SECOND SUPPLEMENTAL INFORMATION MEMORANDUM FOR PRINCIPAL NEXT-G CONNECTIVITY FUND

Manager	:	**Principal Asset Management Berhad** (199401018399 (304078-K))
Trustee	:	**HSBC (Malaysia) Trustee Berhad** (193701000084 (1281-T))

This Second Supplemental Information Memorandum is dated 15 August 2024 and is to be read in conjunction with the Information Memorandum dated 16 January 2021 as amended by the First Supplemental Information Memorandum dated 26 February 2024 for the Principal Next-G Connectivity Fund ("Information Memorandum").

The Fund was constituted on 28 December 2020.

The Securities Commission Malaysia has not authorised or recognised the Fund and a copy of this Second Supplemental Information Memorandum has not been registered with the Securities Commission Malaysia.

The lodgement of this Second Supplemental Information Memorandum should not be taken to indicate that the Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Second Supplemental Information Memorandum.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of Principal Asset Management Berhad who is responsible for the Fund and takes no responsibility for the contents in this Second Supplemental Information Memorandum. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Second Supplemental Information Memorandum, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

SOPHISTICATED INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE INFORMATION MEMORANDUM AND THIS SECOND SUPPLEMENTAL INFORMATION MEMORANDUM. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THIS IS A SECOND SUPPLEMENTAL INFORMATION MEMORANDUM WHICH HAS TO BE READ IN CONJUNCTION WITH THE INFORMATION MEMORANDUM

1.0. GENERAL

1.1. This Second Supplemental Information Memorandum is issued to reflect the amendments made to the Information Memorandum as stated under paragraphs 1.4, 2, 3, 4 and 5 below.

1.2. All terms used in this Second Supplemental Information Memorandum shall have the same meanings as those defined in the Definitions Chapter of the Information Memorandum unless where the context otherwise requires.

1.3. All information provided herein is practicable as at 31 July 2024 and shall remain current and relevant as at such date.

1.4. All references to "Neuberger Berman 5G Connectivity Fund" and "NEUBERGER BERMAN 5G CONNECTIVITY FUND" in the Information Memorandum shall be amended to "Neuberger Berman Next Generation Connectivity Fund" and "NEUBERGER BERMAN NEXT GENERATION CONNECTIVITY FUND" respectively due to the change of name of the Target Fund from "Neuberger Berman 5G Connectivity Fund" to "Neuberger Berman Next Generation Connectivity Fund" with effect from 1 July 2024.

2.0. DEFINITIONS

2.1. The following definitions have been inserted under the section of "**Definitions**" at page ii:

EU Member State	-	A member state of the European Union.
HSBC Group	-	HSBC Holdings plc, its subsidiaries, related bodies corporate, associated entities and undertakings and any of their branches.
OECD	-	Organisation for Economic Co-operation and Development.

2.2. The following definitions have been inserted under the section of "**Definitions**" at page iii:

Shanghai Stock Connect	-	Shanghai-Hong Kong Stock Connect program.
Shenzhen Stock Connect	-	Shenzhen-Hong Kong Stock Connect program.
Stock Connect	-	Either or both of the Shanghai Stock Connect and the Shenzhen Stock Connect.

2.3. The definitions of "Target Fund Investment Manager", "Target Fund Sub-Investment Manager" and "Sophisticated Investor" under the section of "**Definitions**" at page iii have been replaced and read as below:

Target Fund Investment Manager	-	Neuberger Berman Asset Management Ireland Limited.
Target Fund Sub-Investment Managers	-	Refers to Neuberger Berman Europe Limited, Neuberger Berman Investment Advisers LLC and Neuberger Berman Asia Limited or such other company as may be appointed by the Target Fund Investment Manager from time to time in respect of the Target Fund, with the prior approval of NBIF and the Central Bank of Ireland.
Sophisticated Investor	-	Refers to investors as we determine as qualified or eligible to invest in the Fund and that fulfil any laws, rules, regulations, restrictions or requirements imposed by the respective country's regulators where the Fund is open for sale. For investors in Malaysia, this refers to any person who: (i) is determined to be a sophisticated investor under the SC's Guidelines on Categories of Sophisticated Investors, as amended from time to time; or (ii) acquires any capital market product specified under the GLOLA where the consideration is not less than MYR250,000 or its equivalent in foreign currencies for each transaction whether such amount is paid for in cash or otherwise, and/or any other category(ies) of investors as may be permitted by the SC from time to time. ***Note**: For more information, please refer to our website at www.principal.com.my for the current and/or updated definition and categories of "Sophisticated Investor".*

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3.0. FUND INFORMATION

3.1. The definition of "Emerging Market Country" under the section of "**Risks Associated with Investments in the Target Fund**" at page 8 has been replaced and read as below:

Emerging Market Country or Emerging Market Countries	:	any country or countries other than one which the International Bank for Reconstruction and Development ("World Bank") defines as a country which is (i) part of the OECD and (ii) classified as a high income economy, being, at the date of the Target Fund Prospectus: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, The Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom and the USA.

3.2. The information on "Political and/or regulatory risks", "Epidemics, pandemics, outbreaks of disease and public health issues", "Euro, Eurozone and European Union stability risks" and "Equity securities" under the section of "**Risks Associated with Investments in the Target Fund**" at pages 13 to 14 has been replaced and read as below:

Political and/or regulatory risks
NBIF's operations are or may become subject to economic sanctions laws and regulations of various jurisdictions. At any given time, whether under applicable law, by contractual commitment or as a voluntary risk management measure, NBIF may be required, or elect, to comply with various sanctions programs, including the Specially Designated Nationals and Blocked Persons List and Sectoral Sanctions programs administered by the Office of Foreign Assets Control, the sanctions regimes administered by subsidiary organs of the United Nations Security Council and the restrictive measures adopted by the European Union. Some sanctions that may apply to NBIF may prohibit or restrict dealings with particular identified persons. Other potentially applicable sanctions programs broadly prohibit or restrict dealings in certain countries or territories, or with individuals and entities located in such countries or territories.

Sanctions may negatively impact the Target Fund's ability to effectively implement its investment strategy and have a material adverse impact on the Target Fund's investments in various ways, including by preventing or inhibiting the Target Fund from making certain investments, forcing the Target Fund to divest from investments previously made, which may lead to reductions in the revenues, profits and value of the Target Fund's investments.

Epidemics, pandemics, outbreaks of disease and public health issues
The activities of NBIF, the Target Fund Investment Manager and the Target Fund Sub-Investment Managers, their respective operations and NBIF's investments could be adversely affected by outbreaks of disease, epidemics and public health issues either regionally or globally, despite effective business continuity plans being in place. An example of this was the coronavirus, or COVID-19, which spread rapidly around the world following its initial emergence in December 2019. The outbreak of the novel coronavirus in many countries, among other things, disrupted global travel and supply chains, and adversely impacted global commercial activity, the transportation industry and commodity prices in the energy sector. The impact of this virus negatively affected the economies of many nations, individual companies and the global securities and commodities markets, including liquidity and volatility and overall had an adverse effect on global economic and market conditions.

Additionally, any outbreak of disease epidemics may result in the closure of the Target Fund Investment Manager's and the Target Fund Sub-Investment Managers' offices or other businesses, and while NBIF, the Target Fund Investment Manager and the Target Fund Sub-Investment Managers have robust remote working and business continuity procedures in place, it could impact the ability of the Target Fund Investment Manager and the Target Fund Sub-Investment Managers and their service providers to operate and implement the Target Fund's investment strategies and objectives which can ultimately have an adverse impact on NBIF's value. In addition, the Target Fund Investment Manager's and the Target Fund Sub-Investment Managers' personnel may be directly impacted by the spread, both through direct exposure and exposure to family members. Even though the Target Fund Investment Manager's and the Target Fund Sub-Investment Manager's business continuity procedures include measures to address the possibility of personnel contracting infectious disease that aim at mitigating the need for NBIF to suspend its activities, the spread of a disease among the Target Fund Investment Manager's and the Target Fund Sub-Investment Managers' personnel could significantly affect their ability to properly manage the affairs of NBIF, resulting in the possibility of the directors of NBIF deciding to implement a temporary or permanent suspension of NBIF's investment activities or operation, in accordance with the terms of the Target Fund Prospectus.

Furthermore, the risks related to epidemics, pandemics and outbreaks of disease are heightened due to potential uncertainty as to whether such an event would qualify as a force majeure event for commercial agreements to which NBIF is a party. The applicability, or lack thereof, of force majeure provisions could also come into question in connection with contracts that NBIF and its investments have entered into, which could ultimately work to their detriment. If a force majeure event is determined to have occurred, a counterparty to NBIF or a portfolio investment may be relieved of its obligations under certain contracts to which it is a party, or, if it has not, NBIF and its investments may be required to meet their contractual obligations, despite potential constraints on their operations and/or financial stability. Either outcome could adversely impact investments and NBIF's performance.

Euro, Eurozone and European Union stability risks
In light of ongoing concerns on the sovereign debt risk of certain EU Member States within the Eurozone, NBIF's investments in the Euro region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of EU Member States from the Eurozone, may have a negative impact on the value of the Target Fund.

On 23 June 2016, the United Kingdom held a referendum and voted to leave the European Union. This has led to volatility in the financial markets of the United Kingdom and more broadly across Europe and may also lead to weakening in consumer, corporate and financial confidence in such markets. On 31 January 2020, the United Kingdom formally left the European Union and entered into a transition period that lasted until 31 December 2020. On 24 December 2020, a formal withdrawal agreement was agreed between the European Union and the United Kingdom the terms of which dictate the extent and process by which the United Kingdom exits the European Union, and the longer term economic, legal, political and social framework to be put in place between the United Kingdom and the European Union (the "Withdrawal Agreement"). The Withdrawal Agreement took effect on 1 January 2021.

Notwithstanding the avoidance of a "no-deal Brexit" and the increased uncertainty that would likely have accompanied such a scenario, the United Kingdom's exit from the European Union will likely lead to exacerbated periods of volatility and economic uncertainty in both the United Kingdom and in wider European markets in the short to mid-term. In particular, the decision made in the British referendum may lead to a call for similar referendums in other European jurisdictions which may cause increased economic volatility in the European and global markets. This uncertainty may have an adverse effect on the economy generally and on the ability of the Target Fund to execute its strategies and to receive attractive returns.

