HSBC GUARANTEED FUND

EXPLANATORY MEMORANDUM

October 2024

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IMPORTANT INFORMATION

IMPORTANT: If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice. This Explanatory Memorandum has been written and authorised for distribution in the Hong Kong Special Administrative Region ("Hong Kong") only. It does not constitute a distribution of information or an offer in any other jurisdiction.

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objectives of the Fund will be achieved. Investors should read the Explanatory Memorandum, particularly the sections headed "Investment risks**" before making their investment decisions.**

When distributing the Fund to retail investors in Hong Kong then this Explanatory Memorandum must be accompanied by the Fund's Product Key Facts Statement alongside a copy of the latest available annual report and accounts of the Fund and any subsequent semi-annual report (if available).

This Explanatory Memorandum and the associated Product Key Facts Statement are issued by the Manager. The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the Product Key Facts Statement of the Fund, as at the date of such documents, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which make any statement misleading.

Units issued after the date hereof are offered on the basis only of the information contained in this Explanatory Memorandum, the Product Key Facts Statement of the Fund and any addendum or addenda issued by the Manager expressly in conjunction with the issue of this Explanatory Memorandum or the Product Key Facts Statement of the Fund. Any further information or representations made by any dealer, salesman or other person must be regarded as unauthorised and must accordingly not be relied upon. The delivery of this Explanatory Memorandum or the other documents mentioned above or the offer, issue or sale of the Units shall not in any way constitute a representation that the information and representations given herein or in such documents are correct as at any time subsequent to the date of this Explanatory Memorandum or such documents. This Explanatory Memorandum and the Product Key Facts Statement of the Fund may from time to time be updated and intending applicants of Units should enquire of the Manager as to the issue of any later Explanatory Memorandum or Product Key Facts Statement.

No action has been taken to permit an offering of Units of the Fund or distribution of this Explanatory Memorandum and the Product Key Facts Statement of the Fund in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum and the Product Key Facts Statement of the Fund may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised. Further, Units of the Fund may not be offered or sold, directly or indirectly, to any persons for reoffering or resale, in any jurisdiction where such action is not authorised. Receipt of this Explanatory Memorandum or the Product Key Facts Statement of the Fund does not constitute an offer of Units of the Fund in those jurisdictions in which it is illegal to make such an offer.

In particular, potential investors should note the following:-

- **United States**
  Units in the Fund have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**") or under the securities laws of any state and the Fund has not been and will not be registered under the Investment Company Act 1940 (the "**Investment Company Act**"). This document may not be distributed, and the Units in the Fund may not be offered or sold within the United States or to US Persons (as specified under the US Person definition in the section headed "Definitions" of this Explanatory Memorandum).

- **Canada**
  The Units described in this Explanatory Memorandum may be distributed to Canadian residents or in Canada exclusively through HSBC Global Asset Management (Canada) Limited by way of exempt distribution to accredited investors as defined in National Instrument 45-106 Prospectus and Registration Exemption who qualify as permitted clients under National Instrument 31-103 - Registration Requirements, Exemptions and On-going Registrant Obligation. This Explanatory Memorandum may not be used to solicit, and will not constitute a solicitation of, an offer to buy Units to Canadian residents or in Canada unless such solicitation is made by HSBC Global Asset Management (Canada) Limited. For the avoidance of doubt, the Units may be solicited or offered to Canadian non-residents providing that their registered addresses are not in Canada.

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

Enquiries and complaints

Enquiries and complaints concerning the Fund (including information concerning subscription and redemption procedures and the current net asset value) should be directed to HSBC Investment Funds (Hong Kong) Limited (the "**Manager**") at 2284 1118 or at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong. The Manager will respond to any enquiry or complaint as soon as practicable.

October 2024

DEFINITIONS

The following terms used in this Explanatory Memorandum have the meanings set out below:-

"Base Currency"	HKD (the currency in which the net asset value of the Fund is expressed and calculated)
"Benefit"	a sum payable to a Member or to a beneficiary and calculated in accordance with the Rules on the termination of a Member's employment for any reason;
"Business Day"	a day on which The Stock Exchange of Hong Kong Limited is open for normal trading and the regulated markets in countries or regions where the Fund is materially invested are normally open for business or such other day or days as the Manager and the Trustee may determine
"Class" or "Classes"	a separate class or classes of Units of the Fund
"Code"	The Overarching Principles Section I and Section II of the *SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products* or any handbook, guideline and code issued by the SFC, as may be amended from time to time
"Connected Person"	shall unless otherwise specified have the meaning as set out in the Code, meaning, in relation to a company: (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its Connected Persons as defined in (a), (b) or (c).
"Dealing Day"	every Tuesday which is a Business Day. If Tuesday is not a Business Day then the Dealing Day shall be the first Business Day thereafter and if on the relevant day the issue or redemption of Units is suspended then the Dealing Day shall be the first Business Day after the cessation of the suspension.

"Eligible Scheme"	a scheme which provides benefit on the occurrence of a Qualifying Event the calculation of which is based on contributions made to the scheme or partly on contributions and partly by reference to defined benefit but not solely by reference to defined benefit;
"Employer"	a person, persons, company or other body which is the employer of any Member;
"Fund"	HSBC Guaranteed Fund
"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
"Guarantor"	The Hongkong and Shanghai Banking Corporation Limited
"HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"Investment Adviser"	The investment adviser of the Fund as appointed by the Manager and disclosed in the "Investment Advisers and Sub-Investment Advisers" section.
"Investment Grade"	Investment grade securities are rated at least Baa3 / BBB- by Moody's, Standard & Poor's, or any other internationally recognised credit rating agency.
"Issue Price"	in respect of a Class of the Fund the price at which Units will be issued, as more fully described in the section "Unit prices".
"Member"	a person who has at the relevant date applied for and been accepted as a member of any Eligible Scheme whether or not as a result thereby at that date having any immediate entitlement to any Benefit thereunder and whether or not themselves making any contribution or payment to the Eligible Scheme and in respect of whom a Unitholder has acquired a Unit subject to the trusts of the Eligible Scheme;
"Manager"	HSBC Investment Funds (Hong Kong) Limited.
"OTC"	over-the-counter
"**REITs**"	real estate investment trusts
"Redemption Price"	the price at which Units of a Class of the Fund will be redeemed, as more fully described in the section "Unit prices".
"Registrar"	HSBC Institutional Trust Services (Asia) Limited
"Repurchase Transactions"	transactions whereby the Fund sells its securities to a counterparty of Reverse Repurchase Transactions and agrees to buy such securities back at an agreed price with a financing cost in the future

“Reverse Repurchase Transactions”	transactions whereby the Fund purchases securities from a counterparty of Repurchase Transactions and agrees to sell such securities back at an agreed price in the future.
"Qualifying Event"	the death of a Member, the termination of employment of a Member due to permanent mental or physical ill health or incapacity, the termination of employment either voluntarily by a Member or by an Employer for any reason and retirement of a Member
“Rules”	the rules governing the calculation and payment out of Benefits to Members and beneficiaries of the Eligible Scheme and being the Rules in force at the date on which a Member first subscribes for Units and any amendments thereto approved by the Trustee
“Securities Financing Transactions”	collectively Securities Lending transactions, Repurchase Transactions and Reverse Repurchase Transactions
“Securities Market”	any stock exchange, OTC market or other securities market that is open to the international public and on which such securities are regularly traded
“Securities Lending”	transactions whereby the Fund lends its securities to a security-borrowing counterparty for an agreed fee
“SFC”	the Securities and Futures Commission of Hong Kong
“Sub-Investment Adviser”	the sub-investment adviser of the Fund as appointed by the Investment Adviser (subject to the approval of the Manager) and disclosed in the “Investment Advisers and Sub-Investment Advisers” section.
“Substantial Financial Institution”	an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK$2 billion or its equivalent in foreign currency
“Trust Deed”	the trust deed dated 17 January 1992 as amended and supplemented from time to time
“Trustee”	HSBC Institutional Trust Services (Asia) Limited
“Underlying Funds”	the collective investment schemes in which the Fund may invest in, including unit trusts, mutual funds, and exchange traded funds
“Unit”	a unit in the Fund and, except where used in relation to a particular Class of Unit, a reference to Unit means and includes Units of all Classes

"Unitholder" a person registered as a holder of a Unit

"Unrated" Unrated securities are securities which neither the issue, nor the issuer has a credit rating.

"US" the United States of America (including the States and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction.

"US Law" the laws of the US. US Law shall additionally include all applicable rules and regulations, as supplemented and amended from time to time, as promulgated by any US regulatory authority, including, but not limited to, the Securities and Exchange Commission and the Commodity Futures Trading Commission.

"US Person" US Person ("**USP**") to whom Units of the Fund may not be offered or sold, for the purposes of this restriction, the term US Person shall mean the following:

1) an individual who is a resident of the US under any US Law.

2) a corporation, partnership, limited liability company, collective investment vehicle, investment company, pooled account, or other business, investment, or legal entity:

   a. created or organized under US Law;

   b. created (regardless of domicile of formation or organisation) principally for passive investment (e.g. an investment company, fund or similar entity excluding employee benefit or pension plans):

      i. and owned directly or indirectly by one or more USPs who hold, directly or indirectly, in aggregate a 10% or greater beneficial interest, provided that any such USP is not defined as a Qualified Eligible Person under CFTC Regulation 4.7(a);

      ii. where a USP is the general partner, managing member, managing director or other position with authority to direct the entity's activities;

      iii. where the entity was formed by or for a USP principally for the purpose of investing in securities not registered with the SEC unless such entity is comprised of Accredited Investors, as defined in Regulation D, 17 CFR 230.501(a), and no such Accredited Investors are individuals or natural persons; or

iv. where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by USPs;

c. that is an agency or branch of a non-US entity located in the US; or

d. that has its principal place of business in the US.

3) a trust:

a. created or organized under US Law; or

b. where, regardless of domicile of formation or organisation:

i. any settlor, founder, trustee, or other person responsible in whole or in part for investment decisions for the trust is a USP;

ii. the administration of the trust or its formation documents are subject to the supervision of one or more US courts; or

iii. the income of which is subject to US income tax regardless of source.

4) an estate of a deceased person:

a. who was a resident of the US at the time of death or the income of which is subject to US income tax regardless of source; or

b. where, regardless of the deceased person’s residence while alive, an executor or administrator having sole or shared investment discretion is a USP or the estate is governed by US Law.

5) an employee benefit or pension plan that is:

a. established and administered in accordance with US Law; or

b. established for employees of a legal entity that is a USP or has its principal place of business in the US.

6) a discretionary or non-discretionary or similar account (including a joint account) where:

a. one or more beneficial owners is a USP or held for the benefit of one or more USPs; or

b. the discretionary or similar account is held by a dealer or fiduciary organized in the US.

If, subsequent to a Unitholder's investment in the Fund, the Unitholder becomes a US Person, such Unitholder (i) will be restricted from making any additional investments in the Fund and (ii) as soon as practicable have its Units compulsorily redeemed by the Fund (subject to the requirements of the Trust Deed and the applicable law).

The Manager may, from time to time, waive or modify the above restrictions, subject to the provisions of the Trust Deed.

"Valuation Day"	every Dealing Day
"Valuation Point"	close of business in the last relevant market where the Fund is invested to close on the relevant Valuation Day (such day being in the time zone of such relevant market) and in any event no earlier than 4:00p.m. (Hong Kong time).

SECTION A: OVERVIEW OF THE FUND, RISKS AND CLASSES OF UNITS

Fund overview

HSBC Guaranteed Fund (the "**Fund**") is a unit trust established under the laws of Hong Kong by Trust Deed between the Manager, HSBC International Trustee Limited and the Guarantor. Pursuant to a Deed of Retirement and Appointment of New Trustee dated 1 December 2010, HSBC Institutional Trust Services (Asia) Limited was appointed as trustee in place of HSBC International Trustee Limited with effect from 30 June 2011.

The Fund has been authorised by the SFC. SFC authorisation is not a recommendation or endorsement of the Fund nor does it guarantee the commercial merits of the Fund or the performance of the Fund. It does not mean that the Fund is suitable for all investors nor is it an endorsement of the Fund's suitability for any particular investor or class of investors.

Guarantee

The Fund has been designed as an investment vehicle for Eligible Schemes. Only the trustees or a custodian of such Eligible Scheme (or a nominee acting on their behalf) are eligible to become investors. The Eligible Scheme must offer benefits by reference to contributions; in other words, it is not purely a defined benefit scheme. Prior to the acceptance of any application for Units, the Trustee must be satisfied that the trust deed and rules of the underlying Eligible Scheme are in accord or have been amended to accord with the provisions of the Trust Deed and of the capacity of the person applying for Units.

Where a Unitholder has given a certificate (as described in the "Guarantee" sub-section of the "Redemptions" section") that a Benefit is due and that a Unit has been redeemed, the Guarantor will, if the value of the redemption proceeds of those units is less than the guaranteed sum ("**Guaranteed Sum**"), pay the shortfall to the Trustee for onward payment to the Unitholder. The Guaranteed Sum is the Issue Price of each unit, plus 5% per annum compounded from the date of issue of the unit until the date the Benefit fell due. An illustrative example is set out below:

	Day 1 – subscription ("t")	**Year 10 – redemption ("t+10")**
(a) Investment	HKD 100,000	HKD 150,000
(b) Unit price	HKD 10.000	HKD 15.000
(c) Units issued = [(a) / (b)]	HKD 10,000	HKD 10,000
(d) Guaranteed sum = [((b)$_t$ * (1+5%)^n)* (c)] where n is the number of years since purchase	HKD 0	HKD 162,889.46
(e) Guarantee in excess of the guaranteed sum = (d) – (a)	HKD 0	HKD 12,889.46

Even if the units are acquired by transfer, the guarantee is paid by reference to the original Issue Price thereof.

