

## Information Memorandum

26 August 2024

# Principal China Quality Growth Fund

**Manager** : Principal Asset Management Berhad (199401018399 (304078-K))

**Trustee** : HSBC (Malaysia) Trustee Berhad (193701000084 (1281-T))

This Information Memorandum Issue No. 1 for the Principal China Quality Growth Fund is dated 26 August 2024.

The Fund was constituted on 2 June 2023.

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

The lodgement of this 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 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 Information Memorandum. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this 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. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**THE FUND IS MULTI-CLASS FUND AND IS ALLOWED TO ESTABLISH NEW CLASS(ES) FROM TIME TO TIME AS MAY BE DETERMINED BY THE MANAGER.**

# ABOUT THIS DOCUMENT

This is an information memorandum which introduces you to Principal Malaysia and the Fund, which is a wholesale fund. This Information Memorandum outlines in general the information you need to know about the Fund and is intended for the exclusive use by prospective Sophisticated Investors (as defined herein) who should ensure that all information contained herein remains confidential. The Fund is established with multi-class structure and has more than one (1) class.

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

If you have any questions about the Fund, please call our Customer Care Centre during business hour at (03) 7723 7260 or whatsapp at +6016 2999792 between 8:45 a.m. and 5:45 p.m. (Malaysian time) on Mondays to Fridays.

Unless otherwise indicated, any reference in this Information Memorandum to any rules, regulations, guidelines, standards, directives, notices, legislations or statutes shall be reference to those rules, regulations, guidelines, standards, directives, notices, legislations or statutes for the time being in force, as may be amended, varied, modified, updated, superseded and/or re-enacted from time to time.

Any reference to a time, day or date in this Information Memorandum shall be a reference to that time, day or date in Malaysia, unless otherwise stated. Reference to “days” in this Information Memorandum will be taken to mean calendar days unless otherwise stated.

As the base currency of the Fund is USD, please note that all references to currency amounts and NAV per unit in the Information Memorandum are in USD unless otherwise indicated.

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE IN DOUBT, PLEASE CONSULT YOUR PROFESSIONAL ADVISERS IMMEDIATELY.**

# DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Information Memorandum:

Application Fee	- Preliminary charge on each investment.
AUD	- Australian Dollar.
Business Day	- Mondays to Fridays when Bursa Malaysia Securities Berhad is open for trading and excludes Saturdays, Sundays and gazetted public holidays in the Federal Territory of Kuala Lumpur. In respect of the Target Fund, it means a day on which the stock exchange in Hong Kong is open for business. <b>Note:</b> We may declare certain Business Days to be a non-Business Day if the jurisdiction of the Target Fund declares a non-business day and/or if the Target Fund Manager declares a non-dealing day. This information will be communicated to you via our website at <a href="http://www.principal.com.my">www.principal.com.my</a> .
CIMB Group	- CIMB Group Sdn. Bhd.
CIS	- Collective investment scheme.
Class	- Any class of units representing similar interest in the assets of the Fund.
Class AUD-Hedged	- The Class issued by the Fund denominated in AUD that aims to minimize the effect of exchange rate fluctuations between the base currency of the Fund (i.e. USD) and AUD.
Class GBP-Hedged	- The Class issued by the Fund denominated in GBP that aims to minimize the effect of exchange rate fluctuations between the base currency of the Fund (i.e. USD) and GBP.
Class MYR-Hedged	- The Class issued by the Fund denominated in MYR that aims to minimize the effect of exchange rate fluctuations between the base currency of the Fund (i.e. USD) and MYR.
Class SGD-Hedged	- The Class issued by the Fund denominated in SGD that aims to minimize the effect of exchange rate fluctuations between the base currency of the Fund (i.e. USD) and SGD.
Class USD	- The Class issued by the Fund denominated in USD.
CMSA	- Capital Markets and Services Act 2007.
Commencement Date	- The next Business Day immediately following the end of the initial offer period of the respective Class.
Deed	- The principal and all supplemental deed in respect of the Fund made between us and the Trustee, in which Unit holders agree to be bound by the provisions of the Deed.
Deposit	- As per the definition of “deposit” in the Financial Services Act 2013 and “Islamic deposit” in the Islamic Financial Services Act 2013.
Distributor	- Any relevant persons and bodies appointed by Principal Malaysia from time to time, who are responsible for selling units of the Fund, including Principal Distributors and IUTAs.
FDI	- Financial derivative instruments.
Fund or CQG	- Principal China Quality Growth Fund.
GBP	- Great Britain Pound.
GLOLA	- SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.
IMS	- Investment Management Standards issued by the Federation of Investment Managers Malaysia.
Information Memorandum	- Refers to the information memorandum in respect of the Fund and includes any supplemental information memorandum or replacement information memorandum, as the case may be.
IUTA	- Institutional Unit Trust Schemes Adviser.
LPD	- Latest Practicable Date, i.e. 30 June 2024, in which all information provided herein, shall remain current and relevant as at such a date.
Management Fee	- A percentage of the NAV of the Class that is paid to us for managing the portfolio of the Fund.
MCR	- Multi-class ratio, being the apportionment of the NAV of each Class over the Fund’s NAV based on the size of each Class. The MCR is calculated by dividing the NAV of the respective Class by the NAV of the Fund before income and expenses for the day. The apportionment is expressed as a ratio and calculated as a percentage.
MYR	- Malaysian Ringgit.
NAV	- Net Asset Value.
NAV of the Class	- The NAV of a Class is the NAV of the Fund attributable to a Class at the same valuation point.
NAV of the Fund	- The value of all the Fund’s assets less the value of all the Fund’s liabilities, at the point of valuation. For the purpose of computing the annual Management Fee and annual Trustee Fee, the NAV of the Fund should be inclusive of the Management Fee and Trustee Fee for the relevant day.
NAV per unit	- The NAV attributable to a Class divided by the number of units in circulation for that Class, at the valuation point.
OTC	- Over-the-counter.
PFG	- Principal Financial Group Inc..

Principal Distributors	- Refers to the authorised unit trust scheme consultants registered with Principal Malaysia.
Principal Malaysia, the Manager, we or us	- Principal Asset Management Berhad.
RSP	- Regular Savings Plan.
SC	- Securities Commission Malaysia.
SGD	- Singapore Dollar.
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: <ul style="list-style-type: none"> <li>(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</li> <li>(ii) acquires any capital market products 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.</li> </ul> and/or any other category(ies) of investors as may be permitted by the SC from time to time. <b>Note:</b> For more information, please refer to our website at <a href="http://www.principal.com.my">www.principal.com.my</a> for the current and/or updated the definition and categories of "Sophisticated Investor".
Special Resolution	- A resolution passed by a majority of not less than three-fourth (3/4) of the Unit holders of the Fund or a Class, as the case may be, voting at a meeting of Unit holders duly convened and held in accordance with the provisions of the Deed.
Switching Fee	- A charge that may be levied when switching is done from one fund or class to another.
Target Fund	- JPMorgan China Pioneer A-Share Fund.
Target Fund Manager	- JPMorgan Funds (Asia) Limited.
Target Fund Investment Manager	- JPMorgan Asset Management (Asia Pacific) Limited.
Target Fund Investment Adviser	- China International Fund Management Co., Ltd.
Target Fund Prospectus	- Refers to the prospectus in respect of the Target Fund and includes any supplemental prospectus, addendum or replacement prospectus, as the case may be. The Target Fund Prospectus is available for download at <a href="http://www.jpmorgan.com/hk/am/">www.jpmorgan.com/hk/am/</a> .
Transfer Fee	- A nominal fee levied for each transfer of units from one Unit holder to another.
Trustee	- HSBC (Malaysia) Trustee Berhad.
Trustee Fee	- A percentage of the NAV of the Fund that is paid to the Trustee for its services rendered as trustee for the Fund.
Unit holder	- The registered holder for the time being of a unit of any Class including persons jointly registered.
USA	- United States of America.
USD	- United States Dollar.
Wholesale Fund	- A unit trust scheme established in Malaysia where the units are to be issued, offered for subscription or purchase, or for which invitations to subscribe for or purchase the units are to be made, exclusively to Sophisticated Investor.
Withdrawal Penalty	- A penalty levied upon withdrawal under certain terms and conditions (if applicable).

**Note:** Unless the context otherwise requires, words importing the singular number should include the plural number and vice versa.

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# 1. FUND INFORMATION

## 1.1. PRINCIPAL CHINA QUALITY GROWTH FUND

- Fund Category/Type** : Feeder fund/ Growth
- Fund Objective** : The Fund aims to achieve capital appreciation through investments in one (1) collective investment scheme, which invests primarily in People’s Republic of China equity securities including but not limited to China A-Shares listed on People’s Republic of China stock exchanges. *We will require your approval if there is any material change to the Fund’s investment objective.*
- Benchmark** : The Fund adheres to the benchmark of the Target Fund for performance comparison. Currently, benchmark of the Target Fund is CSI 300 Index (Total Return Net).
- Distribution Policy** : The distribution policy of each of the Class may differ. Please refer to the Annexure of the respective Class for more information. You may also refer to page 37 for information on the distribution payment.

### Base Currency and Classes

The base currency of the Fund is USD.

Please note that the Fund is established as a multi-class fund where the Deed allows for the establishment of more than one (1) Class with similar interests in the assets of the Fund. You should note that the Fund is allowed to establish new Class(es) from time to time without your prior consent.

Under the Deed, Unit holders of each Class shall have the same rights and obligations. Each Class may be different in terms of currency denomination, fees and charges, and hence, will have its respective NAV per unit, denominated in its respective currency taking into account the aforementioned features. Although the Fund has multiple Classes, you should note that the assets of the Fund are pooled for investment purpose.

Currently, the Classes below are available for sale. Please refer to the Annexure for further details on the Classes. You should note that we have the discretion to decide on the offering of other Classes for sale in the future. This information will be communicated to you via our website at [www.principal.com.my](http://www.principal.com.my). When in doubt, you should consult professional advisers for a better understanding of the multi-class structure before investing in the Fund.

### Initial Offer Period and Initial Offer Price

Name of Class	Launch Date*	Initial offer period	Initial offer price per unit
Class AUD-Hedged	26 August 2024	Up to 21 days	AUD 1.0000
Class GBP-Hedged	26 August 2024	Up to 21 days	GBP 1.0000
Class MYR-Hedged	26 August 2024	Up to 21 days	MYR 1.0000
Class SGD-Hedged	26 August 2024	Up to 21 days	SGD 1.0000
Class USD	26 August 2024	Up to 21 days	USD 1.0000

\* We have the discretion to determine the launch date, which shall be the same date as stated above or such other date as may be determined by us.

For more details, you may contact our Customer Care Centre or Distributors; or visit our website at [www.principal.com.my](http://www.principal.com.my).

### Investment Policy and Strategy

The Fund is a feeder fund and it invests in a single CIS, i.e. JPMorgan China Pioneer A-Share Fund (“Target Fund”). The Fund may also invest in liquid assets for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its NAV in the Target Fund and may also invest up to 5% of its NAV in liquid assets for liquidity purpose. The Target Fund was established on 19 June 2006 under JPMorgan Funds domiciled in Hong Kong.

The Fund will be actively rebalanced from time to time to meet sales and withdrawals transactions. This is to enable a proper and efficient management of the Fund. As this is a feeder fund that invests predominantly in the Target Fund, we do not intend to take temporary defensive position for the Fund during adverse market, economic and/or any other conditions. This is to allow the Fund to mirror the performance of the Target Fund in either bullish or bearish market conditions. However, the Target Fund Investment Manager may take temporary defensive position when deemed necessary.

We do not employ risk management strategy on the portfolio of the Target Fund. However, the Target Fund Investment Manager will employ a risk management process in respect of the Target Fund that enables the Target Fund Investment Manager to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the Target Fund.

We will employ risk management strategy at the Fund level, where we will continuously monitor the investment objective, performance and suitability of the Target Fund to ensure that it is in line with the investment objective of the Fund. If we are of the opinion that the Target Fund no longer meets the Fund’s investment objective, we may, with your approval, replace the Target Fund with another CIS that is in line with the Fund’s objective. In such circumstances, we will withdraw our investment in the Target Fund and invest in another CIS on a staggered basis for a smooth transition, if the Target Fund imposes any conditions in relation to withdrawal of units or if the manager of the newly identified target fund exercises its discretion to apply anti-dilution levy\* in relation to the applications for units. Thus, the time frame required to perform the transition will depend on such conditions, if any, imposed by the Target Fund as well as any conditions associated with a dilution adjustment that may be made by the newly identified target fund. Hence during the transition period, the Fund’s investments may differ from the stipulated investment objective, investment strategies and/or investment restrictions and limits. The Fund also may, with the concurrence of the Trustee, hold more than 5% of liquid assets on a temporary basis to meet withdrawal requests and to manage expenses of the Fund.

Currently, the Fund invests in A Share (acc) - USD of the Target Fund, which is denominated in USD. The Fund may change its entire investment into another class of the Target Fund (which must be denominated in the same currency) if we are of the opinion that the change is in the interest of the Unit holders. If we wish to effect such change, we will seek concurrence from the Trustee and you will be notified before implementation.

**Note:**

\* Anti-dilution levy is an allowance for fiscal and other charges that is added to the NAV per unit to reflect the costs of investing application monies in underlying assets of the Target Fund or newly identified target fund.

**Information on the Target Fund**

Target Fund	:	JPMorgan China Pioneer A-Share Fund
Share class	:	A Share (acc) - USD
Currency Denomination	:	USD
Target Fund Manager	:	JPMorgan Funds (Asia) Limited.
Target Fund Investment Manager	:	JPMorgan Asset Management (Asia Pacific) Limited
Target Fund Investment Adviser	:	China International Fund Management Co., Ltd.
Regulatory authority	:	Securities and Futures Commission (“SFC”)

**1.2. PERMITTED INVESTMENTS**

The Fund will invest in the following investments:

- One (1) CIS;
- Liquid assets as such as Deposits and money market instruments;
- Derivative instruments, including but not limited to options, futures contracts, forward contracts and swaps for the purpose of hedging; and
- Any other form of investments as may be determined by us from time to time that is in line with the Fund’s objective.

**1.3. INVESTMENT RESTRICTIONS AND LIMITS**

The Fund is subjected to the following investment restrictions and limits:

**CIS:** The Fund must invest at least 95% of its NAV in one (1) CIS.

**Liquid assets:** The Fund may invest up to 5% of its NAV in liquid assets. However, with the concurrence of the Trustee, The Fund may hold more than 5% of liquid assets on a temporary basis to meet withdrawal requests and to manage expenses of the Fund.

**1.4. APPROVALS AND CONDITIONS**

There is no exemption and/or variation to the GLOLA for the Fund.

**1.5. FINANCING**

The Fund may not obtain cash financing or borrow other assets in connection with its activities. However, the Fund may obtain financing for the purpose of meeting withdrawal requests for units and for short-term bridging requirements.

## 1.6. SECURITIES LENDING

Not applicable to the Fund.

## 1.7. RISK FACTORS

### 1.7.1 GENERAL RISKS OF INVESTING IN A FUND

Before investing, you should consider the following risk factors in addition to the other information set out in this Information Memorandum.

#### **Returns and capital not guaranteed**

The investment of the fund is subject to market fluctuations and its inherent risk. There is **NO GUARANTEE** on the investment which includes your investment capital and returns, nor any assurance that the fund's objective will be achieved. You should also note that the fund is neither a capital guaranteed fund nor a capital protected fund. However, we reduce this risk by ensuring diligent management of the assets of the fund based on a structured investment process.

#### **Market risk**

This risk refers to the possibility that an investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the fund's NAV.

#### **Inflation risk**

This is the risk that your investment in the fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce your purchasing power even though the value of the investment in monetary terms has increased.

#### **Manager risk**

This risk refers to the day-to-day management of the fund by the manager which will impact the performance of the fund. For example, investment decisions undertaken by the manager, as a result of any non-compliance with internal policies, investment mandate, the deed, relevant law or guidelines due to factors such as human error or weaknesses in operational process and systems, may adversely affect the performance of the fund.

#### **Financing risk**

This risk occurs when you obtain financing to finance your investment. The inherent risk of investing with money obtained from financing includes you being unable to service the financing payments. In the event units are used as collateral and if the prices of units fall below a certain level due to market conditions, you may be required to pay additional amount on top of your existing instalment. If you fail to do so within the time prescribed, your units may be sold at an unfavourable price and the proceeds thereof will be used towards the settlement of your financing.

#### **Liquidity risk**

Liquidity risk refers to the ability to sell and convert the units held in the CIS into cash. This may be affected by the liquidity policy applied by the CIS (e.g. suspension of the CIS), which may negatively impact the Fund and unit holders may experience delay in the withdrawal process.

### 1.7.2 SPECIFIC RISK RELATED TO THE FUND

#### **Currency risk**

You should be aware that currency risk is applicable to Class(es) which is denominated in a different currency than the base currency of the Fund. The impact of the exchange rate movement between the base currency of the Fund and the currency denomination of the respective Class(es) may result in a depreciation of the value of your holdings as expressed in the currency denomination of the respective Class(es).

As for a hedged Class, the hedged Class itself provides mitigation to the currency risk arising from the difference between the currency denomination of the Class and the base currency of the Fund. While we aim to fully hedge the currency risk for a hedged Class, you should note that it may not entirely eliminate currency risk. In addition, you should note that, as a result of hedging, a hedged Class will not be able to enjoy the full benefits of the currency movement in the event of a favourable movement of the currency denomination of the hedged Class against the base currency of the Fund. You should also note that hedging incurs costs, in which will impact the NAV of a hedged Class.

#### **Target Fund manager risk**

Since the Fund invests into a CIS that is managed by another manager, the Target Fund Investment Manager has absolute discretion over the Target Fund's investment technique and knowledge, operational controls and management. In the event of mismanagement of the Target Fund, the NAV of the Fund, which invests into the Target Fund, may be affected negatively. Although the probability of such occurrence is minute, should the situation arise, we reserve the right to seek for an alternative CIS that is consistent with the objective of the Fund, subject to your approval.