Leaving the European Union may also result in significant changes to law and regulation in the United Kingdom. It is not currently possible to assess the effect of these changes on NBIF or the position of the Shareholders. Investors should be aware that these and other similar consequences following from the referendum result may adversely affect the value of the shares of the Target Fund and NBIF's performance.

Equity securities
Equity securities represent ownership interests in a company or corporation, and include common stock, preferred stock and warrants and other rights to acquire such instruments. Investment in equity securities in general are subject to market risks that may cause their prices to fluctuate over time due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. The value of convertible equity securities is also affected by prevailing interest rates, the credit quality of the issuer and any call provisions. Fluctuations in the value of equity securities in which the Target Fund invests would cause the NAV of the Target Fund to fluctuate.

3.3. The following information has been inserted to the sub-section "Market Risks" under the section of "**Risks Associated with Investments in the Target Fund**" at page 15:

Private companies and pre-IPO investments
Investments in private companies, including companies that have not yet issued securities publicly in an initial public offering ("IPO") ("Pre-IPO shares") involve greater risks than investments in securities of companies that have traded publicly on an exchange for extended periods of time. Investments in these companies are generally less liquid than investments in securities issued by public companies and may be difficult for the Target Fund to value. Compared to public companies, private companies may have a more limited management group and limited operating histories with narrower, less established product lines and smaller market shares, which may cause them to be more vulnerable to competitors' actions, market conditions and consumer sentiment with respect to their products or services, as well as general economic downturns. In addition, private companies may have limited financial resources and may be unable to meet their obligations under their existing credit facilities (to the extent that such facilities exist), resulting in a greater likelihood of the dilution or subordination of the Target Fund's investment in such private company.

Additionally, there may be less information, and less reliable information, available in relation to private companies' business, management and earnings potential and other data criteria used to evaluate their investment prospects. Financial reporting obligations for private companies are not as rigorous as public companies, accordingly the information available may be less reliable and it may be difficult to fully assess the rights and values of certain securities issued by private companies.

Although there is a potential for pre-IPO shares to increase in value if the company does issue shares in an IPO, IPOs are risky and volatile and may result in losses to the Target Fund. Moreover, because securities issued by private companies are generally not freely or publicly tradable, the Target Fund may not have the opportunity to purchase or the ability to sell these shares in the amounts or at the prices the Target Fund desires. The private companies that the Target Fund may invest in may not ever issue shares in an IPO and a liquid market for their pre-IPO shares may never develop, which may negatively affect the price at which the Target Fund can sell these shares and make it more difficult to sell these shares, which could also adversely affect the Target Fund's liquidity.

Sustainable investment style risk
The Target Fund's application of ESG criteria is designed and utilised to help identify companies that demonstrate the potential to create economic value or reduce risk; however as with the use of any investment criteria in selecting a portfolio of issuers or securities, there is no guarantee that the criteria used by the Target Fund will result in the selection of issuers or securities that will outperform other issuers/securities, or help reduce risk in the Target Fund. The use of the Target Fund's ESG criteria could also affect the Target Fund's exposure to certain sectors or industries, and could impact the Target Fund's investment performance depending on whether the ESG criteria used are ultimately reflected in the market.

ESG criteria considered by the Target Fund may result in the Target Fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so and/or selling securities due to their sustainable characteristics when it might not be advantageous to do so. As such, the application of ESG criteria may restrict the ability of the Target Fund to acquire or dispose of its investments at a price and time that it wishes to do so and may therefore result in a loss to the Target Fund.

ESG information used to evaluate the Target Fund's application of ESG factors, like other factors used to identify companies in which to invest, may not be readily available, complete, or accurate, which could negatively impact the Target Fund's performance or create additional risk in the Target Fund. Different persons (including third-party ESG data or ratings providers, investors and other managers) may arrive at different conclusions regarding the sustainability or impact of the Target Fund or its investments.

There is currently no globally accepted framework or definition (legal, regulatory or otherwise) nor market consensus as to what constitutes, an "ESG", "sustainable", "impact", "climate" or an equivalently-labelled product, or regarding what precise attributes are required for a particular instrument, product or asset to be defined as such. The Regulation EU/2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as may be supplemented, consolidated, substituted in any form or otherwise modified from time to time ("Taxonomy Regulation") intends to establish a framework to facilitate sustainable investment and provides a common taxonomy for identifying economic activities as environmentally sustainable within the European Economic Area. However, the scope of the Taxonomy Regulation is limited to six environmental objectives initially (and so will not cover the entire universe of ESG objectives) and is not currently expected to be used universally, outside of the European Economic Area.

Applying ESG-related considerations and goals to investment decisions is therefore often qualitative and subjective by nature. ESG factors may vary depending on investment themes, asset classes and investment philosophy. Evaluation methodologies and the way in which different funds will apply ESG criteria may vary, as there are not yet commonly agreed principles and metrics for assessing the sustainable characteristics of investments of ESG funds. The lack of a global classification of ESG evaluation methodologies may also affect the Target Fund Investment Manager's and a Target Fund Sub-Investment Manager's ability to measure and assess the environmental and social impact of a potential investment for the Target Fund. This might have a direct or indirect impact on the outcome and quality of data or assessments provided by in-house proprietary ESG rating systems (such as the NB ESG Quotient), the consideration of the principal adverse impacts and the application of exclusions and how they are defined.

The approach to sustainable investment and ESG evaluation methodologies may evolve and develop over time, both due to the refinement of investment-decision making processes to address ESG factors and risks, and because of legal and regulatory developments.

3.4. The information on "Securities lending risk" under the section of "**Risks Associated with Investments in the Target Fund**" at page 15 has been deleted in its entirety.

3.5. The information on "Investing in the PRC and Greater China region", "Risks associated with the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connects" and "Taxation in the PRC – Investment in PRC equities" under the section of "**Risks Associated with Investments in the Target Fund**" at pages 17 to 22 has been replaced and read as below:

Investing in the PRC and Greater China region
The Target Fund may make investments that are tied economically to issuers from the People's Republic of China ("PRC"), or other issuers associated with the greater China region, such as Hong Kong, Macau or Taiwan. The Target Fund may also invest in issuers which may be listed or traded on recognised or over-the-counter markets located both inside and outside of the greater China region, such as the United Kingdom, Singapore, Japan or the USA.

Investments in PRC-related securities involve certain risks and special considerations not typically associated with Anglosphere markets (ie, Australia, Canada, New Zealand, the United Kingdom and the USA), such as greater government control over the economy, political and legal uncertainty, controls imposed by the PRC authorities on foreign exchange and movements in exchanges rates (which may impact on the operations and financial results of PRC companies), confiscatory taxation, the risk that the PRC government may decide not to continue to support economic reform programs, the risk of nationalisation or expropriation of assets, lack of uniform auditing and accounting standards, less publicly available financial and other information, potential difficulties in enforcing contractual obligations and limitations on the ability to distribute dividends due to currency exchange issues, which may result in risk of loss of favourable tax treatment. Accordingly, the Target Fund's investment in PRC-related securities may be subject to greater price volatility than Anglo-sphere markets, as a result of greater interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. Furthermore, these risk factors, particularly regarding the PRC government's decision making processes and ability to nationalise or expropriate assets, reduce the Target Fund Sub-Investment Managers' ability to anticipate interest rate movements, which may affect the value of the Target Fund.

The Shanghai Stock Exchange ("SSE") and the Shenzhen Stock Exchange ("SZSE") may have lower trading volumes when compared to exchanges in developed markets and the market capitalizations of many listed companies are small compared to those on exchanges in developed markets. The listed equity securities of many companies in the PRC, such as China A Shares, are accordingly less liquid and may experience greater volatility than in more developed, OECD countries. China A Shares are shares of companies incorporated in the PRC and listed on the SSE and SZSE that may be subscribed for and traded in Chinese Yuan Renminbi by PRC investors and non-PRC investors with qualified foreign investor ("QFI") status or via Stock Connect described below (also known as "Chinese Yuan common stock").

Government supervision and regulation of the PRC securities market and of quoted companies is also less developed than in many OECD countries. The PRC stock market has in the past experienced substantial price volatility and no assurance can be given that such volatility will not occur in the future. The above factors could negatively affect the capital growth and performance of such investments and the NAV of the Target Fund, the ability to redeem shares in the Target Fund and the price at which such shares may be redeemed. The evidence of title of exchange-traded securities in the PRC consists only of electronic book entries in the depository and/or registry associated with the exchange. These arrangements of the depositories and registries are new and not fully tested in regard to their efficiency, accuracy and security.

These risks may be more pronounced for the China A Share market than for PRC securities markets generally because the China A Share market is subject to greater governmental restrictions and control. Moreover, information available about PRC companies may not be as complete, accurate or timely as information about listed Anglo-sphere companies. Under the current PRC regulations, foreign investors can only invest directly in the China A Share market through institutions that have obtained QFI status or Stock Connect. While Neuberger Berman Europe Limited currently holds QFI status, it is anticipated that the Target Fund would gain any exposure that it takes to the China A Share market through investments in equity linked products issued by financial institutions which are QFI or through Stock Connect and would not invest in this market through a QFI license.

The Target Fund may elect to gain exposure to certain issuers in the greater China region by utilising existing or future "access" products or programs. For example, the Target Fund may participate in Stock Connect, a program approved by the China Securities Regulatory Commission ("CSRC") and the Securities and Futures Commission of Hong Kong, which is intended to provide mutual stock market access between the PRC and Hong Kong. Stock Connect is a securities trading and clearing linked program developed by the Stock Exchange of Hong Kong ("SEHK"), the SSE, the SZSE and China Securities Depository and Clearing Corporation Limited ("ChinaClear").