The Guarantor may, if there is a change in the basis of taxation, change the rate of the guarantee to take account of any impact thereof, subject to the approval of the Trustee.

A Unitholder who ceases to be the trustee or custodian of an Eligible Scheme (or a nominee thereof) must give notice of the fact to the Trustee and transfer the Units held by him either to the name of any joint Unitholders or to a trustee or custodian of the relevant Eligible Scheme (or a nominee thereof), and provide satisfactory evidence of the capacity of such a person. Pending such a transfer, the Unitholder cannot give a notice of redemption.

The Guarantor has no right to terminate the guarantee but may require the Manager to cease to accept further subscriptions after giving three months' notice to the Trustee and the Manager or instigate the termination of the Fund in accordance with the provisions set out in the "Termination of the Fund" section.

Trust Deed

Some of the information in this Explanatory Memorandum is a summary of corresponding provisions in the Trust Deed. The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. However neither the Trustee, nor the Manager, nor the Guarantor shall be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Whilst every effort has been made to ensure the accuracy of the facts and matters stated in this Explanatory Memorandum, in the event of any conflict between any of the provisions of this Explanatory Memorandum and the Trust Deed, the provisions of the Trust Deed will prevail. Unitholders and intending applicants are advised to consult the Trust Deed for further details on the relevant provisions.

A copy of the Trust Deed as for the time being in force may be obtained from the Manager at a reasonable fee and may be inspected during normal working hours at the offices of the Manager free of charge.

If in their absolute discretion they shall jointly think fit, the Trustee and the Manager may alter, modify, or vary the terms of the Trust Deed (provided that written consent is obtained from the Guarantor if it shall affect in any way the provisions relating to the guarantee). Such modification should be approved by an Extraordinary Resolution of Unitholders unless the Trustee certifies in writing that such modification, alteration or variation (i) is expedient for the more convenient, economical, simple, advantageous or profitable working or management of the Trust and is not materially detrimental to the interests of the Unitholders, does not to any material extent release the Trustee, the Manager or any other person from liability to Unitholders and does not increase the costs and charges payable by the Trust; or (ii) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law).

Meetings of Unitholders and voting rights

Meetings of Unitholders may be convened by the Manager or the Trustee, and at the written request of Unitholders holding 10% or more in number of Units in issue of the Fund. Unitholders will be given not less than 21 days' notice of any meeting.

The only powers of such a meeting are:

i. to sanction a modification to the Trust Deed as approved by the Trustee, the Manager and the Guarantor, including any change to increase the maximum fees of the Trustee, Manager or Guarantor;
ii. to elect a Chairman of the meeting;
iii. to adjourn the meeting; and
iv. to approve further unrestricted investments.

The power in i. above is exercisable by extraordinary resolution, i.e. a 75% majority of the votes cast for or against the relevant proposal. The other matters require the approval of an ordinary resolution, i.e. 50% of the votes cast for or against the proposal.

The quorum for all meetings is Unitholders present in person or by proxy representing 25% of the Units for the time being in issue In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum. On a poll every Unitholder present in person, by proxy or by representative has one vote for every unit of which he is the holder and no vote for a fraction of a unit. In the case of joint Unitholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the Register of Unitholders. A poll may be demanded by the Chairman or one or more Unitholders present in person or by proxy representing 5% in value of the units for the time being in issue.

Reports and accounts

Financial year end of the Fund is on 31 July in each year. Currently, an annual report containing audited accounts will be made available and distributed to Unitholders as soon as possible, and in any event within four months, after the end of the financial year.

Unaudited semi-annual reports will also be made available and distributed within two months after 31 January in each year. Such reports contain a statement of the net asset value of the Fund and of the investments comprising its portfolio.

The annual reports and semi-annual reports will be available in English only.

Printed copies of the annual reports and semi-annual reports will also be available at the offices of the Manager, and provided to Unitholders upon their request.

With effect from 11 November 2024, the latest annual reports and semi-annual reports (in English only) will be available on the website of the Manager at www.assetmanagement.hsbc.com/hk[1], within four months of the end of the financial year, and within two months of 31 January each year. Printed copies of the latest annual reports and semi-annual reports will also be available at the offices of the Manager and provided to Unitholders upon their request. Please note that, where a number 8 or above typhoon signal or black rainstorm warning is hoisted or other similar event occurs at any time during a Business Day, the office of the Manager shall not be open for such purpose.

[1] Please note that this website has not been reviewed by the SFC.

The annual report and accounts of the Fund is prepared in accordance with HKFRS (Hong Kong Financial Reporting Standards). Investors should note that the valuation policies of the Fund may not necessarily comply with HKFRS. Under HKFRS, investments should be valued at fair value and bid and ask pricing is considered to be representative of fair value for long and short listed investments respectively. However, under the valuation basis described in the section entitled “Valuation and prices”, listed investments are expected to be valued at the last traded price instead of bid and ask pricing as required under HKFRS. To the extent that the valuation basis adopted by the Fund deviates from HKFRS, adjustments may be required in the annual accounts of the Fund in order to comply with HKFRS, and if relevant will include a reconciliation note in the annual accounts of the Fund to reconcile values shown in the annual accounts determined under HKFRS to those arrived at by applying the Fund’s valuation rules. Otherwise, non-compliance with HKFRS may result in the Auditors issuing a qualified or an adverse opinion on the annual accounts depending on the nature and level of materiality of the non-compliance.

Portfolio holding information

Information relating to the Fund’s portfolio, at each month end, is available to Unitholders at an appropriate time after that month end. Unitholders should contact the Manager for such information. A small charge may be levied for the provision of this information.

Manager, Trustee and related service providers

Manager

HSBC Investment Funds (Hong Kong) Limited
Address: HSBC Investment Funds (Hong Kong) Limited, HSBC Main Building, 1 Queen’s Road Central, Hong Kong

The Manager of the Fund is incorporated in and under the laws of Hong Kong. The directors comprise:

LAU, Ka Yin Joanne
HO, Wai Fun
TAM, Chun Pong, Stephen
Edgar GEHRINGER

Address: all of HSBC Main Building, 1 Queen’s Road Central, Hong Kong

The Manager is registered with SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities (CE Number: AAL518). The Manager is a member of the HSBC Group.

The Manager may be subject to removal if (a) the Manager goes into liquidation; or (b) in the opinion of the Trustee, the Manager shall be in financial difficulties or insolvent; or (c) for good and sufficient reason the Trustee is of the opinion that a change of Manager is desirable in the interests of Unitholders (subject to independent arbitration under challenge from the Manager); or (d) a Unitholder or Unitholders together holding

50% or more of the Units in issue on the date on which the request is made, deliver to the Trustee a request in writing that the Manager should be removed from office.
In the event that the Manager is removed under the circumstances above, the Trustee shall as soon as reasonably practicable appoint a successor manager (subject to approval by the Guarantor) to replace the Manager. The Trustee shall at all times act in the best interest of the Unitholders in exercising its rights of removing the Manager and the appointment of a successor manager.

Investment Advisers and Sub-Investment Advisers

The Manager has delegated its investment management duties for the Fund to the Investment Adviser. The Investment Adviser has then appointed Sub-Investment Advisers who, if required and to the extent required by the Investment Adviser, may manage part of the portfolio of the Fund. The Investment Adviser monitors the investment performance and restrictions of the Fund.

The Investment Advisers and Sub-Investment Advisers are all members of the HSBC Group and comprise:

Investment Adviser

HSBC Global Asset Management (Hong Kong) Limited
Address: HSBC Global Asset Management (Hong Kong) Limited, HSBC Main Building, 1 Queen's Road Central, Hong Kong

Sub-Investment Advisers

HSBC Global Asset Management (France)
Address: HSBC Global Asset Management (France), Immeuble Cœur Défense – Tour A, 110 Esplanade du Général de Gaulle, La Défense 4, 92400 Courbevoie, France

HSBC Global Asset Management (UK) Limited
Address: HSBC Global Asset Management (UK) Limited, 8 Canada Square, London E14 5HQ, United Kingdom

The fees of the Investment Adviser and Sub-Investment Adviser will be borne by the Manager.

The Manager may appoint a replacement Investment Adviser or discretionary Sub-Investment Adviser for the Fund at its discretion subject to necessary prior approval by the SFC and giving at least one month's prior notice to affected Unitholders in normal circumstances.

Trustee and Registrar

HSBC Institutional Trust Services (Asia) Limited
Address: HSBC Institutional Trust Services (Asia) Limited, 1 Queen's Road Central, Hong Kong

The Trustee of the Fund is incorporated with limited liability in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance (Cap.29 of the Laws of Hong Kong) and approved by the Mandatory Provident Fund Schemes Authority as trustee of registered mandatory provident fund schemes under the Mandatory Provident Fund Schemes Ordinance (Cap.485 of the Laws of Hong Kong). The Trustee is an

indirectly wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales.
The Trustee shall be responsible for the safe-keeping of the investments, assets and other property forming part of the Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, such investments, assets and other property shall be dealt with as the Trustee may think proper for the purpose of providing for the safe-keeping thereof, subject to the provisions of the Trust Deed.

The Trustee may (i) appoint such person or persons (including, without limitation, any of its Connected Persons) or have such person(s) appointed, to hold, as agent, nominee, custodian, joint custodian, co-custodian or sub-custodian, all or any investments, assets, collateral or other property comprised in the Fund and may empower any such person to appoint, with the prior consent in writing of the Trustee, additional co-custodians and/or sub-custodians (each such agent, nominee, custodian, joint custodian, co-custodian or sub-custodian a "**Correspondent**"), or (ii) delegate to a person or persons (including, without limitation, any of its Connected Persons) the performance of its duties, powers or discretions under the Trust Deed. The Trustee confirms that the Trustee shall (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of any such persons and, (b) be satisfied that such persons retained remain suitably qualified and competent to provide the relevant services to the Fund. The Trustee shall remain liable for any act or omission of any such person as described in the aforesaid (i) and (ii) that is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee. Provided however that if the Trustee has discharged its obligations set out in the aforesaid (a) and (b), the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any such person(s) not being the Trustee's Connected Person appointed as Correspondent and/or delegates of the Fund.

The Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of Euro-clear Clearing System Limited or Clearstream Banking, S.A. or any other recognised depositary or clearing system.

The Trustee also acts as the Registrar and will be responsible for maintaining the Fund's register.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Fund from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses (other than any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence on the part of the Trustee or any of its officers, employees, agents or delegates for which the Trustee would be liable under the Trust Deed), which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with any Fund.

The Trustee is entitled to the fees set out under the section headed "Charges and expenses" and to be reimbursed for other costs and expenses permitted under the Trust Deed.

The Manager has sole responsibility for making investment decisions in relation to the Fund and the Trustee (including its delegate) is not responsible or has no liability for any investment decision made by the Manager. The Trustee and its delegate will not participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to the United States Office of Foreign Assets Control (OFAC) sanctions.

Neither the Trustee nor its delegate is involved directly or indirectly with the sponsorship or investment management of the Fund. In addition, neither the Trustee nor its delegate is responsible for the preparation or issue of this Explanatory Memorandum and therefore they accept no responsibility for any information contained in this Explanatory Memorandum other than information relating to themselves and the HSBC Group under this section - "Trustee and Registrar".

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

The Trustee may not be entitled to retire voluntarily except upon the appointment of a new Trustee. In the event of the Trustee desiring to retire, the Manager shall give at least 6 months' notice to Unitholders of the Trustee's intention to retire. The Manager shall then: find a qualified corporation under any applicable law to replace the Trustee; give at least three months' notice to Unitholders of the appointment of the new trustee; and by a supplemental deed replace the Trustee (subject to approval by the Guarantor)..

Guarantor

The Hongkong and Shanghai Banking Corporation Limited
Address: The Hongkong and Shanghai Banking Corporation Limited, HSBC Main Building, 1 Queen's Road Central, Hong Kong

The Guarantor is a Substantial Financial Institution which guarantees the Guaranteed Sum.

Established in Hong Kong and Shanghai in 1865, the Guarantor is the founding member of the HSBC Group – one of the world's largest banking and financial services organisations. It is the largest bank incorporated in Hong Kong and one of Hong Kong's three note-issuing banks. It is a wholly-owned subsidiary of HSBC Holdings plc, the holding company of the HSBC Group, which has an international network organised into five geographical regions: Europe, Asia, Middle East and North Africa, North America and Latin America.

As at the 31st December 2018, the Guarantor's financial position was as follows:

Financial attribute	Status
Paid-up share capital	HKD 172,335m
Total shareholders' equity	HKD 752,758m
Credit ratings	Fitch: AA- Moody's: Aa3 S&P: AA-

The Guarantor may retire, but only upon the appointment of another company approved by the Trustee. Two months' notice will be given to Unitholders of the retirement and of the new appointment.

Auditors

KPMG
Address: KPMG, Certified Public Accountants, 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

KPMG currently acts as auditors to the Fund. The Manager (with the approval of the Trustee) may appoint a replacement auditor at any point without prior notice to Unitholders.

Legal Advisers

Deacons
Address: Deacons, 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong

Deacons currently acts as the main legal adviser of the Fund. However, the Manager may engage alternative legal advisers for specific legal advice pertaining to the Fund. Moreover, at the Manager's discretion, the main legal adviser of the Fund may be replaced at any point without prior notice to Unitholders.

