-Fund's redemption requests. The Sub-Fund may therefore be subject to liquidity risk by investing in these underlying funds.

If the Sub-Fund invests in an underlying fund managed by the Manager or Connected Person of the Manager, all initial charges and redemption charges on these underlying funds must be waived, and the Manager, or any person acting on behalf of the Sub-Fund or the Manager, must not obtain rebate of any fees or charges levied by these underlying funds or its manager, or any quantifiable monetary benefits in connection with investments in any underlying funds. In case any conflict of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

#### Risks associated with investments in debt securities with loss-absorption features (LAP)

Debt securities with loss-absorption features are subject to greater risks when compared to traditional debt securities as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of a pre-defined trigger event (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt securities with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

#### Risk of investing in financial derivative instruments

The Manager may, for hedging or investment purposes, invest in financial derivative instruments subject to the investment restrictions applicable to the Sub-Fund as set out in the section headed

“Investment Objective, Strategy and Restrictions”. These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to “Investment risks – Risk of investing in financial derivative instruments” and “Investment risks – Over-the-counter markets risk” under the section headed “Risk Factors” in the main body of this Explanatory Memorandum.

### Hedging risk

The Manager may from time to time use hedging techniques, including investments in financial derivative instruments, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to “Investment risks – Hedging risk” under the section headed “Risk Factors” in the main body of this Explanatory Memorandum.

### Risks associated with securities financing transactions

#### *Risks relating to securities lending transactions*

Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.

#### *Risks relating to sale and repurchase transactions*

In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

#### *Risks relating to reverse repurchase transactions*

In the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

### Currency risks

Assets held by the Sub-Fund may be denominated in various currencies that are different from the Base Currency and performance of the Sub-Fund may be strongly influenced by movements in exchange rates. The Manager may seek to hedge against fluctuations in the relative values of the portfolio positions. Such investments require consideration of certain risks which include, among other things, trade balances and imbalances and related economic policies, unfavourable currency exchange rate fluctuations, impositions of exchange control regulation by governments, withholding taxes, policies of governments with respect to possible nationalisation of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability. Such techniques may not be possible or practicable in all cases, in which case the Sub-Fund may be adversely affected by changes in exchange rates.

### Dividends risk

There is no assurance that the Sub-Fund will declare to pay dividends or distributions. The ability of the Sub-Fund to pay distributions also depends on dividends or interest declared and paid by issuers of the securities which the Sub-Fund has invested and the level of fees and expenses payable by the Sub-Fund. The ability of the issuers of securities to make dividend or interest payments and the level of dividends or interest, if any, declared by the issuers of securities are based on numerous factors, including their current financial condition, general economic conditions

and, where applicable, their dividend or interest policies. There can be no assurance that such companies will be able to honour payment obligations, declare dividends or make other distributions.

The Manager may, in its discretion, pay distributions (1) out of capital or (2) out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.

Payments of dividends out of capital and/or effectively out of capital amounts to a return or withdrawal of part of the amount investors originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate decrease in the Net Asset Value.

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

#### RMB currency risk and RMB denominated classes risk

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

The Sub-Fund offers RMB denominated classes of Units.

Where an investor subscribes for Units denominated in RMB, the Manager may (where appropriate) convert such subscriptions into a non-RMB currency prior to investment at the applicable exchange rate and subject to the applicable spread. Where an investor redeems Units denominated in RMB, the Manager will sell the Sub-Fund's investments (which may be denominated in a non-RMB currency) and convert such proceeds into RMB at the applicable exchange rate and subject to the applicable spread.

Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds into RMB which may also affect the Sub-Fund's ability to meet redemption requests from Unitholders in RMB denominated classes of Units or to make distributions (if applicable), and may delay the payment of redemption proceeds or dividends (if applicable) under exceptional circumstances. As RMB is not freely convertible and is subject to exchange controls and restrictions, currency conversion is subject to availability of RMB at the relevant time. The Sub-Fund may not have sufficient RMB for its investments. Further, in case of sizeable redemption requests for the RMB classes, the Manager has the absolute discretion to delay any payment in respect of redemption of the RMB classes (for a period not exceeding one calendar month of receipt of a properly documented redemption request).

Non-RMB based investors who invest in RMB denominated classes are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currency will not depreciate. If investors convert HKD or any other currency into RMB so as to invest in the Sub-Fund and subsequently convert the RMB redemption proceeds back into HKD or any other currency, they may suffer a loss if RMB depreciates against HKD or other currency. Any depreciation of RMB could adversely affect the value of investors' investment in the RMB denominated classes of Units.

The RMB is traded in both the onshore and offshore markets. While both onshore RMB (CNY) and offshore RMB (CNH) represent the same currency, they are traded in different and separate

markets which operate independently. Therefore CNY and CNH do not necessarily have the same exchange rate and their movement may not be in the same direction. Any divergence between CNH and CNY may adversely impact investors. When calculating the Net Asset Value of Units of a RMB denominated class, the Manager will apply the exchange rate for offshore RMB market in Hong Kong, i.e. the CNH exchange rate, which may be at a premium or discount to the exchange rate for onshore RMB market in Mainland China, i.e. the CNY exchange rate. Consequently, there may be significant trading costs incurred and investors investing in classes of Units denominated in RMB may suffer losses.

For unhedged RMB denominated classes, since the Unit prices are denominated in RMB, but the Sub-Fund will have limited RMB denominated underlying investments and its base currency is USD, so even if the prices of underlying investments and/or value of the Base Currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the underlying investments and/or the Base Currency more than the increase in the value of the underlying investments and/or the Base Currency.