To the extent that the Target Fund participates in Stock Connect or any similar access program that is novel, new or under development, the Target Fund may be subject to new, uncertain or untested rules and regulations promulgated by the relevant regulatory authorities. Moreover, current regulations governing the Target Fund's investment in PRC companies may be subject to change. There can be no assurance that Stock Connect or any other investment program will not be abolished and the Target Fund may be adversely affected as a result of such changes.

Risks associated with the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connects
The Target Fund may invest through the Shanghai Stock Connect in certain eligible securities listed on the SSE ("SSE Securities") and through the Shenzhen Stock Connect in certain eligible securities listed on the SZSE ("SZSE Securities", collectively with the SSE Securities, "Eligible Securities"), which subjects the Target Fund to other risks including, but not limited to the following:

- ***Quota limitations***
  Stock Connect is subject to quota limitations. Trading under Stock Connect will be subject to a daily quota ("Daily Quota"). Northbound trading and Southbound trading are respectively subject to a separate set of Daily Quota. The Northbound Daily Quota limits the maximum net buy value of cross-boundary trades under Stock Connect on each trading day. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during continuous trading or the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance) for the remainder of the day. The relevant PRC government authority has the power to change the Daily Quota or impose other quota from time to time. Therefore, quota limitations may restrict the Target Fund's ability to invest in the Eligible Securities through Stock Connect on a timely basis and the Target Fund may not be able to effectively pursue its investment strategies.
- ***Suspension Risks***
  It is contemplated that the SEHK, the SSE and the SZSE would reserve the right to suspend Northbound and/or Southbound trading of the respective Stock Connect if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. The relevant PRC government authority may also impose "circuit breakers" and other measures to halt

or suspend Northbound trading. Where a suspension in the Northbound trading through Stock Connect is effected, the Target Fund's ability to access the PRC market will be adversely affected.

- ***Differences in Trading Day***
  Stock Connect will only operate on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. Therefore it is possible that there will be occasions when it is a normal trading day for the PRC market but Hong Kong and other overseas investors (such as the Target Fund) cannot carry out any trading via Stock Connect. The Target Fund may be subject to a risk of price fluctuations in the Eligible Securities during the time when Stock Connect is not trading as a result.
- ***Operational Risk***
  Stock Connect provides a channel for investors from Hong Kong and overseas to access the PRC stock markets directly.
  Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchanges and/or clearing house. It should be appreciated that the securities regimes and legal systems of the Hong Kong and PRC markets differ significantly and in order for the trial program to operate, market participants may need to address issues arising from the differences on an on-going basis.
  Further, the "connectivity" in Stock Connect requires routing of orders across the border. This required the development of new information technology systems on the part of the SEHK and exchange participants (i.e., a new order routing system to be set up by the SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through Stock Connect could be disrupted. The Target Fund's ability to access the PRC market (and hence to pursue their respective investment strategies) will be adversely affected where systems fail to function properly as outlined above.
- ***Restrictions on selling imposed by front-end monitoring***
  PRC regulations require that before an investor sells any Eligible Securities, there should be sufficient Eligible Securities in the account before market opens on that day; otherwise the relevant PRC exchanges will reject the sell order concerned. The SEHK will carry out pre-trade checking on Eligible Securities sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.
  If the Target Fund desires to sell certain Eligible Securities it holds, the SEHK requires that the broker involved in the sale of the relevant Eligible Securities confirms the Target Fund holds a sufficient amount of such Eligible Securities before the market opens on the day of selling ("Trading Day"). If the broker cannot confirm this prior to the market opens, it will not be able to execute the sale of those Eligible Securities on behalf of the Target Fund on that Trading Day. Because of this requirement, the Target Fund needs to facilitate this broker confirmation in order to dispose of its holdings of the Eligible Securities in a timely manner.
  Some local custodians are offering solutions to assist investors in meeting this requirement without the need to pre-deliver the securities to the broker prior to the trading date. For example, certain local custodians are offering an "integrated brokerage/custodian model" where the local custodian will be appointed to act as the sub-custodian to the Target Fund. Subsequently, the brokerage arm of the local custodian will be provided with sufficient evidence that a sufficient amount is held by the Target Fund to allow the broker to execute the sale of the relevant Eligible Securities. This model allows the Target Fund to ensure that all securities remain in custody at all times. Separately, the SEHK has implemented an enhanced pre-trade checking model which investors will no longer need to pre-deliver securities to brokers. Custodians will need to open a "special segregated account" with CCASS (the Central Clearing and Settlement System operated by the Hong Kong Securities Clearing Company Limited ("HKSCC") for the clearing securities listed or traded on SEHK) for investors which will generate a unique investor ID. CCASS will snapshot the securities holdings in that account to facilitate pre-trade checking requirements. Brokers when executing sell orders for investors who opt to use the enhanced model will need to provide the investor ID as an identifier. The aim of the enhanced model is to allow greater flexibility to investors to use multiple brokers. The SEHK will also be implementing a further enhancement by introducing an additional Renminbi interbank bulk settlement run at night time. This further enhancement will allow Renminbi cash settlement to be fully confirmed on the same day, achieving a true delivery-versus-payment arrangement.
  NBIF has currently adopted the integrated custody/brokerage model in respect of the Target Fund but is investigating the above enhancements. NBIF intends to adopt the enhanced pre-trade checking model and utilise the enhanced Renminbi interbank bulk settlement in respect of the Target Fund once all the related operational and implementation issues, have been resolved. However, please note that there is no guarantee that any such proposal will be, or will continue to be, implemented and will not be revoked, how effective and it will be in helping to address the requirement or what the costs associated with using it will be.
- ***Short swing profit rule***
  According to the PRC securities law, a shareholder of 5% or more of the total issued shares (or other securities with the nature of equity) of a PRC listed company or a company whose stocks are being traded on other national securities trading venues approved by the State Council ("major shareholder") has to return to such company any profits obtained from the purchase and sale of shares (or other securities with the nature of equity) of such company if both transactions occur within a six-month period, subject to the exceptions set out under the PRC securities law. In the event that NBIF or the Target Fund becomes a major shareholder of such company by investing in China A Shares via Stock Connect or market access products, the profits the Target Fund may derive from such investments may be limited, and thus the performance of the Target Fund may be adversely affected.

- ***Restriction on Turnaround (day) Trading***
  Turnaround (day) trading is not permitted under Stock Connect. Investors cannot purchase and sell the same securities via Stock Connect on the same Trading Day. This may restrict the Target Fund's ability to invest in Eligible Securities through Stock Connect and to enter into or exit trades on a timely basis.
- ***Recalling of Eligible Securities***
  When a security is recalled from the scope of Eligible Securities for trading via Stock Connect, the security can only be sold and is restricted from being bought. This may affect the investment portfolio or strategies of the Target Fund, for example, when the Target Fund Investment Manager wishes to purchase a security which is recalled from the scope of Eligible Securities.
- ***Clearing and settlement risk***
  The HKSCC, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, and ChinaClear have established the clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will, on the one hand clear, and settle with its own clearing participants and, on the other hand, undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.
  Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding securities and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Target Fund may suffer delay in the recovery process or may not be able to fully recover their losses from ChinaClear.
- ***Participation in corporate actions and shareholders' meetings***
  HKSCC will keep CCASS participants informed of corporate actions of Eligible Securities. Hong Kong and overseas investors (including the Target Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (ie, CCASS participants). The time for them to take actions for some types of corporate actions of Eligible Securities may be as short as one business day only. Therefore, the Target Fund may not be able to participate in some corporate actions in a timely manner.
  Hong Kong and overseas investors (including the Target Fund) hold Eligible Securities traded via Stock Connect through their brokers or custodians. Multiple proxies are currently not available in the PRC market. Therefore the Target Fund will not be able to attend meetings as proxy in person in respect of the Eligible Securities.
- ***Investor compensation***
  Investment through Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers in their obligations. The Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Examples of default are insolvency, in bankruptcy or winding up, breach of trust, defalcation, fraud, or misfeasance.
  For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement.
  On the other hand, since the Target Fund is carrying out Northbound trading through securities brokers in Hong Kong but not brokers in Mainland China, therefore they are not protected by China Securities Investor Protection Fund in Mainland China.
- ***Government Intervention***
  Chinese securities markets may be more volatile and unstable due to governmental intervention. The Chinese government has been known to intervene in China's securities markets in a manner that may significantly affect market price and liquidity. Government interventions, such as imposing limits on the sale of shares and trading of index futures, devaluation of the Renminbi and channelling capital into equities, may increase stock market fluctuations and create uncertainties in the stock markets, which may materially affect the Target Fund's investments.
- ***Currency Risk***
  Further devaluation of the Renminbi can materially affect the Target Fund's investments. There is no assurance that the Renminbi will not be subject to devaluation. Shareholders should also note the downside risk associated with Renminbi. Any devaluation of the Renminbi could adversely affect the Target Fund's investment, especially if the Target Fund seeks to focus on equities of Greater China companies and companies with significant exposure to China.
- ***Regulatory risk***
  Stock Connect is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under Stock Connect.
  It should be noted that the regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that Stock Connect will not be abolished or amended. The Target Fund which invests in the PRC markets through Stock Connect may be adversely affected as a result of such changes.
- ***Taxation risk***
  PRC tax authorities announced temporary tax exemptions on capital gains realised by non-PRC investors on trading of Eligible Securities via the QFI regime and Stock Connect. However, there is no guarantee that such temporary tax exemptions will be granted or will continue to apply, will not be repealed or re-imposed

retrospectively, or that no new tax regulations and practice relating to the QFI regime and Stock Connect will be promulgated in future. The Target Fund may be subject to uncertainties in its PRC tax liabilities where it invests through the QFI regime and Stock Connect.