#### **Country risk**

As the Fund invests in the Target Fund, which is domiciled in Hong Kong, the Fund's investments in the Target Fund may be affected by risks specific to Hong Kong. Such risks include adverse changes in Hong Kong's economic fundamentals, social and political stability, laws and regulations and foreign investments policies. These factors may have an adverse impact on the prices of the Target Fund and consequently the Fund.



### 1.7.3 RISKS ASSOCIATED WITH INVESTMENTS IN THE TARGET FUND

As the Fund invests predominantly in the Target Fund, the Fund also assumes the risks associated with the Target Fund, which include but not limited to the following. The risk disclosure in relation to the Target Fund was excerpted from the Target Fund Prospectus.

#### (i) Investment risk

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

#### (ii) Equity risk

The Target Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. Equity markets may fluctuate significantly with prices rising and falling sharply, and this will have a direct impact on the Target Funds' net asset values. When equity markets are extremely volatile, the Target Funds' net asset values may fluctuate substantially.

#### (iii) Political, economic and social risks

All financial markets may at times be adversely affected by changes in political, economic and social conditions.

#### (iv) Market risk

The value of the securities in which the Target Fund invests changes continually and can fall based on a wide variety of factors affecting financial markets generally or individual sectors.

Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Furthermore, global events such as war, terrorism, environmental disasters, natural disasters or events, country instability, and infectious disease epidemics or pandemics may also negatively affect the value of the Target Fund's investments.

In particular, events such as infectious disease epidemics or pandemics may have a significant negative impact on the value of the Target Fund's investments, increase the Target Fund's volatility, negatively impact the Target Fund's pricing, magnify pre-existing risks to the Target Fund and impact the Target Fund's operations.

#### (v) Currency risk

The assets in which the Target Fund are invested and the income from the assets will or may be quoted in currencies which are different from the Target Fund's base currencies. The performance of the Target Fund will therefore be affected by changes in exchange rate controls and movements in the exchange rate between the currencies in which the assets are held and Target Fund's currencies of denomination. Since the Target Fund Manager, the Target Fund Investment Manager aim to maximise returns in terms of the Target Fund's currencies of denomination, investors whose base currency is different (or not in a currency linked to the Target Fund's currencies of denomination) may be exposed to additional currency risk. The performance of these Target Fund may also be affected by changes in exchange control regulations.

#### (vi) Hedging risk

The Target Fund Manager, the Target Fund Investment Manager, and the Target Fund Sub-Manager are permitted, in their absolute discretion, but not obliged, to use hedging techniques to attempt to reduce market and currency risks. There is no guarantee that hedging techniques if used, will achieve the desired result nor that hedging techniques will be used. The hedging, if any, against foreign exchange risks may or may not be up to 100% of assets of the Target Fund.

#### (vii) Derivatives risk

Risks associated with derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a derivative can result in a loss significantly greater than the amount invested in the derivatives by the Target Fund. Exposure to derivatives may lead to a high risk of significant loss by the Target Fund. Participation in warrants, futures, options and forward contracts involves potential investment returns which the Target Fund would not receive, and risks of a type, level or nature to which the Target Fund would not be subject, in the absence of using these instruments. If the direction of movement of the securities or money markets is for or against the prediction of the Target Fund Manager, the Target Fund Investment Manager and the Target Fund Sub-Manager, the Target Fund may be placed in a position which is better or worse than that in which it would have been if these instruments had not been used. Equity Warrants – Some of the Target Fund may engage in use of equity warrant which generally allows an investor the right to subscribe for a fixed number of ordinary shares at a pre-determined price on a future date or during a fixed period of time. Since the price of the warrant is normally substantially less than the price of the share itself, an increase in the share price will generally cause the value of the warrant to increase at a greater rate. On the other hand, a fall in the share price may cause the warrant to become valueless. The use of warrants by the Target Fund will, therefore, usually mean that the net asset value of the Target Fund will increase or decrease at a greater rate than would have been the case if the relevant investment had actually been made in the shares underlying the relevant warrants. Forward contracts – Some of the Target Fund may enter into forward contracts which are not traded on exchanges and are generally not regulated. There are no limitations on a daily price movement of forward contracts. Banks and other dealers with whom the Target Fund may maintain accounts may require the Target Fund to deposit margin with

respect to such trading, although margin requirements are often minimal or nonexistent. The Target Fund's counterparties are not required to continue to make markets in such contracts. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which the Target Fund Manager, the Target Fund Investment Manager would otherwise recommend, to the possible detriment of the Target Fund. Futures – Owing to the low margin deposits normally required in index and stock futures contracts, a high degree of leverage is typical of a futures trading account. As a result, a small price movement in index and stock futures contract may result in relatively large losses or profits to the Target Fund. The position of the Target Fund in such transactions may not be capable of being closed out in certain circumstances. Options – Some of the Target Fund may engage in the use of call and put options. There are risks associated with the sale and purchase of call and put options. The Target Fund may act as a buyer or seller of an option and therefore subject to the potential gain or loss set out below. The buyer of a call or put option assumes the risk of losing his entire investment in the options. If the buyer of the call/(put) option shorts/(holds) the underlying security, the loss on the call/(put) option will be offset in whole or in part by any gain on the underlying security. The seller of a call/(put) option which is covered (e.g. the seller has a long/(short) position in the underlying security) assumes the risk of a decrease/(an increase) in the market price of the underlying security below/(above) the purchase/(sales) price (in establishing the long/(short) position) of the underlying security, less the premium received, and gives up the opportunity for gain on the underlying security above/(below) the exercise price of the option. The seller of the call/(put) option which is uncovered assumes the risk of an increase/(a decrease) in the market price of the underlying security above/(below) the exercise price of the option, less the premium received.

**(viii) Leverage risk**

The Target Fund may borrow funds and employ financial instruments and techniques with an embedded leverage effect. The borrowing of Target fund and use of leverage will magnify increases or decreases in the net asset value of the Target Fund. No assurance can be given that secured or unsecured financing will be available on terms that the Target Fund Manager, the Target Fund Investment Manager and the Target Fund Sub-Manager consider acceptable, nor that the use of leveraged financial instruments and techniques will not generate losses in excess of the amount invested or committed.

**(ix) Concentration risk**

The Target Fund may concentrate its investments in a specific geographical area, a single industry or group of industries, and/or a limited number of securities. Investors should be aware that the Target Fund is likely to be more volatile than a more broadly diversified fund. The value of the Target Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting that geographic area/industry/issuer in which they invest.

**(x) Emerging markets risk**

Accounting, auditing and financial reporting standards in some of the emerging markets in which the Target Fund's assets may be invested may be less rigorous than international standards. As a result, certain material disclosures may not be made. Investment in emerging markets involves special considerations and increased risks not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Many emerging market countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. There is a possibility of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Target Fund's investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, price volatility, restrictions on foreign investment and repatriation of capital, and the risks associated with emerging economies, including high inflation and interest rates and political and social uncertainties. Investments in products relating to emerging markets may also become illiquid which may constrain the Target Fund Manager's, the Target Fund Investment Manager's ability to realise some or all of the portfolio.

**(xi) Low level of monitoring risk**

The legal and regulatory frameworks of many of the emerging markets are still in the development stage compared to many of the world's leading stock markets, and accordingly there may be a lower level of regulatory monitoring of the activities of such securities markets.

**(xii) Legal, tax and regulatory risk**

Legal, tax and regulatory changes could occur during the term of the Target Fund which may adversely affect it. If any of the laws and regulations currently in effect should change or any new laws or regulations should be enacted, the legal requirements to which the Target Fund and the investors may be subject could differ materially from current requirements and may materially and adversely affect the Target Fund and the investors.

**(xiii) Liquidity risk**

The Target Fund may invest in instruments where the volume of transactions may fluctuate significantly depending on market sentiment or which are traded infrequently or on comparatively small markets. There is a risk that investments made by the Target Fund are less liquid compared to more developed markets or may become less liquid in response to market developments or adverse investor perceptions, particularly in respect of larger transaction sizes. In extreme market situations, there may be no willing buyer and the investments cannot be readily sold at the desired time or price, and the Target Fund may have to accept a lower price to sell the investments or may not be able to sell the investments at all. Trading in particular securities or other instruments may be suspended or restricted by the relevant exchange or by a governmental or supervisory authority and the Target Fund may incur a loss as a result. An inability to sell a portfolio position can adversely affect the Target Fund's value or prevent the Target Fund from being able to take advantage of other investment opportunities.

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

Investment in fixed income securities, small and mid-capitalization stocks and emerging country issuers will be especially subject to the risk that during certain periods, the liquidity of particular issuers or industries, or all securities within a particular investment category, will shrink or disappear suddenly and without warning as a result of adverse economic, market or political events, or adverse investor perceptions whether or not accurate. The downgrading of fixed income securities may affect the liquidity of investments in fixed income securities.

**(xiv) Valuation risk**

Securities purchased by the Target Fund, particularly debt securities, that are liquid at the time of purchase may subsequently become illiquid due to events relating to the issuer of the securities, markets events, economic conditions, investor perceptions, legislation or regulatory sanctions. Domestic and foreign markets are becoming more and more complex and interrelated, such that events in one sector of the market or the economy, or in one geographical region, can reverberate and have negative consequences for other markets, economic or regional sectors in a manner that may not be reasonably foreseen. In cases where no clear indication of the value of the Target Fund's portfolio instruments is available, the portfolio instruments will be valued at their fair value according to the valuation procedures approved by the trustee. These cases include, among others, situations where it would be inaccurate to rely on the valuations provided by the secondary markets on which a security has previously been traded because these secondary markets are no longer viable for lack of liquidity.

In addition, market volatility may result in a discrepancy between the latest available net asset value for the Target Fund or the Target Fund's class and the fair value of the assets of the Target Fund or the Target Fund's class. The Target Fund Manager may, with due care, skill and diligence, and in consultation with the trustee, adjust the net asset value of the Target Fund or Target Fund's class or of a unit, if it considers that such adjustment is required to reflect more accurately the fair value of the net asset value. Such adjustment shall be made in good faith, with the Target Fund Manager taking into account the best interests of unitholders. It should be noted that the bases of valuations adopted by the Target Fund or Target Fund's class may not be the same as the accounting, principles generally accepted in Hong Kong. As such, valuation of the Target Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the net asset value calculation of the Target Fund.

**(xv) Volatility risk**

The value of the Target Funds' underlying investments will be affected by economic, political, market, and issuer specific changes. Such changes may adversely affect the value of the Target Funds' underlying investments. Additionally, different industries, financial markets, and securities can react differently to these changes. Such fluctuations of the Target Funds' value could be volatile and are often exacerbated in the short-term as well. High market volatility and potential settlement difficulties in certain markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Target Fund.

**(xvi) Custodial risk**

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where the Target Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Target Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Target Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Target Fund may even be unable to recover all of its assets. The costs borne by the Target Fund in investing and holding investments in such markets will be generally higher than in organized securities markets.

**(xvii) Counterparty risk**

The Target Fund may invest in different instruments in accordance with the objectives of the Target Fund and as permitted by the investment restrictions. If the counterparties of these underlying investments default, the Target Fund could suffer substantial losses. Such risks include, but are not limited to, the following:

Cash and deposits – The Target Fund may hold cash and deposits in banks or other deposit-taking companies which might not be subject to regulatory or government full or partial protection, and might suffer a significant or even total loss in the event of bankruptcy of the banks or deposit-taking companies.

Depository receipts – Investment into a given country may be made via direct investments into that market or by depository receipts traded on other international exchanges in order to benefit from increased liquidity in a particular security and other advantages. Investments in depository receipts may be subject to counterparty risk, in which a significant or even total loss might be suffered in the event of the liquidation of the depository or custodian bank.

Credit risk – If the issuer of any of the securities in which the Target Fund’s assets are invested defaults, the performance of the Target Fund will be adversely affected and the Target Fund could suffer substantial loss. For fixed income securities, a default on interest or principal may adversely impact the performance of the Target Fund.

Risks related to debt securities – The Funds may invest in, but are not limited to debt securities. There is no assurance that losses will not occur with respect to investment in debt securities. Factors that may affect the value of the Target Fund’s debt securities holdings include: (i) changes in interest rates and (ii) the credit worthiness of the issuers of the debt securities held by the Target Fund.

Settlement risk – Settlement procedures in emerging countries are frequently less developed and less reliable and may involve the Target Fund’s delivery of securities before receipt of payment for their sale. In addition, significant delays may occur in certain markets in registering the transfer of securities. Settlement or registration problems may make it more difficult for the Target Fund to value its portfolio securities and could cause the Target Fund to miss attractive investment opportunities, or to have a portion of their assets uninvested, or to incur losses due to the failure of a counterparty to pay for securities the Target Fund have delivered, or the Target Fund’s inability to complete its contractual obligations because of theft or other reasons. As a result, the creditworthiness of the local securities firms used by the Target Fund in emerging countries may not be as sound as the creditworthiness of firms used in more developed countries. The Target Fund may be subject to a risk of loss if a securities firm defaults in the performance of its responsibilities.

**(xviii) People’s Republic of China (“PRC”) tax risk consideration**

There are risks and uncertainties associated with the current PRC tax laws, regulations and practice on the Target Fund’s investments in the PRC. Any increased tax liabilities on the Target Fund may adversely affect the Target Fund’s value. The Target Fund Manager, Target Fund Investment Manager reserve the right to provide for tax on gains of the Target Fund that invests in PRC securities thus impacting the valuation of the Target Fund. Based on professional and independent tax advice, except for gains from China A-Shares trading through China Connect or Qualified Foreign Investors (“QFIs”) and interest derived by foreign institutional investors from bonds traded on PRC bond market which are specifically exempt under temporary exemptions from the prevailing PRC tax regulations, a tax provision of 10% is fully provided for PRC sourced income (including gains from PRC securities, dividends and interest) until sufficient clarity is given by the PRC authorities to exempt specific types of PRC sourced income (e.g. gains from PRC bonds). With the uncertainty of whether and how certain gains on PRC securities are to be taxed, the possibility of the laws, regulations and practice in the PRC changing, and the possibility of taxes being applied retrospectively, any provision for taxation made by the Target Fund Manager, the Target Fund Investment Manager may be excessive or inadequate to meet final PRC tax liabilities on gains derived from the disposal of PRC securities. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Target Funds’ assets, the Target Funds’ net asset value will be adversely affected. Depending on the timing of investors’ subscriptions and/or redemptions, they may be disadvantaged as a result of any shortfall of tax provision and/or not having the right to claim any part of the overprovision (as the case may be).

For more information on the PRC taxation of PRC securities and the provisioning for such taxation, please refer to the subparagraph entitled “The People’s Republic of China (“PRC”)” under the sub-section entitled “(iv) Investment Markets” under Section D – TAX NOTES of the Consolidated Explanatory Memoranda of the Target Fund Prospectus.

**(xix) Small and medium-sized companies**

The Target Fund may invest in small and medium-sized companies. The stock prices of small and medium-sized companies may tend to be more volatile than large-sized companies due to a lower degree of liquidity, greater sensitivity to changes in economic conditions and higher uncertainty over future growth prospects.

**(xx) Early termination risk**

The Target Fund are subject to the risk of early termination under certain circumstances as specified in their respective trust deeds. Unamortised costs of the Target Fund would be written off upon the Target Fund’s termination. The amount distributed to investors upon termination may be less than investors’ initial investments. Thus, investors may be exposed to losses in their investments.

**(xxi) Technology related companies risk**

The Target Fund may invest in technology related companies, which may fluctuate in value more than other funds because of the greater potential volatility of share prices of technology related companies.

**(xxii) Cross-Class liability risk**

Pursuant to the trust deeds of the Target Fund, the Target Fund Manager reserves the right to establish and issue new classes from time to time. The net asset value of each class will be calculated separately with particular assets and liabilities of the Target Fund attributable to particular Classes. Whilst different Classes may have separate accounts for internal accounting purposes, there is no legal segregation of assets and liabilities between Classes. Accordingly, the assets of one or more classes may be used to settle liability which arises in another class.

**(xxiii) Class currency risk**

The Target Fund with different classes, the class currency of each class may be different from the Target Funds’ base currency, the currencies of which the Target Fund’s assets are invested and/or investors’ base currencies of investment. If an investor converts its base currency of investment to the class currency in order to invest in a particular class and subsequently converts the redemption proceeds from that class currency back to its original base currency of investment, the investor may suffer a loss due to the depreciation of the class currency against the original currency. For example, if an investor whose base currency of investment is Hong Kong dollars (i.e. not Australian dollars) and chooses to invest in the AUD Class, the investor may be exposed to a higher currency risk. The investor may suffer a higher loss as a result of exchange rate fluctuations between Hong Kong dollars and Australian dollars upon the reconversion of its Australian dollars investment back to Hong Kong dollars as compared to an investor whose base currency of investment is originally in Australian dollars.

**(xxiv) China market risk**

Investing in the securities markets in the PRC is subject to the risks of investing in emerging markets generally and the risks specific to the PRC market.

Many of the PRC economic reforms are unprecedented or experimental and are subject to adjustment and modification, and such adjustment and modification may not always have a positive effect on foreign investment in joint stock companies in the PRC or in listed securities such as “A”, “B” and “H” shares.

The choice of “A”, “B” and “H” share issues currently available to the Target Fund Manager may be limited as compared with the choice available in other markets. There may also be a lower level of liquidity and trading volume in the PRC “A” and “B” share markets, which are relatively smaller in terms of both combined total market value and the number of “A” and “B” shares which are available for investment as compared with other markets. This could potentially lead to severe price volatility. There may also be potential settlement difficulties in the PRC market.

The national regulatory and legal framework for capital markets and joint stock companies in the PRC are still developing when compared with those of developed countries. Most of the joint stock companies with listed A-Shares have undergone split-share structure reform to convert state owned shares or legal person shares into transferable shares with the intention to increase liquidity of A-Shares. However, the effects of such reform on the A-Share market as a whole and other PRC securities remain to be seen. In addition, trading band limits may be imposed by the PRC stock exchanges on China A-Shares, where trading in a China A-Share security on the relevant PRC stock exchange may be suspended if the trading price of such security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Target Fund to liquidate their positions (if any) in such security. Also, it may not be possible for the Target Fund to liquidate positions at a favourable price even when the suspension is lifted. Such trading band limit may therefore adversely affect the Target Fund’s investment in China A-Shares.