#### Hedged RMB denominated classes risk

For hedged RMB denominated classes, investors have to bear the associated hedging costs which may be significant depending on prevailing market conditions. If the counterparties of the instruments used for hedging purpose default, investors of the hedged RMB denominated classes may be exposed to RMB currency exchange risk on an unhedged basis and in which case investors may be subject to the risks of investing in RMB denominated classes on an unhedged basis as outlined in the paragraph above. Also there is no guarantee that the hedging strategy will fully and effectively eliminate the currency exposure.

Hedged RMB denominated classes will hedge the Sub-Fund's Base Currency back to RMB, on a best effort basis, with an objective to align the performance of the hedged RMB denominated classes to that of the equivalent class denominated in the Sub-Fund's Base Currency. This strategy may preclude the hedged RMB denominated classes from benefiting from any potential gain resulting from the appreciation of the Base Currency against RMB. Please refer to "Investment risks – Hedging risk" under the section headed "Risk Factors" in the main part of this Explanatory Memorandum.

#### **Reports and Accounts**

The first financial reports for the Sub-Fund cover the period to 31 December 2024.

#### **Distribution Policy**

For distribution classes (Class A (distribution) RMB, Class A (distribution) USD, Class A (distribution) HKD, Class A (distribution) (hedged) RMB, Class I (distribution) RMB, Class I1 (distribution) USD, Class I2 (distribution) USD, Class I (distribution) HKD and Class I (distribution) (hedged) RMB), the Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

The Manager may at its discretion pay dividends out of the capital of the Sub-Fund. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

For accumulation classes (Class A (accumulation) RMB, Class A (accumulation) USD, Class A (accumulation) HKD, Class A (accumulation) (hedged) RMB, Class I (accumulation) RMB, Class I (accumulation) USD, Class I (accumulation) HKD and Class I (accumulation) (hedged) RMB), no distributions will be made to Unitholders.

## PRC Taxation

THE PRC TAX SUMMARY IN THIS SECTION IS GENERAL IN NATURE AND DOES NOT PROPOSE TO COVER ALL PRC TAX CONSEQUENCES WITH RESPECT TO AN INVESTMENT IN THE SUB-FUND. THIS SUMMARY IS NOT INTENDED OR WRITTEN TO BE USED, AND MAY NOT BE USED, BY ANY TAXPAYER IN ORDER TO AVOID TAXES WHICH MAY BE IMPOSED ON THE TAXPAYER UNDER PRC TAX LAW OR THE TAX LAW OF ANY OTHER COUNTRY OR JURISDICTION. THIS SUMMARY WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SUB-FUND. EACH TAXPAYER SHOULD SEEK TAX ADVICE FROM AN INDEPENDENT TAX ADVISER BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.

Under the prevailing PRC tax regimes, foreign investment in financial products in PRC securities and bond markets would normally be subject to Corporate Income Tax ("CIT"), Withholding Income Tax ("WHT"), Value Added Tax ("VAT") and Stamp Duty ("SD").

### 1) PRC Taxation in General

#### CIT

Under the prevailing PRC CIT Law, a PRC Tax Resident Enterprise ("TRE") is subject to CIT on its worldwide income. A foreign enterprise with a "place of effective management" within the PRC is also regarded as a PRC TRE.

The "place of effective management" refers to the place where the exercise, in substance, of the overall management and control of the production and business operation, personnel, accounts and assets is located.

A non-TRE with an establishment or a place of business in the PRC shall pay CIT on income derived by such establishment or place from sources in the PRC as well as income derived from outside the PRC that is effectively connected with such establishment or place.

An "establishment or place" is defined under PRC CIT law as an establishment or place in the PRC engaging in production and business operations, including management and business organisations, representative offices, places where natural resources are exploited, labour services are rendered, contractor projects are undertaken, and other establishments or places where production and business activities are undertaken. Business agents who regularly sign contracts, store and deliver goods, etc. on behalf of non-TREs would also be regarded as creating an establishment or place of business in the PRC under CIT law.

Under the CIT law, the standard CIT rate is 25%.

A non-TRE that has no establishment or place in the PRC is taxed only on its PRC-source income. A unilateral concessionary rate of 10% WHT will be applied on gross income derived from dividends, interest and other PRC-source passive income unless reduced under a tax treaty or tax arrangement.

The Sub-Fund, together with the Manager, do not intend to operate in a way that would cause the Sub-Fund to be treated as PRC TREs or to have an establishment or a place in the PRC, although this cannot be guaranteed. It is possible, however, that the PRC tax authorities could disagree with such an assessment or that changes in PRC tax law could affect the PRC CIT status of the Sub-Fund.

If the Sub-Fund does not have a place of effective management, an establishment or a place of business in the PRC, the Sub-Fund will normally be regarded as a non-TRE.

In the PRC, Qualified Foreign Institutional Investor ("QFII") / RMB Qualified Foreign Institutional Investor ("RQFII") schemes were combined into a new QFI scheme since 1 November 2020. Generally, QFIs would be subject to PRC WHT at 10% on their gross income from dividends, interest and capital gains realised from the holding and disposal of the shares in the PRC investee companies unless reduced/waived under PRC tax laws and regulations or relevant tax treaties/tax arrangements.

### VAT

General VAT payers are subject to VAT at 6% on the gains derived from trading financial products in the PRC (including trading equity or equity-linked securities) and various interest income from the PRC.

### SD

According to the PRC SD law which came into effect from 1 July 2022, SD is levied on certain taxable documents concluded or executed in the territory of the PRC as well as trading securities in the PRC. Taxable documents concluded outside of the PRC but used in the PRC are also subject to SD.