- ***Risks associated with the ChiNext market and/or the Science and Technology Innovation Board (STAR Board)***
  The Target Fund may invest in the ChiNext market and/or STAR Board via Stock Connect. Investments in the ChiNext market and/or STAR Board may result in significant losses for the Target Fund and its investors. The following additional risks apply:
  - Higher fluctuation on stock prices and liquidity risk: Companies listed on the ChiNext market and/or STAR Board are usually of an emerging nature, with a smaller operating scale. Listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, they are subject to higher fluctuation in stock prices and liquidity risk and have higher risks and turnover ratios than companies listed on the main board.
  - Over-valuation risk: Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock prices may be more susceptible to manipulation, due to the relatively smaller number of shares in such companies in circulation.
  - Differences in regulations: The rules and regulations regarding companies listed on the ChiNext market and/or STAR Board are less stringent in terms of profitability and share capital than those regarding the main board.
  - Delisting risk: It may be more common and faster for companies listed on ChiNext market and/or STAR Board to delist. If companies that the Target Fund has invested in delist, it may have an adverse impact on the Target Fund.
  - Concentration risk: STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Target Fund to a higher concentration risk.

Taxation in the PRC – Investment in PRC equities
The Target Fund's direct investment in China A Shares and China-incorporated exchange traded funds ("ETFs") (through Stock Connect) is subject to PRC tax regulations. The Target Fund's investment in equity linked products may also be indirectly affected by any taxation levied against the relevant QFI, issuers or sponsors. The PRC taxation regime that will apply to Stock Connect, QFI and investments through the QFI regime has some uncertainties. It should be noted that the position with regard to PRC taxation of the Target Fund and its gains and profits in respect of such investments remains unclear in some aspects.

Tax regulations in the PRC are subject to change, possibly with retroactive effect. Changes in PRC tax regulations could have a significant adverse effect on the Target Fund and its investments, including reducing returns, reducing the value of the Target Fund's investments and possibly impairing capital invested by the Target Fund.

<u>Corporate Income Tax ("CIT") Law</u>
If NBIF or the Target Fund is considered a tax resident enterprise of the PRC, it will be subject to PRC CIT at 25% on its worldwide taxable income. If NBIF or the Target Fund is considered a non-tax resident enterprise with a permanent establishment or place or establishment of business ("PE") in the PRC, the profits attributable to that PE would be subject to CIT at 25%.

Under the PRC CIT Law effective from 1 January 2008, a non-PRC tax resident enterprise without a PE in the PRC will generally be subject to PRC withholding income tax ("WIT") of 10% on its PRC sourced income, including but not limited to passive income (e.g. dividends, interest) and gains arising from transfer of assets, etc., unless it is exempt or reduced under specific PRC tax circulars or relevant tax treaty.

The relevant portfolio manager intends to manage and operate NBIF or the Target Fund in such a manner that NBIF or the Target Fund should not be treated as a tax resident enterprise of the PRC or a non-PRC tax resident enterprise with a PE in the PRC for CIT purposes, although due to uncertainty in tax laws and practices in the PRC, this result cannot be guaranteed.

Although the CIT regulations aim to clarify the application of certain rules under the CIT Law, significant uncertainties remain. Such uncertainties may prevent the Target Fund from achieving certain tax results sought when structuring its investments in the PRC.

(i) Dividend and fund distribution

Under the current PRC CIT Law, non-PRC tax resident enterprises without a PE in the PRC are subject to WIT on cash dividends, fund distributions and bonus distributions from PRC tax resident enterprises. The general WIT rate applicable is 10%, subject to reduction under an applicable double tax agreement/arrangement by the PRC tax authorities.

- For dividends received by non-PRC tax residents from China A Shares, the entity distributing such dividends is obligated to withhold the WIT.

- For dividends and distributions received by non-PRC tax residents from China-incorporated ETFs traded via the QFI regime, in practice, non-PRC tax residents are required to self-report the under-withheld WIT to the PRC tax bureau, given that such WIT is commonly not withheld.

- For dividends and distributions received by non-PRC tax residents from China-incorporated ETFs traded via Stock Connect, the 10% WIT should be withheld by the underlying PRC listed companies in the investment portfolio of China-incorporated ETFs according to Circular [2022] No. 24 ("Circular 24") jointly issued by the PRC Ministry of Finance ("MOF"), the State Taxation Administration ("STA") and CSRC.

(ii) Capital gain

Based on the CIT Law and its Implementation Rules, "income from the transfer of property" sourced from the PRC by non-PRC tax resident enterprises without a PE in the PRC should be subject to 10% WIT unless exempt or reduced under specific PRC tax circulars or an applicable tax treaty agreement/arrangement by the PRC tax authorities.

<u>Trading of PRC equity investments including China A Shares and China-incorporated ETFs through QFI and Stock Connect</u>

Under Circular Caishui [2014] no. 79 jointly issued by the MOF, the STA and the CSRC on 14 November 2014 ("Circular 79"), effective from 17 November 2014, QFI shall be temporarily exempted from the WIT on capital gains derived from trading China A Shares and other PRC equity investments; however, QFI shall be subject to WIT on capital gains obtained before 17 November 2014 pursuant to the laws. Practically, the above PRC equity investments are interpreted by PRC tax authorities to include China-incorporated ETFs.

According to Circular Caishui [2014] No. 81 ("Circular 81") and Circular Caishui [2016] No. 127 ("Circular 127"), both jointly issued by MOF, STA and CSRC, capital gains derived by overseas investors from the trading of China A Shares via Shanghai Stock Connect and Shenzhen Stock Connect are temporarily exempt from WIT.

According to Circular 24, capital gains derived by overseas investors from the trading of China-incorporated ETFs via Shanghai Stock Connect and Shenzhen Stock Connect are temporarily exempt from WIT.

It is uncertain how long these temporary exemptions will last, whether any of them will be repealed and whether any tax will be re-imposed retrospectively.

In light of the above circulars as well as the current practice, (i) the Target Fund has ceased withholding 10% of realised and unrealised gains on its investments linked to China A Shares and other PRC equity interest investment traded via the QFI regime as a tax provision from 17 November 2014, on the basis that any gains realised from 17 November 2014 onwards will be temporarily exempted from WIT; (ii) the amount of tax provision for unrealised gains on the Target Fund's investments linked to China A Shares and other PRC equity interest investments traded via the QFI regime withheld by the Target Fund as a tax provision up to 17 November 2014 has been released to the Target Fund; and (iii) the amount withheld up to 17 November 2014 as a tax provision with respect to realised gains on its investments linked to China A Shares and other PRC equity interest investments traded via the QFI regime has been applied to pay for the relevant PRC tax liabilities and any remaining balance has been released back to the Target Fund as other income. The Target Fund will generally continue to make a provision for WIT of 10% on dividend income received from PRC investee companies and distribution income received from China-incorporated ETFs in case such WIT is not withheld at source. With respect to Stock Connect, as a result of Circular 81, Circular 127 and Circular 24, the Target Fund will not make any PRC WIT provision for realised and unrealised gains derived from trading China A Shares and China-incorporated ETFs under Stock Connect until and unless a tax provision is required by any further guidance issued by the PRC tax authorities, which may have a substantial negative impact on the NAV of the Target Fund. In the event that any relevant exemption is not granted or is revoked or repealed, the Manager may, in its discretion, make additional tax provision on the relevant gains or income and withhold tax for the account of the Target Fund.

<u>Value-added Tax ("VAT") and Other Surcharges</u>
According to Circular Caishui [2016] No.36 ("Circular 36"), the pilot program of the collection of value-added tax ("VAT") in lieu of business tax has been launched nationwide in the PRC in a comprehensive manner as of 1 May 2016 and all taxpayers of business tax are included in the scope of the pilot program with regard to VAT liabilities instead of business tax liabilities.

Gains derived from trading of marketable securities are generally subject to VAT at 6% on net gains (i.e. gains offset against losses). However, Circular 36, Circular Caishui [2016] No.70, Circular 81 and Circular 127 specifically provide that gains derived by (a) QFI from the trading of marketable securities (including China A Shares) in the PRC, or (b) overseas investors (including entities and individuals) from trading of China A Shares and China-incorporated ETFs through Stock Connect are temporarily exempted from VAT.

In addition, deposit interest income is not subject to VAT. Dividend income or profit distributions on equity investment and fund distributions derived from Mainland China are also not included in the taxable scope of VAT.

Before 1 September 2021, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) (collectively referred to as “local surcharges”) were imposed based on the VAT liabilities.

Pursuant to the PRC Urban maintenance and construction tax (“UMCT”) Law and Public Announcement [2021] No. 28 (“Circular 28”) issued by the MOF and the STA which both took effect on 1 September 2021, local surcharges are no longer imposed on the amount of VAT payable for the services (including financial services) provided by overseas entities.

Taking into account of the current VAT regulations, the relevant portfolio manager would not make VAT provision for gross realised or unrealised gains derived by the Target Fund from trading of China A Shares and other China equity investments via the QFI regime or Stock Connect and trading of China-incorporated ETFs via Stock Connect.

Stamp Duty (“SD”)
SD under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC SD law. SD is generally imposed on the seller for the sale of shares of Chinese companies listed on the PRC stock exchanges at a rate of 0.1% of the sales consideration.

Change in Tax Policy or Regulation
There is no guarantee that the temporary tax exemption with respect to QFI and Stock Connect described above will continue to apply, will not be repealed and re-imposed retrospective, or that no new tax regulations and practice in PRC specifically relating to the QFI and Stock Connect will not be promulgated in the future. Such uncertainties may operate to the advantage or disadvantage of Shareholders and may result in an increase or decrease in NAV of the Target Fund.

In the event that any relevant exemption is not granted or is revoked or repealed, the relevant portfolio manager may, in its discretion, make additional tax provision on the relevant gains or income and withhold tax for the account of the Target Fund.

3.6. The following information has been inserted to the sub-section “Market Risks – Risks Relating to Emerging Markets” under the section of “**Risks Associated with Investments in the Target Fund**” at page 22:

PRC QFI Risks
The Target Fund may make investments that are tied economically to issuers from the PRC. This exposure to the China bond market may be obtained via the Qualified Foreign Institutional Investor (“QFII”) regime and/or the Renminbi Qualified Foreign Institutional Investor (“RQFII”) regime, subject to applicable Chinese regulatory requirements. Under the current Chinese regulations, the QFII regime and RQFII regime have been merged into one QFI regime and are governed by the same set of regulations. A foreign institutional investor having held either a QFII licence or a RQFII licence will automatically be regarded as having a QFI licence and there is no need for such foreign institutional investor to re-apply for the QFII/RQFII licence. In light of the merger of the QFII and RQFII regimes, the “QFII” and the “RQFII” are collectively referred to as the “QFI” throughout this Information Memorandum.