Conflicts of interest

The Manager, the Investment Adviser, the Sub-Investment Advisers, the Guarantor and the Trustee and their respective delegates or Connected Persons may from time to time act as trustee, administrator, registrar, manager, guarantor, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund.

Besides, Connected Persons of the Manager, the Investment Adviser, the Sub-Investment Advisers (if any), the Guarantor, the Trustee and their respective delegates may be entering into business relationship such as acting as service providers, distributors to the Fund, for which the Fund may compensate them, or they may act as a counterparty for any transactions in relation to the Fund.

In such events, each will at all times have regard to its obligations under any agreements to which it is party or by which it is bound in relation to the Fund. In particular, but without limitation to its obligations to act in the best interests of the Unitholders when undertaking any dealings or investments where conflicts of interest may arise, each will respectively endeavour to ensure that such conflicts are managed and minimised so far as reasonably practicable and that measures are adopted that seek to ensure such conflicts are resolved fairly and taking into account the interests of Unitholders of the Fund as a whole. In particular, any arrangement in relation to offer or sale of the Units of the Fund by Connected Persons will be on normal commercial terms negotiated at arm's length basis in the best interest of Unitholders of the Fund as a whole.

The Fund may enter into transactions with the Manager, the Investment Advisers, the Sub-Investment Advisers, the Guarantor and the Trustee or with any of their affiliates, or invest the assets of or reinvest the cash collateral received by the Fund in any investment products, issued shares or funds managed, launched or offered by any of the above-mentioned entities, provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length and provided that the transactions comply with the requirements set out in the section headed "Transactions with Connected Persons”, any investment restrictions of the Fund, and the applicable corporate governance and conflicts of interest policy of the above mentioned entities.. Subject to the requirements under the “Transactions with Connected Persons” and “Cash rebates and soft commissions” sub-sections of the “Fund restrictions” section, affiliates of the HSBC Group may also provide broking services to the Fund and/or to other funds including acting as counterparties for certain forward foreign exchange and financial futures contracts.

For example, The Hongkong and Shanghai Banking Corporation Limited may provide foreign exchange services to the Fund for which it receives a fee out of the property of the Fund. At the same time, The Hongkong and Shanghai Banking Corporation Limited or any of its Connected Persons may also act as financial adviser, banker, derivatives counterparty or otherwise provide services to the issuer of investments that the Fund may invest in; act in the same transaction as agent for more than one client; have a material interest in the issue of the investments of the Fund; or earn profits from or have a financial or business interest in any of these activities.

The Investment Advisers or any affiliates acting in a fiduciary capacity with respect to client accounts may recommend to or direct clients to buy and sell Units of the Fund. If a client defaults on its obligation to repay indebtedness to the HSBC Group that is secured by Units in the Fund, and the HSBC Group forecloses on such interest, the HSBC Group would become a Unitholder of the Fund. As a consequence, the HSBC Group and its affiliates could hold a relatively large proportion of Units and voting rights in the Fund.

The services of the Trustee provided to the Fund are not deemed to be exclusive. The Trustee shall be free to render similar services to others so long as its services to the Fund are not impaired thereby and to retain for its own use and benefit all fees and other moneys payable in relation to such services. Further, the Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund any fact or thing which comes to the notice of the Trustee in the course of the Trustee rendering similar services to others or in the course of its business in any other capacity or in any manner, otherwise than in the course of carrying out its duties under the Trust Deed.

Termination of the Fund

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

The Fund may be terminated by the Trustee by (usually) giving at least three months’ notice to all Unitholders, if:

- any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund; or
- the Guarantor has given two years notice to the Trustee expiring (along with notice given to Unitholders) on 31 July requiring that the Trust be dissolved.

Upon the termination of the Fund, the Trustee will realise the assets and pay them to the Unitholders as soon as practicable. On or prior to making the final distribution, each Unitholder will be asked to provide the Trustee with a certificate specifying the number of Units which would be used to pay Benefits to each member of the Eligible Scheme (in accordance with the relevant Eligible Scheme Rules), assuming that each member voluntarily left employment on the date of the Fund’s termination. When it receives such a certificate or, later, when the final distribution is made, the Trustee will determine whether the amount distributed on termination is less than the Guaranteed Sum. If such is the case, the Guarantor will meet the shortfall. The Guaranteed Sum is the issue price of the relevant units, plus 5% per annum compound thereon from the date of issue to the date of termination of the Fund.

Any unclaimed proceeds held by the Trustee may, at the expiration of six years from the date upon which the same were payable, be paid to the Manager for its account subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Investment risks

An investor's return is exposed to both the net asset value of the Fund and the Guaranteed Sum. Consequently, the risks of investing in the Fund are a hybrid between those risks that affect the net asset value ("**market and investment risks**") and those that affect the performance of the guarantee ("**guarantee risks**").

In general, the greater an investor's Guaranteed Sum exceeds the net asset value then the greater the exposure to guarantee risks.

Conversely, the greater the net asset value exceeds the investor's Guaranteed Sum then the greater the exposure to market and investment risks. Investors should be aware that potential returns in excess of the Guaranteed Sum are subject to market and investment risks and are not guaranteed.

Investors should consider the risks outlined in the "Guarantee risks" and "Market and investment risks" before investing in the Fund.

Making an investment in the Fund is not the same as making a deposit in a bank. An investor may lose a substantial proportion or all of its investments in the Fund (in the event that both the value of assets drop to zero and the Guarantor fails to fulfil its obligation).

Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not the Fund is suitable for them, they should obtain independent professional advice.

Guarantee risks

The validity of the guarantee is contingent on meeting the requirements set out in the "Guarantee" section or the "Termination of the Fund" section as well as the redemption procedures set out in "Unit dealing" section. Investments and dealings not meeting such criteria are fully exposed to fluctuations in the net asset value and market and investment risks.
Further, investors are subject to the credit risk of the Guarantor. If the Guarantor fails to fulfil its obligation for any reason (such as, its own financial difficulties or closure), investments will not be covered by any guarantee.

The value of your investment at redemption, whether or not the pre-determined conditions have been satisfied, will then depend on the net asset value of the Fund. The net asset value of the Fund may be substantially below an investors' guaranteed amount, consequently investors may suffer substantial losses on their investment.

Market and investment risks: general risks

Market risks

Investors should be aware that the value of securities in which the Fund invests, and the return derived from it can fluctuate. The Fund invests in and actively trades securities utilising strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the market. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as actions by various governmental agencies and domestic or international economic and political developments, may cause sharp market fluctuations, which could significantly and adversely affect the value of the Fund's investments.

Performance risks

There is no guarantee that the investment objective of the Fund can be achieved. There is no express or implied assurance as to the likelihood of achieving the investment objective for the Fund.

There is no guarantee that in any time period, particularly in the short term, the Fund's portfolio will achieve appreciation in terms of income or capital growth. The Fund's portfolio may be subject to market fluctuations and to all the risks inherent in all investments and markets. As a result, the price of Units may go down as well as up. Whilst the Manager intends to implement strategies designed to minimise potential losses, there can be no assurance that these strategies will be successful.

The prices of the Fund's Units depends on the market values of the Fund's investments and such prices as well as the income from Units can go down as well as up. Past performance of the Fund does not indicate future performance.

The Fund's performance is subject to the risks associated with its investments and cash exposure including, among others, market, interest rate, currency, exchange rate, economic, credit, liquidity, counterparty, foreign securities and political risks.

Finally, investors should be aware that there may be a dilution of performance due to the operation of the guarantee structure.

Foreign exchange risks

The Fund's assets and liabilities may be denominated in currencies different from the Fund's Base Currency. The net asset value (as measured in terms of the Base Currency) may be affected unfavourably by exchange control regulations or changes in the exchange rates between the Fund's Base Currency and other currencies.
Changes in currency exchange rates may influence the value of the Fund's Units, the dividends or interest earned and the gains and losses realised by the Fund. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

If the currency in which a security is denominated appreciates against the Base Currency of the Fund, the value of the security will increase in terms of the Fund's Base Currency. Conversely, a decline in the exchange rate of the currency in which a security is denominated would adversely affect the value of the security in terms of the Fund's Base Currency. Depending on this, in terms of the Fund's Base Currency, an investor

(i) may suffer losses even if there are gains or no losses in the value of the non-Base Currency denominated underlying securities; or (ii) may suffer additional losses if the non-Base Currency denominated underlying investments of the Fund fall in value.

Liquidity risks

Liquidity risk exists within most financial products including the investments held by the Fund. This means that a delay may occur in receiving sales proceeds from the investments held by the Fund, and those proceeds may be less than recent valuations used to determine the net asset value of the Fund.

This risk is greater in exceptional market conditions or when large numbers of market participants are trying to sell their investments at the same time. In such cases, the Fund may also experience substantial redemptions of Units which could require the Manager to liquidate investments of the Fund more rapidly than otherwise desirable in order to raise the necessary cash to fund the redemptions. This could adversely affect the Redemption Price and, in such circumstances, the receipt of sale proceeds may be delayed and/or take place at lower prices.

Further, the Manager is entitled under certain circumstances to suspend dealings in the Units. In this event, valuation of the net asset value will be suspended, and any affected redemption applications and payment of redemption proceeds will be deferred. The risk of decline in net asset value of the Units during the period up to the redemption of the Units will be borne by the redeeming Unitholders.

Over-the-counter markets risks

There are special risks associated with bonds, financial derivatives instruments, participation notes, structured products and other investments traded on over-the-counter (OTC) markets. In general, there is less governmental regulation and supervision of transactions in the OTC markets (in which many different kinds of financial derivatives instruments and structured products are generally traded) than of transactions entered into on organized exchanges. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with transactions carried out on OTC markets. Therefore, the Fund entering into OTC transactions will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that the Fund will sustain losses. The Fund will only enter into transactions with counterparties in accordance with the counterparty policy and may seek to reduce counterparty exposure through the receipt of collateral in accordance with the counterparty policy. Both counterparty policy and collateral policy are set out in sub-section “5. Counterparty policy and collateral policy” within the “Fund Restrictions” section.
Regardless of the measures the Fund may seek to implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that the Fund will not sustain losses as a result.

Instruments traded on the OTC markets may be less liquid. From time to time, the counterparties with which the Fund effects transactions may cease making markets or quoting prices in certain instruments. In such instances, the Fund may be unable to enter into a desired transaction or to enter into an offsetting transaction with respect to an open position, which may adversely affect its performance.

Investor risks

The Manager may compulsorily redeem all or a portion of the Unitholder’s Units in the Fund. Such compulsory redemption may create adverse tax and/or economic consequences to the Unitholder depending on the timing thereof. No person will have any obligation to reimburse any portion of an investor’s losses upon termination of the Fund, compulsory redemption or otherwise.

Valuation risks

Valuation of the Fund’s investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the net asset value of the Fund may be adversely affected.

Government or central banks’ intervention risks

Changes in regulation or government policy leading to intervention in the currency and interest rate markets (e.g. restrictions on capital movements or changes to the way in which a national currency is supported such as currency de-pegging) may adversely affect some financial instruments and the performance of the Fund.

Early termination risks

The Fund may be liquidated on the occurrence of certain events as set out in the section headed “Termination of the Fund” in this Explanatory Memorandum.

In the event of the early termination of the Fund, the Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Fund. It is possible that at the time of such sale or distribution, certain investments held by the Fund may be worth less than the initial cost of such investments, resulting in a substantial reduction in the net asset value.

Tax risks

Investors should note that (i) the proceeds from the sale of securities in some markets or the receipt of any dividends or other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market including taxation levied by withholding at source and/or (ii) the Fund's investments may be subject to specific taxes or charges imposed by authorities in some markets.

Investors should refer to the tax disclosures in the section headed “Taxation” for further details including details on tax provisions.

Hedging risks

Hedging a risk typically attempts to preclude the Fund from both benefitting and suffering from any return associated with the hedged risk. If there is positive return associated with a hedged risk then the Fund's performance will fare relatively poorer than if it had not hedged the risk. Conversely, if there is negative return associated with a hedged risk then the Fund's performance will fare relatively better than if it had not hedged the risk.

There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. In adverse situations, the Fund’s hedging technique may become ineffective and the Fund may suffer significant losses.

Furthermore, the return of a hedge will be impacted by various factors including transaction costs and, for currency hedging, interest rate differentials between the currency being hedged and the currency it is being hedged into. These impacts may be significant depending on prevailing market conditions and they will be reflected in the net asset value of the Fund and Classes. This may adversely affect the returns of investors in such Funds and Classes.

Hedging may involve the use of derivatives (e.g. forward contracts). Please refer to the "Derivatives risks" section for the associated risks.

Investing in Underlying Funds risks

The Fund may invest in shares or units in Underlying Funds (which may not be regulated by the SFC) to obtain exposure to underlying assets, such as equity and bonds. Investors should note that such investment may involve another layer of fees charged at the Underlying Fund level. This is because, in addition to the expenses and charges payable by the Fund as disclosed in this Explanatory Memorandum, the Fund will bear indirectly the fees charged by the managers and other service providers of the Underlying Funds, or will incur charges in subscribing for or redeeming shares in the Underlying Funds. Please refer to the section headed "Charges and expenses" for further details.

The Manager will consider various factors in selecting the Underlying Funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, the Fund does not have control of the investments of the Underlying Funds and will be subject to the risks and returns associated with the Underlying Funds' investments as well as the prospectus terms and conditions of the Underlying Funds. There is no assurance that the investment objective or strategy of an Underlying Fund will be successfully achieved which may have a negative impact to the net asset value of the Fund.

There is no guarantee that Underlying Funds will always have sufficient liquidity to meet the Fund's redemption requests in a timely manner. Where Underlying Funds are not able to meet redemption requests of the Fund, the Fund will be subject to liquidity risks, and may suffer losses as a result of delays in receiving redemption proceeds.