## 2) PRC Bond Investment via Bond Connect and QFI

- Capital gains

### WHT

Under the prevailing PRC tax law, there are no specific rules or regulations governing the CIT treatment on the capital gains derived by foreign investors from the trading of PRC bonds. In practice, the PRC tax authorities have not taken active actions to collect CIT/WHT on the capital gains derived by foreign investors from trading PRC bonds.

According to the Operational Procedures for Overseas Institutional Investors to Enter China's Inter-bank Bond Market prescribed by the PBOC in November 2017, capital gains derived by foreign investors from trading the domestic bond market investments through Inter-bank Bond Market is exempt from CIT/WHT. However, it is uncertain how long the exemption will last.

Under the current practice in the PRC, the capital gains derived by foreign investors from trading PRC bonds are not subject to PRC CIT/WHT, unless the PRC tax authorities issue further special tax rules in the future to state otherwise.

### VAT

Pursuant to Circular Caishui [2016] No.36 and Circular Caishui [2016] No.70, VAT exemption would be granted to capital gains derived from the following transactions:

- a) QFIIs/RQFIIs entrust PRC domestic companies to conduct securities trading in the PRC; or
- b) Bond trading conducted by foreign institutions approved by PBOC through the CIBM Direct.

### SD

Currently, the sale or purchase of PRC domestic bonds investments does not fall in the SD taxable scope and are not subject to PRC SD.

- Interest

#### WHT and VAT

Pursuant to Public Notice 34 jointly issued by the Ministry of Finance and the State Taxation Administration on 22 November 2021, interest income derived by overseas institutional investors from the domestic bond market are temporarily exempt from CIT/WHT and VAT during the period from 7 November 2021 to 31 December 2025 provided that such bond interest is not derived by the establishment or place of business of the overseas investors in the PRC or effectively connected with such establishment or place.

However, it is uncertain whether this temporary exemption will be further extended after expiration.

### 3) Investments in Other Asset Classes

The prevailing PRC tax laws may not fully cover the tax treatment on income derived from the new asset classes. The current tax policies could be a reference. However, it is subject to further clarification of regulatory and tax authorities on the tax treatment on investments in other asset classes.

Any PRC tax liabilities and/or amounts that are levied in connection with PRC CIT, WHT, VAT and SD on the gains or income of the Sub-Fund's investments made through QFI and Stock Connect may ultimately be recharged to and borne by the Sub-Fund. In light of the foregoing, the Sub-Fund reserves the right to provide for PRC taxes on such gains or income and withhold PRC taxes for the account of the Sub-Fund. Accordingly, the value and profitability of the Sub-Fund may be affected.

It should also be noted that there is a possibility that the PRC tax laws, regulations, rules/interpretation and enforcement may change in the future and may apply retrospectively. As such, any provision for taxation that may need to be made by the Manager may be excessive or inadequate to cover the PRC tax liabilities. Consequently, unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision, and when they subscribed and/or redeemed their Units. If the provision for taxation made by the relevant Manager is inadequate to cover the actual PRC liabilities, the Sub-Fund may have to indemnify the Manager for any PRC tax suffered by the Manager in its capacity as the Manager for the Sub-Fund.

Investors should seek their own tax advice on their PRC tax position on their investment in the Sub-Fund.

## APPENDIX 2: E FUND (HK) US TREASURY 7-10 YEAR INDEX FUND

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the E Fund (HK) US Treasury 7-10 Year Index Fund (the “Sub-Fund”), a sub-fund of the Trust. All references in this Appendix to the Sub-Fund are to E Fund (HK) US Treasury 7-10 Year Index Fund. Terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix. This Sub-Fund is an Index Tracking Sub-Fund. This Sub-Fund only offers Unlisted Class of Units.*

### **Business Day**

The Business Day in respect of the Sub-Fund is a day on which (a) the relevant market on which the securities comprising or held by the Sub-Fund are traded is open for normal trading, and (b) the Index is compiled and published, and (c) banks in Hong Kong and the US are open for normal banking business, or such other day or days as the Manager and the Trustee may agree from time to time provided that if on any such day, the period during which the relevant market is open for normal trading is reduced as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, such day shall not be a Business Day unless the Manager and the Trustee otherwise agree.

### **Investment Objective**

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Bloomberg US Treasury 7-10 Year Index (the “Index”).

There can be no assurance that the Sub-Fund will achieve its investment objective.

### **Investment Strategy**

In order to achieve the investment objective of the Sub-Fund, the Manager will adopt a representative sampling strategy by investing in a representative sample of investment grade USD-denominated, fixed-rate, nominal debt securities issued by the Department of the Treasury of the United States (the “**US Treasury**”) (“**US Treasury Debts**”) that collectively reflects the investment characteristics and features a high correlation with the Index.

The Sub-Fund may or may not hold all of the US Treasury Debts that are included in the Index, and may hold US Treasury Debts which are not included in the Index under extreme market conditions, provided that these securities collectively feature a high correlation with the Index. The Sub-Fund may invest at least 70% and up to 100% of its NAV in US Treasury Debts which are included in the Index.

In compliance with Chapters 7.4 and 7.5 of the Code, not more than 30% of the Net Asset Value of the Sub-Fund may be invested in Government and other Public Securities of the same issue and, subject to the foregoing, the Sub-Fund may fully invest in Government and other Public Securities in at least six different issues.

The Sub-Fund may also invest in money market funds which are authorised under Chapter 8.2 of the Code or eligible schemes under Chapter 7.11A of the Code and in cash deposits for cash management purposes although such investments are not anticipated to exceed 5% of the Net Asset Value of the Sub-Fund.