QFI Regulatory Risks
PRC investments by overseas institutions can be made by or through holders of a QFI license, as approved under and subject to applicable Chinese regulations and regulatory requirements (the “QFI Regulations”), which are governed by PRC authorities, including the CSRC, the State Administration of Foreign Exchange (“SAFE”) and the People’s Bank of China (“PBOC”).

Neuberger Berman Europe Limited has been granted a QFI license (“QFI License”) by CSRC. The relevant requirements and restrictions under the QFI Regulations apply to Neuberger Berman Europe Limited (as the QFI License holders) as a whole, and not simply to investments made by the Target Fund. Shareholders should be aware that violations of any QFI Regulations arising from activities through Neuberger Berman Europe Limited’s QFI status other than those conducted by the Target Fund could result in the revocation of, or other regulatory action in respect of, Neuberger Berman Europe Limited’s QFI status as a whole. As a result, the ability of Neuberger Berman Europe Limited to make investments and/or repatriate monies through Neuberger Berman Europe Limited’s QFI status may be affected adversely by the investments or performance by other investors utilizing Neuberger Berman Europe Limited’s QFI status.

As the QFI Regulations have a relatively short history and their application and interpretation remain relatively untested, there is uncertainty as to how they will be applied and interpreted by the PRC authorities or how regulators may exercise the wide discretionary powers given to them thereunder in future. Any changes to the relevant rules may have a material adverse impact on investors’ investment in Neuberger Berman Europe Limited.

QFI Status Risks
Investors should note that under the QFI Regulations, the QFI status could be suspended or revoked under certain circumstances where the PRC regulators have discretions. If the QFI status is suspended or revoked, the Target Fund

may be required to dispose of its securities held through the QFI and may not be able to access the Chinese securities market via the QFI, which may have an adverse effect on the Target Fund's performance.

QFI Repatriation Risks
Repatriation of funds out of the PRC by Neuberger Berman Europe Limited in respect of the Target Fund, currently monitored by SAFE, may be impacted by restrictions under the QFI Regulations and may have a material adverse impact on the Target Fund's performance and/or liquidity and impact on the Target Fund's ability to meet redemption requests from the shareholders. Such repatriations are not subject to repatriation restrictions (such as the lock-up period) or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the QFI Custodian(s) (as defined below). In addition, the repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond Neuberger Berman Europe Limited's control. Shareholders should also note that the QFI Regulations may be amended and repatriation restrictions may be imposed in the future. These repatriation restrictions could result in NBIF being obliged to suspend dealings in the Target Fund temporarily, in accordance with the "Temporary Suspension of Dealings" section of the Target Fund Prospectus so that a redeeming shareholder may not be able to redeem on its chosen dealing day of the Target Fund or may experience a delay in receiving the redemption proceeds.

In extreme circumstances, the Target Fund may incur significant losses due to limited investment capabilities, or may not be able fully to implement or pursue its investment objectives or strategies, due to QFI investment restrictions, illiquidity of the PRC's securities market and delay or disruption in execution of trades or in settlement of trades.

PRC Custody Risks
Pursuant to PRC requirements, securities such as fixed income securities traded on the interbank bond market and the exchange markets in the PRC through the QFI regime will be safe-kept by one or more local custodian(s) ("QFI Custodian(s)") through securities accounts with relevant depositories or clearing institutions such as the China Securities Depository and Clearing Corporation Limited, the China Central Depository & Clearing Co. Ltd and/or the Shanghai Clearing House Co. Ltd. Cash shall be maintained in a cash account with the QFI Custodian(s).

The Depositary shall ensure that the PRC custodian(s) has appropriate procedures to properly safe-keep the assets of the Target Fund including the maintenance of records that the Target Fund's assets are recorded in the name of the Target Fund and segregated from the other assets of the PRC custodian(s). Under QFI Regulations, the Target Fund's securities held by Neuberger Berman Europe Limited pursuant to its QFI License will be registered in the joint names of Neuberger Berman Europe Limited and the Target Fund for the sole benefit and use of the Target Fund. Although according to QFI Regulations, the ownership of the assets in such securities accounts belongs to the Target Fund, and shall be segregated from the assets of Neuberger Berman Europe Limited (as the QFI) and the QFI Custodian, it is possible that the judicial and regulatory authorities in China may interpret that Neuberger Berman Europe Limited could be the party entitled to the securities in such securities trading account. Such securities may be vulnerable to a claim by a liquidator of Neuberger Berman Europe Limited and may not be as well protected as if they were registered solely in the name of the Target Fund. In particular, Neuberger Berman Europe Limited's creditors may seek to gain control of the Target Fund's assets to meet any liabilities owed by Neuberger Berman Europe Limited to such creditors.

Investors should also note that cash deposited in the cash account(s) of the Target Fund with the QFI Custodian(s) will not be segregated but will be a debt owing from the QFI Custodian(s) to the Target Fund as a depositor. Any such cash may be co-mingled with cash belonging to other clients of the QFI Custodian. In the event of bankruptcy or liquidation of the QFI Custodian(s), the Target Fund will become an unsecured creditor ranking pari passu with all other unsecured creditors and without any proprietary rights to the deposited cash. The Target Fund may not be able to recover it in full or at all, in which case the Target Fund may suffer losses. Also, the Target Fund may incur losses due to the acts or omissions of the QFI Custodian(s) in the execution or settlement of any transaction or in the transfer of any funds or securities.

PRC Brokerage Risks
The execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers ("PRC Brokers") appointed by the QFI. There is a risk that the Target Fund may suffer losses from the default, bankruptcy or disqualification of the PRC Brokers. In such event, the Target Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

In the selection of PRC Brokers, the QFI will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards. If the QFI considers appropriate, it is possible that a single PRC Broker will be appointed and the Target Fund may not necessarily pay the lowest commission available in the market.

Investment Restrictions
Investments in the PRC securities market via the QFI regime are subject to compliance with certain investment restrictions imposed by the QFI Regulations including the following, which apply to each foreign investor (including the Target Fund) investing through the QFI regime and will affect the Target Fund's ability to invest in the PRC securities market and carry out their investment objectives:

(i) shares held by each underlying foreign investor (such as the Target Fund) which invests (through the QFI regime or other permissible channels) in one PRC listed company or an National Equities Exchange and Quotations (NEEQ)-admitted company should not exceed 10% of the total shares of such company; and

(ii) aggregate China A Shares held by all underlying foreign investors (such as the Target Fund and all other foreign investors) which invest (through the QFI regime or other permissible channels) in one PRC listed company or an NEEQ-admitted company should not exceed 30% of the total shares of such company.

Strategic investment in listed companies by qualified foreign investors and other foreign investors in accordance with law is not bound by the restrictions specified in paragraphs (i) and (ii) above.

Although it has not been explicitly provided under the QFI Regulations, in practice, the 10% single foreign shareholding restriction is also applied at the QFI level, under which a QFI may not hold 10% or more shares of any listed company, regardless of the fact that such QFI is holding such shares for a number of different clients. Accordingly, as the QFI status of Neuberger Berman Europe Limited may be utilised by the Target Fund and other investors as well, the capability of the Target Fund to invest in the shares of certain listed company may be limited due to the investments in the shares of such listed company by other investors sharing the QFI status of Neuberger Berman Europe Limited. Specifically, when the shareholding of such other investors in a PRC listed company reaches 10%, the Target Fund may not be able to buy any such shares, even if the then effective price of such shares is advantageous to the Target Fund.

Similarly, since the 30% aggregate foreign shareholding restriction is monitored at the level of all foreign investors, the capability of the Target Fund to invest in China A Shares of certain listed company may also be limited due to the investments made by other foreign investors.

<u>Risk of not obtaining PBOC approval</u>
Neuberger Berman Europe Limited is required to obtain approval from PBOC before it can invest in PRC bonds via the China Interbank Bond Market for the Target Fund. There is no guarantee that any such approval will be obtained or, if obtained, such approval will not be revoked. The investment options available to the Target Fund will be adversely affected and restricted if the required PBOC approval is not obtained or revoked. This may have adverse impact on the performance of the Target Fund.

<u>RMB Currency Risk</u>
Renminbi is currently not a freely convertible currency and is subject to exchange controls and restrictions. The Target Fund which invests primarily in securities denominated in Renminbi but its net assets will be quoted in foreign currencies. Accordingly, the Target Fund's investment may be adversely affected by movements of exchange rates between Renminbi and other currencies. There can be no assurance that the Renminbi exchange rate will not fluctuate widely against the USD or any other currency in the future. Any depreciation of the Renminbi will decrease the value of Renminbi denominated assets, which may have a detrimental impact on the performance of the Target Fund.

The Renminbi is traded in both the onshore and offshore markets. While both onshore Renminbi ("CNY") and offshore Renminbi ("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. When calculating the NAV of shares of a non-Renminbi denominated class, the Administrator will apply the exchange rate for offshore Renminbi market in Hong Kong, i.e. the CNH exchange rate, which may be at a premium or discount to the exchange rate for onshore Renminbi market in the PRC, i.e. the CNY exchange rate.

<u>Disclosure of Interests</u>
Whereas the PRC disclosure of interest requirements generally apply to the equities investment in PRC listed companies, the convertible bonds (if any) held by an investor which can be converted to shares of the listed company may also be subject to such requirements. In addition, the Target Fund investing in relevant securities via Neuberger Berman Europe Limited's QFI status may be deemed to be acting in concert with other funds managed by Neuberger Berman Europe Limited and therefore may be subject to the risk that the Target Fund's investments may have to be reported in aggregate with the holdings of such other funds above should the aggregate holding trigger the reporting threshold under the PRC law, currently being 5% of the total issued shares of the relevant PRC listed company. This may expose the Target Fund's investments to the public and may adversely impact the performance of the Target Fund.