Underlying Funds may include those managed by the Manager, the Investment Adviser, the Sub-Investment Adviser or other entities of the HSBC Group. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "Conflicts of interest" for further details.

Cross-class liability risks

Multiple Classes of Units may be issued in relation to the Fund, with particular assets and liabilities of the Fund attributable to particular Classes.

Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to one Class may have recourse to the assets attributable to other Classes. Although for the purposes of internal accounting, a separate account will be established for each Class, in the event of an insolvency or termination of the Fund (i.e., when the assets of the Fund are insufficient to meet its liabilities), all assets will be used to meet the Fund's liabilities, not just the amount standing to the credit of any individual Class.

Prohibited securities risks

In accordance with the HSBC Group policy, the Fund will not invest in the securities of companies that are involved directly and indirectly in the use, development, manufacturing, stockpiling, transfer or trade of cluster munitions and/or anti-personnel mines. As this policy aims to prohibit investment in certain types of securities, investors should be aware that this reduces the investment universe and prevents the Fund from benefitting from any potential returns from these companies.

Custody risks

Assets of the Fund are safe kept by the custodian (which may be the Trustee or a Correspondent thereof) and Unitholders are exposed to the risk of the custodian not being able to fully meet its obligation to restitute in a short time frame all of the assets of the Fund in the case of bankruptcy of the custodian. The assets of the Fund will be identified in the custodian's books as belonging to the Fund. Securities held by the custodian will be segregated from other assets of the custodian which mitigates the risk of non-restitution in case of bankruptcy. However, no such segregation applies to cash deposited with a bank which increases the risk of non-restitution in case of bankruptcy.

Further, the custodian may (with the prior consent in writing of the Trustee) appoint local Correspondents for the purpose of safekeeping assets in relevant local markets. Unitholders are exposed to the risk of the local Correspondents not being able to fully meet their obligation to restitute in a short time frame all of the assets of the Fund in the case of bankruptcy of the local Correspondent. In extreme circumstances, as the retroactive application of legislation and fraud or improper registration of title, the Fund may even be unable to recover all of its assets and the Trustee and the custodian may not be liable to make good any such loss (further details on the liability of the Trustee and its Correspondents is set out in the sub-section headed “Trustee and Registrar” of the “Manager, Trustee and related service providers” section). This risk may be greater where the Fund invests in markets where custody and settlement systems and controls are not fully developed.

Emerging and less developed markets securities risks

Emerging or developing markets may have relatively unstable governments, economies based on a less diversified industrial base and Securities Markets that trade a smaller number of securities. Companies in emerging markets may generally be smaller, less experienced and more recently organized than many companies in more developed markets. Prices of securities traded in the Securities Markets of emerging or developing countries/regions tend to be volatile. Furthermore, foreign investors are often subject to restrictions in emerging or developing markets. These restrictions may require, among other things, governmental approval prior to making investments or repatriating income or capital, or may impose limits on the amount or type of securities held by foreigners or on the companies in which the foreigners may invest.

The economies of individual emerging markets may differ favourably or unfavourably from developed economies in such respects as growth of gross domestic product, rates of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payment position and may be based on a substantially less diversified industrial base. Further, the economies of developing markets generally are heavily dependent upon international trade and, accordingly, have been, and may continue to be, adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries/regions with which they trade. These economies also have been, and may continue to be, adversely affected by economic conditions in the countries/regions with which they trade.

Risks of emerging market securities may include: greater social, economic and political uncertainty and instability; greater settlement and custody risks; more substantial governmental involvement in the economy; less governmental supervision and regulation; unavailability of currency hedging techniques; companies that are newly organized and small; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; and less developed legal systems. In addition taxation of interest and dividend and capital gains received by non-residents varies among emerging and less developed markets and, in some cases may be comparatively high. There may also be less well-defined tax laws and procedures and such laws may permit retroactive taxation so that the Fund could in the future become subject to local tax liabilities that had not been anticipated in conducting investment activities or valuing assets.

Asset allocation strategy risks

The investments of the Fund may be periodically rebalanced and therefore the Fund may incur greater transaction costs than a fund employing a buy-and-hold allocation strategy.

Eurozone risks

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

Market and investment risks: asset class risks

Equity risks

Investment in equity securities is subject to market risk and the prices of such securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, regional or global economic instability, currency and interest rate fluctuations. Prices of equity securities are also affected by the business, performance and activities of individual companies as well as general market and economic conditions. If the market value of equity securities in which the Fund invests in goes down, the net asset value of the Fund may be adversely affected, and investors may suffer substantial losses. Investors may not get back the amount they initially invested in the Fund.

Risks of investing in small-cap/mid-cap companies

The Fund does not have a capitalisation requirement on stock investment and may invest in stocks issued by small cap and/or mid-cap companies. These stocks are more abrupt or erratic in price movements and their sensitivity to market changes is higher than stocks of larger companies. They may be subject to a lower liquidity and cannot be sold readily. Further, even relatively small orders for purchase or sale of illiquid these securities can lead to significant price volatility. There is the risk that the stocks cannot be sold or can only be sold at a significant discount to the purchase price. This may result in investment losses to the Fund.

Fixed income risks

Debt securities risks

The principal factors that may affect the value of the Fund's securities holdings include: (i) changes in interest rates, (ii) the credit worthiness of the issuers of securities, (iii) unanticipated prepayment, and (iv) the decline of bond prices in general in the relevant bond market.

Credit ratings risks and credit rating agency risks

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. The credit ratings assigned by credit rating agencies are a generally accepted barometer of credit risk of a fixed income security. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

If assessments based on credit ratings do not reflect the credit quality of and the risks inherent in a security, the net asset value may suffer losses, possibly greater than originally envisaged.

Downgrading risks

Debt securities may be subject to the risk of being downgraded (i.e. lowering of credit ratings assigned to the securities). In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Fund's investment value in such security may be adversely affected. The Manager may or may not be able to dispose of the securities that are being downgraded. The risks disclosed in the foregoing paragraph in relation to low rated debt securities will generally apply.

Credit risks

Investment in fixed income securities is subject to the credit and default risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. Generally, a fixed income security that is lower rated or unrated will be subject to higher credit and default risk of the issuer than a higher rated fixed income security..

In the event that any issuer of such securities defaults, becomes insolvent or experiences financial or economic difficulties, the value of the securities will be adversely affected. The Fund may suffer losses in its investment in such securities. There is no certainty in the credit worthiness of issuers of debt securities. Unstable market conditions may mean there are increased instances of default amongst issuers. In case of default, the Fund may also encounter difficulties or delays in enforcing its rights against the issuers of securities as such issuers may be incorporated outside Hong Kong and subject to foreign laws.

The fixed income securities that the Fund invests in may be offered on an unsecured basis without collateral. In such circumstances, the Fund will rank equally with other unsecured creditors of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds obtained from the liquidation of the issuer's assets will be paid to holders of the fixed income securities only after all secured claims have been satisfied in full. The Fund is therefore fully exposed to the credit/insolvency risk of issuers as an unsecured creditor.

Below Investment Grade or Unrated securities risks

The Fund may invest in securities which are rated below Investment Grade or are Unrated. Such securities are considered to have a higher risk exposure than securities which have a higher credit rating with respect to payment of interest and the return of principal, and may also have a higher chance of default. Low rated or Unrated debt securities generally offer a higher current yield than higher grade issues. However, low rated or Unrated debt securities involve higher risks and are more sensitive to adverse changes in general economic conditions and in the industries in which the issuers are engaged, as well as to changes in the financial condition of the issuers and changes in interest rates. Valuation of these securities is more difficult and thus the Fund's price may be more volatile. Additionally, the market for below Investment Grade or Unrated debt securities generally is less active than that for higher quality securities and the Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by such factors as adverse publicity and investor perceptions.

Volatility and liquidity risks

The debt instruments in which the Fund invests may not be listed on a stock exchange or a Securities Market where trading is conducted on a regular basis. The debt securities in emerging markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Fund may suffer losses in trading such securities. The price at which the debt securities are traded may be higher or lower than the initial purchase price due to many factors including the prevailing interest rates.

Further, the bid and offer spreads of the price of debt instruments in which the Fund invests may be high, and the Fund may therefore incur significant trading costs and may even suffer losses when selling such investments.

Interest rate risks

Changes in market interest rates will affect the value of securities held by the Fund. Generally, the prices of debt instruments rise when interest rates fall, and vice versa. Long-term securities are generally more sensitive to changes in interest rates and, therefore, are subject to a greater degree of market price volatility. To the extent that the Fund holds long-term fixed income securities, its net asset value will be subject to a greater degree of fluctuation than if it held fixed income securities of a shorter duration. Fluctuations in interest rates may cause the Fund to suffer a loss in its investments if it disposes of such fixed income securities before their maturity.

Sovereign debt risks

The Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Fund to participate in restructuring such debts. The Fund may suffer significant losses when there is a default of sovereign debt issuers.

Collateralised and/or securitised products risks (such as asset-backed securities and mortgage-backed securities)

In general, asset-backed securities including asset-backed commercial papers ("**ABS**") and mortgage-backed securities ("**MBS**") are debt securities with interest and capital payments backed by a pool of financial assets such as mortgages and loans, with collateral backing often provided by physical assets such as residential or commercial property. Consequently, holders of ABS (such as the Fund) must rely solely on distributions on the underlying assets or proceeds thereof for payment.

Investment in ABS and MBS is subject to greater credit risk and interest rate risk compared to other debt securities due to, for example, a debtor's or obligor's default in paying the loan or other debt obligations constituting the underlying assets. If distributions on the underlying assets are insufficient to make payments on the ABS and MBS, no other assets will be available for payment of the deficiency and following realisation of the underlying assets, and the obligations of the issuer of the related security to pay such deficiency will be extinguished.
In addition, ABS and MBS are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Underlying assets are usually illiquid and private in nature and are subject to risks including those relating to their liquidity and market value. Prices of ABS and MBS are volatile and will generally fluctuate due to a variety of factors that are difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, and the financial condition of the debtors or obligors of the underlying assets. The Fund will be subject to fluctuations in its value insofar as investment is made in ABS and MBS.

Risks associated with investments in debt instruments with loss-absorption features

The Fund may invest in instruments with loss-absorption features which are subject to greater risks when compared to traditional debt instruments as such instruments typically include terms and conditions which may result in them being partly or wholly written off, written down, or converted to ordinary shares of the issuer upon the occurrence of a pre-defined trigger event (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level).

Such trigger events are likely to be outside of the issuer's control and commonly include a reduction in the issuer's capital ratio below a specified level or upon specific government or regulatory action being taken as a result of the issuer's ongoing financial viability. Trigger events are complex and difficult to predict and can result in a significant or total reduction in the value of such instruments, giving rise to consequential loss of the Fund. In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

For example, the Fund may invest in contingent convertible securities, which are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible securities can be converted into shares of the issuing company, potentially at a discounted price, or the principal amount invested may be lost on a permanent or temporary basis. Contingent convertible securities are risky and highly complex instruments. Coupon payments on contingent convertible securities are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Contingent convertible securities are also subject to additional risks specific to their structure including:

i. *Trigger level risk*

Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Investment Adviser of the Fund invested in contingent convertible securities to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/ Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible securities into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national/regional authority deciding to inject capital.

ii. Coupon cancellation risk

Coupon payments on some contingent convertible securities are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible securities may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

iii. Capital structure inversion risk

Contrary to the classic capital hierarchy, investors in contingent convertible securities may suffer a loss of capital when equity holders do not, for example when the loss absorption mechanism of a high trigger/ write down of a contingent convertible security is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

iv. Call extension risk

Some contingent convertible securities are issued as perpetual instruments and only callable at pre-determined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible securities will be called on a call date. Contingent convertible securities are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

v. Conversion risk

Trigger levels differ between specific contingent convertible securities and determine exposure to conversion risk. It might be difficult at times for the Investment Adviser of the Fund to assess how the contingent convertible securities will behave upon conversion. In case of conversion into equity, the Investment Adviser might be forced to sell these new equity shares since the investment policy of the Fund may not allow the holding of equity securities. Given the trigger event is likely to be some event depressing the value of the issuer's common equity, this forced sale may result in the Fund experiencing some loss.

vi. Valuation and write-down risk

Contingent convertible securities often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible securities may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

vii. Market value fluctuations due to unpredictable factors

The value of contingent convertible securities is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible securities; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

viii. Liquidity risk

Contingent convertible securities are relatively new instruments and the outstanding amount and trading volume of contingent convertible securities tend to be small. In certain circumstances finding a buyer ready to invest in contingent convertible securities may be difficult and the seller may have to accept a significant discount to the expected value of the bond in order to sell it.

ix. Sector concentration risk

Contingent convertible securities are issued by banking and insurance institutions. The performance of the Fund which invests significantly in contingent convertible securities will depend to a greater extent on the overall condition of the financial services industry than for a fund following a more diversified strategy.

x. Subordinated instruments

Contingent convertible securities will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible securities, such as the Fund, against the issuer in respect of or arising under the terms of the contingent convertible securities shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

xi. Unknown risk

The structure of contingent convertible securities is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

Derivatives risks

The Fund may use derivatives for hedging and/or investment purposes and such instruments may include futures and options as well as other financial derivative instruments.