PRC companies are required to follow PRC accounting standards and practice which, to a certain extent, follow international accounting standards. However, there may be significant differences between financial statements prepared by accountants following PRC accounting standards and practice and those prepared in accordance with international accounting standards.

Both the Shanghai and Shenzhen securities markets are in the process of development and change. This may lead to trading volatility, difficulty in the settlement and recording of transactions and difficulty in interpreting and applying the relevant regulations.

Investments in the PRC will be sensitive to any significant change in political, social or economic policy in the PRC, which includes possible government intervention. Such sensitivity may, for the reasons specified above, adversely affect the capital growth and thus the performance of these investments. The PRC government or the regulators may also implement policies that may affect the financial markets.

The PRC government’s control of currency conversion and future movements in exchange rates may adversely affect the operations and financial results of the companies that issue the relevant PRC securities invested in by the Target Fund.

In light of the above mentioned factors, the price of PRC securities may fall significantly in certain circumstances and may have an adverse effect on the Target Funds’ performance.

**(xxv) Risk associated with foreign shareholding restrictions on China A-Shares – Investments in China A-Shares through China Connect are subject to the following shareholding restrictions:**

- Single foreign investors’ shareholding by any Hong Kong or overseas investor (such as the Target Fund) 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 (such as the Target Fund) in a China A-Share must not exceed 30% of the total issued shares.

When Hong Kong and overseas investors carry out strategic investments in listed companies in accordance with the relevant laws, the shareholding of the strategic investments is not capped by the abovementioned percentages. Stricter limits on shareholding by QFIs and other foreign investors separately imposed by the applicable laws, administrative regulations, or industrial policies in the PRC, if any, shall prevail.

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/SZSE (as the case may be) 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.

As there are limits on the total shares held by all underlying foreign investors in one listed company in the PRC, the capacity of the relevant Funds to make investments in A-Shares will be affected by the activities of all underlying foreign investors investing through QFIs or China Connect or any other permissible ways to obtain A-Shares investment exposures not just the Target Fund Investment Manager as QFI itself or other investors who make investment through the QFI status of the Target Fund Investment Manager or other investors who make investment through China Connect.

**(xxvi) Risk associated with short swing profit rule**

According to the PRC Securities Law, a shareholder of 5% or more of the total issued shares of a PRC listed company (“major shareholder”) has to return any profits obtained from the purchase and sale of shares of such PRC listed company if both transactions occur within a six-month period. In the event that a relevant Fund or the Target Fund Investment Manager (deemed as person acting in concert) becomes a major shareholder of a PRC listed company by investing in China A-Shares via China Connect, the profits that the Target Fund may derive from such investments may be limited, and thus the performance of the Target Fund may be adversely affected.

**(xxvii) Risks associated with China Connect**

The Target Fund may invest through China Connect. In addition to the risks associated with the China market, RMB currency risk, risk associated with foreign shareholding restrictions on China A-Shares and risk associated with short swing profit rule, they are also subject to the following additional risks:

Quota limitations

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

Suspension risk

- It is contemplated that each of SEHK, SSE and SZSE would reserve the right to suspend northbound and/or southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the northbound trading through China Connect is effected, the Target Fund’s ability to access the PRC market will be adversely affected. The Target Fund may therefore not be able to sell the A shares acquired via China Connect to meet any redemption requests in timely manner. In such event, the Target Fund’s ability to achieve its investment objective could be negatively affected.
- There may be occasions when it is a normal trading day for the PRC market but the Target Fund cannot carry out any China A-Shares trading via China Connect. The Target Fund may be subject to risks of price fluctuations in China A-Shares during the time when China Connect is not trading as a result.

Operational risk

- China Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.
- It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the trial program to operate, market participants may need to address issues arising from the differences on an on-going basis.
- Further, the “connectivity” in the China Connect program requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system (“China Stock Connect System”) set up by SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both Hong Kong and Shanghai or Shenzhen (as the case maybe) markets. In the event that the relevant systems failed to function properly, trading in both Hong Kong and Shanghai or Shenzhen (as the case maybe) markets through the program could be disrupted. The Target Fund’s ability to access the China A-Share market (and hence to pursue its investment strategy) will be adversely affected.

Restrictions on selling imposed by front-end monitoring

- PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE or SZSE (as the case may be) will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.
- If the Target Fund desire to sell certain China A-Shares they hold, they must transfer those China A-Shares to the respective accounts of their brokers before the market opens on the day of selling (“trading day”) unless their brokers can otherwise confirm that the Target Fund have sufficient shares in their respective accounts. If the Target Fund fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, the Target Fund may not be able to dispose of holdings of China A-Shares in a timely manner. Alternatively, if the Target Fund maintains its China A-Shares with a custodian which is a custodian participant or general clearing participant participating in CCASS, the Target Fund may request such custodian to open a special segregated account (“SPSA”) in CCASS to maintain its holdings in China A-Shares under the enhanced pre-trade checking model. Each SPSA will be assigned a unique “Investor ID” by CCASS for the purpose of facilitating the China Connect system to verify the holdings of an investor such as the Target Fund. Provided that there is sufficient holding in the SPSA when a broker inputs the Target Fund’s sell order, the Target Fund will only need to transfer China A-Shares from its SPSA to its broker’s account after execution and not before placing the sell order and the Target Fund will not be subject to the risk of being unable to dispose of its holdings of China A-Shares in a timely manner due to failure to transfer China A-Shares to its brokers in a timely manner.

#### Recalling of eligible stocks

- When a stock is recalled from the scope of eligible stocks for trading via China Connect, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Target Fund, for example, when the Target Fund Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

#### Clearing and settlement risk

- The HKSCC and ChinaClear has established the clearing links and each will 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 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 stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Target Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

#### Participation in corporate actions and shareholders' meetings

- HKSCC will keep CCASS participants informed of corporate actions of SSE and SZSE securities. Hong Kong and overseas investors (including the Target Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of China A-Shares 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) are holding China A-Shares traded via the China Connect program through their brokers or custodians. According to existing mainland practice, multiple proxies are not available. Therefore, the Target Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the China A-Shares.

#### Risk of default by brokers

- Investment through China Connect is conducted through broker(s), and is subject to the risks of default by such broker(s) in their obligations.

#### Regulatory risk

- China 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 China Connect.

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

#### **(xxviii) Risks associated with the investments in stocks listed on the Beijing Stock Exchange and/or the ChiNext Board of the SZSE and/or the Science and Technology Innovation Board ("STAR Board") of the SSE**

The Target Fund may invest in stocks listed on the Beijing Stock Exchange and/or the ChiNext Board of the SZSE and/ or the STAR Board of the SSE. Investments in stocks listed on the Beijing Stock Exchange, ChiNext Board 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

Listed companies on the Beijing Stock Exchange, the ChiNext Board and/or STAR Board are usually innovative and growth enterprises of emerging nature with smaller operating scale. Listed companies on the Beijing Stock Exchange, ChiNext Board and/or STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors, stocks listed on the Beijing Stock Exchange, ChiNext Board and/or STAR Board may have limited liquidity, compared to those listed on other boards. Hence, they are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main boards of the SSE and SZSE.

Due to different trading rules, daily price movements are limited to 30% on the Beijing Stock Exchange and 20% on the ChiNext market and the STAR Board, which are higher than the limits on the main boards of the SSE and SZSE. Therefore the securities traded on these markets may be subject to a higher volatility risk than securities of relevant sectors traded in the main boards of the SSE and SZSE.

#### Over-valuation risk

Stocks listed on the Beijing Stock Exchange, ChiNext Board and/or STAR Board may be given a higher valuation and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

#### Differences in regulations applicable to the Beijing Stock Exchange, ChiNext Board and STAR Board

The rules and regulations applicable to companies listed on the Beijing Stock Exchange, ChiNext Board and STAR Board are less stringent in terms of profitability and share capital than those on the main boards of the SSE and the SZSE.

#### Delisting risk

It may be more common and faster for companies listed on the Beijing Stock Exchange, ChiNext Board and/or STAR Board to delist. This may have an adverse impact on the Target Fund if the companies that it invests in are delisted.

**Risk associated with transfer of listing for stocks listed on Beijing Stock Exchange**

A company listed on the Beijing Stock Exchange in which the Target Fund invests may apply for transfer of listing to the ChiNext Board of the SZSE or the STAR Board of the SSE, if permitted by the applicable laws and regulations, subject to meeting the listing requirements of the CSRC and the SSE or SZSE (as the case may be). The application for transfer of listing will be subject to the review and approval by SSE or SZSE (as the case may be). The application for transfer of listing, whether successful or not, may cause fluctuations in the price of the relevant stock, and hence the net asset value of the Target Fund.

**Concentration risk applicable to the Beijing Stock Exchange and STAR Board**

Beijing Stock Exchange and STAR Board are newly established and may have a limited number of listed companies during the initial stage. Investments in stocks listed on the Beijing Stock Exchange and STAR Board may be concentrated in a small number of stocks and subject the Fund to higher concentration risk.

**(xxix) Risks associated with equity-linked notes and participation notes**

The Target Fund may invest in instruments which are linked to the performance of securities or indices such as participation notes and equity-linked notes. Investment in these instruments can be illiquid, if there is no active market for these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Fund.

These instruments will also be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through these instruments may lead to a dilution of performance of the Target Fund when compared to a fund investing directly in similar assets. Besides, many such structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the Target Fund to the possibility of a loss exceeding the original amount invested.

**(xxx) Risks of investing in other collective investment schemes**

The Target Fund may invest in other collective investment schemes. The Target Fund will be subject to the risks associated with the underlying collective investment schemes it invests in. The Target Fund do not have control of the investments of the underlying schemes and there is no assurance that the investment objective and strategy of the underlying schemes will be successfully achieved which may have a negative impact to the net asset value of the Target Fund.

The underlying schemes in which the Target Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying schemes. There is also no guarantee that the underlying schemes will always have sufficient liquidity to meet the Target Funds' redemption requests as and when made.

**(xxxii) Risks associated with collateral management and re-investment of cash collateral**

Where the Target Fund enters into a non-cleared over-the-counter ("OTC") derivative transaction, collateral may be received from or provided to the relevant counterparty.

Currently, the Target Fund may receive or post cash collateral but does not accept or post non-cash collateral from/to counterparties. As a result, both the Target Fund and its counterparty need to hold a proportion of its assets in cash to satisfy any applicable margining requirements. This may have a positive or negative impact on the performance of the Target Fund. While receiving cash collateral may reduce counterparty risk, if the Target Fund has insufficient cash to meet daily variation margin requirements, it may have to sell securities to meet such requirements.

Cash collateral may be placed as bank deposits in banks or other deposit-taking companies which might not be subject to full or partial protection from the government or regulatory body. The Target Fund may suffer a significant or even total loss in the event of bankruptcy of such banks or deposit-taking companies.

Where cash collateral received by the Target Fund is re-invested in short-term deposits or high quality money market instruments, the Target Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

**(xxxiii) QFI risk**

Under the prevailing regulations in the PRC, foreign investors can invest in the securities of the Chinese domestic securities market pursuant to the applicable QFI rules and regulations ("QFI Eligible Securities") through institutions that have obtained QFI status in the PRC. The current QFI regulations impose strict restrictions (such as investment guidelines) on QFI Eligible Securities investment.

The Target Fund itself is not a QFI, but may invest directly in QFI Eligible Securities via the QFI status of the Target Fund Investment Manager and/or other QFI holders. The QFI status could be revoked, in particular because of material violations of rules and regulations by the QFI. If the Target Fund Investment Manager loses its QFI status, the Target Fund may not be able to invest directly in QFI Eligible Securities and may be required to dispose of its holdings which would likely have a material adverse effect on the Target Fund.



The Target Fund Investment Manager has assumed dual roles as the investment manager of the Target Fund and the QFI holder for the Target Fund. The Target Fund Investment Manager will ensure all transactions and dealings will be dealt with having regard to the constitutive documents of the Target Fund as well as the relevant laws and regulations applicable to the Target Fund Investment Manager as QFI. If any conflicts of interest arise, the Target Fund Manager will in conjunction with the Target Fund Trustee seek to ensure that the Target Fund is managed in the best interests of unitholders and the unitholders are treated fairly.

There can be no assurance that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations, including changes in QFI repatriation restrictions. Such restrictions may result in suspension of dealings of the Target Fund.

In extreme circumstances, the Target Fund may incur significant loss due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to QFI investment restrictions, illiquidity of the Chinese domestic securities market, delay or disruption in execution of trades or in settlement of trades, and/or change in the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC and such change may have potential retrospective effect.

QFI Eligible Securities acquired by the Target Fund through the QFI facility will be maintained by the QFI's local custodian in the PRC ("PRC Custodian"), in electronic form via the securities account(s) in such name as may be permitted or required in accordance with PRC law with the China Securities Depository and Clearing Corporation Limited and/or other relevant depositories. The PRC Custodian is China Construction Bank Corporation which is one of the largest banks in the PRC. Pursuant to an operating agreement entered into between the Target Fund Investment Manager as the QFI, the PRC Custodian and the Trustee relating to the custody, operation and management of the Fund's assets in the PRC, the PRC Custodian is responsible for providing custody services to the Fund's cash and securities assets in the PRC. The QFI will also select brokers ("PRC Brokers") to execute transactions for the Target Fund in the PRC markets. The Target Fund Investment Manager as QFI has established futures account with PRC Broker. Futures margin will be placed in an account of such PRC Broker with a licensed futures margin depository bank in the PRC in accordance with applicable laws and regulations. The Fund may incur losses due to the acts or omissions or insolvency of the PRC Brokers or the PRC Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities. Subject to the applicable laws and regulations in the PRC, the Target Fund Manager will make arrangements to ensure that the PRC Brokers and the PRC Custodian have appropriate procedure to properly segregate the Target Fund's assets from the assets of the relevant PRC Brokers and the PRC Custodian.

According to the CSRC's Provisions on Issues relating to Implementation of the Administration Measures for the Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors ("CSRC Provisions"), the securities account(s) for the Target Fund in the PRC is(are) currently required to be maintained in the joint names of the Target Fund Investment Manager as the QFI and the Target Fund. Although the CSRC Provisions indicates that the assets in such account(s) would belong to the Target Fund, such Provisions serves as a regulation promulgated by the CSRC and may be amended, superseded or invalidated by the CSRC, and does not have equal force of the law enacted by legislative bodies in the PRC.

There are rules and restrictions under current QFI regulations including rules on remittance of principal, investment restrictions, and repatriation of principal and profits. Any restrictions on repatriation of principal and profits may impact on the Fund's ability to meet redemption requests from the unitholders.

Investments in QFI Eligible Securities will be made through the QFI in Renminbi. The Target Fund will be exposed to any fluctuation in the exchange rate between US dollars and Renminbi in respect of such investments.

Investors should also note that direct investments in QFI Eligible Securities through QFIs are subject to compliance with the investment restrictions currently imposed under QFI regulations in the PRC, as amended from time to time, which are applied on each foreign investor investing through QFIs and which will affect the ability of the Target Fund to invest in QFI Eligible Securities.

#### **(xxxiii) Application of QFII rules**

The QFII rules are novel in nature and their application may depend on the interpretation given by the relevant Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Target Fund.

#### **(xxxiv) RMB currency risk**

RMB is subject to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. RMB exchange rate is also subject to exchange control policies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market is allowed to float within a narrow band around the central parity published by the relevant authorities of the PRC. As the exchange rates are influenced by government policy and market forces, the exchange rates for RMB against other currencies, including US dollars and HK dollars, are susceptible to movements based on external factors. RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. If such policies change in future, the Target Fund's or the investors' position may be adversely affected.

There is no assurance that RMB will not be subject to devaluation, in which case the value of the Target Fund's investments in RMB will be adversely affected. Some of the investments acquired by the Target Fund will be denominated in RMB whereas the Target Fund is denominated in USD. This exposes investors to movements of the exchange rate between the currency of denomination of the Target Fund and the currency in which the assets of the Target Fund are held. Investors may suffer losses depending on the exchange rate movements of RMB relative to USD.

#### **(xxxv) Connected party risk**

The Target Fund will be investing in A-Shares via the QFII status of the Target Fund Investment Manager. Although the Target Fund Manager, the Target Fund Investment Manager and the Investment Adviser are all part of the JPMorgan group of companies, each of such entities will operate independently in assuming their respective duties and obligations in relation to the Target Fund and are subject to the supervision of their relevant industry regulators. All transactions and dealings between such entities in relation to the Target Fund will be dealt with on arm's length basis having regard to the constitutive documents of the Fund as well as the relevant regulatory codes applicable to such entities. In the unlikely event that conflicts of interest arise, the Target Fund Manager in conjunction with the Target Fund Trustee will seek to ensure that the Target Fund is managed in the best interests of unitholders and the unitholders are treated fairly.

#### **(xxxvi) PRC Brokerage risk**

The execution and settlement of transactions or the transfer of any funds or securities may be conducted by PRC Brokers appointed by the Target Fund Investment Manager (as QFII holder).

There is a risk that the Target Fund may suffer significant losses from the default, disqualification or bankruptcy of the PRC Brokers, including losses of any futures margin held by PRC futures brokers in the event of their bankruptcy. In these events, 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 selection of PRC Brokers, the Target Fund Investment Manager (as QFII holder) will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards. The Target Fund Investment Manager will exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of the PRC Brokers and ensure it is satisfied that the PRC Brokers remain suitably qualified and competent to provide the relevant service. If the Target Fund Investment Manager 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.

#### **(xxxvii) Special Purpose Acquisition Company (SPAC) risk**

SPACs are comprised of equities and warrants and so are subject to equity risk and derivatives risk, as well as risks that are specific to SPACs. Prior to the acquisition of a target, the SPAC is effectively a cash holding vehicle for a period of time (with defined redemption rights) pre-acquisition. The risk profile of the SPAC will change if a target is acquired as the opportunity to redeem out of the SPAC at the price it was purchased for lapses upon such acquisition. Generally, post-acquisition there is a higher volatility in price as the SPAC trades as a listed equity and is subject to equity risk. The potential target of the SPAC acquisition may not be appropriate for the Target Fund or may be voted down by the SPAC shareholders which foregoes the investment opportunity presented post-acquisition. Similar to smaller companies, companies after the SPAC acquisition may be less liquid, more volatile and tend to carry greater financial risk than stocks of larger companies.