4.0. TARGET FUND INFORMATION

4.1. The third and fourth paragraphs under the section of "**About Neuberger Berman Investment Funds plc**" at page 28 has been replaced and read as below:

The Target Fund Investment Manager has appointed Neuberger Berman Europe Limited, Neuberger Berman Investment Advisers LLC and Neuberger Berman Asia Limited as sub-investment manager in respect of the Target Fund. Neuberger Berman Europe Limited, Neuberger Berman Investment Advisers LLC and Neuberger Berman Asia Limited are registered as investment advisers with the Securities and Exchange Commission in the USA and are wholly-owned indirect subsidiaries of Neuberger Berman Group LLC. Neuberger Berman Europe Limited is authorised and regulated by the FCA in the UK to conduct designated investment business. Neuberger Berman Asia Limited is regulated by the Securities and Futures Commission of Hong Kong.

4.2. The third paragraph in "Investment Approach" under the section of "**About Neuberger Berman Next Generation Connectivity Fund**" at page 29 has been replaced and read as below:

Using this universe, the Target Fund Sub-Investment Managers further evaluate those companies, seeking to identify companies who are leaders in their industries. The Target Fund Sub-Investment Managers believe that the companies who are leaders in their industries are identified through the quality of their product, technology, processes and market access. The Target Fund Sub-Investment Managers will review the financial position and results of the companies. In person management meetings, where possible, are then conducted with members of senior management of the relevant companies to assess financial and operating metrics (e.g. sales growth and product offering) and the quality of the company's management team.

4.3. The sixth paragraph in "Investment Approach" under the section of "**About Neuberger Berman Next Generation Connectivity Fund**" at page 29 has been replaced and read as below:

The Target Fund may invest directly in China A Shares through Stock Connect and through the QFI regime, as described below.

4.4. The information on "Environmental, Social and Governance ("ESG")" under the section of "**About Neuberger Berman Next Generation Connectivity Fund**" at page 29 has been replaced and read as below:

The Target Fund meets the classification of an Article 8 portfolio as it promotes environmental and social characteristics and limits investments to those companies that follow good governance practices. In promoting environmental and social characteristics, the Target Fund Sub-Investment Managers integrate ESG analysis into the portfolio construction activities, engages directly with the management teams of companies and applies a number of ESG exclusions and ESG exclusion policies. You may also refer to "Sustainable Investment Criteria" under Section 2.3 Permitted Investment and Investment Restrictions of the Target Fund for further information.

The Target Fund aims to hold a minimum of 80% investments that are aligned with the environmental or social characteristics promoted by the Target Fund. The Target Fund commits to holding at least 10% sustainable investments. The Target Fund aims to hold a maximum of 20% investments that are not aligned with the environmental or social characteristics promoted by the Target Fund and are not sustainable investments.

4.5. The information on "Instruments/ Asset Classes" under the section of "**About Neuberger Berman Next Generation Connectivity Fund**" at pages 30 to 31 has been replaced and read as below:

The Target Fund can invest in or be exposed to the following types of assets, which will be listed or traded on Recognized Markets or, if unlisted, will comply with the Central Bank of Ireland requirements.

Equity and Equity-linked Securities. These securities may include, without limitation, common stock, preferred stock, convertible bonds, convertible preferred stock, American, European and Global Depository Receipts, which are securities issued by a financial institution which evidence ownership interests in a security or a pool of securities deposited with the financial institution and, subject to a limit of 10% of the Target Fund's NAV, recently issued securities of the types described above, which are unlisted but have been issued with an undertaking to apply for admission to listing on a Recognized Market within a year of issue.

Equity Real Estate Investment Trusts. REITs are companies or trusts that pool investor money and invest mainly in income producing real estate, although it should be noted that the Target Fund will not acquire any real estate directly. REITs may invest in a diverse range of real estate properties or may specialise in a particular type of property (eg, data centres). The REITs which the Target Fund will invest in may be based globally and will give exposure to underlying properties located globally. They will invest the majority of their assets directly in real property and derive their income from rents and capital gains from appreciation realised through property sales. Exposure to REITs may arise when the Target Fund Sub-Investment Managers identify opportunities in such securities which are linked / support the evolution of Next Generation Connectivity (such as data centre REITs).

Participatory Notes ("P-Notes"). P-Notes are securities issued by banks or broker-dealers that are designed to replicate the performance of companies and markets (in which the Target Fund can invest directly) by giving exposure to the performance of specific stocks that the Target Fund may not be able to invest in directly because of local holding restrictions affecting such stocks in the jurisdiction of their issue. The Target Fund shall only invest in listed P-Notes for India, China and Vietnam.

FDI. These will be used for investment, hedging and/or efficient portfolio management and subject to the conditions and limits imposed by the Central Bank of Ireland as set out in the Target Fund Prospectus and its supplement:

- Warrants and rights may be used to take exposure to equity securities of the type described above.

- Single stock options may be used to take exposure to equity securities of the type described above and UCITS eligible equity index options may be used to hedge or efficiently manage some portions or all of the Target Fund.
- Convertible bonds and convertible preferred stock. Convertible bonds enable the holder to convert their investment in the bonds into the issuer's common stock at a pre-agreed price and convertible preferred stock enable the holder to convert their investment in the preferred stock into the issuer's common stock at a pre-agreed rate.
- Forward currency contracts may be used to hedge currency risk.

As the Target Fund may purchase FDI generally using only a fraction of the assets that would be needed to purchase the relevant securities directly, the remainder of the assets allocated to the Target Fund may be invested in the other types of securities listed above. The Target Fund Sub-Investment Managers may therefore seek to achieve greater returns by purchasing derivative instruments and investing the remaining assets in such other securities as listed above to achieve a rate of return greater than the market. The indices utilised for hedging or efficient portfolio management purposes will be broad-based, UCITS-eligible indices which provide exposure to the performance of equities and details of such indices pertaining to the instruments utilised by the Target Fund will be contained in the annual report of NBIF.
Collective Investment Schemes. The Target Fund may invest in collective investment schemes (including ETFs which are structured as collective investment schemes) which are themselves exposed to investments that are similar to the Target Fund's other investments, provided that the Target Fund may not invest more than 10% of its NAV in other collective investment schemes which themselves may invest up to 10% of their net asset value in other collective investment schemes. Such collective investment schemes may or may not be managed by the Target Fund Sub-Investment Managers or their affiliates and will comply with the requirements of the UCITS Regulations in respect of such investments.

The other collective investment schemes in which the Target Fund may invest will be eligible collective investment schemes in accordance with the Central Bank of Ireland's rules, which may be domiciled in Relevant Jurisdictions or the USA, will qualify as UCITS or alternative investment fund ("AIF") schemes and will be regulated as such by their home state regulator.

Collective investment schemes in which the Target Fund invests may be leveraged but such collective investment schemes will not generally be leveraged: (i) in excess of 200% of their net asset value; (ii) so that their 1 day absolute value-at-risk exceeds 4.47% of their net asset value over a 250 day horizon with a 99% confidence level; or (iii) so that their 1 month relative value-at-risk exceeds twice the value-at-risk of a comparable benchmark portfolio over a 250 day horizon with a 99% confidence level, depending on how such collective investment funds measure their global exposure.

ETFs. ETFs are investment funds whose shares are bought and sold on a securities exchange. ETFs invest in a portfolio of securities designed to track a particular market segment or index. The ETFs will be located in Relevant Jurisdictions and will be authorised under the UCITS Directive or will be alternative investment funds which are eligible for investment by the Target Fund in accordance with the requirements of the Central Bank of Ireland. The ETFs will represent investments that are similar to the Target Fund's other investments. The ETFs will operate on the principle of risk spreading and will not be leveraged.

Fixed Income Securities (Debt Securities). The Target Fund may invest in debt instruments, such as bonds and notes, issued by corporate or government issuers, which may be rated or unrated (although not more than 10% of NAV will be invested in debt instruments which are rated below investment grade) and may have fixed or floating interest rates and will not embed derivatives.

Money Market Instruments. The Target Fund may invest in money market instruments, which may include bank deposits, fixed or floating rate instruments (including commercial paper), floating or variable rate notes, bankers acceptances, certificates of deposit,
debentures and short-dated government or corporate bonds, cash and cash equivalents (including treasury bills), or money market funds which meet the criteria set out under "Collective Investment Schemes" above, in each case that are rated as investment grade
or below by Recognised Rating Agencies or are unrated.

Investment grade securities are highly rated securities, generally those rated Baa3, BBB- or above by one or more Recognised Rating Agencies, while high yield securities are medium or lower rated securities, generally those rated below investment grade and sometimes referred to as "junk bonds".

Repo Contracts. The Target Fund may use Repo Contracts subject to the conditions and limits set out in the Target Fund Prospectus.

4.6. The information on "Stock Connects" under the section of "**About Neuberger Berman Next Generation Connectivity Fund**" at pages 31 to 32 has been replaced and read as below:

The China Securities Regulatory Commission and the Securities and Futures Commission of Hong Kong have an approved program which establishes mutual stock markets access between the PRC and Hong Kong, namely Stock

Connect. The Target Fund Sub-Investment Managers may pursue the Target Fund's investment objective by investing up to 30% of the Target Fund's NAV directly in certain eligible China A Shares via Stock Connect.

The Shanghai Stock Connect is a securities trading and clearing linked program developed by the SEHK, the SSE and ChinaClear, with the aim of achieving mutual stock market access between the SEHK and the SSE. The Shenzhen Stock Connect is a securities trading and clearing linked program developed by the SEHK, the SZSE and ChinaClear, with the aim of achieving mutual stock market access between the SEHK and the SZSE.

Each of the Shanghai Stock Connect and Shenzhen Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Target Fund, subject to its investment approach and restrictions), through their Hong Kong brokers and a securities trading service company established by the SEHK, may trade Eligible Securities listed on the SSE and the SZSE by routing orders to the SSE and the SZSE respectively.

Eligible Securities

Among the different types of SSE- or SZSE-listed securities, only China A Shares and ETFs are currently permitted for Northbound trading under Stock Connect.