Due to the inherent nature of financial derivative instruments, the Fund that uses financial derivative instruments as part of its investment strategy may involve risks different from, or possibly greater than, the risks associated with a fund that does not make use of financial derivatives. Specifically financial derivative instruments are subject to counterparty/credit risk, liquidity risk, valuation risk, volatility risk and OTC risk. Further, a financial derivative may include an element of leverage meaning that a small movement in the price of the underlying security, index, interest rate or currency may result in a substantial movement in the price of the financial derivative instrument. This may result in losses being magnified and losses may exceed the amount invested in the financial derivative instrument resulting in a significant loss to the Fund.

Collateral management and re-investment of cash collateral risks

Where the Fund enters into an OTC derivative transaction, collateral may be received from or provided to the relevant counterparty.

As of the date of this Explanatory Memorandum, the Fund may receive both non-cash collateral or cash collateral but cash collateral will not be reinvested.

In the event the Fund re-invests cash collateral in future, the 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. Notwithstanding that the Fund may only accept non-cash collateral which is highly liquid, the Fund is subject to the risk that it will be unable to liquidate collateral provided to it to cover a counterparty default. The relevant Fund is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Where collateral is provided by the Fund to the relevant counterparty, in the event of the insolvency of the counterparty, the Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

Classes of Units

Description of classes

Within the Fund, multiple Classes of Units may be issued.

Classes of Units have equal rights and are, upon issue, entitled to participate equally, in proportion to their value, in the profits and liquidation proceeds relating to the relevant Fund of the class.

As at the date of this Explanatory Memorandum, the following Classes may be made available:

Class	**Availability**	**Value of units**		
		Currency *(for omitted currencies the value will be equivalent to the stated HKD value denominated in the omitted currency)*	**Minimum holding**	**Minimum partial redemption**
Ordinary	Units available to retail investors and institutional investors selected by the Manager	HKD	1,000	Nil
Special (also referred to as "NW")	Units available to institutional investors selected by the Manager and other investors selected by the Manager	HKD	1,000	Nil
SPY	Units available to institutional investors selected by the Manager and other investors selected by the Manager	HKD	1,000	Nil

The Manager may create additional Classes of Units in the future at its discretion and without prior notification to Unitholders.

Units will be initially issued at HKD 10.000 such other price as determined by the Manager. The prices quoted are exclusive of applicable initial charges.

Retail investors in Hong Kong can consult the Product Key Fact Statement of the Fund for a list of classes currently available to them. In addition, a full up-to-date list of launched classes can be obtained from the registered office of the Manager.

Class features

All classes have the same features, namely:

- All classes are denominated in HKD
- All classes are capital-accumulation Units. Dividend distributions will not be declared and income and gains will be re-invested and remain within the Fund.

SECTION B: INVESTMENT MANAGEMENT

Investment objective, policy and strategy

Investment Objective

The Fund aims to provide long-term total return by investing, either directly or indirectly through Underlying Funds, in a diversified portfolio of equity and fixed income securities.

Investment Policy

The Fund will invest at least 70% of its net asset value, either directly or indirectly through Underlying Funds, in fixed income securities and/or equity securities.

The Fund may invest in fixed income and other similar securities issued or guaranteed by governments, government agencies or supranational bodies or companies in both developed and emerging markets. Fixed income securities that the Fund may invest in include Investment Grade, non-Investment Grade and Unrated securities. The Fund will invest less than 30% of its net asset value in fixed income securities which are non-Investment Grade or Unrated. Notwithstanding the above, as set out in the ”Fund restrictions“ section, the Guarantor currently restricts the Fund's holding, through either direct investment or indirect investment through Underlying Funds, in fixed income securities which are non-Investment Grade or Unrated to 10% of its net asset value. Fixed income securities that the Fund invests in may be denominated in both developed and emerging market currencies and may be hedged into HK dollar or US dollar.

The Fund will invest less than 10% of its net asset value in collateralised and/or securitised products such as asset backed securities (ABS), asset-backed commercial papers (ABCP) and mortgage backed securities (MBS).

The Fund will invest less than 30% of its net asset value in debt instruments with loss-absorption features (e.g. contingent convertible debt securities).

The Fund may invest in equities and equity equivalent securities issued by companies which are based or operating in both developed and/or emerging markets. The Fund may invest across a range of market capitalisations without any capitalisation restriction.

The Fund may also hold cash and cash equivalents (such as, but not limited to, money market funds, money market instruments and other short-term debt instruments).

The Fund may also invest in financial derivative instruments (including embedded financial derivatives) for investment and hedging purposes, subject to the provisions set out under the section “Fund Restrictions”.

The Fund may invest up to 100% of its net asset value in units or shares of Underlying Funds which are authorised by the SFC or eligible schemes (the list of “eligible schemes” is as specified by the SFC from time to time, which includes but is not limited to schemes domiciled in Luxembourg, Ireland and the United Kingdom) whether authorised by the SFC or not, except that not more than 10% of its net assets may be invested in non-eligible schemes not authorised by the SFC. The Fund will invest in HSBC sponsored and/or managed Underlying Funds unless an appropriate fund is not available.

The Fund will not invest in Underlying Funds which disclose that they use financial derivative instruments extensively for investment purposes or which disclose that the net derivative exposure may be more than 50% of the Underlying Fund's net asset value.

Investment Strategy

The Manager has wide powers of investment. As an indication, through either direct investment or indirect investment through Underlying Funds, between 45-55% of the net asset value of the Fund will be invested in equities and the remaining assets will be invested in fixed income instruments and deposits. Such intended asset allocation is for indication only and may be changed as and when the Manager considers appropriate.

The asset allocation approach will look to favour assets where the Manager believes future returns will be most suitable to the overall portfolio objectives in terms of risk and return. This will take into account valuation levels, the macro background and other relevant market factors. The asset allocation will be altered over time in the light of market developments.

Fund restrictions

1. Investment limitations

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

(a) the aggregate value of the Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following exceeding 10% of the latest available net asset value of the 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 OTC financial derivative instruments.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs 1(a), 1(b) and 3.4(c) of this section "Fund restrictions" 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 5.2(g) and (h) of this section "Fund restrictions".

(b) subject to sub-paragraphs 1(a) and 3.4(c) of this section "Fund restrictions", the aggregate value of the Fund's investments in, or exposure to, entities within the same group through the following exceeding 20% of the latest available net asset value of the 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 OTC financial derivative instruments.

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

   The requirements under this sub-paragraph 1(b) will also apply in the case of sub-paragraphs 5.2(g) and (h) of this section "Fund restrictions".

(c) the value of the Fund's cash deposits made with the same entity or entities within the same group exceeding 20% of the latest available net asset value of the Fund provided that the 20% limit may be exceeded in the following circumstances:

   (i) cash held before the launch of the 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 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 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 Fund and not referable to provision of property or services.

(d) the Fund's holding of any ordinary shares exceeding 10% of any ordinary shares issued by any single entity.

(e) the value of the 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 latest available net asset value of the Fund.

(f) the value of the Fund's total holding of Government and other public securities of the same issue exceeding 30% of the latest available net asset value of the Fund (save that the 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 Fund's investment in Underlying Funds which are non-eligible schemes (the list of "eligible schemes" is as specified by the SFC from time to time) and not authorized by the SFC in aggregate exceeding 10% of its latest available net asset value; and

(ii) the value of the Fund's investment in units or shares in each Underlying Funds which is either eligible schemes (the list of "eligible schemes" is as specified by the SFC from time to time) or schemes authorized by the SFC exceeding 30% of its latest available net asset value unless the Underlying Fund is authorized by the SFC, and the name and key investment information of the Underlying Fund are disclosed in this Explanatory Memorandum,

provided that:

(A) no investment may be made in any Underlying Fund the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the Code;

(B) where an Underlying Fund's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, the Fund may invest in Underlying Fund(s) authorized by the SFC under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible Underlying Fund(s) of which the net derivative exposure does not exceed 100% of its total net asset value, and exchange traded funds in compliance with sub-paragraphs 1(g)(i) and (ii) of this section "Fund restrictions";

(C) the Underlying Fund's objective may not be to invest primarily in other collective investment scheme(s);

(D) all initial charges and redemption charges on the Underlying Fund(s) must be waived if the Underlying Fund is managed by the Manager or its Connected Persons; and

(E) the Manager or any person acting on behalf of the Fund or the Manager may not obtain a rebate on any fees or charges levied by an Underlying Fund or its management company, or any quantifiable monetary benefits in connection with investments in any Underlying Fund.

For the avoidance of doubt:

(aa) unless otherwise provided under the Code, the diversification requirements under sub-paragraphs 1(a), (b), (d) and (e) of this section "Fund restrictions" do not apply to investments in Underlying Funds by the Fund;

(bb) exchange traded funds are considered and treated as collective investment schemes for the purposes of and subject to the requirements in this sub-paragraph 1(g); and the investments by the Fund in exchange traded funds shall be subject to sub-paragraph 1(e) of this section "Fund restrictions";

(cc) where investments are made in listed REITs, the requirements under sub-paragraphs 1(a), (b) and (d) 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) apply respectively; and

(dd) where the 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 section "Fund restrictions" provided that the index is in compliance with the requirements under 8.6(e) of the Code.

2. Investment prohibitions

The Manager shall not, unless otherwise specifically provided for in the Code, on behalf of any 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;

(d) subject to sub-paragraph 1(e) of this section "Fund restrictions", 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 the Code are not subject to the limitations in this sub-paragraph 2(d);

(e) acquire any asset or engage in any transaction which involves the assumption of any liability by the Fund which is unlimited. For the avoidance of doubt, the liability of Unitholders of the Fund is limited to their investments in the Fund;

(f) invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued securities of that class;

(g) 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 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 3.5 and 3.6 of this section "Fund restrictions".

3. Derivatives restrictions

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

3.2 The Fund may also acquire financial derivative instruments for non-hedging purposes ("**investment purposes**") subject to the limit that such Fund's net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed the amount specified in 6(b) of this section "Fund restrictions" of its latest available net asset value provided that such limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under sub-paragraph 3.1 will not be counted towards the 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 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, the 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 Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs 1(a), (b), (c), (f), (g)(i) and (ii), proviso (A) to (C) to sub-paragraph 1(g) and sub-paragraph 2(b) of this section “Fund restrictions”.

3.4 The financial derivative instruments invested by the Fund shall be either listed/quoted on a stock exchange or dealt in an OTC 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 Fund may invest according to its investment objectives and policies;

(b) the counterparties to transactions of OTC 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 section “Fund restrictions”, the Fund’s net counterparty exposure to a single entity arising from transactions of OTC financial derivative instruments may not exceed 10% of its latest available net asset value provided that the exposure of the Fund to a counterparty of OTC financial derivative instruments may be lowered by the collateral received (if applicable) by the Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the OTC 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 Trustee (or such other valuation agent appointed by the Manager) (“Valuation Agent”) independent of the issuer of the financial derivative instruments through such measures as may be established from time to time. In the opinion of the Manager, the financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Fund's initiative. Further, the Manager shall ensure that 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 The Fund should at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in financial derivative instruments in respect of the Fund are adequately covered on an ongoing basis. For the purposes of this sub-paragraph 3.5, assets that are used to cover the 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, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of the Fund shall be covered as follows:

(a) in the case of financial derivative instruments transactions which will, or may at the Fund's discretion, be cash settled, the 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 Fund shall hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the 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 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 section "Fund restrictions" shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an "**embedded financial derivative**" is a financial derivative instrument that is embedded in another security.

4. Securities Financing Transactions restrictions

The Manager will not enter into Securities Financing Transactions (including Securities Lending, Repurchase Transactions or Reverse Repurchase Transactions or similar OTC transactions) in respect of the Fund. Prior approval will be obtained from the SFC and at least one month's prior notice will be given to Unitholders if there is a change in such intention.

5. Counterparty policy and collateral policy

5.1. Counterparty policy

When transacting in OTC financial derivative instruments (or Securities Financing Transactions if permitted in future), the Manager has counterparty selection policies and control measures to manage the credit risks of counterparties which shall include amongst other considerations, fundamental creditworthiness (e.g. ownership structure, financial strength) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty.

The counterparties will be entities with legal personality typically located in OECD jurisdictions (but may also be located outside such jurisdictions). The counterparties to OTC financial derivative instruments will be Substantial Financial Institutions. Whereas the counterparties to Securities Financing Transactions (if permitted in future) will be financial institutions which are subject to ongoing prudential regulation and supervision.

The counterparties must have a minimum credit rating of Baa1 or BBB+ or equivalent, or must be deemed by the Manager to have an implied rating of Baa1 or BBB+ or equivalent assigned by an internationally recognised credit agency (e.g. Standard & Poor's or Moody's). Alternatively an unrated counterparty will be acceptable where the Manager is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of Baa1 or BBB+ or equivalent assigned by an internationally recognised credit agency (e.g. Standard & Poor's or Moody's).

Transactions in OTC derivative transactions (or Securities Financing Transactions if permitted in future) will at all times be governed by approved HSBC Group standard documentation such as a legally enforceable bilateral International Swaps and Derivatives Association ("**ISDA**") (and an accompanying Credit Support Annex ("**CSA**") where it has been agreed that collateral will form part of the transaction).

5.2. Collateral policy

Under the investment advisory agreements, the Investment Adviser and discretionary Sub-Investment Adviser (if any) has the authority to manage the investment and reinvestment of the assets of the Fund, including but not limited to agree the terms for collateral arrangements, duly advising the

Manager of what arrangements have been made, for purposes of managing counterparty risk where transactions in OTC financial derivative instruments have been executed (or Securities Financing Transactions if permitted in future). The Manager, Investment Adviser and discretionary Sub-Investment Adviser (if any) have appropriate systems, operational capabilities and legal expertise for proper collateral management.