#### **(xxxviii) Sustainability risk**

Sustainability risk is defined in the EU Sustainable Finance Disclosure Regulation ("SFDR") as "an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment". The Target Fund Investment Manager considers sustainability risk as risks that are reasonably likely to materially negatively impact the financial condition or operating performance of a company or an issuer and therefore the value of that investment.

In addition to a material negative impact on the value of the regulated funds, sustainability risk may increase the regulated funds' volatility and/or magnify pre-existing risks to the regulated funds.

Sustainability risk may be particularly acute if it occurs in an unanticipated or sudden manner and it may also cause investors to reconsider their investment in the relevant regulated funds and create further downward pressure on the value of the relevant regulated funds.

Evolving laws, regulations and industry norms may impact on the sustainability of many companies/issuers, particularly in respect of environmental and social factors. Any changes to such measures could have a negative impact on the relevant companies/issuers which may result in a material loss in value of an investment in them.

Sustainability risk may impact a specific country, region, company or issuer or have a broader impact regionally or globally and adversely impact markets or issuers across several countries or regions.

Assessment of sustainability risk requires subjective judgements, which may include consideration of third party data that is incomplete or inaccurate. There can be no guarantee that the Target Fund Investment Manager will correctly assess the impact of sustainability risk on the relevant regulated funds' investments.

The Target Fund Investment Manager has adopted a policy in respect of the integration of sustainability risks in the investment decision-making process for all regulated funds with the purpose (at a minimum and where reasonably possible/practicable) of identifying and acting to manage and mitigate these risks. Further information on this policy is available on [am.jpmorgan.com/hk](http://am.jpmorgan.com/hk).

All regulated funds are exposed to sustainability risks to a varying degree. The likely impacts of sustainability risks on the returns of the regulated funds are assessed in reference to the Target Fund Investment Manager's approach to sustainability risk management in the regulated funds' investment process.

As at the date of the consolidated explanatory memoranda in the Target Fund Prospectus, all regulated funds have sustainability risks integrated in their investment decision-making process, and sustainability risk is considered to have a moderate likely impact on their returns.

Past performance of the Target Fund is not an indication of its future performance.

The above summary of risks does not purport to be an exhaustive list of all the risk factors relating to investments in the Fund and are not set out in any particular order of priority. You should be aware that investments in the Fund may be exposed to other risks from time to time. Please consult your professional advisers for a better understanding of the risks.

## 2. TARGET FUND INFORMATION

### 2.1. ABOUT JPMORGAN CHINA PIONEER A-SHARE FUND

JPMorgan China Pioneer A-Share Fund is a unit trust constituted by a Trust Deed dated 14 June 2006, as amended from time to time (“Trust Deed”) governed by the laws of Hong Kong. The Target Fund has been authorised as a collective investment scheme in the form of a unit trust by the Securities and Futures Commission (“SFC”) under Section 104 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“SFO”) and the Code on Unit Trusts and Mutual Funds (“SFC Code”).

The Target Fund is managed by JPMorgan Funds (Asia) Limited, a company incorporated with limited liability under the laws of Hong Kong. Day-to-day investment management of the Target Fund has been delegated to JPMorgan Asset Management (Asia Pacific) Limited, a company incorporated with limited liability in Hong Kong. The Target Fund Investment Manager has appointed China International Fund Management Co., Ltd., a company incorporated in the People’s Republic of China (“PRC”), to provide investment advice on A-Shares. HSBC Institutional Trust Services (Asia) Limited acting as trustee of the Target Fund (“Target Fund Trustee”), is incorporated in Hong Kong and is registered as a trust company under the Target Fund Trustee Ordinance in Hong Kong. The Target Fund Trustee is an indirect wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales. Under the trust deed, the Target Fund Trustee is responsible for the safe-keeping of the Target Fund’s investments. The HSBC Group has adopted a policy of compliance with the sanctions issued by the office of foreign assets control of the US department of the treasury.

HSBC Trustee (Cayman) Limited is the registrar of the Target Fund (“Target Fund Registrar”) and is incorporated with limited liability in the Cayman Islands. The Target Fund Registrar is responsible for keeping the register of unitholders.

This Information Memorandum describes the features of the Target Fund in accordance with the Target Fund Prospectus and we recommend that you should read the Information Memorandum together with the Target Fund Prospectus and the relevant key investor information document. We take all reasonable efforts to ensure the accuracy that the disclosure in this Information Memorandum in relation to the Target Fund, including obtaining the input from the Target Fund Investment Manager. However, in the event of any inconsistency or ambiguity in relation to the disclosure, including any word or phrase used in this Information Memorandum regarding the Target Fund as compared to the Target Fund Prospectus, the Target Fund Prospectus shall prevail.

#### **Investment objective and policy of the Target Fund**

The investment objective and policy of the Target Fund is to achieve long-term capital growth by investing primarily (i.e. at least 70% of its total net asset value) in PRC equity securities, including but not limited to China A-Shares listed on the PRC stock exchanges (e.g. Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange).

The Target Fund is not subject to any limitation on the portion of its total net asset value that may be invested in any sector or any limitation on the market capitalisation of the companies in which it may invest.

The Target Fund will invest in PRC securities via the Qualified Foreign Investor (“QFI”) status of the Target Fund Investment Manager. For the investment in China A-Shares, the Target Fund may also invest and have direct access to certain eligible China A-Shares via China Connect and/or other similar programs as approved by the relevant regulators from time to time. The Target Fund may invest 30% or more of its total net asset value in stocks listed on the ChiNext Board of the Shenzhen Stock Exchange, the Science and Technology Innovation Board of the Shanghai Stock Exchange and/or the Beijing Stock Exchange.

The Target Fund may invest in derivatives such as forward contracts, options, warrants and futures for investment and hedging purposes. The Target Fund Investment Manager seeks to assess the negative impact presented by certain environmental, social and governance factors on issuers in which the Target Fund may invest. While these factors are considered, securities of issuers which may be negatively impacted may be purchased and retained by the Target Fund.

The Target Fund will not invest in any type of the following instruments: (i) urban investment bonds; (ii) asset backed securities (including asset backed commercial papers); and (iii) below investment grade bonds (i.e. (a) bonds rated below Baa3 by Moody’s or BBB- by Standard & Poor’s or such other terms used by international accredited rating agencies or (b) unrated bonds but their issuers are rated below Baa3 by Moody’s or BBB- by Standard & Poor’s or such other terms used by international accredited rating agencies) or unrated bonds (i.e. both the bonds and issuers are unrated by Moody’s, Standard & Poor’s or other international accredited rating agencies).

The investment objective, policy and investment restrictions and guidelines of the Target Fund may, subject to review of the Target Fund Trustee and/or the approval of the SFC (as applicable), vary from time to time when the Target Fund Manager considers appropriate in the circumstances.

#### **Benchmark**

The Target Fund’s benchmark is the CSI 300 (Total Return Net).

#### **Base Currency**

USD

## Distribution Policy

All income will be accumulated and reinvested within the Target Fund. Although the Trust Deeds contain provisions under which the Target Fund Manager has the discretion to determine the amount to be distributed to unitholders, it is not the current intention of the Target Fund Manager that such distribution will be made.

## Investment Restrictions and Guidelines

For this section, the following definitions apply:

Government and other public securities	:	any investment issued by, or the payment of principal and interest on which is guaranteed by, a government or any fixed-interest investment issued by its public or local authorities or other multilateral agencies
Qualified Exchange Traded Funds	:	exchange traded funds that are: (a) authorised by the SFC under 8.6 or 8.10 of the SFC Code; or (b) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and either (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the SFC Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the SFC Code
REITs	:	real estate investment trusts
Securities Market	:	any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded
Substantial financial institution	:	an authorised institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK\$2 billion or its equivalent in foreign currency
Reverse repurchase transactions	:	transactions whereby a scheme purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future
Securities financing transactions	:	securities lending, sale and repurchase and reverse repurchase transactions
Securities lending transactions	:	transactions whereby a scheme lends its securities to a security-borrowing counterparty for an agreed fee
Sale and repurchase transactions	:	transactions whereby a scheme sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future

### 1. Investment limitations applicable to the Target Fund

The Target Fund may invest in anything into which a person may invest, subject to the following investment restrictions. The following investment restrictions and guidelines shall apply to the Target Fund as at the immediate preceding valuation.

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

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

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

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

The requirements under this sub-paragraph 1(a) will also apply in the case of sub-paragraphs 6(e) and (j) of this subsection "Investment Restrictions and Guidelines".

- (b) subject to sub-paragraphs 1(a) and 4.4(c) of this sub-section "Investment Restrictions and Guidelines", the aggregate value of the Target Fund's investments in, or exposure to, entities within the same group through the following exceeding 20% of the total net asset value of the Target Fund:
- (i) investments in securities issued by those entities;
  - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
  - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.

For the purposes of sub-paragraphs 1(b) and 1(c) of this sub-section “Investment Restrictions and Guidelines”, “entities within the same group” means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards. The requirements under this sub-paragraph 1(b) will also apply in the case of sub-paragraphs 6(e) and (j) of this sub-section “Investment Restrictions and Guidelines”.

- (c) the value of the Target Fund’s cash deposits made with the same entity or entities within the same group exceeding 20% of the total net asset value of the Target Fund provided that the 20% limit may be exceeded in the following circumstances:
  - (i) cash held before the launch of the Target Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
  - (ii) cash proceeds from liquidation of investments prior to the merger or termination of the Target Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of investors; or
  - (iii) cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions would be unduly burdensome and the cash deposits arrangement would not compromise investors’ interests.

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

- (d) the Target Fund’s holding of any ordinary shares exceeding 10% of any ordinary shares issued by any single entity.
- (e) the value of the Target Fund’s investment in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a Securities Market, exceeding 15% of the total net asset value of such Target Fund.
- (f) the value of the Target Fund’s total holding of Government and other public securities of the same issue exceeding 30% of the total net asset value of such Target Fund (save that the Target Fund may invest all of its assets in Government and other public securities in at least six different issues). For the avoidance of doubt, Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.
- (g)
  - (i) the value of the Target Fund’s investment in units or shares in other collective investment schemes (namely “underlying schemes”) which are non-eligible schemes (the list of “eligible schemes” is as specified by the SFC from time to time) and not authorised by the SFC in aggregate exceeding 10% of its total net asset value; and
  - (ii) the value of the Target Fund’s investment in units or shares in each underlying scheme which is either an eligible scheme (the list of “eligible schemes” is as specified by the SFC from time to time) or a scheme authorised by the SFC exceeding 30% of its total net asset value unless the underlying scheme is authorised by the SFC, and the name and key investment information of the underlying scheme are disclosed in the offering document of that Target Fund, provided that:
    - (A) no investment may be made in any underlying scheme the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the SFC Code;
    - (B) where an underlying scheme’s objective is to invest primarily in investments restricted by Chapter 7 of the SFC Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, Target Fund may invest in underlying scheme(s) authorised by the SFC under Chapter 8 of the SFC Code (except for hedge funds under 8.7 of the SFC Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its total net asset value, and Qualified Exchange Traded Funds in compliance with sub-paragraphs 1(g)(i) and (ii) of this sub-section “Investment Restrictions and Guidelines”;
    - (C) the underlying scheme’s objective may not be to invest primarily in other collective investment scheme(s);
    - (D) all initial charges and redemption charges on the underlying scheme(s) must be waived if the underlying scheme is managed by the Target Fund Manager, the Target Fund Investment Manager or any of their connected persons (as defined in the SFC Code) (“Connected Persons”); and
    - (E) the Target Fund Manager, the Target Fund Investment Manager and/or the Target Fund Sub-Manager or any person acting on behalf of the Target Fund or the Target Fund Manager, the Target Fund Investment Manager and/or the Target Fund Sub-Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

For the avoidance of doubt:

(aa) unless otherwise provided under the SFC Code, the spread requirements under sub-paragraphs 1(a), (b), (d) and (e) of this sub-section “Investment Restrictions and Guidelines” do not apply to investments in other collective investment schemes by Target Fund;

(bb) unless otherwise disclosed in the offering document of Target Fund, the investment by Target Fund in a Qualified Exchange Traded Fund will be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraphs 1(a), (b) and (d) of this sub-section “Investment Restrictions and Guidelines”. Notwithstanding the aforesaid, the investments by Target Fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this sub-section “Investment Restrictions and Guidelines” and the relevant investment limits in Qualified Exchange Traded Funds by Target Fund shall be consistently applied;

(cc) where investments are made in listed REITs, the requirements under sub-paragraphs 1(a), (b) and (d) of this sub-section “Investment Restrictions and Guidelines” apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs 1(e) and (g)(i) of this sub-section “Investment Restrictions and Guidelines” apply respectively; and

(dd) where Target Fund invests in index-based financial derivative instruments, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in sub-paragraphs 1(a), (b), (c) and (f) of this sub-section “Investment Restrictions and Guidelines” provided that the index is in compliance with the requirements under 8.6(e) of the SFC Code.

- (h) Notwithstanding sub-paragraphs 1(a), (b), (d) and (e) of this sub-section “Investment Restrictions and Guidelines”:
- (i) where direct investment in a market by Target Fund is not in the best interest of investors, Target Fund may invest through a wholly owned subsidiary company established solely for the purpose of making direct investments in such market. In such circumstances, the underlying investments of the subsidiary, together with the direct investments made by that Target Fund must in aggregate comply with the requirements of these investment restrictions and guidelines. The Manager has no present intention to make use of such subsidiaries and unitholders will be informed of any change in such intention; and
  - (ii) in respect of Target Fund which is registered for retail distribution in Taiwan, the Target Fund’s investments in Mainland China securities markets or in China related securities (as stipulated by the Taiwan regulators) may not, at any time, exceed certain percentage limits prescribed by the Taiwan regulators from time to time.

## 2. Investment prohibitions applicable to the Target Fund

The Target Fund Manager, the Target Fund Investment Manager and/or the Target Fund Sub-Manager shall not, unless otherwise specifically provided for in the SFC Code, on behalf of Target Fund:-

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

Notwithstanding the above, the following investment restrictions and guidelines are also applicable to the Target Fund:

- (i) The aggregate value of the Target Fund’s holding of securities issued by any single issuer which exceeds 5 per cent. of its total net asset value may not exceed 40 per cent. of the total net asset value of the Target Fund.
- (ii) The value of the Target Fund’s holding of securities neither listed nor quoted on a market may not exceed 10 per cent. of its total net asset value.
- (iii) The value of the Target Fund’s holding of A-Shares (including instruments which gain an exposure in A-Shares) shall not be less than 70 per cent. of its total net asset value.
- (iv) The Target Fund may not sell short any securities.
- (v) The Target Fund may invest up to 100 per cent. of its total net asset value in China A-Shares via China Connect.

### 3. Use of financial derivative instruments

- 3.1. The Target Fund may acquire financial derivative instruments for hedging purposes. For the purposes of this sub-paragraph 3.1 financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:
- (a) they are not aimed at generating any investment return;
  - (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
  - (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
  - (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

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

- 3.2. Target Fund may also acquire financial derivative instruments for non-hedging purposes (“investment purposes”) subject to the limit that such Target Fund’s net exposure relating to these financial derivative instruments (“net derivative exposure”) does not exceed 50% of its total net asset value provided that such limit may be exceeded in such circumstances as permitted under the SFC Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under sub-paragraph 3.1 of this sub-section “Investment Restrictions and Guidelines” will not be counted towards the 50% limit referred to in this sub-paragraph 3.2 so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the SFC Code and the requirements and guidance issued by the SFC which may be updated from time to time.
- 3.3. Subject to sub-paragraphs 3.2 and 3.4 of this sub-section “Investment Restrictions and Guidelines”, Target Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Target Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in subparagraphs 1(a), (b), (c), (f), (g)(i) and (ii), proviso (A) to (C) to sub-paragraph 1(g) and sub-paragraph 2(b) of subsection “Investment Restrictions and Guidelines”.
- 3.4. The financial derivative instruments invested by Target Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions:
- (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other public securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which the Target Fund may invest according to its investment objectives and policies;
  - (b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;
  - (c) subject to sub-paragraphs 1(a) and (b) of this sub-section “Investment Restrictions and Guidelines”, Target Fund’s net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its total net asset value provided that the exposure of the Target Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Target Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
  - (d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the valuation agent, the Target Fund Manager, the Target Fund Investment Manager or the Target Fund Sub-Manager or the Target Fund Trustee or their nominee(s), agent(s) or delegate(s) (as the case may be) independent of the issuer of the financial derivative instruments through measures such as the establishment of a valuation committee or engagement of third party service. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Target Fund’s initiative. Further, the valuation agent should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.
- 3.5. Target Fund should at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes). The Target Fund Manager, the Target Fund Investment Manager and/or the Target Fund Sub-Manager shall, as part of its risk management process, monitor to ensure that the transactions in financial derivative instruments in respect of Target Fund are adequately covered on an ongoing basis. For the purposes of this sub-paragraph 3.5, assets that are used to cover the Target Fund’s payment and delivery obligations incurred under transactions in financial derivative instruments shall be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.



- 3.6. Subject to sub-paragraph 3.5 of this sub-section “Investment Restrictions and Guidelines”, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of Target Fund shall be covered as follows:
- (a) in the case of financial derivative instruments transactions which will, or may at the Target Fund’s discretion, be cash settled, the Target Fund shall at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
  - (b) in the case of financial derivative instruments transactions which will, or may at the counterparty’s discretion, require physical delivery of the underlying assets, the Target Fund shall hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Target Fund Manager, the Target Fund Investment Manager and/or the Target Fund Sub-Manager considers the underlying assets to be liquid and tradable, the Target Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation provided further that the Target Fund shall apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.
- 3.7. The requirements under sub-paragraphs 3.1 to 3.6 of this sub-section “Investment Restrictions and Guidelines” shall apply to embedded financial derivative. For the purposes of these Consolidated Explanatory Memoranda, an “embedded financial derivative” is a financial derivative instrument that is embedded in another security.