The Sub-Fund may conduct securities lending transactions, sale and repurchase transactions and/or reverse repurchase transactions in aggregate for up to 50% of its Net Asset Value. Such sale and repurchase and reverse repurchase transactions will be conducted over-the-counter. The details of the policies regarding the securities financing transactions are set out in the section “Investment Objective, Strategy and Restrictions” in the main body of this Explanatory Memorandum.

The Sub-Fund may also utilise financial derivative instruments (including structured products such as currency futures and forwards, or instruments) for hedging or non-hedging (i.e. investment) purposes to the extent permitted by Chapter 7 of the UT Code.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in the main body of this Explanatory Memorandum.

## **Investment Restrictions**

No waivers from the investment restrictions set out in the main body of this Explanatory Memorandum have been sought or granted by the SFC.

## **The Index**

*This section is a brief overview of the Index. It contains a summary of the principal features of the Index and is not a complete description of the Index. As of the date of this Explanatory Memorandum, the summary of the Index in this section is accurate and consistent with the complete description of the Index. Complete information on the Index appears on the website identified below. Such information may change from time to time and details of the changes will appear on that website.*

### **General Information on the Index**

The Index measures the performance of US Treasury Debts with remaining years to maturity of at least 7 years but less than 10 years.

The Index is a total return index, i.e. the performance of the Index is calculated on the basis that any coupons or principal distributions are reinvested at the next rebalance date of the index. The Index is market capitalisation weighted index. The Index is denominated and quoted in USD.

The Index is compiled and published by Bloomberg Index Services Limited (the “**Index Provider**”). The Manager (and each of its Connected Persons) are independent of the Index Provider.

The Index was launched in May 1997 and had a base level of 113.89 on 31 March 1993. As of 28 March 2024, the Index had a total market capitalisation of approximately USD 1.12 trillion and 12 constituents.

### **Index Universe**

The universe of the Index (the “**Index Universe**”) includes securities which fulfil all of the following (the “**Index Criteria**”):

- (i) *Currency* – the principal and interest of the securities must be denominated in USD;
- (ii) *Quality* – the securities must be rated investment grade. For the purposes of the Index, “investment grade” means a credit rating at or above Baa3/BBB-/BBB- using the middle rating of Moody’s, Standard & Poor’s and Fitch Ratings; when a rating from only two agencies is available, the lower is used; when only one agency rates a bond, that rating is used. In cases where explicit bond level ratings may not be available, other sources may be used to classify securities by credit quality;
- (iii) *Amount outstanding* – the securities must have a minimum of USD300 million par amount outstanding;
- (iv) *Coupon* – the securities may pay fixed-rate coupon. Original zero-coupon issues are included; and

- (v) *Maturity* – the remaining years to maturity of the securities must be between 7 and 9.9999 years.

The following types of securities are excluded from the Index: (i) US Treasury Debts held in the Federal Reserve System Open Market (SOMA) account; (ii) inflation-linked bonds and floating-rate bonds; (iii) STRIPS, Treasury bills and bellwethers; and (iv) state and local government series (SLG) bonds.

### ***Constituent Selection***

All securities which are US Treasury Debts and which meet all of the Index Criteria are eligible for constituent selection.

### ***Index Review and Constituent Changes***

The Index is reviewed daily and adjusted on the last business day of each month (the “**Rebalancing Day**”).

On each Rebalancing Day, any securities whose eligibility status has changed since the previous month-end will either “exit” or “enter” the Index. Securities that meet all published Index inclusion rules and the Index Criteria at the beginning of a given month will remain in the Index for purposes of return calculations until the Rebalancing Day of the relevant month, when the Index is next rebalanced.

### ***Reinvestment of Cash Flows***

Intra-month cash flows from interest and principal payments contribute to monthly returns of the Index but are not reinvested at a short-term reinvestment rate between the Rebalancing Days. At each rebalancing, cash is effectively reinvested into the Returns Universe (i.e., the “backward” universe which is rebalanced at each month end and represents the fixed set of bonds on which index returns are calculated) for the following month so that Index results over two or more months reflect monthly compounding.

### ***New Issues***

Qualifying securities issued, but not necessarily settled on or before the month-end rebalancing date, qualify for inclusion in the following month’s index if the required security reference information and pricing are readily available.

### ***Index Calculation***

Published returns for Bloomberg benchmark indices measure the total return of a fixed income instrument, which includes capital appreciation and security price movements, interest payments and accruals, and principal repayments (scheduled or unscheduled) in the case of amortizing or sinkable bonds. Calculating these returns requires daily bond prices, accrued interest calculations, and a record of the timing and amount of coupon and principal payments.

### **Monthly Index Return Calculations**

Bond level returns and weights are the inputs used to calculate published monthly index level returns.

$$Index\ Total\ Return_{MTD} = \sum (Bond\ Return_{MTD} * Bond\ Weight_{Beginning})$$

### **Cumulative and Periodic Total Return Calculations**

### *Since Inception Total Return and Index Value*

The cumulative total return since index inception is calculated and used to determine periodic returns over longer and/or intra-month time horizons. Since inception total return (SITR) is calculated at the index level and is a compounded return linking historical index cumulative monthly returns and the current month-to-date return. This approach assumes that the index is always fully invested in the new Returns Universe after each monthly rebalancing and that any accumulated cash from the previous month is reinvested pro rata into the new universe.

$$\text{Since Inception Total Return} = [(100 + \text{SITR}_{\text{Beginning}}) * (1 + \text{Total Return}_{\text{MTD}})] - 100$$

From the SITR, an index level is calculated by adding 100 and is used to calculate total returns over any given time period where index levels are available.