As of the date of this Explanatory Memorandum, the Fund may receive both non-cash collateral or cash collateral but cash collateral will not be reinvested. However, the criteria set out below applies to all assets received by the Fund as collateral including the reinvestment of cash collateral in the event that the Fund reinvest such cash collateral in future:

(a) **Nature:** Collateral may include both cash and non-cash collateral. Cash collateral may include cash, cash equivalents and money market instruments. Non-cash collateral may comprise of government or corporate bonds whether long/short term bonds, listed or traded in any regulated markets.

Collateral does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

(b) **Credit quality:** the collateral is of high credit quality (i.e. at least rated A3 or A- or equivalent by an internationally recognised credit agency (e.g. Standard & Poor's or Moody's)). 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 the Manager reasonably believes would undermine the effectiveness of the collateral, the Manager will take all practical steps to require the counterparty to replace such collateral as soon as practicable.

(c) **Liquidity:** any collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a robust price that is close to pre-sale valuation.

(d) **Valuation:** collateral is valued daily by an entity that is independent from the counterparty on a mark-to-market basis.

(e) **Haircut policy:** the collateral is subject to a prudent haircut policy. Haircuts will take into account the characteristics of the assets such as the credit standing or the price volatility. Assets that exhibit high price volatility will not be accepted by the Fund as collateral unless suitably conservative haircuts are in place. Haircuts are reviewed by the Manager on an ongoing basis to ensure that they remain appropriate for eligible collateral taking into account collateral quality, liquidity and price volatility.

(f) **Correlation:** collateral received by the Fund is issued by an entity that is independent from the counterparty and is one that is expected not to display a high correlation with the performance of the counterparty such that the effectiveness of the collateral would be undermined.

(g) **Diversification:** collateral must be sufficiently diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. The exposures of the Fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in the sub-section “Fund restrictions”.

(h) **Reinvestment of collateral:** Non-cash collateral will not be sold, reinvested or pledged. Cash collateral may be reinvested. Reinvested cash collateral will remain sufficiently diversified subject to the applicable restrictions in respect of collateral set out in the “Fund restrictions” section and shall comply with the requirements set out in 8.2(f) and 8.2(n) of the Code.

Reinvested cash collateral may only be placed on short-term deposit, invested in high quality money market instruments and money market funds authorized under 8.2 of the UT 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 this sub-section “Fund restrictions”. 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, the Manager will take into account the credit quality, the liquidity profile of the money market instruments and such other factors as the Manager considers relevant; Cash collateral received is not allowed to be further engaged in any securities financing transactions. Further, when the cash collateral received is reinvested into other investments, such investments are not allowed to be engaged in any securities financing transactions.

(i) **Encumbrances and Enforceability:** the collateral is free of prior encumbrances and collateral (subject to any net-off or set-off, if applicable) is capable of being fully enforced by the Manager / Fund at any time without further recourse to the counterparty.

(j) **Safe-keeping of collateral**: Any non-cash assets received by the Fund from a counterparty on a title transfer basis should be held by the Trustee or a Correspondent. This is not applicable in the event that there is no title transfer in which case the collateral will be held by a third party custodian which is unrelated to the provider of the collateral. A description of collateral holdings of the Fund will be disclosed in its semi-annual and annual reports as required under Appendix E of the Code. Assets provided by the Fund on a title transfer basis shall no longer belong to the Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Trustee or a Correspondent.

6. Borrowing and leverage restrictions

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

a) Cash borrowing

No borrowing shall be made in respect of the Fund which would result in the principal amount for the time being of all borrowings made pursuant to the Trust Deed for the account of the Fund exceeding an amount equal to 10% of the net asset value of the Fund provided always that back-to-back loans do not count as borrowing. For the avoidance of doubt, Securities Lending transactions and Repurchase Transactions in compliance with the requirements as set out in the Code are not borrowings for the purpose of, and are not subject to the limitations in this paragraph.

The Trustee shall be entitled on the instruction of the Manager to charge or pledge in any manner all or any part of the Fund for the purposes of securing any borrowing and interest and expenses thereof.

b) Leverage from the use of financial derivative instruments

The 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 Fund's latest available 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 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.

7. Guarantor restrictions

Under the provisions of the Trust Deed, the Guarantor has the right to prohibit or restrict the acquisition or holding of particular investments from time to time by giving at least one month's notice to the Manager. The Guarantor may at any time thereafter revoke or change such prohibition or restriction.

Currently, the Guarantor restricts the Fund's holding, through either direct investment or indirect investment through Underlying Funds, in fixed income securities which are non-Investment Grade or Unrated to 10% of its net asset value. Save and except the above, no other prohibition or restriction is currently imposed by the Guarantor.

8. Breaches

In the event that any of the above restrictions is breached, the Manager shall as a priority objective take all steps as may be necessary to remedy such breach within a reasonable period of time, taking due account of the interests of Unitholders.

Liquidity risk management

The Manager has established a liquidity risk management policy with the aim to enable it to identify, monitor, manage and mitigate the liquidity risks of the Fund and to ensure that the liquidity profile of the investments of the Fund will facilitate compliance with the Fund's obligation to meet redemption requests. Such policy, combined with the governance framework in place and the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining or existing Unitholders in case of sizeable redemptions or subscriptions.

The Manager's liquidity risk management policy takes into account the investment strategy; the dealing frequency; the underlying assets' liquidity (and whether they are priced at fair value); and the ability to enforce redemption limitations of the Fund.

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

The Manager's risk management function is independent from the investment portfolio management function and is responsible for performing monitoring of the Fund's liquidity risk in accordance with the Manager's liquidity risk management policy. Exceptions on liquidity risk related issues are escalated to the Manager's Risk Management Committee with appropriate actions properly documented.

The Manager may employ one or more tools to manage liquidity risks including, but not limited to:

- the Manager is entitled to limit the number of Units redeemed on any Dealing Day to 10% of the total net asset value of the Fund (subject to the conditions under the heading entitled "Restrictions on redemptions"); or

- the Manager may, in consultation with the Trustee, suspend the redemption of Units and/or delay the payment of redemption proceeds during any period in which the determination of the net asset value of the Fund is suspended (for further details see the section headed "Suspension of calculation of net asset value").

Transactions with Connected Persons

All transactions carried out by or on behalf of the Fund or the Fund must be executed at arm's length and in the best interest of the Unitholders of the Fund. In particular, any transactions between the Fund and the Manager, the Investment Adviser, the Sub-Investment Adviser or any of their Connected Persons as principal may only be made with the prior written consent of the Trustee. All such transactions will be disclosed in the annual and semi-annual report and accounts of the Fund. In transacting with brokers or dealers connected to the Manager, the Investment Adviser, the Sub-Investment Adviser or any of their Connected Persons, the Manager must ensure that:

- such transactions are on arm's length terms;
- it uses due care in the selection of such brokers or dealers and ensures that they are suitably qualified in the circumstances;
- transaction execution must be consistent with applicable best execution standards;
- the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- it monitors such transactions to ensure compliance with its obligations; and
- the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual and semi-annual report and accounts of the Fund.

Cash rebates and soft commissions

The Fund will generally pay brokerage at customary institutional full service brokerage rates. Transactions of the Fund may be entered into through Connected Persons of the Manager. The Manager and its Connected Persons will not receive cash or other rebates from brokers or dealers in respect of transactions from the Fund.

The Manager may enter into soft commission arrangements for the provision to the Manager or Connected Persons of goods and services which are of demonstrable benefit to the Unitholders provided that (i) the brokerage rates do not exceed customary institutional full service brokerage rates and the execution of transactions for the Fund is consistent with best execution standards, (ii) periodic disclosure is made in the annual report of the Fund in the form of a statement describing the soft dollar policies and practices of the Manager, including a description of goods and services received by it, and (iii) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

For the avoidance of doubt (and without prejudice to the generality of the foregoing) the following goods and services may be considered as of such benefit to Unitholders: research and advisory services; economic and political analysis; portfolio analysis (including valuation and performance measurement); market analysis, data and quotation services; computer hardware and software incidental to the above goods and services; clearing and custodian services; and investment-related publications.

SECTION C: INVESTING IN THE FUND

Valuation and prices

Valuation policy of the Fund

The net asset value of the Fund will be determined as at the Valuation Point in accordance with the Trust Deed.

For the purposes of valuation, the Trust Deed provides (inter alia) that:

(a) where an investment is held in an Underlying Fund, the value thereof shall be the bid or redemption price (or, if none, the single price therefor) of the unit, share or other participation therein last published by the Underlying Fund at the Valuation Point;

(b)

(i) deposits shall be valued at their principal amount plus accrued interest from the date of acquisition;

(ii) certificates of deposit acquired at their nominal value shall be valued at cost plus accrued interest from the date of their acquisition on the nominal value at the coupon rate; ,

(iii) certificates of deposit, bonds and other similar interest bearing securities acquired at a discount or premium on the sum of the nominal value and accrued interest at the date of acquisition shall be valued at their cost plus accrued interest from the date of acquisition on the nominal value at the coupon rate and adjusted by an amount equal to the discount or premium at which they were acquired divided by the number of days unexpired at the date of acquisition and multiplied by the number of days elapsed from the date of acquisition to the date as of which the assets are being valued;

(iv) Treasury bills and bills of exchange shall be valued at their cost, plus accrued interest calculated by dividing the discount (if any) at which they were acquired by the number of days unexpired at the date of acquisition and multiplied by the number of days elapsed from the date of acquisition to the date as of which the assets are being valued.

(c) subject as aforesaid, investments for which prices are quoted on a market shall be valued at the latest traded price for the relevant investment or such amount of the relevant investment as in the opinion of the Manager gives a fair criterion on the relevant market and if the investment is traded on more than one market, on the market which in the opinion of the Manager is the principal market for such investment;

(d) interest, discount and similar income and returns shall be deemed to accrue from day to day. Dividends shall be deemed to be received on the date on which the relevant investment is first quoted ex the dividend or interest payment in question;

(e) the value of any accounts receivable, prepaid expenses, and cash dividends and interest declared or accrued and receivable but not yet received shall be deemed to be the full amount thereof unless the Manager shall determine that less than the full amount is likely to be received. In such case, the Manager shall determine the reasonable value thereof;

(f) the amount of any taxation relating to the income of the Fund shall be taken into account;

(g) Application moneys received in respect of Units not already in issue (which shall include Units to be issued with effect from the Valuation Point of the Valuation Day on which the calculation of net asset value is being made) shall not be taken into account; and

(h) the value of any bullion shall be the price at the last preceding fixing on such Securities Market as is appropriate having regard to the location of the bullion, its certificate, unit size and other relevant factors and if there shall be no such price, the latest recorded price.

The term ‘latest traded price’ referred to in paragraph (c) above, refers to the latest traded price reported on the exchange for the day, commonly referred to in the market as the ‘settlement’ or ‘exchange price’, and represents a price at which members of the exchange settle between them for their outstanding positions. Where a security has not traded then the latest traded price will represent the ‘exchange close’ price as calculated and published by that exchange in accordance with its local rules and customs.

If the latest traded price of any investment is not available, the investment shall be valued at the mean of the latest available bid price and offer price for the investment or such amount thereof as in the opinion of the Manager gives a fair criterion at the relevant time and on the relevant market and, if the investment is traded on more than one market, on the market which in the opinion of the Manager is the principal market for such investment.

If the value of any investment cannot be determined in an aforementioned manner whether because the relevant prices are not generally available on a market or not available on a particular Valuation Day or where the Manager considers the method of valuation inappropriate, the Manager may, after consultation with the Trustee and the Auditors, adjust the value of such investment or permit some other method of valuation to be used to reflect the fair value of such investment.

The Trustee, in calculating the net asset value of the Fund, may rely without further enquiry upon prices and valuation supplied to it (including through electronic price feeds) in accordance with the foregoing and shall have no liability to the Fund, any Unitholder or any other person in respect of such reliance.

For the purpose of calculating the net asset value of the Fund, the provision for taxes (if any) which may be payable by the Fund shall be determined or estimated by making reference to the tax advice received for the Fund and the taxes required to be made by the Fund shall be deducted or withheld from assets of the Fund.

Unit prices

The Issue Price/ Redemption Price of each Class of Units for any relevant Dealing Day will be determined by dividing the net asset value of such Class of Units as at the Valuation Point relating to that Dealing Day by the number of Units of such Class then in issue. The resulting amount will be rounded to 3 decimal places (in such manner as determined by the Manager) for the Issue Price/Redemption Price.

Publication of prices

The Issue Price/Redemption Price of each Class that is offered to retail investors in Hong Kong will be published daily on the website www.assetmanagement.hsbc.com/hk[2]. The Issue Price/Redemption Price of each Class can be obtained from the Manager or Trustee on request.

Suspension of calculation of net asset value

The Manager may, after consultation with the Trustee, at any time and from time to time suspend issues and redemptions of Units, having regard to the best interests of Unitholders:-

a. during any period when any Securities Market on which investments or deposits for the time being comprised in and forming a material part of the Fund property are quoted, listed or dealt in, is closed otherwise than for ordinary holidays or when any dealings on any such Securities Market are restricted or suspended;

b. during the existence of any state of affairs as a result of which the acquisition of investments or the making of deposits for the Fund property or the disposal of investments or the uplifting of deposits for the time being comprised in the Fund property cannot in the opinion of the Manager after consultation with the Trustee be effected normally or without seriously prejudicing the interests of Unitholders;

c. during any period when there is a breakdown in the means of communication normally employed in determining the value of the Fund property or any material part thereof or when for any other reason the value of any investment or deposit for the time being comprised in the Fund property and representing a significant part of the value thereof, or the amount of any significant liability of the Fund, cannot be promptly and accurately ascertained;

d. during any period when the realisation of any investments or the uplifting of any deposits for the time being comprised in the Fund property or the transfer of funds involved in such realisation cannot in the opinion of the Manager after consultation with the Trustee be effected at normal prices or normal rates of exchange respectively;

[2] Please note that this website has not been reviewed by the SFC.

e. during any period when the realisation of investments held in any Underlying Fund or Underlying Funds is suspended in accordance with the constitution of the relevant Underlying Fund where that investment is material in value in relation to the net asset value of the Fund; or

f. during any period when the remittance of moneys involved in the subscription or redemption of Units cannot be carried out without undue delay and at normal rates of exchange

Such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the net asset value of the Fund until the Manager or the Trustee shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist and (ii) no other condition under which suspension is authorised shall exist.