#### **4. Securities financing transactions**

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

#### **5. Collateral**

In order to limit the exposure to each counterparty as set out in sub-paragraphs 3.4(c) and 4.2 of this sub-section “Investment Restrictions and Guidelines”, Target Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

- (a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- (b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;
- (c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;
- (d) Haircut – the collateral is subject to a prudent haircut policy;
- (e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A Target Fund’s exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs 1(a), 1(b), 1(c), 1(f), 1(g)(i) and (ii) and provisos (A) to (C) of sub-paragraph 1(g) and sub-paragraph 2(b) of this sub-section “Investment Restrictions and Guidelines”;
- (f) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- (g) Management of operational and legal risks – the Target Fund Manager, the Target Fund Investment Manager and/or the Target Fund Sub-Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;
- (h) Independent custody – the collateral is held by the Target Fund Trustee or by duly appointed nominee, agent or delegate;
- (i) Enforceability – the collateral is readily accessible or enforceable by the Target Fund Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions;
- (j) Re-investment of collateral – any re-investment of collateral received for the account of the Target Fund shall be subject to the following requirements:
- (k) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under 8.2 of the SFC Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the SFC Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers’ acceptances, etc. In assessing whether a money market

instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;

- (i) non-cash collateral received may not be sold, re-invested or pledged;
  - (ii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in 8.2(f) and 8.2(n) of the SFC Code;
  - (iii) cash collateral received is not allowed to be further engaged in any securities financing transactions;
  - (iv) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
  - (v) the collateral is free of prior encumbrances; and
  - (vi) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.
- (l) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

Further details relating to the collateral policy of the Funds are disclosed in Section F – COLLATERAL POLICY of the Consolidated Explanatory Memoranda of the Target Fund Prospectus.

## **6. Name of Target Fund**

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

## **2.2. BORROWING AND LEVERAGE**

The expected maximum level of leverage of Target Fund is as follows:

### Borrowing Policies

No borrowing shall be made in respect of Target Fund which would result in the principal amount for the time being of all borrowings made for the account of the Target Fund exceeding an amount equal to 10% of the total net asset value of the Target Fund provided always that back-to-back loans do not count as borrowing. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in sub-paragraphs 4.1 to 4.4 of the subsection “Investment Restrictions and Guidelines” are not borrowings for the purpose of, and are not subject to the limitations in this paragraph. The Target Funds’ assets may be charged or pledged as security for any such borrowings.

Target Fund may borrow money from Target Fund Trustee, the Target Fund Manager or any of their Connected Persons provided that the lender is permitted to lend money and the interest and any fee is no higher than an arm’s length commercial rate or fee for a loan of the same size and nature.

### Leverage from the use of financial derivative instruments

Target Fund may also be leveraged through the use of financial derivative instruments and its expected maximum level of leverage through the use of financial derivative instruments (i.e. expected maximum net derivative exposure) may be up to 50% of the Target Fund’s net asset value.

In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the Target Fund are converted into their equivalent positions in their underlying assets. The net derivative exposure is calculated in accordance with the requirements and guidance by the SFC which may be updated from time to time.

The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

### Securities Financing Transactions Policies

Although the Trust Deeds and the main part of the Consolidated Explanatory Memoranda contain provisions which allow the Target Fund Manager to, on behalf of the Target Fund, enter into securities financing transactions, namely, securities lending transactions, sale and repurchase transactions and reverse repurchase transactions, the Target Fund Manager does not currently intend to enter into such transactions. Should the Target Fund Manager decide to enter into these transactions, these Explanatory Memoranda will be amended and unitholders will be provided with not less than one month’s (or such other period as the SFC may require) prior written notification in respect of such amendment.

## **2.3. SHANGHAI-HONG KONG STOCK CONNECT AND SHENZHEN-HONG KONG STOCK CONNECT (COLLECTIVELY THE “CHINA CONNECT”)**

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked program developed by Hong Kong Exchanges and Clearing Limited (“HKEx”), the Hong Kong Securities Clearing Company Limited (“HKSCC”), Shanghai Stock Exchange (“SSE”) and China Securities Depository and Clearing Corporation Limited (“ChinaClear”) and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing linked program developed by HKEx, HKSCC, Shenzhen Stock Exchange (“SZSE”) and ChinaClear. The aim of the China Connect is to achieve mutual stock market access between mainland China and Hong Kong.

Each China 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), through their Hong Kong brokers and a securities trading service company established by The Stock Exchange of Hong Kong Limited (“SEHK”), can trade eligible shares listed on SSE and SZSE respectively.

#### Eligible securities

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

- (a) SSE-listed shares which are not traded in RMB; and
- (b) SSE-listed shares which are included in the “risk alert board”.

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors will be able to trade certain stocks listed on the SZSE. These include all the constituent stocks of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB6 billion, and all the SZSE-listed China A-Shares which have corresponding H-Shares listed on SEHK, except the following:

- (a) SZSE-listed shares which are not traded in RMB; and
- (b) SZSE-listed shares which are included in the “risk alert board”.

The list of eligible securities may be changed subject to the review and approval by the relevant PRC regulators from time to time.

#### Trading quota

Trading under China Connect is subject to a daily quota (“Daily Quota”). Northbound Shanghai Trading Link and Southbound Hong Kong Trading Link under the Shanghai Hong Kong Stock Connect and Northbound Shenzhen Trading Link and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect will each be subject to a separate set of Daily Quota. The Daily Quota limits the maximum net buy value of cross-boundary trades under China Connect each day. The Northbound Daily Quota is set at RMB52 billion for Shanghai-Hong Kong Stock Connect and RMB52 billion for Shenzhen-Hong Kong Stock Connect. The Daily Quota may be increased or reduced subject to the review and approval by the relevant PRC regulators from time to time. SEHK will monitor and publish the remaining balance of the Northbound Daily Quota at scheduled times on the HKEx’s website.

#### Settlement and custody

HKSCC is 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 China A-Shares traded through China Connect are issued in scripless form, so investors will not hold any physical China A-Shares. Hong Kong and overseas investors who have acquired China A-Shares through Northbound trading should maintain the China A-Shares with their brokers’ or custodians’ stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK).

#### Corporate actions and shareholders’ meetings

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE and SZSE securities held in its omnibus stock account in ChinaClear, ChinaClear as the share registrar for SSE and/or SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE and SZSE securities.

HKSCC will monitor the corporate actions affecting SSE and SZSE securities and keep 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.

#### Currency

Hong Kong and overseas investors will trade and settle SSE and SZSE securities in RMB only. Hence, the Target Fund will need to use RMB to trade and settle SSE and SZSE securities.

#### Investor compensation

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

Further information about China Connect is available online at the website:

<http://www.hkex.com.hk/eng/csm/chinaConnect.asp?LangCode=en>

## **2.4. DEALING**

Units will normally be issued or redeemed on any dealing day which will normally be every day (other than a Saturday or a Sunday or a Hong Kong public holiday) on which banks in Hong Kong are open for normal banking business and on which stock exchanges in markets on which, in the opinion of the Target Fund Manager, all or part of investments of the Target Fund are quoted, listed or dealt in are open for trading.

In order for units of Target Fund to be issued or redeemed on a particular dealing day, a subscription application or redemption request (as the case may be) must be received by JPMorgan Funds (Asia) Limited not later than 5:00 p.m. (Hong Kong time) on that dealing day or such other time agreed between the Target Fund Manager and the Target Fund Trustee. Subscription applications or redemption requests received after that time will be dealt with on the immediately following dealing day. For any transactions involving currency conversion, please note that variation in fund domiciles and/or transaction types may result in different currency exchange rate being applied.

The Target Fund do not permit market timing or related excessive, short-term trading practices deployed by any investors. In general, market timing refers to the systematic investment behaviour of an investor subscribing, redeeming or switching units of the same Target Fund within a short period of time on the basis of predetermined prices by taking advantage of time differences and/or imperfections and deficiencies in the method of determination of net asset value. Accordingly, to protect the best interests of unitholders, the Target Fund and/or the Target Fund Manager reserve the right to reject any application for the subscription or switching of units from any investor engaging in such practices or suspected of engaging in such practices and to take such further action as they, in their discretion, may deem appropriate or necessary.

## **2.5. REDEMPTIONS**

Units of the Target Fund will be redeemed at the net asset value per unit (or for Target Fund with different classes, at the net asset value per unit of the Target Fund's class) as at the close of business on the relevant dealing day. The Target Fund Manager may charge a redemption charge (normally up to 0.5 per cent. of the net asset value per unit) on the redemption of units and such charge will be deducted from the redemption monies where applicable.

For unitholders who redeem units of the Target Fund by the number of units, redemption charge amount is calculated as follows:  
redemption charge amount = units redeemed x net asset value per unit x redemption charge %

For unitholders who redeem units of the Target Fund by amount, redemption charge amount is calculated as follows:  
redemption charge amount = net redemption amount x redemption charge % / (1 - redemption charge %)

The redemption charge amount shall be rounded down to two decimal places or to the nearest unit of currency if the amount is in Japanese Yen and the amount of redemption monies shall be naturally rounded to two decimal places or to the nearest unit of currency if the amount is in Japanese Yen. Where the redemption monies is rounded up or the number of units redeemed is rounded down, the amount corresponding to rounding shall accrue to the redeeming unitholder. Where the redemption monies is rounded down or the number of units redeemed is rounded up, the amount corresponding to rounding shall accrue to the Target Fund. The amount of the redemption charge will be retained by the Target Fund Manager for its own benefit or use. However, the Target Fund Manager does not currently levy any redemption charge.

## **2.6. SUSPENSION OF REDEMPTIONS**

The Target Fund Manager, may having regard to the best interests of unitholders and after consultation with the Target Fund Trustee, suspend the right of unitholders to redeem their units and/or delay the payment of any redemption under the following situations:

- a) any market on which a substantial part of the investments comprising Target Fund is traded or capable of being traded is closed otherwise than in the ordinary course; or
- b) trading on any such market is restricted or suspended; or
- c) disposal of investments comprising Target Fund cannot, in the opinion of the Target Fund Manager, be effected reasonably practicably, the dealing process of Target Fund cannot be conducted without undue delay or without prejudicing the interests of unitholders; or
- d) there is any breakdown in any of the means normally employed by the Target Fund Manager in determining the net asset value of Target Fund or when for any other reason the value of any investment or other property comprising Target Fund cannot, in the opinion of the Target Fund Manager, reasonably be ascertained; or
- e) the remittance of funds which will or may be involved in the redemption of or in payment for investments or the subscription for or redemption of units cannot, in the opinion of the Target Fund Manager, be effected at reasonable prices or reasonable rates of exchange; or
- f) in the opinion of the Target Fund Manager, redemption of units cannot be effected or it is reasonably impractical to redeem units, due to adverse changes in the relevant laws and regulations; or
- g) where the Target Fund Manager considers such suspension or delay appropriate in the circumstances, having regard to the interest of unitholders.

If the redemption of units is suspended, units will be carried forward for redemption on the first dealing day after cessation of the suspension.

The Target Fund Manager may also limit the total number of units redeemed for Target Fund on any dealing day to 10 per cent. or more of the units in issue on any dealing day. In the event that the redemption of units is so limited, units will be redeemed between unitholders on a pro rata basis, but where such arrangement is deemed impracticable by the Target Fund Manager, the Target Fund Manager shall have the right to determine the manner in which units will be redeemed between unitholders. Those units not redeemed will be carried forward for redemption, subject to the same limitation, on the next succeeding dealing day.

In the case of suspension or deferral of redemption of units, units not redeemed on the first dealing day will be carried forward to the next succeeding dealing day and will be redeemed in priority to those redemption requests received on the next succeeding dealing day.

Notice of the imposition and ending of any suspension or delay in payment for Target Fund will be published immediately following such decision and, in respect of declaration of suspension, at least once a month during the period of suspension after such declaration on the website [am.jpmorgan.com/hk](http://am.jpmorgan.com/hk).

## 2.7. FEES CHARGED BY THE TARGET FUND (A Share (acc) - USD)

FEES/EXPENSES	
Preliminary charge	Nil.
Management fee	Up to 2.50% of the NAV of the Target Fund. <b>Note:</b> <i>The management fee charged by the Target Fund will be paid out of the Management Fee charged by the Manager at the Fund level. You will incur Management Fee at the Fund's level only and there is no double charging of management fee.</i>
Trustee fee	Up to 0.20% per annum of the NAV of the Target Fund.
Other Liabilities	Other costs and expenses, including stamp duties, taxes, brokerage, commissions, foreign exchange costs, bank charges and registration fees relating to the Target Fund and its investments, the costs of obtaining and maintaining a listing for the units on any stock exchange, the fees and expenses of the auditors, the Registrar, the custodian(s) of that Target Fund's investments, the costs of preparing its Trust Deed and any supplemental trust deeds, legal and other professional or expert charges, and certain other fees and expenses incurred in the administration of the Target Fund. The fee paid to the Target Fund Registrar will vary depending on the number of unitholders in the Target Fund and the number of transactions which occur, but the range agreed with the Target Fund Registrar is between 0.015 per cent. and 0.5 per cent. per annum of the Target Fund's net asset value.  Target Fund is also responsible for the costs of preparing, printing, publishing and distributing all statements, accounts, reports and notices pursuant to the provisions of or otherwise in connection with the Trust Deed (including the expenses of preparing and printing any updates to its Explanatory Memorandum or publishing the net asset value per unit) and, where agreed with the Target Fund Manager, including the aforesaid costs incurred by any Target Fund distributors appointed in respect of the Target Fund. Additionally, the Target Fund bears all costs incurred as a result of a change in law or regulatory requirement or the introduction of any new law or regulatory requirement (including any costs incurred as a result of compliance with any code relating to unit trusts or collective investment schemes, whether or not having the force of law).

## 3. FEES, CHARGES AND EXPENSES

### 3.1. CHARGES

The following describes the charges that you may **directly** incur when you buy or withdraw units.

#### 3.1.1. Application Fee

When applying for units of a Class, you may be charged an Application Fee based on the NAV per unit of the respective Class. Please refer to the Annexure of the respective Class for further information.

Below is an illustration on how the Application Fee is calculated:-

	Class ABC (Denominated in USD)	Class XYZ (Denominated in MYR)
Investment amount	USD 10,000	MYR 10,000
NAV per unit	USD 1.0000	MYR 1.0000
Application Fee (NAV per unit)	5.00%	5.00%
Units issued to Unit holder = $\frac{\text{Investment amount}}{\text{NAV per unit}}$	= $\frac{\text{USD } 10,000.00}{\text{USD } 1.0000}$ = 10,000 units	= $\frac{\text{MYR } 10,000.00}{\text{MYR } 1.0000}$ = 10,000 units
Application Fee per unit = NAV per unit x Application Fee (%)	= USD 1.0000 x 5.00% = USD 0.0500	= MYR 1.0000 x 5.00% = MYR 0.0500
Total Application Fee	= 10,000 units x USD 0.0500 = <b>USD 500.00</b>	= 10,000 units x MYR 0.0500 = <b>MYR 500.00</b>

**Note:** Please note that the above example is for illustration purpose only. Please refer to the Annexure of the respective Class for the Application Fee applicable to the Class. The Application Fee imposed will be rounded to two (2) decimal places.

#### 3.1.2. Withdrawal Penalty

Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund. Please refer to the Annexure of the respective Class for further information.

#### 3.1.3. Dilution Fee

Nil.

#### 3.1.4. Switching Fee

Switching is treated as a withdrawal from a Class and an investment into another Class or Principal Malaysia's fund (or its class(es)). You may be charged a Switching Fee equal to the difference (if any) between the Application Fee of the Class and the Application Fee of the other Class or Principal Malaysia's fund (or its class(es)). Switching Fee will not be charged if the Class or Principal Malaysia's fund (or its class(es)) to be switched into has a lower Application Fee. In addition, you may be charged administrative fee for each switch. Please refer to the Annexure of the respective Class for further information.

#### 3.1.5. Transfer Fee

You may be charged a Transfer Fee for each transfer. Please refer to the Annexure of the respective Class for further information.

### 3.2. FEES AND EXPENSES

All fees and expenses of the Fund will generally be apportioned to each Class currently available for sale based on the MCR except for Management Fee and those that are related to the specific Class only, such as, the cost and/or benefits from currency hedging of the respective Class(es) and the cost of Unit holders' meeting held in relation to the respective Class. If in doubt, you should consult professional advisers for a better understanding.

The following describes the fees that you may **indirectly** incur when you invest in a Class.

### 3.2.1. Management Fee

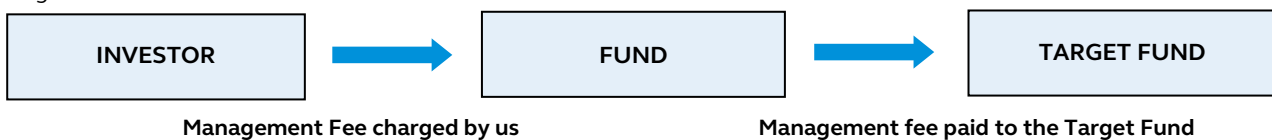
Please note that the Management Fee is charged to the respective Class at the Class level, based on the NAV of the Class. Please refer to the Annexure of the respective Class for further information. The Management Fee shall be accrued daily and paid monthly.

Below is an illustration on how the Management Fee is calculated, assuming the below Management Fee of 1.80% per annum and USD 150 million each for both Class ABC and Class XYZ:-

	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
Management Fee	1.80% per annum	1.80% per annum
NAV of the class	USD 150 million	USD 150 million
Management Fee for the day = NAV of the class x Management Fee rate for the class (%) / 365 days	= USD 150 million x 1.80% / 365 = USD 7,397.26	= USD 150 million x 1.80% / 365 = USD 7,397.26

**Note:** In the event of a leap year, the computation will be based on 366 calendar days.

Please note that although at least 95% of the Fund's NAV will be invested in another CIS, no additional management fee will be charged to the investor.