$$\text{Index Value} = \text{SITR} + 100$$

### *Daily Total Return Calculations*

All daily returns (total return, price return, currency return, paydown return and coupon return) are calculated as the difference in the month-to-date return for the prior date and the month-to-date return for the current date, compounded for one day.

$$\text{Daily Total Return} = \frac{(\text{MTD Total Return}_T - \text{MTD Total Return}_{T-1})}{[1 + (\text{MTD Total Return}_{T-1}/100)]}$$

### *Pricing*

The securities are priced on a daily basis by Bloomberg's evaluated pricing service, Bloomberg Valuation Service. securities will be priced at 4:00 p.m. (New York Time). If the last business day of the month is a public holiday, prices from the previous business day will be used. For Index purposes, securities are assumed to settle on the next calendar day (T+1). At month-end, settlement is assumed to be on the first calendar day of the following month, even if the last business day is not the last day of the month.

Bonds are priced on the bid side. Bid pricing values a bond at the level where an investor would be able to sell it as of the Index pricing date.

Daily price moves for each security are analysed by the index pricing team of the Index Provider to identify outliers. Index users may also challenge price levels, which are then reviewed by the index pricing team.

### *Index Constituents*

The constituents of the Index together with their respective weightings and additional information of the Index are published at the website of the Index Provider at <https://www.bloomberg.com/professional/product/indices/bloomberg-fixed-income-indices/#/ucits> (this website has not been reviewed by the SFC).

### *Index Codes*

Bloomberg Code: LT09TRUU

### *Index Licence Agreement*

The Manager has been granted a licence by the Index Provider to use the Index and Index data in connection with the Sub-Fund, commencing as at 15 April 2024. The licence agreement shall

continue should continue until 14 April 2026 on which date the licence should be renewed for successive terms of two years unless terminated in accordance with the provisions of the licence agreement. The Index Provider or the Manager may terminate the agreement by giving to the other party 90 days' prior notice. The Index Provider may also terminate the agreement forthwith by notice in writing to the Manager if (amongst others) the Manager is in material breach of any provisions of the agreement and has not, in the case of a remediable breach, remedied the breach within 30 days of receiving notice from the Index Provider.

### ***Index Disclaimer***

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### **Base Currency**

The Base Currency of the Sub-Fund is USD.

### **Available Classes**

Units in the following classes are currently available for issue to investors:

For the retail public in Hong Kong:

- Class A (accumulation) USD;
- Class A (distribution) USD;
- Class A (accumulation) HKD;
- Class A (distribution) HKD;
- Class A (accumulation) RMB;
- Class A (distribution) RMB;
- Class A (accumulation) RMB Hedged;
- Class A (distribution) RMB Hedged;
- Class B (accumulation) USD;
- Class B (distribution) USD;
- Class B (accumulation) HKD;
- Class B (distribution) HKD;
- Class B (accumulation) RMB;
- Class B (distribution) RMB;
- Class B (accumulation) RMB Hedged; and
- Class B (distribution) RMB Hedged.

For institutional investors, professional investors and other investors as determined by the Manager:

- Class I (accumulation) USD;
- Class I (distribution) USD;
- Class I (accumulation) HKD;
- Class I (distribution) HKD;
- Class I (accumulation) RMB;
- Class I (distribution) RMB;
- Class I (accumulation) RMB Hedged;
- Class I (distribution) RMB Hedged;

- Class I2 (accumulation) USD;
- Class I2 (distribution) USD;
- Class I2 (accumulation) HKD;
- Class I2 (distribution) HKD;
- Class I2 (accumulation) RMB;
- Class I2 (distribution) RMB;
- Class I2 (accumulation) RMB Hedged; and
- Class I2 (distribution) RMB Hedged.

For seed investors, the Manager and its affiliates and other investors as determined by the Manager from time to time:

- Class X (accumulation) USD;
- Class X (distribution) USD;
- Class X (accumulation) HKD;
- Class X (distribution) HKD;
- Class X (accumulation) RMB;
- Class X (distribution) RMB;
- Class X (accumulation) RMB Hedged; and
- Class X (distribution) RMB Hedged.

The Manager may in future determine to issue additional Classes.

### **Initial Offer Period**

The Initial Offer Period of the Sub-Fund will commence at 9:00 a.m. (Hong Kong time) on 29 July 2024 and end at 4:00 p.m. (Hong Kong time) on 31 July 2024 (or such other dates or times as the Manager may determine).

The initial Subscription Price is USD10 per Unit for USD denominated classes, HKD100 per Unit for HKD denominated classes and RMB100 per Unit for RMB denominated classes.

The Manager may decide not to issue any Units in the event that less than the equivalent of USD100,000 is raised during the Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by cheque by post or by telegraphic transfer or by such other means as the Manager and the Trustee consider appropriate at the applicant's risk (without interest and net of expenses) within 14 Business Days after the expiry of the Initial Offer Period.

## **Dealing Procedures**

For details of dealing procedures, please refer to the sections headed "Subscription of Units", "Redemption of Units" and "Switching" in the main body of this Explanatory Memorandum. The following apply to the Sub-Fund:

<i>Dealing Day</i>	each Business Day
<i>Dealing Deadline</i>	4:00 pm (Hong Kong time) on the relevant Dealing Day

The Subscription Price of Class A USD Units, Class B USD Units, Class I USD Units, Class I2 USD Units and Class X USD Units will be calculated and quoted in the Base Currency of the Sub-Fund. The Subscription Price of Class A HKD Units, Class B HKD Units, Class I HKD Units, Class I2 HKD Units and Class X HKD Units will be calculated in the Base Currency of the Sub-Fund and quoted in HKD. The Subscription Price of Class A RMB Units, Class A RMB Units Hedged, Class B RMB Units, Class B RMB Units Hedged, Class I RMB Units, Class I RMB Units Hedged, Class I2 RMB Units, Class I2 RMB Units Hedged, Class X RMB Units and Class X RMB Units Hedged will be calculated in the Base Currency of the Sub-Fund and quoted in RMB.