Whenever the Manager or the Trustee declares such a suspension it shall immediately after any such declaration notify the SFC of the suspension and at least once a month during the period of such suspension, publish a notice on the Manager's website www.assetmanagement.hsbc.com/hk (the website has not been reviewed by the SFC) and/or notify Unitholders and all those (whether Unitholders or not) whose applications to subscribe for or redeem Units shall have been affected by such suspension stating that such declaration has been made.

No Units of the Fund may be created, issued or redeemed during such a period of suspension.

Prevention of market timing and other unitholder protection mechanisms

The Fund does not knowingly allow investments which are associated with market timing practices as such practices may adversely affect the interests of all Unitholders.

In general, market timing refers to the investment behaviour of an individual or company or a group of individuals or companies buying, selling or exchanging shares or other securities on the basis of predetermined market indicators by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the net asset value. Market timers may also include individuals or groups of individuals whose securities transactions seem to follow a timing pattern or are characterised by frequent or large exchanges. Market timers may disrupt the Fund's investment strategies, may increase expenses and may adversely affect investment returns for all Unitholders.

Accordingly, the Manager reserves the right to reject any application for switching and/or subscription of Units from investors whom the former considers market timers.

Unit dealing

Subscriptions

The Fund no longer accepts subscriptions.

Redemptions

Redemption notices will be dealt with on each Dealing Day.

In order for redemption notices to be dealt with, the relevant redemption notice form (available from the Manager) must be received in a manner satisfactory to the Manager or the Trustee and in accordance with the redemption procedures set out below. Upon accepting a redemption request, the Investment Adviser will ensure there is sufficient cash to meet the redemption request at settlement and may sell assets of the Fund to do this whilst ensuring that the remaining assets continue to be invested in a way that best meets the investment objective of the Fund. A redemption request may be made by such means (including electronic means) with the required information and supporting documents as from time to time determined by the Manager and/or the Trustee.

Investors should be reminded that if they choose to send redemption forms by facsimile or other electronic means, they bear their own risk of the redemption forms being illegible or not being received. Investors should therefore for their own benefit confirm with the Manager the receipt of the redemption forms. Neither the Manager nor the Trustee shall be responsible to a Unitholder or an investor for any loss resulting from non-receipt or illegibility of any orders sent by facsimile or other electronic means, or for any loss caused in respect of any action taken as a consequence of such application believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent.

If a request for redemption will result in a Unitholder holding Units of a Class less than the minimum holding amount for that Class (as detailed under the "Description of classes" section), the Manager may deem such request to have been made in respect of all Units of the relevant Class held by that Unitholder.

All redemption notices must be signed by Unitholders except for those sent via electronic means, as determined by the Manager and/or the Trustee.

Cut-off

Redemption notices should be made on, and in accordance with the instructions on the redemption notice form and be received by the Manager or the Trustee by 4:00 p.m. (Hong Kong time) on a Dealing Day (or such other time as the Manager may from time to time determine after giving investors at least 1 month's notice) if they are to be dealt on that Dealing Day. Redemption notices received after that time will be dealt with on the next Dealing Day.

Price

Units of a Class will be redeemed at the Redemption Price on the applicable Dealing Day, as calculated in the manner set out in the section headed "Unit prices" above.

There is currently no redemption charge.

Settlement

Redemption proceeds will not be paid to any redeeming Unitholder until (a) the written redemption request has been received by the Trustee, (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee and (c) receipt of all required documents by the Trustee for the purpose of verification of identity and the source of funds. Redemption proceeds will be paid to the registered Unitholder requesting such redemption only and will not be paid to third parties. Please also see the section headed “Anti-money laundering regulations”.

Redemption monies are normally remitted by cheque, warrant or telegraphic transferor in such other manner as may be agreed by the Manager and the Unitholders (for example, bank transfer) within 5 Business Days after the relevant Dealing Day upon receipt of all properly completed documentation. In any event, the maximum interval between the receipt of a properly documented request for redemption and the payment of the redemption money may not exceed 28 days, unless the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption money within the aforesaid time period not applicable. In such case, the extended timeframe for the payment of the redemption money shall reflect the additional time needed in light of the specific circumstances in the relevant market(s).

Redemption proceeds will be paid in HKD. Subject to the agreement of the Trustee or the Manager and to applicable limits on foreign exchange, arrangements can be made for Unitholders who wish to redeem their Units to receive payment in other major currencies. The cost of currency conversion where payment is to be other than in HKD will be payable by the Unitholder and will be deducted from the redemption proceeds to be paid to the Unitholder.

The sums due under the guarantee (if any) may be despatched separately.

A request for redemption once given cannot be revoked without the consent of the Manager.

Guarantee

On the redemption of Units by a Unitholder, where a Unitholder has given a certificate as described below that a Benefit is due and that a Unit has been redeemed, the Guarantor will, if the value of the redemption proceeds of those Units is less than the Guaranteed Sum, pay the shortfall to the Trustee for onward payment to the Unitholder.

<u>Certificate</u>

In order for the Unitholder to be eligible for the guarantee, the Unitholder must submit with a notice of redemption a certificate, in a manner set out in the Trust Deed, that the Units subject to the notice of redemption are entitled to a Benefit under an Eligible Scheme and the date of acquisition of the Units being redeemed and, whether, in accordance with the Rules of the Eligible Scheme, the whole or a percentage (as the case may be) of the relevant Member’s interest in the Scheme has vested in the Member. Thus, for example, if a Member is only entitled in the circumstances in which the benefit falls due to receive 50% of the value of his employer’s contributions to his Eligible Scheme, then the provision of the guarantee only apply to 50% of the Units held by the Unitholder for the account of that Member representing the employer’s contributions.

Unitholders are required to keep full records of the Units which they subscribe for (noting separately those subscribed with money from the employer and from the Member) and redeem, and the Members of the Eligible Scheme to whose account they are attributable in accordance with the provisions of their Eligible Scheme's deed.

There is no limitation on the redemption of Units at any time, but the guarantee only applies to individual redemptions in these circumstances and, when it does not apply, the redemption proceeds reflect the Redemption Price at the date of redemption.

The Guarantor will pay within seven days of receipt of the certificate from the Trustee indicating that there is a shortfall. It is expected that therefore the payment to the Unitholder will be made within 21 days of the relevant Dealing Day on which the units were redeemed and the certificate received. Payment will generally be made by cheque in HKD in favour of the Unitholder, unless otherwise agreed between the Trustee and the Unitholder. A pro-forma Unitholder's certificate is obtainable from the Trustee.

Restrictions on redemptions

The Manager may, in consultation with the Trustee, suspend the redemption of Units and/or delay the payment of redemption proceeds during any period in which the determination of the net asset value of the Fund is suspended (for details see the section headed "Suspension of calculation of net asset value").

With a view to protecting the interests of Unitholders, the Manager is entitled to limit the number of Units redeemed on any Dealing Day to 10% of the total net asset value of the Fund. In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem their Units on that Dealing Day will redeem the same proportion of such Units and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next Dealing Day. If requests for redemption are so carried forward, the Manager will within 2 days of such Dealing Day inform the Unitholders concerned. Any part of a redemption request to which effect is not given by reason of the exercise of this power will be treated as if the request had been made with priority in respect of the next Dealing Day and all following Dealing Days (in relation to which the Manager have the same power) until the original request has been satisfied in full.

Compulsory redemption

The Manager may impose such restrictions as it may think necessary or desirable for the purpose of ensuring that no Units are acquired or held directly, indirectly or beneficially by any person or persons (each a "**Restricted Person**"):

(i) who is an "Ineligible Investor" (i.e. any person, corporation, or other entity to whom Units of the Fund may not be offered or sold, as disclosed under the section "IMPORTANT INFORMATION");

(ii) in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to be relevant) which might result in the Manager, the Trustee, the Fund or any Class of Units incurring or suffering any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Trustee, the Fund or any Class of Units to any additional regulation which they or any of them might not otherwise have incurred or suffered or been subject to; or

(iii) in breach of any applicable law or applicable requirements of any country/region or governmental authority.

If it comes to the notice of the Manager or the Trustee that Units are owned directly or beneficially by any Restricted Person, the Manager or the Trustee may give a request for the transfer or the redemption of such Units. If the request is not complied with, the Manager or the Trustee may require the Units held to be compulsorily redeemed in accordance with the provisions of the Trust Deed. The Manager or the Trustee shall observe relevant legal requirements (as applicable) and shall act in good faith and on reasonable grounds in exercising such power of compulsory redemption.

Transferring Units

Units may be transferred (subject to the approval of the Trustee) by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee.

If the transfer is to a successor trustee or custodian of the same Eligible Scheme (or a nominee thereof), the Unitholder must provide evidence of the new appointment, and if the transfer is to the trustee or custodian of any other scheme (or a nominee thereof), the Unitholder must provide evidence that the other scheme is eligible to apply for Units.

The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the Register of Unitholders in respect of such Units.

Anti-money laundering regulations

The Fund, its service providers and other members of the HSBC Group (including but not limited to the Manager, the Trustee and their respective delegates) are required to act in accordance with the laws, regulations and requests of public and regulatory authorities operating in various jurisdictions which relate to, amongst other things, the prevention of money laundering, terrorist financing and the provision of financial and other services to any persons or entities which may be subject to sanctions. The Fund, any of its service providers or any member of the HSBC Group may take any action which in their sole and absolute discretion consider appropriate to take in accordance with all such laws, regulations and requests.

Such action may include but is not limited to: the interception and investigation of any payment messages and other information or communications sent to or by an investor or on behalf of such investor via the systems of the Fund, any service provider of the Fund or any member of the HSBC Group; and making further enquiries as to whether a name which might refer to a sanctioned person or entity actually refers to that person or entity.

The Fund, its service providers and other members of the HSBC Group shall not be liable for loss (whether direct or consequential and including, without limitation, loss of profit or interest) or damage suffered by any party arising out of:

(a) any delay or failure of the Fund, any of its service providers or any member of the HSBC Group in processing any such payment messages or other information or communications, or in performing any of their duties or other obligations in connection with any accounts or the provision of any services to an investor, caused in whole or in part by any steps which the Fund, any of its service providers or any member of the HSBC Group, in their sole and absolute discretion, consider appropriate to take in accordance with all such laws, regulations and requests; or

(b) the exercise of any of the rights of the Fund, its service providers and other members of the HSBC Group under this section.

In certain circumstances, the action which the Fund, any of its service providers or any member of the HSBC Group may take may prevent or cause a delay in the processing of certain information. Therefore, the Fund, its service providers and other members of the HSBC Group do not warrant that any information on their systems relating to any payment messages or other information and communications which are the subject of any action taken pursuant to this section is accurate, current or up-to-date at the time it is accessed, whilst such action is being taken.

In order to comply with regulations aimed at the prevention of money laundering in any applicable jurisdictions, the Manager, the Trustee, the Registrar and their respective delegates may require prospective investors to provide evidence to verify their identity and the source of payment of subscription monies. Accordingly, each of the Manager, the Trustee, and Registrar and their respective delegates reserves the right to request such information as it considers necessary to verify the identity of a prospective investor and the source of payment of subscription monies. The Manager, the Trustee, Registrar and/or their respective delegates may refuse to accept any subscription application if a prospective investor delays in producing or fails to produce any information required by the Manager, the Trustee, Registrar and/or their respective delegates, for the purpose of verification and, in that event, any funds received will be returned without interest to the account from which the monies were originally debited. Each of the Manager, the Trustee, Registrar and their respective delegates may also refuse to process any redemption request or delay payment of redemption proceeds if a Unitholder requesting for redemption delays in producing or fails to produce any information required by the Manager, the Trustee, the Registrar and/or their respective delegates. Neither the Manager, the Trustee, the Registrar nor their respective delegates shall be liable to any prospective investor or Unitholder (as the case may be) for any loss suffered by the prospective investor or Unitholder (as the case may be) as a result of the rejection of any subscription or redemption request or delay of subscription or payment of redemption proceeds.

Charges and expenses

Charges and expenses apply to the Fund and their Unit Classes where appropriate, for their investment management, distribution and for the operating services required.

There are three types of charges and expenses:

1. Initial charge and switching fee
2. Ongoing charges
3. Other charges.

Initial charge

No initial charge is payable on the issue of units, although, under the Trust Deed, a charge of up to 5% of the relevant unit price is permissible.

Ongoing charges

Ongoing charges consist of:

- Management fee, Trustee fee, Guarantor fee
- Other ongoing expenses
- Costs of investing in units or shares of Underlying Funds
- Amortised establishment costs

Ongoing charges may vary over time. Retail investors in Hong Kong can consult the Product Key Fact Statement of the Fund for a list of classes currently available to them alongside the ongoing charges figure (calculated on such basis as disclosed in the relevant Product Key Fact Statement).