Currently, Hong Kong and overseas investors are able to trade certain SSE Securities. Eligible Securities under the Northbound Trading Link of the Shanghai Stock Connect include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A Shares that are not included as constituent stocks of the relevant indices but which have corresponding China H Shares listed on the SEHK, except the following:

- SSE-listed shares which are not traded in CNY; and
- SSE-listed shares which are included in the "risk alert board".

Eligible Securities under the Northbound Trading Link of the Shenzhen Stock Connect include any constituent stock of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which has a market capitalisation of CNY6 billion or above and all
SZSE-listed shares of companies which have issued both China A Shares and China H Shares, except the following:

- SZSE-listed shares which are not traded in CNY; and
- SZSE-listed shares which are included in the "risk alert board" or under delisting arrangement.

In addition, Hong Kong and overseas investors are able to trade eligible SSE-listed and SZSE-listed ETFs that satisfy the relevant criteria at a regular review and are accepted as eligible ETFs for Northbound trading under Stock Connect. Regular reviews will be
performed to determine the eligible ETFs for Northbound trading every six months.

It is expected that the list of Eligible Securities will be subject to review and may change from time to time.

If an Eligible Security ceases to be classified as such, Hong Kong and overseas investors (including the Target Fund, subject to its investment approach and restrictions) will only be allowed to sell holdings of such Eligible Security but will be restricted from buying any more of such Eligible Security.

Trading day
Investors (including the Target Fund, subject to its investment approach and restrictions) are only allowed to trade through Stock Connect on days on which both markets are open for trading, and banking services are available in both markets on the corresponding settlement days.

Trading quota
Trading under Stock Connect is subject to the Daily Quota. Northbound trading through each Stock Connect is subject to a separate set of Daily Quota. The Daily Quota limits the maximum net buy value of cross-boundary trades under each Stock Connect per day. The SEHK will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the SEHK's website. The Daily Quota may change from time to time without prior notice and investors should refer to the SEHK's website and other information published by the SEHK for up-to-date information.

Settlement and custody
The HKSCC will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

The Eligible Securities traded through Stock Connect are issued in scripless form, so investors do not hold any physical securities. Hong Kong and overseas investors who have acquired Eligible Securities through Northbound trading should maintain the Eligible Securities with their brokers' or custodians' stock accounts with CCASS, operated by HKSCC.

Corporate actions and shareholders' meetings
Notwithstanding the fact that the HKSCC does not claim proprietary interests in the Eligible Securities held in its omnibus stock account in ChinaClear, ChinaClear as the share registrar for the Eligible Securities will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such Eligible Securities.

HKSCC monitors the corporate actions affecting Eligible Securities and keeps the relevant brokers or custodians participating in CCASS ("CCASS participants") informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

SSE and SZSE-listed companies usually announce their annual general meeting / extraordinary general meeting information about one month before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise CCASS participants of all general meeting details such as meeting date, time, venue and the number of resolutions.

Foreign shareholding restrictions
The CSRC stipulates that, when holding China A Shares through Stock Connect, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- Single foreign investors' shareholding by any Hong Kong or overseas investor in a China A Share must not exceed 10% of the total issued shares; and
- Aggregate foreign investors' shareholding by all Hong Kong and overseas investors in a China A Share must not exceed 30% of the total issue shares.

Should the shareholding of a single investor in a China A Share listed company exceed the above restriction, the investor would be required to unwind his position on the excessive shareholding according to a last-in-first-out basis within a specific period. The SSE, the SZSE and the SEHK will issue warnings or restrict the buy orders for the related China A Shares if the percentage of total shareholding is approaching the upper limit.

SSE and SZSE-listed ETFs are not subject to the aforementioned shareholding restrictions.

Currency
Hong Kong and overseas investors will trade and settle Eligible Securities in CNY only. Hence, the Target Fund will need to use CNY to trade and settle Eligible Securities, subject to its investment approach and restrictions.

Trading fees and taxes
In addition to paying trading fees and stamp duties in connection with trading of Eligible Securities, the Target Fund may be subject to other fees and taxes concerned with income arising from transfers of stocks or ETFs (if applicable) which are determined by the relevant authorities.

Further information about Stock Connect is available online at the website:
https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc_lang=en

4.7. Item vii) in "Investment Restrictions of the Target Fund" under the section of "**Permitted Investments & Investment Restrictions of the Target Fund**" at page 32 has been replaced and read as below:

vii) The Target Fund will not utilise total return swaps, securities lending or margin lending.
viii) The Target Fund may invest up to 10% of its NAV in recently issued securities.

4.8. Item 1.5 in "Investment Restrictions of the Target Fund" under the section of "**Permitted Investments & Investment Restrictions of the Target Fund**" at page 32 has been replaced and read as below:

1.5 Units of AIFs.

4.9. Items 2.2, 2.5, 2.6 in "Investment Restrictions of the Target Fund" under the section of "**Permitted Investments & Investment Restrictions of the Target Fund**" at pages 32 to 33 has been replaced and read as below:

2.2 Recently Issued Transferable Securities

(1) Subject to paragraph (2) a responsible person shall not invest any more than 10% of assets of a UCITS in securities of the type to which Regulation 68(1)(d) of the UCITS Regulations apply.

(2) Paragraph (1) does not apply to an investment by a responsible person in US Securities known as "Rule 144 A securities" provided that;

(a) the relevant securities have been issued with an undertaking to register the securities with the US Securities and Exchange Commission within 1 year of issue; and

(b) the securities are not illiquid securities i.e. they may be realised by the UCITS within 7 days at the price, or approximately at the price, which they are valued by the UCITS.

2.5 The transferable securities and money market instruments referred to in 2.4 shall not be taken into account for the purpose of applying the limit of 40% referred to in 2.3.

2.6 Cash booked in accounts and held as ancillary liquidity shall not exceed 20% of the net assets of the UCITS.

4.10. Item 3.5 in "Investment Restrictions of the Target Fund" under the section of "**Permitted Investments & Investment Restrictions of the Target Fund**" at page 33 has been replaced and read as below:

3.5 Where by virtue of investment in the units of another investment fund, a responsible person, an investment manager or an investment advisor receives a commission on behalf of the UCITS (including a rebated commission), the responsible person shall ensure that the relevant commission is paid into the property of the UCITS.

4.11. Item 5.8 in "Investment Restrictions of the Target Fund" under the section of "**Permitted Investments & Investment Restrictions of the Target Fund**" at page 34 has been replaced and read as below:

5.8 A UCITS may hold ancillary liquid assets.

*Any short selling of money market instruments by UCITS is prohibited.

4.12. Item 5.9 in "Investment Restrictions of the Target Fund" under the section of "**Permitted Investments & Investment Restrictions of the Target Fund**" at page 34 has been deleted in its entirety.

4.13. The information on "Sustainable Investment Criteria" under the section of "**Permitted Investments & Investment Restrictions of the Target Fund**" at pages 35 to 36 has been replaced and read as below:

The Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers have regard to the terms of the Controversial Weapons Policy, as described in more detail below, when determining what investments to make for the Target Fund.

The Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers have regard to the terms of the Thermal Coal Involvement Policy for the Target Fund as described in more detail below, when determining what investments to make for the Target Fund.

The Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers will also act in accordance with the Global Standards Policy, as described in more detail below, when determining what investments to make for the Target Fund.

In addition, the Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers may have regard to the terms of the Sustainable Exclusion Policy (referred to as the "Sustainable Criteria") when determining what investments to make for the Target Fund. Where the Sustainable Exclusion Policy is applied to the Target Fund, this will be indicated in the Target Fund Prospectus.

Where any of the ESG exclusions listed in (i) the ESG exclusions policies (i.e. the Controversial Weapons Policy, the Sustainable Exclusion Policy and the Global Standards Policy, where applicable) or where any ESG involvement policies are listed (i.e. the Thermal Coal Involvement Policy); and/or (ii) as further detailed in the Target Fund, prevent the Target Fund from investing in certain securities, these ESG exclusions do not prevent the Target Fund from taking short positions in respect of such prohibited securities, i.e. seeking to profit from expected declines in the value of such securities. Such short positions must be cash settled. The Target Fund are prohibited from placing cover trades on issuers otherwise excluded from the Target Fund and this prohibition extends to holdings covering short positions.

Investors should note that the Target Fund may temporarily hold excess cash following a material subscription, before completing an investment, or following the sale of an investment, pending distribution or reinvestment. In such cases, where the cash is held temporarily, the Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers may exclude it from the asset allocation calculations contained in the Target Fund Prospectus.

The Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers will ensure that any existing holdings of the Target Fund that has adopted any of the Sustainable Criteria or other exclusions on ESG grounds that do not comply with the terms of such adopted policies or exclusions will be sold as soon as reasonably possible and, in any case, within 30 days of the date of the adoption of the relevant policy or exclusions, provided that it is in the best interests of the shareholders to do so. Further, in the event that any of the Sustainable Criteria or other ESG exclusions are changed, the Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers will ensure that any existing holdings of the Target Fund that is subject to such policies or exclusions that no longer comply with the terms of such policies or exclusions will be sold as soon as reasonably possible and, in any case, within 30 days of the date of the change to the relevant policy or exclusions, provided that it is in the best interests of the shareholders to do so. Thereafter, in each case, all of the existing holdings of the Target Fund will comply with terms of the relevant policy or exclusions.

Please note that where any exclusion policy adopted by the Target Fund contains its own specific provisions which address the issues addressed in this paragraph, such provisions will apply to the Target Fund, in preference to the foregoing.

Controversial Weapon Policy

The Target Fund Investment Manager and the Target Fund Sub-Investment Managers are committed to supporting and upholding conventions that seek to ban the production of controversial weapons and have adopted a controversial weapons policy (the "Controversial Weapons Policy") which seeks to prohibit a number of investments by the Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers. As a result, the Target Fund shall not invest in securities that have been identified by the Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers through the utilisation of third-party data, as having corporate involvement in the end manufacture or manufacture of intended use components of controversial weapons.