Investors should note that subscription monies in respect of the Sub-Fund must be paid in the relevant class currency. Redemption proceeds will be paid to redeeming Unitholders in the relevant class currency.

Notwithstanding the description in the section "Subscription of Units" in the main body of this Explanatory Memorandum, the Subscription Price on any Dealing Day will be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day (i.e., Hong Kong time approximately 4:00 a.m. on the following applicable Dealing Day) by the number of Units of such class of that Sub-Fund then in issue and rounded to 3 decimal places (0.0005 and above being rounded up; below 0.0005 being rounded down).

## **Valuation Day**

Each Dealing Day will be a Valuation Day.

## **Payment of Redemption Proceeds**

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

Notwithstanding the description in the section "Redemption of Units" in the main body of this Explanatory Memorandum, the Redemption Price on any Dealing Day will be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class then in issue and rounded to 3 decimal places (0.0005 and above being rounded up; below 0.0005 being rounded down).

It is only in exceptional circumstances where the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus making the payment of the redemption proceeds within one calendar month not practicable, the Sub-Fund would have a longer redemption payment period exceeding one calendar

month in light of the specific circumstances in the relevant markets. In such a case, proper records will be kept by the Manager to demonstrate and justify this (e.g. the Sub-Fund is directly subject to or adversely affected by the restrictions which are beyond the reasonable control of the Manager) and Unitholders and the SFC will be properly and promptly informed. In any event, the redemption proceeds will be paid to Unitholders as soon as possible after the receipt of the proceeds by the Sub-Fund.

## Investment Minima

The following investment minima apply to the Sub-Fund:

	<u>USD denominated Class A Units</u>	<u>HKD denominated Class A Units</u>	<u>RMB denominated Class A Units</u>
<i>Minimum initial investment amount</i>	USD100	HKD1,000	RMB1,000
<i>Minimum subsequent investment amount</i>	USD100	HKD1,000	RMB1,000
<i>Minimum holding amount</i>	USD100	HKD1,000	RMB1,000
<i>Minimum redemption amount</i>	USD100	HKD1,000	RMB1,000
	<u>USD denominated Class B Units</u>	<u>HKD denominated Class B Units</u>	<u>RMB denominated Class B Units</u>
<i>Minimum initial investment amount</i>	USD1	HKD1	RMB1
<i>Minimum subsequent investment amount</i>	USD1	HKD1	RMB1
<i>Minimum holding amount</i>	USD1	HKD1	RMB1
<i>Minimum redemption amount</i>	USD1	HKD1	RMB1
	<u>USD denominated Class I Units</u>	<u>HKD denominated Class I Units</u>	<u>RMB denominated Class I Units</u>
<i>Minimum initial investment amount</i>	USD1,000	HKD10,000	RMB10,000
<i>Minimum subsequent investment amount</i>	USD100	HKD1,000	RMB1,000
<i>Minimum holding amount</i>	USD1,000	HKD10,000	RMB10,000
<i>Minimum redemption amount</i>	USD100	HKD1,000	RMB1,000

	<u>USD denominated Class I2 Units</u>	<u>HKD denominated Class I2 Units</u>	<u>RMB denominated Class I2 Units</u>
<i>Minimum initial investment amount</i>	USD1,000	HKD10,000	RMB10,000
<i>Minimum subsequent investment amount</i>	USD100	HKD1,000	RMB1,000
<i>Minimum holding amount</i>	USD1,000	HKD10,000	RMB10,000
<i>Minimum redemption amount</i>	USD100	HKD1,000	RMB1,000
	<u>USD denominated Class X Units</u>	<u>HKD denominated Class X Units</u>	<u>RMB denominated Class X Units</u>
<i>Minimum initial investment amount</i>	USD100	HKD1,000	RMB1,000
<i>Minimum subsequent investment amount</i>	USD100	HKD1,000	RMB1,000
<i>Minimum holding amount</i>	USD100	HKD1,000	RMB1,000
<i>Minimum redemption amount</i>	USD100	HKD1,000	RMB1,000

The Manager may in its discretion agree to accept applications for subscription or redemption generally or in a particular case below the applicable minimum amounts.

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

For Units offered in Hong Kong, the latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on the Manager's website [www.efunds.com.hk](http://www.efunds.com.hk) (this website has not been reviewed by the SFC) on each Dealing Day.

### **Expenses and Charges**

The following are the actual fees and charges payable in respect of Class A, Class B Units and Class I Units. Maximum fees permitted to be charged on one months' notice to Unitholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum.