Management fee, Trustee fee, Guarantor fee

The current management fee, Trustee fee and Guarantor fee (stated as an annualised percentage of the net asset value of a Class) is as follows:

Class	Ordinary	Special (also referred to as "NW")	SPY
Management fee	0.25%	0.25%	0.25%
Trustee fee*	0.75%#	0.40%	0.40%
Guarantor fee	0.50%	0.50%	0.50%

** In addition, the Trustee is also entitled to various transaction and processing fees and to be reimbursed for all out of pocket expenses (including transfer agency fees, sub-custody fees and expenses) properly incurred by it in the performance of its duties.*
 # 0.7% represents the Trustee's charge for the fees payable to the administrator of a provident plan for the administration of the investment by such plan in the fund, 0.05% represents the Trustee's fee)

The management fee and Trustee fee and Guarantor fee is accrued as at each Valuation Day and payable quarterly in arrears.

The Manager will give one month's prior notice to Unitholders should there be any increase of the management fee from the current level up to the maximum level of 0.25% per annum of the net asset value of a Class of Units. Similarly, the Manager will give one month's prior notice to Unitholders should there be any increase of the Trustee fee from the current level up to the maximum level of 0.75% per annum of the net asset value of a Class of Units.

The Manager may share any amounts it is entitled to retain as manager of the Fund with any persons who distribute or otherwise procure subscriptions to the Fund.

Other ongoing expenses

The Fund will bear the cost of:

a. transaction fees of the Trustee, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs;

b. the fees and expenses of the Auditors and the Registrar;

c. fees charged by the Trustee in connection with valuing the assets of the Fund or any part thereof, calculating the Issue Price/Redemption Price of Units of the Fund and preparing financial statements;

d. all legal and professional fees and charges incurred by the Manager and/or the Trustee in connection with the Fund (including the fees and charges of the legal counsel, and fees and charges incurred in conducting legal proceedings or applying to any court for any purposes related to the Fund) and other professional fees and charges (including any professional fees and charges in relation to agreeing and/or contesting taxation liabilities or recoveries to be paid out of or into the Fund, or preparation or issuance of any accounts, statements or reports in relation to the Fund or any income, revenue, expenses, assets and/or liabilities of the Fund);

e. out-of-pocket expenses incurred by the Trustee wholly and exclusively in the performance of its duties;

f. the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed;

g. the expenses of holding meetings of Unitholders and of giving notices to Unitholders;

h. the costs and expenses of obtaining and maintaining a listing for the Units of the Fund on any stock exchange or exchanges selected by the Manager and approved by the Trustee and/or in obtaining and maintaining any approval or authorisation of the Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing, approval or authorisation; and

i. without prejudice to the generality of the foregoing, all costs incurred in publishing the Issue Price/Redemption Price of Units of the Fund, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees and Trustee's fee), the expenses of preparing and printing any offering document, and any other expenses, deemed by the Manager, after consulting the Trustee, to have been incurred in compliance with or in connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with the provisions of any code relating to unit trusts**.**

Costs of investing in units or shares of Underlying Funds

These are the costs associated with the Fund holding units or shares of Underlying Funds - including their ongoing charges and any one-off costs (if permitted under applicable regulations).

The payment of these costs will be taken in accordance with each specific Underlying Funds' payment schedule as articulated in their prospectus as permitted by applicable regulations.

If the Fund's aggregate investments in all Underlying Fund(s) is less than 20% of the Fund's net asset value, then the costs of investing in units or shares of Underlying Funds may not be included in the published ongoing charges figure of the Fund.

Amortised establishment costs

All the preliminary expenses of the Fund have already been amortised.

Other charges and expenses

Other charges and expenses may not be included in the published ongoing charges figure but are borne by the Fund. They include:

a. all stamp and other duties, taxes and governmental charges (including withholding tax and capital gains tax).

b. brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any Connected Person in the event of the Trustee or the Manager or such Connected Person rendering services or effecting transactions giving rise to such fees or expenses)

c. costs incurred for the holding of financial derivative instruments e.g. margin calls, costs incurred from swap transactions; and

d. value of goods or services received by the management company or any connected person in exchange for placing of dealing orders e.g. soft commissions or similar arrangement.

Taxation

The following statements regarding taxation are based on advice received by the Fund regarding the law and practice in force in the relevant jurisdictions at the date of this Explanatory Memorandum. Investors should be aware that levels and bases of taxation are subject to change and that the value of any relief from taxation depends upon the individual circumstances of the taxpayer.

Taxes on Unitholders and Unitholder tax disclosures

Investors should consult their professional advisers on the consequences to them of acquiring, holding, redeeming, transferring or selling units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors will vary with the law and practice of the investors' country/region of citizenship, residence, domicile or incorporation and their personal circumstances.

Hong Kong

Under present Hong Kong law and practice:-

a) No tax will be payable by Unitholders in Hong Kong in respect of dividends/payouts or other income payments of the Fund or in respect of any gains arising on a sale, redemption or other disposal of Units of the Fund, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong and the gains are Hong Kong sourced and not otherwise of capital nature. Ascertaining the source and the classification of a gain as revenue or capital will depend on the particular facts and circumstances of the Unitholders.

b) No Hong Kong stamp duty is payable by Unitholders in relation to the issuance of Units, the redemption of Units or the sale or transfer of the Unit effected by extinguishing the Units or the sale or transfer is to the Manager who subsequently re-sells the Units within two months thereof. Other types of sales or purchases or transfers of the Units by Unitholders should be liable to Hong Kong Stamp Duty of 0.1% (borne by each of the buyer and seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HK$5.00 is currently payable on instrument of transfer of Units, unless being specifically exempt.

Payments to unitholders

Before making any distribution or other payment in respect of any Unit, the Trustee and/or the Manager may make any such deductions or withholdings (if any) as, by any applicable law of Hong Kong or elsewhere, or by any applicable regulation, direction, or guidance, or by any agreement with any tax or fiscal authority (whether within or outside Hong Kong), they are required or entitled by any applicable law to make in respect of any income, interest or other taxes, charges or assessments whatsoever. In such event, the Manager and/or the Trustee shall act in good faith and on reasonable grounds in making such deductions or withholdings.

The Trustee and the Manager may also deduct the amount of any stamp duties or other governmental taxes, charges or assessments payable by it or them in respect of any distribution/payout made.

Automatic exchange of information

Automatic exchange of information ("**AEOI**") is an umbrella term covering a number of inter-governmental and multi-lateral agreements concerning information sharing between states (or regions) to promote tax transparency.

Investors should consult their own tax advisors regarding AEOI requirements with respect to their own situation. In particular, investors who hold their units through intermediaries should confirm the AEOI compliance status of those intermediaries.

Foreign Account Tax Compliance Act

The US Foreign Account Tax Compliance Act ("**FATCA**") requires non-U.S. (foreign) financial institutions ("**FFI**") to report certain investor information to the US authorities. Under sections 1471 through 1474 of the U.S. Internal Revenue Code if an FFI is not compliant with FATCA then a 30% withholding tax may be imposed on certain payments to FFIs. Currently this withholding tax only applies to payments that constitute interest, dividends and other types of income from U.S. sources (such as dividends paid by a U.S. corporation).

Hong Kong has signed an Intergovernmental agreement ("**IGA**") Model 2 with the U.S. and the Fund intends to comply with the terms of the IGA and local implementing regulations.

As an IGA has been signed between Hong Kong and the U.S., FFIs in Hong Kong (such as the Fund) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to non-consenting accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the U.S. IRS) or close those non-consenting accounts (provided that information regarding such non-consenting account holders is reported to the U.S. IRS).

As at the date of this Explanatory Memorandum, the Fund is treated as a “Non-reporting IGA FFIs” under IGA Model 2 with the U.S. This means that the Manager will act as "FATCA sponsoring entity" and carry out FATCA obligations on behalf of the Fund.

Common Reporting Standard

Hong Kong’s Inland Revenue (Amendment) (No.3) Ordinance (the “**Ordinance**”) and any subsequent legislative amendments set the legislative framework for the implementation in Hong Kong of the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (the “**CRS**”).

The CRS rules as implemented by Hong Kong require the Fund to, amongst other things: (i) register the Fund’s status as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts (i.e., investors) to identify whether any such accounts are considered "Reportable Accounts" for CRS purposes; and (iii) report certain account information of such Reportable Accounts to the IRD. Broadly, CRS contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a reportable jurisdiction and (ii) certain entities controlled by individuals who are tax resident in such a reportable jurisdiction. Under the Ordinance, details of investors, including but not limited to their name, address, jurisdiction of residence, tax identification number, date and place of birth, account number, account balance/value, distribution income and sale/redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

The investor agrees to provide the Manager with any documentation or account information to enable the Manager to comply with the requirements and obligations imposed on the Manager pursuant to the regulatory requirements (including FATCA and AEOI legislation). To the extent required by the Manager, the investor hereby consents to the disclosure and reporting of any tax related information to any local or foreign regulatory or tax authority ("**Tax Authority**") where the provision of that information to such person or regulatory authority is required to ensure compliance by the Fund manager with its obligations under the regulatory requirements (including FATCA and the AEOI legislation) or to avoid being subject to withholding tax or other liabilities under the regulatory requirements (including FATCA and AEOI legislation). Upon request by the Manager, the investor hereby agrees to obtain a written waiver or consent from the "substantial owners" or "controlling persons" and to provide those consents to the Manager to permit it to disclose and report relevant information to any local or foreign Tax Authority pursuant to the regulatory requirements (including FATCA and AEOI legislation). The terms "substantial owners" and "controlling persons" shall have the meaning as defined under local or foreign tax laws, regulatory guidance or intergovernmental cooperation agreements. The potential consequences for failure to comply with requests for the requested information, failure to respond to requests for waivers or consents for tax information disclosure, and/or failure to respond to requests to obtain waivers or consents from substantial owners or controlling persons, include, but are not limited to: (i) the Manager's right to take whatever actions that are necessary to comply with the local or foreign tax reporting obligations and the regulatory requirements (including FATCA and AEOI legislation); (ii) the Manager's ability to withhold an amount from certain payments made to the investor's account that is sufficient to discharge any liabilities, costs, expenses, taxes, withholdings or deductions incurred or suffered by the Manager due to the representations, actions or inactions (directly or indirectly) by the investor; (iii) the Manager's right to pay relevant taxes to the appropriate tax authority; (iv) the Manager's right to refuse to provide certain services; and (v) the Manager's right, to the extent permitted by applicable laws and the Fund's constitutional documents, to compulsorily redeem or withdraw the investor concerned. The Manager shall at all times observe relevant legal requirements and shall act in good faith and on reasonable grounds. The investor agrees to inform, or respond to any request from, the Manager, if there are any changes to tax information previously provided.

Taxes on the Fund

Hong Kong

During such period that the Fund is authorised by the SFC pursuant to section 104 of the Securities and Futures Ordinance then, under present Hong Kong law and practice the Fund is not expected to be subject to Hong Kong profits tax in respect of any of its authorised activities.

Taxes related to the Fund's assets

In many markets the Fund as a foreign investment fund, may be subject to non-recoverable tax, levies, duties or charges imposed by the authorities in such market on income and gains (either by withholding or direct assessment) in relation to the investment returns it realises from its holdings of shares and securities in those markets. Where practicable the Fund will make claims under the relevant double tax treaties and the domestic law of the countries/regions concerned in order to minimise the impact of local taxation on the investment return and to obtain the best return for its Unitholders. Those claims will be made on the basis of the understanding of the validity of such claims given the information available from the Fund's depositaries, external advisers and other sources as to the interpretation and application of the relevant legal provisions by the tax authorities in the country/region concerned.

The Manager may, upon taking tax advice, at its discretion, arrange with the Trustee to provide for potential tax liabilities in respect of the Fund's investments for the purpose of meeting the Fund's tax liabilities.

Investors should note that any tax provision, if made, may be excessive or inadequate to meet actual tax liabilities on investments made by the Fund. In the event that it is satisfied (based on tax advice) that part of the tax provisions are not required, the Manager will arrange with the Trustee to release such provisions back into the Fund, forming part of the Fund's assets. On the other hand, any amount by which the tax provisions fall short of the tax liability incurred or is expected to be incurred by the Fund shall be debited and deducted from the Fund's assets which will adversely affect the net asset value of the Fund.

Any tax provision, if made, will be reflected in the net asset value of the Fund at the time of debit or release of such provision and thus will only impact on Units which remain in the Fund at the time of debit or release of such provision. Units which are redeemed prior to the time of debit of such provision will not be affected by reason of any insufficiency of the tax provision. Likewise, such Units and the Unitholders who have redeemed will not benefit from any release of excess tax provisions.

Investors may be advantaged or disadvantaged depending upon the final tax outcome as and when they subscribed and/or redeemed the Units of the Fund. Investors should note that no Unitholders who have redeemed their Units in the Fund before the release of any excess tax provision shall be entitled to claim in whatsoever form any part of the tax provision or withholding amounts released to the Fund, which amount will be reflected in the value of Units in the Fund.

The Fund will seek to claim concessionary tax treatment and account for tax on a reasonable efforts basis, given the tax law and practice at that date. Any change in tax law or practice in any country/region where the Fund is registered, marketed and invested could affect the value of the Fund's investments in the affected country/region. In particular, where retrospective changes to tax law or practice are applied by the legislature or tax authorities in a particular country/region these may result in a loss for current Unitholders in the Fund. The Fund does not offer any warranty as to the tax position of returns from investments held in a particular market nor of the risk of a retrospective assessment to tax in a particular market or country/region. This risk is particularly pertinent when the Fund invests in emerging markets. Investors and potential investors should refer to the "Emerging and less developed markets securities risks".