**Note:** The management fee will only be charged once at the Fund level. The management fee charged by the Target Fund will be paid out of the Management Fee charged at the Fund level. There will not be double charging of the Management Fee. Please refer to "Fees charged by the Target Fund" section at page 28 for details on the Target Fund's management fee.

### 3.2.2. Trustee Fee

Please note that the Trustee Fee (including local custodian fee but excluding foreign sub-custodian fees and charges) charged to the Fund is based on the NAV of the Fund. The Trustee Fee shall be accrued daily and paid monthly.

The Trustee Fee is up to 0.04% per annum for the Fund.

Below is an illustration on how the Trustee Fee is calculated, assuming the NAV of the Fund is USD 300 million:-

Trustee Fee for the Fund = 0.04% per annum  
 Trustee Fee for the day = NAV of the Fund x annual Trustee Fee rate for the Fund (%) / 365 days  
 = USD 300 million x 0.04% / 365  
 = USD 328.76

**Note:** In the event of a leap year, the computation will be based on 366 calendar days.

### 3.2.3. Other costs of investing in a feeder fund

As the Fund will invest in units of the Target Fund, there are other fees and expenses incurred by the Target Fund which is set out in detail under "Fees charged by the Target Fund" section at page 28.

### 3.2.4. Other expenses

The Deed also provides for payment of other expenses. Other expenses which are directly related and necessary to the operation and administration of the Fund may be charged to the Fund. These would include (but are not limited to) the following:

- commissions or fees paid to brokers or dealers (if any) in effecting dealings in the investments of the Fund, shown on the contract notes or confirmation notes or difference account;
- taxes and other duties charged on the Fund by the government and other authorities (if any) and bank fees;
- fees and other expenses properly incurred by the auditor and tax agent of the Fund;
- fees incurred for the fund valuation and accounting of the Fund performed by a fund valuation agent;
- costs incurred for the modification of the Deed otherwise than for our benefit or the Trustee's;
- costs incurred for any meeting of the Unit holders other than those convened for our benefit or the Trustee's;
- the sale, purchase, insurance and any other dealing of investment including commissions or fees paid to brokers;
- costs involved with external specialist approved by the Trustee in investigating or evaluating any proposed investment;
- the engagement of valuer, adviser or contractor of all kinds;
- preparation and audit of the taxation returns and accounts of the Fund;
- termination of the Fund or Class and the retirement or removal of the Trustee or the Manager and the appointment of a new trustee or manager;

- any proceedings, arbitration or other dispute concerning the Fund, Class or any asset, including proceedings against the Trustee or the Manager, or commenced by either of them for the benefit of the Fund or that Class (except to the extent that legal costs incurred for the defence of either of them are ordered by the court not to be reimbursed out of the Fund);
- remuneration and out of pocket expenses of the person(s) or members of a committee undertaking the oversight function of the Fund, unless we decide to bear the same;
- expenses incurred in the printing of and postage of the annual and quarterly (if any) reports, including the purchase of stationery;
- (where the custodial function is delegated by the Trustee to a foreign sub-custodian), charges or fees paid to the foreign sub-custodian;
- all costs and/or expenses associated with the distributions and the payment of such distribution including without limitation fees, costs and/or expenses for the revalidation or reissuance of any distribution cheque or distribution warrant or telegraphic transfer;
- cost of obtaining experts opinion by the Trustee and us for the benefit of the Fund or Class; and
- costs of printing and dispatching to Unit holders the accounts of the Fund, tax certificates, distribution warrants, notices of meeting of Unit holders, newspaper advertisement and such other similar costs as may be approved by the Trustee.

Expenses not authorised by the Deed must be borne by us or the Trustee, if incurred for our own benefit.

- 3.2.5.** We and the Trustee are required to ensure that any fees or charges payable are reasonable and in accordance with the Deed which stipulates the maximum rate in percentage terms that can be charged. We will ensure that there is no double charging of management fee. All expenses of the Fund will generally be apportioned to each Class based on the MCR except for those that are related to the specific Class only, such as, the cost and/or benefits from currency hedging of the respective Classes and the costs of Unit holders meeting held in relation to the respective Class. If in doubt, you should consult professional advisers for a better understanding.

Subject always to the provisions of the Deed, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for the Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or Class or payable by any other investors to the Fund.

You should note that we may, for any reason at any time, where applicable, waive or reduce the amount of any fees (except the Trustee Fee) or other charges payable by you in respect of the Fund, either generally (for all Sophisticated Investors) or specifically (for any particular Sophisticated Investor, a group of Sophisticated Investors or investments made via any digital platform) and for any period or periods of time at our absolute discretion.

### **3.3. REBATES AND SOFT COMMISSIONS**

We and the Trustee will not retain any form of rebate from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Fund. Accordingly, any rebate or shared commission will be directed to the account of the Fund.

We may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

- (a) the soft commission brings direct benefit or advantage to the management of the Fund and may include research and advisory related services;
- (b) any dealings with the broker or dealer is executed on terms which are the most favourable for the Fund; and
- (c) the availability of soft commission is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and we will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commission.

**There are fees and charges involved and you are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by the Fund or you as disclosed or illustrated in this Information Memorandum.**

**As this is a feeder fund, you are advised that you will be subjected to higher fees arising from the layered investment structure.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees, charges, expenses and/or transaction information from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**



# 4. TRANSACTION INFORMATION

## 4.1. VALUATION OF INVESTMENTS PERMITTED BY THE FUND

We will ensure that all the assets of the Fund are valued in a fair manner. The assets of the Fund are valued as follows:

- **CIS**  
The value of the unlisted CIS (i.e. the Target Fund) shall be determined by reference to the last published repurchase or redemption price for the Target Fund.
- **Deposits**  
The value of Deposits shall be determined each day by reference to the principal value of such Deposits and its accrued income thereon for the relevant period.
- **Money market instruments**  
Investment in money market instruments such as negotiable instrument of deposits and commercial papers are valued each day by reference to the quotes provided by independent and reputable pricing source(s), which is deemed fair value, includes but not limited to a Bond Pricing Agency registered with the SC. Where the quotes are provided by financial institutions, the valuation of the money market instruments will be based on the average of bid and offer prices quoted by three (3) independent and reputable financial institutions of similar standing at the close of trading. The valuation method is verified by the auditor and approved by the Trustee
- **Derivative**  
For unlisted derivative instruments, we shall ensure that the valuation of the investment is valued daily at fair value as determined in good faith by us, based on methods or bases which have been verified by the auditor of the Fund and approved by the Trustee.

If the value of the Fund's assets is denominated in a currency other than USD, the assets are translated on a daily basis to USD based on the bid foreign exchange rate quoted by either Reuters or Bloomberg, at UK time 4:00 p.m. on the same day (Malaysian time 11:00 p.m. or 12:00 a.m.), or such other time as we may determine or as per the Investment Management Standards issued by the FIMM.

## 4.2. UNIT PRICING

We adopt a single pricing method for any transactions (i.e. applications, withdrawals, switches and/or transfers) based on forward prices. This means that we will process your transactions request based on the NAV per unit at the next valuation point after we receive the completed relevant application from you.

If the transactions are made by 4:00 p.m. on a Business Day, we will process the transactions using the NAV per unit on the same Business Day. For transactions made after 4:00 p.m. on a Business Day., we will process the transactions using the NAV per unit on the next Business Day.

We will carry out the valuation for the Classes for a Business Day on the next Business Day (T+1) by 4:00 p.m. This is to cater for the currency translation of the foreign securities or instruments to the Fund's base currency based on the bid exchange rate quoted by Bloomberg or Refinitiv at UK time 4:00 p.m. on the same day (Malaysian time 11:00 p.m. or 12:00 a.m.), or such other time as stipulated in the IMS. The NAV per unit for a Business Day is available on our website at [www.principal.com.my](http://www.principal.com.my) after 5:30 p.m. on the following Business Day (T+1).

After the initial offer period, the Fund must be valued at least once every Business Day. The method of determining NAV per unit of the Class is calculated as follows:

$$\text{NAV per unit of the Class} = \frac{\text{NAV of the Class}}{\text{Number of units in issue of the Class}}$$

The NAV of the Fund is the sum of the value of all investments and cash held by the Fund (calculated in accordance with the Deed) including income derived by the Fund which has not been distributed to you, less all amounts owing or payable in respect of the Fund which also includes any provisions that may be made by us and the Trustee. For example, a provision may be made for possible future losses on an investment which cannot be fairly determined.

The valuation of the Fund is in the base currency i.e. USD. As such, all the assets and liabilities of each Class will be translated into USD for valuation purposes. The foreign exchange rate used for this purpose shall be the bid exchange rate quoted by Bloomberg or Refinitiv at UK time 4:00 p.m. (Malaysian time 11:00 p.m. or 12:00 a.m.), or such other time as stipulated in the IMS. The NAV per unit of each Class will be the NAV of the Fund attributable to each Class divided by the number of units in circulation of that Class, at the same valuation point.

#### 4.2.1. Multi-class Ratio (MCR)

MCR is the apportionment of the NAV of each Class over the Fund's NAV based on the size of each Class. The MCR is calculated by dividing the NAV (in USD) of the respective Class by the NAV of the Fund before income and expenses for the day. The apportionment is expressed as a ratio and calculated as a percentage.

Below is an illustration on computation of the NAV of the Fund:

	Fund (USD)	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
NAV of the Fund before income and expenses	185,942,897.00	173,342,897.00	12,600,000.00
% MCR	100%	<sup>(1)</sup> 93.22%	<sup>(1)</sup> 6.78%
Add: Income	30,000.00	<sup>(2)</sup> 27,967.12	<sup>(2)</sup> 2,032.88
Less: Expenses	(10,000.00)	<sup>(2)</sup> (9,322.37)	<sup>(2)</sup> (677.63)
Benefits or costs of hedging (if any)	900.00	-	900.00
NAV of the Fund before Management Fee and Trustee Fee	185,963,797.00	173,361,541.75	12,602,255.25
Less: Management Fee	(9,170.82)	1.80% p.a. (8,549.34)	1.80% p.a. (621.48)
Less: Trustee fee	(203.80)	0.04% p.a. (189.99)	(13.81)
NAV of the Fund	185,954,422.38	173,352,802.42	12,601,619.96
Units in circulation	200,000,000.00 units	170,000,000.00 units	30,000,000.00 units
<b>NAV per unit</b>		<b>1.0197</b>	<b>0.4200</b>
Currency exchange rate		N/A	(USD/MYR) 0.3000
NAV per unit		<b>USD 1.0197</b>	<b>MYR 1.4000</b>

	Fund (USD)	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
NAV of the Fund before creation of units for the day	185,954,422.38	173,352,802.42	12,601,619.96
<sup>(3)</sup> Net subscription amount	1,300,000.00	1,000,000.00	300,000.00
Closing NAV	187,254,422.38	174,352,802.42	12,901,619.96
Units in circulation	201,694,966.30 units	170,980,680.59 units	30,714,285.71 units
NAV per unit		<b>1.0197</b>	<b>0.4200</b>
Currency exchange rate		N/A	(USD/MYR) 0.3000
NAV per unit		<b>USD 1.0197</b>	<b>MYR 1.4000</b>

#### Note :

<sup>(1)</sup> MCR computation

	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
<u>NAV of the Class x 100</u>	<u>173,342,897 x 100</u>	<u>12,600,000 x 100</u>
NAV of the Fund before income and expenses	185,942,897.00	185,942,897
	= 93.22%	= 6.78%

<sup>(2)</sup> Apportionment based on MCR is as follows:

	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
Add: Income	30,000.00	MCR x Income
	= Income for Class ABC	= Income for Class XYZ

		= 93.22% x USD 30,000.00 = USD 27,966.00	= 6.78% x USD 30,000.00 = USD 2,034.00
Less: Expenses	(10,000.00)	MCR x Expenses = Expenses for Class ABC = 93.22% x USD 10,000.00 = USD 9,322.00	MCR x Expenses = Expenses for Class XYZ = 6.78% x USD 10,000.00 = USD 678.00

<sup>(3)</sup> Net subscription amount

	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
Net subscription amount	USD 1,000,000.00	MYR 1,000,000.00
NAV per unit	USD 1.0197	MYR 1.4000
Number of units	980,680.59 units	714,285.71 units
Currency exchange rate	N/A	(USD/MYR) 0.3000
Net subscription amount*	USD 1,000,000	USD 300,000

\*Subscription amount net of any withdrawal amount.

**Note:** Please note that the above is for illustration purpose only. NAV per unit is truncated to four (4) decimal places.

### 4.3. INCORRECT PRICING

We shall take immediate remedial action to rectify any incorrect valuation and/or pricing of the Class. Where such error has occurred, we shall reimburse the money in the following manner:

- a) in the event of over valuation and/or pricing, we shall reimburse:
  - (i) the Class for any withdrawal of units; and/or
  - (ii) you, if you have purchased units of the Class at a higher price; or
- b) in the event of under valuation and/or pricing, we shall reimburse:
  - (i) the Class for any subscription of units; and/or
  - (ii) you, if you have withdrawn units of the Class at a lower price.

Notwithstanding the above, unless the Trustee otherwise directs, we shall make the reimbursement only where an incorrect pricing:

- a) is equal to or more than 0.50% of the NAV per unit; and
- b) results in a sum total of MYR10.00 (or in the case of a foreign currency Class, 10.00 denominated in the foreign currency denomination of the Class) or more to be reimbursed to a Unit holder for each sale or withdrawal transaction.

We shall have the right to amend, vary or revise the aforesaid limits from time to time, subject to any regulatory or governing body's requirements.

### 4.4. INVESTING

#### 4.4.1. Who can invest?

You are eligible to invest in the Fund if you are a Sophisticated Investor who is:

- an individual who is at least eighteen (18) years of age and not an undischarged bankrupt with a bank account (or foreign currency bank account, as the case may be) in the currency of the Class applied for (e.g. Class USD investors are required to have a USD bank account). As an individual investor, you may also opt to invest in joint names (i.e. as a joint Unit holder and both applicants must be at least eighteen (18) years of age).
- an institution including a company, corporation, co-operative, trust or pension fund with a bank account (or foreign currency bank account, as the case may be) in the currency of the Class applied for (e.g. Class USD investors are required to have a USD bank account).

Notwithstanding the above, we have the right to accept or reject an application in whole or in part thereof without assigning any reason in respect thereof.

Further, if we become aware of a USA person (i.e. someone who has a USA address (permanent or mailing) or contact number) or USA entity (i.e. a corporation, trust, partnership or other entity created or organised in or under the laws of the USA or any state thereof or any estate or trust the income of which is subject to United States Federal Income Tax regardless of source) holding units in the Fund, we will issue a notice to that Unit holder requiring him/her to, within thirty (30) days, either withdraw the units or transfer the units to a non-USA person or non-USA entity.

We also have the right to withdraw all units held by you in the event we are of the opinion that such withdrawal is necessary to ensure that we comply with any relevant laws, regulations and guidelines. We will first notify you before making any such compulsory withdrawal of your units.

#### **4.4.2. How to invest?**

You may invest through any of our Distributors or Principal Malaysia's offices after completing the relevant application and attaching a copy of your identity card, passport or any other identification document (where applicable). We may request for additional supporting document(s) or information from you. Your application should indicate clearly the amount you wish to invest in the Fund. We may introduce other mode of investment from time to time, subject to the approval of the relevant authorities.

You may make a payment:

- by crossed cheque (made payable as advised by us or our Distributors as the case may be). You will have to bear the applicable bank fees and charges, if any;
- directly from your bank account (or foreign currency bank account, as the case may be) held with us or our Distributors, where applicable; or
- by such other mode of payment that we and/or the relevant authorities may approve from time to time. Any charges, fees and expenses incurred in facilitating such mode of payment shall be borne by you. Such mode of payment is subject to further limit(s), restriction(s) and/or terms and conditions that we and/or the relevant authorities may impose from time to time.

#### **4.4.3. Regular Savings Plan ("RSP")**

RSP may be made available for certain Class. Please refer to the Annexure of the respective Class for further information. Where available, the RSP allows you to make regular monthly investments, directly from your account held with a bank approved by us or our Distributors. We will process the monthly investments made via the RSP when we receive your application and/or your monthly contribution. You can also arrange a standing instruction with us or our Distributors to invest a pre-determined amount in the Class each month. You may cancel your RSP at any time by providing written instructions to us or our Distributors to cancel your standing instruction.

#### **4.4.4. Can the units be registered in the name of more than one (1) Unit holder?**

We may register units in the name of more than one (1) Unit holder but we have the discretion not to allow registration of more than two (2) joint Unit holders. All applicants must be at least eighteen (18) years of age and are Sophisticated Investor.

In the event of the demise of a joint Unit holder, whether Muslim or non-Muslim, only the surviving joint Unit holder will be recognized as the rightful owner. His/her units will be dealt with in accordance with the Deed and applicable laws and regulations.

**You should not make any payment directly or indirectly to any individual agent or employee of the Manager or issue a cheque in the name of an individual agent or employee of the Manager when purchasing this Fund.**

Please take note that if your investments are made through an IUTA via a nominee system of ownership, you would not be deemed as a Unit holder under the Deed and as a result, you may not exercise all the rights ordinarily conferred to a Unit holder (e.g. the right to call for Unit holders' meetings and the right to vote at a Unit holders' meeting).

## **4.5. MINIMUM INVESTMENTS**

The minimum initial and additional investment for each Class may differ and may be determined by us from time to time. Please refer to the Annexure of the respective Class for further information.

#### **4.5.1. Processing an application**

If we receive and accepted a complete application by 4:00 p.m. on a Business Day, we will process it using the NAV per unit for that Business Day. If we receive and accepted the application after 4:00 p.m. on a Business Day, we will process it using the NAV per unit for the next Business Day. We will only process the complete applications, i.e. when we have received all the necessary and required information and/or documentations. The number of units you receive will be rounded to two (2) decimal places.