#### Fees payable by Unitholders

All Classes

<i>Subscription fee</i>	Up to 3% of the Issue Price
<i>Redemption fee</i>	Nil
<i>Switching fee</i>	Nil

### Fees payable by the Sub-Fund

	<b>Class A Units</b>	<b>Class B Units</b>	<b>Class I Units</b>	<b>Class I2 Units</b>	<b>Class X Units</b>
<i>Management fee<sup>^</sup></i>	0.6% per annum of the Net Asset Value of the Sub-Fund	1.0% per annum of the Net Asset Value of the Sub-Fund	0.15% per annum of the Net Asset Value of the Sub-Fund	0.30% per annum of the Net Asset Value of the Sub-Fund	Nil
<i>Performance fee</i>	Nil	Nil	Nil	Nil	Nil
<i>Trustee fee<sup>^</sup></i>	0.05% per annum of the Net Asset Value of the Sub-Fund and subject to a minimum of USD10,000 per month, inclusive of fees payable to the Trustee acting as the Registrar, exclusive of sub-custodian fees (if any) and out-of-pocket expenses				
<i>Custodian fee</i>	0.01% per annum of the Net Asset Value of the Sub-Fund				
<i>Establishment costs</i>	The costs for establishing the Sub-Fund, including inception fees, costs of seeking and obtaining the authorisation by the SFC and all relevant legal and printing costs, are estimated to be approximately HKD240,000. Such establishment costs will be borne by the Sub-Fund and amortised over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors of the Sub-Fund).				

<sup>^</sup> Please note that some fees may be increased up to a permitted maximum amount by providing one month's prior notice to Unitholders. Please refer to the section headed "Expenses and Charges" in the main body of this Explanatory Memorandum for further details of the fees and charges payable and the permitted maximum amount of such fees, as well as other ongoing expenses that may be borne by the Sub-Fund.

The Manager may, in its absolute discretion, (i) share with intermediaries the payment of all or any portion of the subscription fee, redemption fee and/or management fee and (ii) share with, waive, reduce or rebate the payment of all or any portion of the subscription fee, redemption fee and/or management fee to institutional investors (not being retail investors) provided that such fees and charges are those which the Manager is entitled to receive for its own benefit.

### **Additional Risk Factors specific to the Sub-Fund**

The following risk factors are specific to the Sub-Fund. Investors should also note the relevant risk factors set out in the section entitled "Risk Factors" in the main body of this Explanatory Memorandum.

#### Risk of investing in debt securities

##### *Interest rate risk*

The Sub-Fund's investments in debt securities are subject to interest rate risk. Generally, the value of debt securities is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Long-term debt securities in general are subject to higher sensitivity to interest rate changes than short-term debt securities.

Any increase in interest rates may adversely impact the value of the Sub-Fund's fixed income portfolio.

As the Sub-Fund may invests in debt securities in the US market, the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies of the US (including monetary policy and fiscal policy) may have an influence over the US' capital markets and affect the pricing of the bonds in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

#### *Credit/counterparty risk*

Investment in debt securities is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest, and the value of the Sub-Fund is affected by the credit worthiness of its underlying investments. In the event of a default of the debt securities held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who may not be subject to the laws of Hong Kong.

Debt securities are offered on an unsecured basis without collateral and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of debt securities only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

#### *Valuation risk*

Valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. The value of debt securities may be affected by changing market conditions or other significant events affecting valuation. For example, in the event of the credit rating downgrade of an issuer, the value of the relevant debt securities may decline rapidly, and the value of the Sub-Fund may be adversely affected.

#### *Policy risk*

The Sub-fund may be subject to policy risk as changes in macro-economic policies in the US may have influence over the US capital markets and affect the pricing of the debt securities in the Sub-Fund's portfolio and hence the return of the Sub-Fund.

#### *Sovereign debt risks*

By investing in debt obligations of the US Treasury, the Sub-Fund will be exposed to the direct or indirect consequences of political, social and economic changes in the US. Political changes in the US may affect the willingness of the US Treasury to make or provide for timely payments of its debt obligations. The US's economic status, as reflected, among other things, in its inflation rate, the amount of its external debt and its gross domestic product, will also affect the US Treasury's ability to honour its obligations.

The ability of the US Treasury to make timely payments on its debt obligations is likely to be influenced strongly by its balance of payments, including export performance, and its access to international credits and investments. To the extent that the US receives payment for its exports in currencies other than the currency of the relevant debt obligation, its ability to make debt payments in the currency of the relevant debt obligation could be adversely affected. To the extent that the US develops a trade deficit, it will need to depend on continuing loans from foreign governments, supranational entities or private commercial banks, aid payments from foreign governments and on inflows of foreign investment. The access of the US to these forms of external funding may not be

certain, and a withdrawal of external funding could adversely affect the capacity of the US to make payments on its debt obligations. In addition, the cost of servicing debt obligations can be affected by a change in global interest rates since the majority of these debt obligations carry interest rates that are adjusted periodically based upon global rates.

The Sub-Fund's portfolio may comprise debt obligations of the US Treasury, for which a limited or no established secondary market exists. Reduced secondary market liquidity may have an adverse effect on the market price and the Sub-Fund's ability to dispose of particular instruments when necessary to meet liquidity requirements or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for such debt obligations may also make it more difficult to obtain accurate market quotations for the purpose of determining the Net Asset Value of the Sub-Fund. Market quotations are generally available on many sovereign debt obligations only from a limited number of dealers and may not necessarily represent firm bids of those dealers or prices for actual sales.

The holder of certain sovereign debt obligations may have limited legal recourse in the event of a default with respect to such obligations. For example, remedies from defaults on certain debt obligations of governmental entities, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself. Legal recourse therefore may be significantly diminished. Bankruptcy, moratorium and other similar laws applicable to issuers of sovereign debt obligations may be substantially different from those applicable to issuers of private debt obligations. The political context, expressed as the willingness of an issuer of sovereign debt obligations to meet the terms of the debt obligation, for example, is of considerable importance.

#### *Credit rating risk and downgrading risk*

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. Fixed income instruments with a credit rating may be subject to the risk of being downgraded. In the event of downgrading in the credit rating of an instrument or that of its issuer, the Sub-Fund's investment value in such instrument may be adversely affected. If the Sub-Fund continues to hold such securities, it will be subject to additional risk of loss. The Manager may or may not be able to dispose of the instruments that are being downgraded at a reasonable price or at all.