The Controversial Weapons Policy defines involvement in the manufacture of controversial weapons as either being responsible for end manufacture and assembly of controversial weapons, or being responsible for the manufacture of intended use components for controversial weapons. The Controversial Weapons Policy does not include dual-use component manufacturers (manufacturers of items that can be used for both military and non-military purposes) or delivery platform manufacturers (this may include manufacturers of airplanes, drones, ships or submarines potentially used to deliver weapons to their target/intended place of detonation).

Controversial weapons are defined as:

(a) ***Biological and chemical weapons.*** Weapons outlawed by the Biological and Toxin Weapons Convention of 1972, including, but not limited to, white phosphorus.
(b) ***Anti-personnel mines.*** Weapons that signatories agreed to prohibit the use, stockpiling, production or transfer of under the 1997 Anti-personnel Landmines Convention. The convention was concluded in Oslo on 18 September 1997 and entered into force on 1 March 1999, six months after it was ratified by 40 states. Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before March 1999. The Convention does not address the issue of financial support for companies that manufacture such weapons.
(c) ***Cluster munitions.*** Weapons that signatories agreed to restrict the manufacture, use and stockpiling of, as well as components of these weapons, under the 2008 Convention on Cluster Munitions. The Convention was agreed in Dublin, Ireland on 30 May 2008 and entered into force on 1 August 2010, six months after it was ratified by 30 states. Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before August 2010. The implications for financial support of companies that manufacture cluster munitions is left unclear in the Convention. As a result, signatory states and the institutions based on them have taken a range of approaches to the question of prohibiting or allowing investments in cluster munitions producers: some prohibit all investments, some prohibit only direct investments and some have not yet banned investments.
(d) ***Depleted uranium weapons.*** Companies involved in the production of depleted uranium (DU) weapons, ammunition and armour.

Thermal Coal Involvement Policy

The Thermal Coal Involvement Policy is an involvement policy whereby the Target Fund Investment Manager and the Target Fund Sub-Investment Managers will formally review and Neuberger Berman's ESG Committee must approve the initiation of new investment positions in securities issued by companies that (i) derive more than 25% of their revenue from thermal coal mining; or (ii) are expanding new thermal coal power generation. As a result, the Target Fund shall not make any new investments in securities that have been identified by the Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers through the utilisation of third-party data, as being issued by such companies without undergoing formal review and approval by Neuberger Berman's ESG Committee.

Thermal Coal Mining. The Target Fund Investment Manager and the Target Fund Sub-Investment Managers define thermal coal mining as the mining of thermal coal including lignite, bituminous, anthracite and steam coal, its sale to external parties and through contract mining services. This does not include revenue from metallurgical coal, intra-company sales of mined thermal coal, revenue from coal trading and royalty income for non-involved parties.

Thermal Coal Power Generation. The Target Fund Investment Manager and the Target Fund Sub-Investment Managers define new thermal coal power generation expansion as the addition of new and substantial thermal coal-fired generation capacity into the construction, development, permitting or planning phase by companies defined as a generating company (>10% of revenue derived from power generation). Investments in existing coal plants for pollution control equipment, regular operations and maintenance spend is not prohibited.

Thermal Coal and Power Generation Exclusions for the Target Fund

The Target Fund Investment Manager and the Target Fund Sub-Investment Managers will prohibit the initiation of new investment positions in securities issued by companies that (i) derive more than 25% of their revenue from thermal coal mining; or (ii) are expanding new thermal coal power generation for the Target Fund as one way that the Target Fund promotes the environmental and social characteristics. This exclusion applies in addition to the Thermal Coal Involvement Policy and supersedes the review and approval process for the initiation of new investment positions in securities issued by companies that derive more than 25% of their revenue from thermal coal mining (as explained in the "Thermal Coal Involvement Policy" section above).

The Target Fund is subject to a lower revenue threshold of 10% when prohibiting investment in securities issued by companies that generate revenue from thermal coal mining.

Sustainable Exclusion Policy
The Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers have adopted a sustainable exclusion policy (the "Sustainable Exclusion Policy") which sets out the exclusion criteria which they will utilise to prohibit investment in securities that the Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers do not believe meet a minimum sustainability criteria on behalf of the Target Fund.

The Sustainable Exclusion Policy incorporates the Thermal Coal Involvement Policy, the Controversial Weapons Policy and the Global Standards Policy. Under the Global Standards Policy, NBIF will comply with the UNGC Principles, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (the "OECD Guidelines"), the United Nations Guiding Principles on Business and Human Rights (the "UNGPs") and the ILO Standards (legal instruments drawn up by the International Labour Organization's constituents (governments, employers and workers) and setting out basic principles and rights at work), in line with international standards.

As the Sustainable Exclusion Policy applies to the Target Fund, it applies a lower revenue threshold of 10% when prohibiting investment in securities issued by companies that generate revenue from thermal coal mining than that provided for under the "Thermal Coal and Power Generation Exclusions for the Target Fund" section above, which applies a revenue threshold of 25%. For the avoidance of doubt, as the Target Fund applies the Sustainable Exclusion Policy, the lower revenue threshold of 10% will be applied to the Target Fund.

The following exclusion criteria are applied under the Sustainable Exclusion Policy:

Tobacco. The Target Fund is prohibited from purchasing the securities of issuers that are involved in tobacco production such as cigars, cigarettes, e-cigarettes, smokeless tobacco, dissolvable and chewing tobacco. This also includes issuers that grow or process raw tobacco leaves.

Civilian Firearms. The Target Fund is prohibited from purchasing the securities of issuers that are involved in the manufacturing of civilian firearms.

Private Prisons. The Target Fund excludes the purchase of companies that own, operate or primarily provide integral services to private prisons, given the significant social controversy and reputational risks associated with these, and also because the dependency on Justice Department policies and facilities or local governments' policies regarding their operations and the fact that these facilities are not easily reconfigurable for alternative uses.

Fossil Fuels. The Target Fund will seek to minimise or neutralise its exposure to certain pieces of the fossil fuel value chain, owing to the varied contribution to climate and environmental risk.

- ***Coal and unconventional oil and gas supply.*** The Target Fund is prohibited from purchasing the securities of issuers which derive substantial revenue from the extraction of coal or the use of unconventional methods to extract oil and gas. Substantial revenue is defined for this purpose as follows:
  - **Thermal coal.** Issuers should not derive more than 10% of revenue from the mining of thermal coal.
  - **Unconventional oil supply (Oil Sands).** Issuers should not derive more than 10% of revenue from oil sands extraction.

- ***Electricity generation.*** The Target Fund will only purchase the securities of issuers for which power generation makes up more than 10% of revenue, where they are aligned with a lower carbon emissions economy. The Target Fund is therefore prohibited from investing in generators where:
  - **Thermal Coal.** More than 30% of MWh generation is derived from thermal coal.
  - **Liquid Fuels (Oil).** More than 30% of MWh generation is derived from liquid fuels (oil).
  - **Natural Gas Electricity Generation.** More than 90% of MWh generation is derived from natural gas. This threshold may decline over time, to align with a glide path to greater renewables penetration.
- ***Conventional oil and gas supply.*** The Target Fund is prohibited from investing in the securities of oil and gas producers for whom natural gas makes up less than 20% of their reserves.

Global Standards Policy
The Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers will act in accordance with the Global Standards Policy in determining what investments to make for the Target Fund. Under the Global Standards Policy, NBIF will comply with the UNGC Principles, the OECD Guidelines, UNGPs and the ILO Standards (legal instruments drawn up by the International Labour Organization's constituents (governments, employers and workers) (collectively the "Principles and Guidelines") in respect of the Target Fund.

In accordance with the Global Standards Policy, the Target Fund Investment Manager and/or the Target Fund Sub-Investment Managers are committed to prohibiting the Target Fund from (i) initiating new investment positions; and

(ii) retaining existing investment positions, in securities issued by issuers whose activities breach any of the Principles and Guidelines.

4.14. The second paragraph of "Use of Financial Derivative Instruments" in "Portfolio Investment Techniques" under the section of "**Permitted Investments & Investment Restrictions of the Target Fund**" at page 37 has been replaced and read as below:

To the extent that the Target Fund uses FDI for investment purposes or efficient portfolio management purposes, there may be a risk that the volatility of the Target Fund's NAV may increase. However, the Target Fund is not expected to have an above average risk profile relative to its respective asset classes as a result of its use of FDI.

4.15. The information on "**Use of Securities Lending Agreements**" in "Portfolio Investment Techniques" under the section of "**Permitted Investments & Investment Restrictions of the Target Fund**" at page 39 has been deleted in its entirety.

4.16. The fourth paragraph under the section of "**Swing Policy**" at page 41 has been replaced and read as below:

The maximum swing in normal market circumstances where swing pricing is adopted is not expected to exceed 1.50% of the NAV of the Target Fund on the relevant dealing day of the Target Fund. Investors should note that in extreme market conditions the factor may exceed that level. The application of Swing Pricing may increase the variability of the Target Fund's returns. The Target Fund Investment Manager reserves the right to increase or vary the 'swing' of the NAV of the Target Fund without notice to shareholders of the Target Fund.

5.0. THE MANAGER

5.1. The information under the section of "**Designated Person Responsible for Fund Management Function**" at page 57 has been replaced and read as below:

Name:	Lee Chun Hong
Designation:	Chief Investment Officer, Equities – Malaysia
Experience:	Chun Hong has more than 19 years of experience in fund management and equity research. He joined Principal Malaysia in 2017 to manage unit trust funds and institutional mandates covering Malaysian and ASEAN markets. Prior to that, he was attached to Libra Invest Berhad, managing and supervising Unit Trust and Research divisions that covered ASEAN and China-Hong Kong markets. He commenced his career in fund management industry at Public Mutual Berhad. He had research responsibilities for regional plantation and consumer sectors, as well as research country coverage of ASEAN markets. Subsequently, he moved on to portfolio management specialising in ASEAN markets. He started covering ASEAN markets since 2010. He was also previously with PricewaterhouseCoopers as an auditor.
Qualifications:	▪ Bachelor of Commerce (Accounting & Finance) - Monash University, Clayton Campus. ▪ A CFA Charterholder. ▪ Ex-member of CPA Australia.

Note: *For more information and/or updated information, please refer to our website at* ***www.principal.com.my.***

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