## **4.6. MINIMUM WITHDRAWALS**

The minimum withdrawal amount for each Class may differ and may be determined by us from time to time, unless you are withdrawing your entire investment. Please refer to the Annexure of the respective Class for further information. You may withdraw by completing a withdrawal application and submit it to the relevant Distributor or Principal Malaysia's offices. There is no restriction on the frequency of withdrawals. We will transfer the withdrawal proceeds to your bank account (or foreign currency bank account, as the case may be) provided by you.

#### 4.6.1. Processing a withdrawal

If we receive a complete withdrawal request by 4:00 p.m. on a Business Day, we will process it using the NAV per unit for that Business Day. If we receive the withdrawal request after 4:00 p.m. on a Business Day, we will process it using the NAV per unit for the next Business Day. The amount that you will receive is calculated by the withdrawal value less the Withdrawal Penalty, if any. You will have to bear the applicable bank fees and charges, if any.

Under normal circumstances, you will be paid in the currency of the Class (e.g. Class USD will be paid in USD) within fifteen (15) Business Days of receipt of the complete withdrawal request. You should note that the time taken to pay the withdrawal proceeds to you (i.e. fifteen (15) Business Days) may be extended/delayed if:

- (i) There is temporary suspension of dealings at the Target Fund <sup>Note 1</sup>;
- (ii) There is deferral of redemption payment by the Target Fund <sup>Note 2</sup>;
- (iii) The dealings of the Fund are temporarily suspended by us <sup>Note 3</sup>; or
- (iv) There are any unforeseen circumstances that caused a delay in us receiving redemption proceeds from the Target Fund Investment Manager, subject to concurrence from Trustee.

Should any of the above events occur, we may not be able to pay the withdrawal proceeds to you within fifteen (15) Business Days. However, we will pay the withdrawal proceeds to you within five (5) Business Days subsequent to the receipt of redemption proceeds from the Target Fund Investment Manager.

**Note 1:** *The dealings of the Target Fund may be suspended under the circumstances as described under “Suspension of redemptions” section on page 27.*

**Note 2:** *The Target Fund Investment Manager may limit the number of units redeemed on a dealing day to 10% of the NAV of the Target Fund as described under “Suspension of redemptions” section on page 27.*

**Note 3:** *We may temporarily suspend the dealing in units of the Classes or Fund, subject to the GLOLA and/or the Deed as described under “Temporary Suspension” section on page 37.*

Please refer to the respective sections for more information. Please consult your professional advisers for better understanding.

#### 4.7. MINIMUM BALANCE

The minimum balance that must be maintained in your account for each Class may differ and may be determined by us from time to time. Please refer to the Annexure of the respective Class for further information. If the balance (i.e. number of units) of an investment drops below the minimum balance units, further investment will be required until the balance of the investment is restored to at least the stipulated minimum balance. Otherwise, we can withdraw your entire investment and forward the proceeds to you.

#### 4.8. COOLING-OFF PERIOD

For first time individual Sophisticated Investor investing with us, you have six (6) Business Days after your initial investment (i.e. from the date the complete application is received and accepted by us or any of our Distributors) to reconsider its appropriateness and suitability for your investment needs. Within this period, you may withdraw your investment at the same NAV per unit when the units were purchased or prevailing NAV per unit at the point of cooling-off (whichever is lower) (“Refund Amount”). We will pay the Refund Amount including the Application Fee (if any) to you in the currency of the respective Class within fifteen (15) Business Days, from the date we receive the complete documentations. If there are unforeseen circumstances that caused a delay in receiving the cooling-off proceeds from the Target Fund, we will pay to you the Refund amount within fifteen (15) Business days of the receipt of the Refund amount from the Target Fund. Please note that the cooling-off right is only given to first time investor investing with us or our Distributors. However, Principal Malaysia’s staff and person(s) registered with a body approved by the SC to deal in unit trust funds are not entitled to the cooling-off right.

#### 4.9. SWITCHING

We process a switch between the Classes of the Fund or between a Class and other Principal Malaysia’s fund (or its classes), which should be denominated in the same currency. You may contact our Customer Care Centre for more information on the availability of switching. For information on the availability of switching, please refer to the Annexure of the respective Class.

To switch, simply complete a switch application and send to our Distributors or Principal Malaysia’s offices. Currently, there is no restriction on the frequency of switches. However, we have the discretion to allow or to reject any switching into (or out of) the Fund or Class and other Principal Malaysia’s funds (or its classes).

##### 4.9.1. Processing a switch

We process a switch as a withdrawal from one fund or class and an investment into another fund or class within Principal Malaysia’s funds. If we receive a complete switch request by 4:00 p.m. on a Business Day, we will process the switch-out using the

NAV per unit for that Business Day. If we receive the request after 4:00 p.m. on a Business Day, the switch-out will be processed using the NAV per unit for the next Business Day.

However, you should note that switch-in may be processed at a later Business Day, generally within one (1) Business Day to four (4) Business Days.

#### **4.10. TRANSFER FACILITY**

You may transfer your units to another investor subject to terms and conditions as may be stipulated in the Deed. However, we may refuse to register any transfer of unit at our absolute discretion. You may be charged a Transfer Fee for each transfer. Please refer to the Annexure of the respective Class for further information.

#### **4.11. TEMPORARY SUSPENSION**

We may temporarily suspend the dealing in units of the Classes or Fund, subject to the GLOLA and/or the Deed. Please note that during the suspension period, there will be no NAV per unit available and hence, we will not accept any transactions for the applications, withdrawals, switches and/or transfers of units. If we have earlier accepted your request for withdrawals and switches of units, please note that there may be delay in processing those transactions and you will be notified accordingly. You will also be notified once the suspension is lifted.

#### **4.12. DISTRIBUTION PAYMENT**

Depending on the distribution policy of the respective Class, distribution (if any) will be made at the end of each distribution period to the Classes according to its distribution policy. Each unit of the Class will receive the same distribution for a distribution period regardless of when those units were purchased. The distribution amount you will receive is calculated by multiplying the total number of units held by you in the Class with the distribution amount in cent per unit. On the distribution date, the NAV per unit will adjust accordingly. For information on the distribution policy of each Class, please see Annexure of the respective Class.

All distributions (if any) will be automatically reinvested into additional units in the Class at the NAV per unit on the distribution date (the number of units will be rounded to two (2) decimal places), unless written instructions to the contrary are communicated to us, in which you should have first furnished us with details of your valid and active bank account in the currency denomination of that Class, that all distribution payment shall be paid into (the cost and expense will be borne by you). No Application Fee is payable for the reinvestment.

If units are issued as a result of the reinvestment of a distribution or other circumstance after you have withdrawn your investment from the Class, those additional units will then be withdrawn and the proceeds will be paid to you. You should note that distribution payments, if any, will be made in the respective currency for the Class(es). As such, the distribution amount may be different for each Class as a result of exchange rate movement between the base currency of the Fund and the denominated currency of the Class(es). The distribution will be paid into your bank account (which shall be in the respective currency of the Class(es)) in our records (at your cost and expense).

***Note:** Please note that for Class(es) that provide distribution, we have the right to make provisions for reserves in respect of distribution of the Class. If the income available is too small or insignificant, any distribution may not be of benefit to you as the total cost to be incurred in any such distribution may be higher than the amount for distribution. We have the discretion to decide on the amount to be distributed to you. We also have the discretion to make income distribution on an ad-hoc basis, taking into consideration the level of the Fund's capital, realised income and/or realised gains, as well as the performance of the Fund.*

#### **4.13. UNCLAIMED MONEYS**

Any moneys payable to you which remain unclaimed after two (2) years as prescribed by the Unclaimed Moneys Act 1965 ("UMA"), will be surrendered to the Registrar of Unclaimed Moneys by us in accordance with the requirements of the UMA. Thereafter, all claims need to be made by you with the Registrar of Unclaimed Moneys.

For income distribution payout to you by bank transfer, if any which remained unsuccessful and unclaimed for six (6) months, it will be reinvested into the Class within thirty (30) Business Days after the six (6) months period based on the prevailing NAV per unit on the day of the reinvestment provided that you still hold units of the Class. No Application Fee is payable for the reinvestment. In the event that you no longer hold any unit in the Class, the distribution money would be subject to the same treatment mentioned in the above paragraph as prescribed by the UMA.

**Unit prices and distributions payable, if any, may go down as well as up.**

**We have the discretion to amend the amount, rate and/or terms and conditions of the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the transaction information.**

## 5. ADDITIONAL INFORMATION

### 5.1. FINANCIAL YEAR-END

30 September.

### 5.2. INFORMATION ON YOUR INVESTMENT

We will send you the following:

- Monthly statement of your account showing details of transactions and distributions (if any); and
- Quarterly report and audited annual report showing snapshots of the Fund and details of the portfolio for the respective period reported. Both the quarterly report and the audited annual report will be sent to you within two (2) months of the end of the period reported.

**The Fund's annual report is available upon request.**

You may obtain up-to-date fund information and NAV per unit from our monthly fund fact sheets and our website at [www.principal.com.my](http://www.principal.com.my).

Please take note that if your investments are made through the IUTA via a nominee system of ownership, you would not be deemed to be a Unit holder under the Deed. As such, you may obtain the above information from the respective Distributor.

### 5.3. TERMINATION OF FUND AND/OR ANY OF THE CLASSES

Subject to the provision set out below, the Fund and/or any of the Class may be terminated or wound-up without the need to seek Unit Holders' prior approval as proposed by us with the consent of the Trustee (which consent shall not be unreasonably withheld) upon the occurrence of any of the following events, by giving not less than three (3) months' notice in writing to the Unit holders as hereinafter provided (i) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Fund or Class, as the case may be or (ii) if in our reasonable opinion it is impracticable or inadvisable to continue the Fund or Class, as the case may be. A Class may be terminated by Unit holders if a Special Resolution is passed at a Unit holders' meeting of that Class to terminate or wind-up that Class provided always that such termination or winding-up of that Class does not materially prejudice the interest of any other Class in that Fund.

### 5.4. RIGHTS, LIABILITIES AND LIMITATIONS OF UNIT HOLDERS

The money you have invested in the Fund will purchase a certain number of units, which represents your interest in the Fund. Each unit held by you in the Fund represents an equal undivided beneficial interest in the assets of the Fund. However, the unit does not give you an interest in any particular part of the Fund or a right to participate in the management or operation of the Fund (other than through Unit holders' meetings).

You will be recognised as a registered Unit holder in the Fund on the Business Day the details are entered onto the register of Unit holders.

Please take note that if your investments are made through the Distributor (i.e. the IUTA via a nominee system of ownership), you would not be deemed to be a Unit holder under the Deed and as a result, may not exercise all the rights ordinarily conferred to a Unit holder (e.g. the right to call for Unit holders' meetings and the right to vote at a Unit holders' meeting).

#### **Rights**

As a Unit holder, you have the right, among others, to:

- inspect the register, free of charge, at any time at our registered office, and obtain such information pertaining to its units as permitted under the Deed and GLOLA;
- receive the distribution of the Class (if any), participate in any increase in the value of the units and to other rights and privileges as set out in the Deed;
- call for Unit holders' meetings under the following circumstances:
  - (i) to consider the most recent audited financial statements of the Fund;
  - (ii) to require the retirement or removal of the Manager or the Trustee;
  - (iii) to give to the Trustee such directions as the meeting thinks proper; or
  - (iv) to consider any other matter in relation to the Deed.
- vote for the removal of the Trustee or the Manager through a Special Resolution;
- receive annual and quarterly reports of the Fund; and
- exercise cooling-off right.

Unit holders' rights may be varied by changes to the Deed, the GLOLA or judicial decisions or interpretation.

#### **Liabilities**

- Your liability is limited to the purchase price paid or agreed to be paid for a unit. You do not need to indemnify the Trustee or us in the event that the liabilities incurred by us and/or the Trustee in the name of or on behalf of the Fund pursuant to and/or in the performance of the provisions of the Deed exceed the value of the assets of the Fund.
- Any right of indemnity of us and/or the Trustee shall be limited to recourse to the Fund.

#### **Limitations**

You cannot:

- interfere with or question the exercise by the Trustee, or us on its behalf, of the rights of the Trustee as the registered owner of the assets of the Fund;
- claim any interest in the asset of the Fund; or
- require the asset of the Fund to be transferred to you.

**Note:** You may refer to the Deed for full details of your rights.

### **5.5. DOCUMENTS AVAILABLE FOR INSPECTION**

You may inspect the following documents or copies thereof in relation to the Fund (upon request) at our principal place of business and/or the business address of the Trustee (where applicable) without charge:

- The Deed, if any;
- Information Memorandum and supplementary or replacement information memorandum, if any;
- The latest annual and quarterly reports of the Fund;
- Material contracts or documents disclosed in this Information Memorandum;
- The audited financial statements of the Manager and the Fund (where applicable) for the current financial year and for the last three (3) financial years or if less than three (3) years, from the date of incorporation or commencement; and

### **5.6. POTENTIAL CONFLICTS OF INTERESTS AND RELATED-PARTY TRANSACTIONS**

We (including our directors) will at all times act in your best interests and will not conduct ourselves in any manner that will result in a conflict of interest or potential conflict of interest. In the unlikely event that any conflict of interest arises, such conflict shall be resolved such that the Fund is not disadvantaged. In the unlikely event that we face conflicts in respect of our duties as the manager to the Fund and to other Principal Malaysia's funds that we manage, we are obliged to act in the best interests of our investors and will seek to resolve any conflicts fairly and in accordance with the Deed.

We shall not act as principal in the sale and purchase of any securities or investments to and from the Fund. We shall not make any investment for the Fund in any securities, properties or assets in which we or our officer has financial interest in or from which we or our officer derives a benefit, unless with the prior approval of the Trustee. We (including our directors) who hold substantial shareholdings or directorships in public companies shall refrain from any decision making relating to that particular investment of the Fund.

The Fund may maintain Deposits with CIMB Bank Berhad, CIMB Islamic Bank Berhad and CIMB Investment Bank Berhad. We may enter into transactions with other companies within PFG and CIMB Group provided that the transactions are effected at market prices and are conducted at arm's lengths.

We generally discourage cross trades and prohibit any transactions between client(s) accounts and fund accounts. Any cross trade activity require prior approval with the relevant supporting justification(s) to ensure the trades are executed in the best interest of both funds and such transactions were executed at arm's length. Cross trades will be reported to the person(s) or members of a committee undertaking the oversight function of the Fund to ensure compliance to the relevant regulatory requirements.

#### **Trustee**

As for the trustee and service provider for the Fund, there may be related party transactions involving or in connection with the Fund in the following events:

- (1) where the Fund invests in instrument(s) offered by the related party of the Trustee (e.g. placement of monies, structured products, etc);
- (2) where the Fund is being distributed by the related party of the Trustee;
- (3) where the assets of the Fund are being custodised by the related party of the Trustee both as sub-custodian and/or global custodian of the Fund (i.e. Trustee's delegate); and
- (4) where the Fund obtains financing as permitted under the GLOLA, from the related party of the Trustee.



The Trustee has in place policies and procedures to deal with any conflict of interest situation. The Trustee will not make improper use of its position as the owner of the Fund's assets to gain, directly or indirectly, any advantage or cause detriment to the interests of Unit holders. Any related party transaction is to be made on terms which are best available to the Fund and which are not less favourable to the Fund than an arms-length transaction between independent parties.

Subject to the above and any local regulations, the Trustee and/or its related group of companies may deal with each other, the Fund or any Unit holder or enter into any contract or transaction with each other, the Fund or any Unit holder or retain for its own benefit any profits or benefits derived from any such contract or transaction or act in the same or similar capacity in relation to any other scheme.

## **5.7. INTERESTS IN THE FUND**

Subject to any legal requirement, we or any of our related corporation, or any of our officers or directors, may invest in the Fund. Our directors will receive no payments from the Fund other than distributions that they may receive as a result of investment in the Fund. No fees other than the ones set out in this Information Memorandum have been paid to any promoter of the Fund, or the Trustee (either to become a trustee or for other services in connection with the Fund), or us for any purpose.

## **5.8. EMPLOYEES' SECURITIES DEALINGS**

We have in place a policy contained in its Personal Account Dealing Policy, which regulates our employees' securities dealings. All of our employees are required to declare their securities trading annually to ensure that there is no potential conflict of interest between the employees' securities trading and the execution of the employees' duties to us and our customers.

## 6. THE MANAGER

### 6.1. ABOUT PRINCIPAL ASSET MANAGEMENT BERHAD

Principal Malaysia was incorporated on 13 June 1994 and is a joint venture between PFG and CIMB Group. Principal Malaysia has experience operating unit trust funds since 1994.

The primary roles, duties and responsibilities of Principal Malaysia as the manager of the Fund include:

- maintaining a register of Unit holders;
- implementing the appropriate investment strategies to achieve the Fund's investment objectives;
- ensuring that the Fund has sufficient holdings in liquid assets;
- arranging for the sale and withdrawal of units;
- calculating the amount of income to be distributed to Unit holders, if any; and
- maintaining proper records of the Fund.

As at LPD, there is no litigation or arbitration proceeding current, pending or threatened against or initiated by Principal Malaysia nor are there any facts likely to give rise to any proceedings which might materially affect the business/financial position of Principal Malaysia.

#### 6.1.1. Designated person responsible for fund management function

<b>Name:</b>	Lee Chun Hong
<b>Designation:</b>	Chief Investment Officer, Equities – Malaysia
<b>Experience:</b>	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 Bhd 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 Bhd. 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 on ASEAN markets. He started covering ASEAN markets since 2010. He was also previously with PricewaterhouseCoopers as an auditor. Chun Hong holds a Bachelor of Commerce (Accounting & Finance), Monash University, Clayton Campus. He is a Chartered Financial Analyst (CFA) charterholder.
<b>Qualifications:</b>	<ul style="list-style-type: none"><li>▪ Bachelor of Commerce (Accounting &amp; Finance) - Monash University, Clayton Campus.</li><li>▪ A CFA Charterholder.</li><li>▪ Ex-member of CPA Australia.</li></ul>

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

# 7. THE TRUSTEE

## 7.1. ABOUT HSBC (MALAYSIA) TRUSTEE BERHAD

HSBC (Malaysia) Trustee Berhad (the “Trustee”) is a company incorporated in Malaysia since 1937 and registered as a trust company under the Trust Companies Act 1949, with its registered address at Level 19, Menara IQ, Lingkaran TRX, 55188 Tun Razak Exchange, Kuala Lumpur.