#### Concentration risk / single issuer risk

The Index is subject to concentration risk as a result of tracking the performance of a single geographical region, namely the US, and is concentrated in debt securities of a single issuer, namely the US Treasury. The Sub-Fund's value may be more volatile than that of a fund having a more diverse portfolio and may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the US market.

#### Risk of investing in other funds

The Sub-Fund may invest in underlying money market funds to pursue its investment objective. Such money market funds may be authorised by the SFC, or they may be eligible schemes (and not SFC-authorised) or non-eligible schemes. The Manager does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The value of the shares or units of the underlying funds will take into account their fees and expenses, including fees (in some cases including performance fees) charged by their investment managers. Some underlying funds may also impose fees or levies which may be payable by the Sub-Fund when it subscribes to or redeems out of such underlying funds. Whilst the Manager will take the level of any such fees into account when deciding whether or not to invest, investors should

nevertheless be aware that investing into underlying funds may involve another layer of fees, in addition to the fees charged by the Sub-Fund.

There is also no guarantee that the underlying funds the Sub-Fund invests in will have sufficient liquidity to meet the Sub-Fund's redemption requests. The Sub-Fund may therefore be subject to liquidity risk by investing in these underlying funds.

If the Sub-Fund invests in an underlying fund managed by the Manager or Connected Person of the Manager, all initial charges and redemption charges on these underlying funds must be waived, and the Manager, or any person acting on behalf of the Sub-Fund or the Manager, must not obtain rebate of any fees or charges levied by these underlying funds or its manager, or any quantifiable monetary benefits in connection with investments in any underlying funds. In case any conflict of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

#### Passive investment risk

The Sub-Fund is not actively managed. Accordingly, the Sub-Fund may be affected by a decline in the market segments relating to the Index. The Sub-Fund invests directly in US Treasury Debts included in the Index regardless of their investment merit. The Manager does not attempt to select investments individually or to take defensive positions in declining markets. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of the Sub-Fund will mean that falls in the Index are expected to result in corresponding falls in the value of the Sub-Fund and investors may lose a significant part of their respective investments if the Index falls.

#### Tracking error risk

Because the Manager has no other strategy to minimise tracking error and representative sampling may not provide identical performance, the Net Asset Value of the Sub-Fund may not correlate exactly with the Index. Factors such as the fees and expenses of the Sub-Fund, imperfect correlation between the Sub-Fund's assets and the constituents of the Index, inability to rebalance the Sub-Fund's holdings of US Treasury Debts in response to changes in the constituents of the Index, and changes to the regulatory policies may affect the Manager's ability to achieve close correlation with the Index. These factors may cause the Sub-Fund's returns to deviate from the Index.

#### Representative Sampling Risk

With a representative sampling strategy, the Sub-Fund does not hold all of the US Treasury Debts in its Index and may invest in US Treasury Debts not included in its Index, provided that the sample closely reflects the overall characteristics of the Index which the Manager believes will help the Sub-Fund achieve its investment objective. The securities held by a Sub-Fund may also be over or underweight relative to the US Treasury Debts in its Index. It is therefore possible that a Sub-Fund may be subject to larger tracking error.

#### Hedging risk

The Manager may from time to time use hedging techniques, including investments in financial derivative instruments, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to "Investment risks – Hedging risk" under the section headed "Risk Factors" in the main body of this Explanatory Memorandum.

#### Risks associated with securities financing transactions

##### *Risks relating to securities lending transactions*

Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.

*Risks relating to sale and repurchase transactions*

In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

*Risks relating to reverse repurchase transactions*

In the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

**RMB currency risk, RMB denominated classes risk and hedged RMB denominated classes risk**

RMB is currently not freely convertible and is subject to exchange controls and restrictions which, under exceptional circumstances, may cause a delay in payment of redemptions and/or dividend payments in RMB. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Non-RMB based investors who invest in RMB denominated classes are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currency will not depreciate. Any depreciation of RMB could adversely affect the value of investors' investment in the RMB denominated classes of Shares.

For hedged RMB denominated classes, investors have to bear the associated hedging costs which may be significant depending on prevailing market conditions. There is no guarantee that the hedging strategy will fully and effectively eliminate the currency exposure. Also, hedging may preclude the hedged RMB denominated classes from benefiting from any potential gain resulting from the appreciation of the base currency against RMB.

**Dividends risk**

There is no assurance that the Sub-Fund will declare to pay dividends or distributions. The ability of the Sub-Fund to pay distributions also depends on dividends declared and paid by issuers of the securities which the Sub-Fund has invested and the level of fees and expenses payable by the Sub-Fund. The ability of the issuers of securities to make dividend payments and the level of dividends, if any, declared by the issuers of securities are based on numerous factors, including their current financial condition, general economic conditions and, where applicable, their dividend policies. There can be no assurance that such companies will be able to honour payment obligations, declare dividends or make other distributions.

The Manager may, in its discretion, pay distributions (1) out of capital or (2) out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.

Payments of dividends out of capital and/or effectively out of capital amounts to a return or withdrawal of part of the amount investors originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate decrease in the Net Asset Value.

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

### **Reports and Accounts**

The first financial reports for the Sub-Fund cover the period from the launch of the Sub-Fund to 31 December 2025.

### **Distribution Policy**

For distribution classes, the Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. It is currently intended that distributions will be made quarterly (usually in March, June, September and December) for distribution classes of Units.

The Manager may at its discretion pay dividends out of the capital of the Sub-Fund. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

For accumulation classes, no distributions will be made to Unitholders.