Since 1993, the Trustee has acquired experience in the administration of unit trusts and has been appointed as trustee for unit trust funds, exchange-traded funds, wholesale funds and funds under private retirement scheme.

### **Duties and Responsibilities of the Trustee**

The Trustee’s main functions are to act as trustee and custodian of the assets of the Fund and to safeguard the interests of Unit holders. In performing these functions, the Trustee has to exercise all due care, diligence and vigilance and is required to act in accordance with the provisions of the Deed, the CMSA and the SC Guidelines. Apart from being the legal owner of the Fund’s assets, the Trustee is also responsible for ensuring that the Manager performs its duties and obligations in accordance with the provisions of the Deed, the CMSA and the SC Guidelines. In respect of monies paid by an investor for the application of units, the Trustee’s responsibility arises when the monies are received in the relevant account of the Trustee for the Fund and in respect of redemption, the Trustee’s responsibility is discharged once it has paid the redemption amount to the Manager.

The Trustee has in place anti-money laundering and anti-terrorism financing policies and procedures across the HSBC Group, which may exceed local regulations. Subject to any local regulations, the Trustee shall not be liable for any loss resulting from compliance of such policies, except in the case of negligence, wilful default or fraud of the Trustee.

The Trustee is not liable for doing or failing to do any act for the purpose of complying with law, regulation or court orders.

The Trustee shall be entitled to process, transfer, release and disclose from time to time any information relating to the Fund, Manager and Unit holders (including personal data of the Unit holders, where applicable) for the purposes of performing its duties and obligations in accordance to the Deed, the CMSA, the SC Guidelines and any other legal and/or regulatory obligations such as conducting financial crime risk management, to the Trustee’s parent company, subsidiaries, associate companies, affiliates, delegates, service providers, agents and any governing or regulatory authority, whether within or outside Malaysia (who may also subsequently process, transfer, release and disclose such information for any of the above mentioned purposes) on the basis that the recipients shall continue to maintain the confidentiality of information disclosed, as required by law, regulation or directive, or in relation to any legal action, or to any court, regulatory agency, government body or authority.

### **Trustee’s Delegate**

The Trustee has appointed The Hongkong and Shanghai Banking Corporation Ltd as custodian of both the local and foreign assets of the Fund. For quoted and unquoted local investments of the Fund, the assets are held through HSBC Bank Malaysia Berhad and/or HSBC Nominees (Tempatan) Sdn Bhd. The Hongkong and Shanghai Banking Corporation Ltd is a wholly owned subsidiary of HSBC Holdings Plc, the holding company of the HSBC Group. The custodian’s comprehensive custody and clearing services cover traditional settlement processing and safekeeping as well as corporate related services including cash and security reporting, income collection and corporate events processing. All investments are registered in the name of the Trustee or to the order of the Trustee. The custodian acts only in accordance with instructions from the Trustee.

The Trustee shall be responsible for the acts and omissions of its delegate as though they were its own acts and omissions.

However, the Trustee is not liable for the acts, omissions or failure of third party depository including central securities depositories, or clearing and/or settlement systems in any circumstances.

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

The Trustee is not engaged in any material litigation and arbitration, including those pending or threatened, and is not aware of any facts likely to give rise to any proceedings which might materially affect the business/financial position of the Trustee.

### **Trustee’s Statement of Responsibility**

The Trustee has given its willingness to assume the position as trustee of the Fund and all the obligations in accordance with the Deed, all relevant laws and rules of law. The Trustee shall be entitled to be indemnified out of the Fund against all losses, damages or expenses incurred by the Trustee in performing any of its duties or exercising any of its powers under the Deed. The right to indemnity shall not extend to loss occasioned by breach of trust, wilful default, negligence, fraud or failure to show the degree of care and diligence required of the Trustee having regard to the provisions of the Deed.

# **ANNEXURE – CLASS USD**

This section is only a summary of the salient information about Class USD. You should read and understand the entire Information Memorandum before investing and keep the Information Memorandum for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the repayment of your capital.

## CLASS INFORMATION

	Class USD	Page
Currency denomination	USD	
Distribution policy	Given the Fund's investment objective, the class of the Fund is not expected to pay any distribution. Distributions, if any, are at our discretion and will vary from period to period depending on the performance of the Fund.	37

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class USD	Page
Application Fee	Up to 5.00% of the NAV per unit.	29
Withdrawal Penalty	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	29
Switching Fee	Switching is treated as a withdrawal from the Class and an investment into another Class or Principal Malaysia's fund (or its class). As such, you will be charged a Switching Fee equal to the difference (if any) between the Application Fee of the Class and the Application Fee of the other Class or Principal Malaysia's fund (or its class). Switching Fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose USD35 as the administrative fee for every switch. You may negotiate to lower the Switching Fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the Switching Fee and/or administrative fee.	29
Transfer Fee	A maximum of USD15 may be charged for each transfer.	29
Other charges payable directly by you when purchasing or withdrawing units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class USD	Page
Management Fee	Up to 1.80% per annum of the NAV of the Class.	30
Trustee Fee	Up to 0.04% per annum of the NAV of the Fund (including local custodian fees and charges but excluding foreign sub-custodian fees and charges).	30
Fund expenses	Only expenses that are directly related to the Fund can be charged to the Fund. Examples of relevant expenses are audit fee and tax agent's fee.	30
Other fees payable indirectly by you when investing in the Fund	Other fees indirectly incurred by a feeder fund such as dilution adjustment, annual depositary fees and transaction fees of the Target Fund. As such, you are indirectly bearing the dilution adjustment, depositary fees and transaction fees charged at the Target Fund level.	30

**Note:** Subject always to the provisions of the Deed and GLOLA, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for the Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class USD	Page
Minimum initial investment	USD1,000 or such other amount as we may decide from time to time.	35

	Class USD	Page
<b>Minimum additional investment</b>	USD100 or such other amount as we may decide from time to time.	35
<b>Minimum withdrawal</b>	500 units or such other number of units as we may decide from time to time.	35
<b>Minimum balance</b>	1,000 units or such other number of units as we may decide from time to time.	36
<b>Regular Savings Plan</b>	Currently, RSP is not available for this Class.	35
<b>Switching</b>	<p>Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to:</p> <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the Switching Fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>	36
<b>Transfer facility</b>	We may, at our absolute discretion, allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	37

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/or reduce (as the case maybe): (i) Your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except for the Trustee Fee); (b) other charges payable by you to the Fund; and/or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and you are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Information Memorandum.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees, charges and/or transaction information from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the fees, charges and/or transaction information.**

# **ANNEXURE – CLASS AUD-HEDGED**

This section is only a summary of the salient information about Class AUD-Hedged. You should read and understand the entire Information Memorandum before investing and keep the Information Memorandum for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the repayment of your capital.

## CLASS INFORMATION

	Class AUD-Hedged	Page
Currency denomination	AUD	
Distribution policy	Given the Fund's investment objective, the class of the Fund is not expected to pay any distribution. Distributions, if any, are at our discretion and will vary from period to period depending on the performance of the Fund.	37

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class AUD-Hedged	Page
Application Fee	Up to 5.00% of the NAV per unit.	29
Withdrawal Penalty	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	29
Switching Fee	Switching is treated as a withdrawal from the Class and an investment into another Class or Principal Malaysia's fund (or its class). As such, you will be charged a Switching Fee equal to the difference (if any) between the Application Fee of the Class and the Application Fee of the other Class or Principal Malaysia's fund (or its class). Switching Fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose AUD35 administrative fee for every switch. You may negotiate to lower the Switching Fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the Switching Fee and/or administrative fee.	29
Transfer Fee	A maximum of AUD15 may be charged for each transfer.	29
Other charges payable directly by you when purchasing or withdrawing units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class AUD-Hedged	Page
Management Fee	Up to 1.80% per annum of the NAV of the Class.	30
Trustee Fee	Up to 0.04% per annum of the NAV of the Fund (including local custodian fees and charges but excluding foreign sub-custodian fees and charges).	30
Fund expenses	Only expenses that are directly related to the Fund can be charged to the Fund. Examples of relevant expenses are audit fee and tax agent's fee.	30
Other fees payable indirectly by you when investing in the Fund	Other fees indirectly incurred by a feeder fund such as dilution adjustment, annual depositary fees and transaction fees of the Target Fund. As such, you are indirectly bearing the dilution adjustment, depositary fees and transaction fees charged at the Target Fund level.	30

**Note:** Subject always to the provisions of the Deed and GLOLA, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for the Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class AUD-Hedged	Page
Minimum initial investment	AUD1,000 or such other amount as we may decide from time to time.	35



	<b>Class AUD-Hedged</b>	<b>Page</b>
<b>Minimum additional investment</b>	AUD100 or such other amount as we may decide from time to time.	35
<b>Minimum withdrawal</b>	500 units or such other number of units as we may decide from time to time.	35
<b>Minimum balance</b>	1,000 units or such other number of units as we may decide from time to time.	36
<b>Regular Savings Plan</b>	Currently, RSP is not available for this Class.	35
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the Switching Fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>	36
<b>Transfer facility</b>	We may, at our absolute discretion, allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	37

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/or reduce (as the case maybe): (i) Your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except for the Trustee Fee); (b) other charges payable by you to the Fund; and/or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and you are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Information Memorandum.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees, charges and/or transaction information from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the fees, charges and/or transaction information.**

# **ANNEXURE – CLASS GBP-HEDGED**

This section is only a summary of the salient information about Class GBP-Hedged. You should read and understand the entire Information Memorandum before investing and keep the Information Memorandum for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the repayment of your capital.

## CLASS INFORMATION

	Class GBP-Hedged	Page
Currency denomination	GBP	
Distribution policy	Given the Fund's investment objective, the class of the Fund is not expected to pay any distribution. Distributions, if any, are at our discretion and will vary from period to period depending on the performance of the Fund.	37

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class GBP-Hedged	Page
Application Fee	Up to 5.00% of the NAV per unit.	29
Withdrawal Penalty	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	29
Switching Fee	Switching is treated as a withdrawal from the Class and an investment into another Class or Principal Malaysia's fund (or its class). As such, you will be charged a Switching Fee equal to the difference (if any) between the Application Fee of the Class and the Application Fee of the other Class or Principal Malaysia's fund (or its class). Switching Fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose GBP35 administrative fee for every switch. You may negotiate to lower the Switching Fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the Switching Fee and/or administrative fee.	29
Transfer Fee	A maximum of GBP15 may be charged for each transfer.	29
Other charges payable directly by you when purchasing or withdrawing units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class GBP-Hedged	Page
Management Fee	Up to 1.80% per annum of the NAV of the Class.	30
Trustee Fee	Up to 0.04% per annum of the NAV of the Fund (including local custodian fees and charges but excluding foreign sub-custodian fees and charges).	30
Fund expenses	Only expenses that are directly related to the Fund can be charged to the Fund. Examples of relevant expenses are audit fee and tax agent's fee.	30
Other fees payable indirectly by you when investing in the Fund	Other fees indirectly incurred by a feeder fund such as dilution adjustment, annual depositary fees and transaction fees of the Target Fund. As such, you are indirectly bearing the dilution adjustment, depositary fees and transaction fees charged at the Target Fund level.	30

**Note:** Subject always to the provisions of the Deed and GLOLA, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for the Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class GBP-Hedged	Page
Minimum initial investment	GBP1,000 or such other amount as we may decide from time to time.	35

	<b>Class GBP-Hedged</b>	<b>Page</b>
<b>Minimum additional investment</b>	GBP100 or such other amount as we may decide from time to time.	35
<b>Minimum withdrawal</b>	500 units or such other number of units as we may decide from time to time.	35
<b>Minimum balance</b>	1,000 units or such other number of units as we may decide from time to time.	36
<b>Regular Savings Plan</b>	Currently, RSP is not available for this Class.	35
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the Switching Fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>	36
<b>Transfer facility</b>	We may, at our absolute discretion, allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	37

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/or reduce (as the case maybe): (i) Your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except for the Trustee Fee); (b) other charges payable by you to the Fund; and/or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and you are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Information Memorandum.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees, charges and/or transaction information from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the fees, charges and/or transaction information.**

# **ANNEXURE – CLASS MYR-HEDGED**

This section is only a summary of the salient information about Class MYR-Hedged. You should read and understand the entire Information Memorandum before investing and keep the Information Memorandum for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the repayment of your capital.

## CLASS INFORMATION

	Class MYR-Hedged	Page
Currency denomination	MYR	
Distribution policy	Given the Fund's investment objective, the class of the Fund is not expected to pay any distribution. Distributions, if any, are at our discretion and will vary from period to period depending on the performance of the Fund.	37

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class MYR-Hedged	Page
Application Fee	Up to 5.00% of the NAV per unit.	29
Withdrawal Penalty	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	29
Switching Fee	Switching is treated as a withdrawal from the Class and an investment into another Class or Principal Malaysia's fund (or its class). As such, you will be charged a Switching Fee equal to the difference (if any) between the Application Fee of the Class and the Application Fee of the other Class or Principal Malaysia's fund (or its class). Switching Fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose MYR100 administrative fee for every switch. You may negotiate to lower the Switching Fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the Switching Fee and/or administrative fee.	29
Transfer Fee	A maximum of MYR50 may be charged for each transfer.	29
Other charges payable directly by you when purchasing or withdrawing units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class MYR-Hedged	Page
Management Fee	Up to 1.80% per annum of the NAV of the Class.	30
Trustee Fee	Up to 0.04% per annum of the NAV of the Fund (including local custodian fees and charges but excluding foreign sub-custodian fees and charges).	30
Fund expenses	Only expenses that are directly related to the Fund can be charged to the Fund. Examples of relevant expenses are audit fee and tax agent's fee.	30
Other fees payable indirectly by you when investing in the Fund	Other fees indirectly incurred by a feeder fund such as dilution adjustment, annual depositary fees and transaction fees of the Target Fund. As such, you are indirectly bearing the dilution adjustment, depositary fees and transaction fees charged at the Target Fund level.	30

**Note:** Subject always to the provisions of the Deed and GLOLA, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for the Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class MYR-Hedged	Page
Minimum initial investment	MYR1,000 or such other amount as we may decide from time to time.	35

	<b>Class MYR-Hedged</b>	<b>Page</b>
<b>Minimum additional investment</b>	MYR100 or such other amount as we may decide from time to time.	35
<b>Minimum withdrawal</b>	500 units or such other number of units as we may decide from time to time.	35
<b>Minimum balance</b>	1,000 units or such other number of units as we may decide from time to time.	36
<b>Regular Savings Plan</b>	RSP is available. The RSP allows you to make regular monthly investments of MYR100 or more, direct from your account held with a bank approved by us or our Distributors. The minimum initial investment for the RSP is MYR1,000 or such other amount as we may decide from time to time.	35
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the Switching Fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> You may negotiate to lower the amount for your switch with us or our Distributors.	36
<b>Transfer facility</b>	We may, at our absolute discretion, allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	37

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/or reduce (as the case maybe): (i) Your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except for the Trustee Fee); (b) other charges payable by you to the Fund; and/or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and you are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Information Memorandum.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees, charges and/or transaction information from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the fees, charges and/or transaction information.**

# **ANNEXURE – CLASS SGD-HEDGED**



This section is only a summary of the salient information about Class SGD-Hedged. You should read and understand the entire Information Memorandum before investing and keep the Information Memorandum for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the repayment of your capital.

## CLASS INFORMATION

	Class SGD-Hedged	Page
Currency denomination	SGD	
Distribution policy	Given the Fund's investment objective, the class of the Fund is not expected to pay any distribution. Distributions, if any, are at our discretion and will vary from period to period depending on the performance of the Fund.	37

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class SGD-Hedged	Page
Application Fee	Up to 5.00% of the NAV per unit.	29
Withdrawal Penalty	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	29
Switching Fee	Switching is treated as a withdrawal from the Class and an investment into another Class or Principal Malaysia's fund (or its class). As such, you will be charged a Switching Fee equal to the difference (if any) between the Application Fee of the Class and the Application Fee of the other Class or Principal Malaysia's fund (or its class). Switching Fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose SGD35 administrative fee for every switch. You may negotiate to lower the Switching Fee and/or administrative fees with us or our Distributors. We also have the discretion to waive the Switching Fee and/or administrative fees.	29
Transfer Fee	A maximum of SGD15 may be charged for each transfer.	29
Other charges payable directly by you when purchasing or withdrawing units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class SGD-Hedged	Page
Management Fee	Up to 1.80% per annum of the NAV of the Class.	30
Trustee Fee	Up to 0.04% per annum of the NAV of the Fund (including local custodian fees and charges but excluding foreign sub-custodian fees and charges).	30
Fund expenses	Only expenses that are directly related to the Fund can be charged to the Fund. Examples of relevant expenses are audit fee and tax agent's fee.	30
Other fees payable indirectly by you when investing in the Fund	Other fees indirectly incurred by a feeder fund such as dilution adjustment, annual depositary fees and transaction fees of the Target Fund. As such, you are indirectly bearing the dilution adjustment, depositary fees and transaction fees charged at the Target Fund level.	30

**Note:** Subject always to the provisions of the Deed and GLOLA, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for the Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class SGD-Hedged	Page
Minimum initial investment	SGD1,000 or such other amount as we may decide from time to time.	35

	<b>Class SGD-Hedged</b>	<b>Page</b>
<b>Minimum additional investment</b>	SGD100 or such other amount as we may decide from time to time.	35
<b>Minimum withdrawal</b>	500 units or such other number of units as we may decide from time to time.	35
<b>Minimum balance</b>	1,000 units or such other number of units as we may decide from time to time.	36
<b>Regular Savings Plan</b>	Currently, RSP is not available for this Class.	35
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the Switching Fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>	36
<b>Transfer facility</b>	We may, at our absolute discretion, allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	37

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/or reduce (as the case maybe): (i) Your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except for the Trustee Fee); (b) other charges payable by you to the Fund; and/or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

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**We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees, charges and/or transaction information from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the fees, charges and/or transaction information.**

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