INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(a sub-fund of Income Partners Strategy Fund)

THE 4TH ADDENDUM TO THE EXPLANATORY MEMORANDUM

Important: If you are in doubt about the contents of this Addendum, you should seek independent professional financial advice.

This 4th Addendum dated 30 April 2025 (the "**Addendum**") should be read in conjunction with, and forms part of, the Explanatory Memorandum for Income Partners Strategy Fund (the "**Fund**") dated September 2022, the addendum dated 3 March 2023, the 2nd addendum dated 13 October 2023 and the 3rd addendum dated 22 February 2024, as amended and supplemented from time to time (the "**Explanatory Memorandum**").

Unless otherwise stated, all capitalised terms herein contained shall have the same meaning in this Addendum as in the Explanatory Memorandum.

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum, 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 would make any statement in this Addendum misleading as at the date of publication.

1. **Change in the Directors of the Manager**

With effect from 8 August 2024, the disclosure under the heading "DIRECTORS OF THE MANAGER" in the section headed "DIRECTORY OF PARTIES" in the Explanatory Memorandum shall be deleted in its entirety and replaced by the following:

"With effect from 8 August 2024:

Nguy Hoc Ty, Emil
Grégoire Marie Haenni"

2. **Change in the Auditor**

With effect from 4 March 2025, the disclosure under the heading "AUDITORS" in the section headed "DIRECTORY OF PARTIES" in the Explanatory Memorandum shall be deleted in its entirety and replaced by the following:

"With effect from 4 March 2025,

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong"

3. **Change in the Investment Committee Members**

With effect from 1 January 2025, the Explanatory Memorandum shall be updated as follows to reflect a change in the investment committee members of the Manager. The disclosure under the heading "Profile of the Manager" in the section headed "MANAGEMENT AND

ADMINISTRATION OF THE FUND" in the Explanatory Memorandum shall be deleted in its entirety and replaced by the following:"

Emil Nguy

Mr. Nguy is the Chairman of the Manager, Group Chief Investment Officer, Group Chief Executive Officer and co-founded the Manager with Francis Tjia in 1993. Mr. Nguy draws upon his vast expertise and experience, after nearly 30 years in investment management, focusing his energies on new asset allocation across various strategies and macro risk management (investment committee).

Mr. Nguy has over 30 years of investment management experience in Asia, starting in equities in 1987 and debt and fixed income since 1993. Mr. Nguy's professional career started in 1984 in Canada and he returned to Hong Kong in 1987 when he joined Indosuez Asia Investment Management to manage several funds.

In 1993, with the support of Banque Privée Edmond de Rothschild and Lloyd George Management (as minority strategic investors), he co-founded Income Partners.

Mr. Nguy is a Canadian citizen. He received his education at McGill University in Montreal, Canada, where he obtained a Bachelor's Degree and a Master's Degrees in Engineering and an MBA. Mr. Nguy speaks English, Cantonese and Mandarin.

Jack Zhai

Jack Zhai is a Portfolio Manager overseeing greater China credit strategies across both USD and RMB markets. His responsibilities include assisting with Managed Volatility High Yield strategy as well as managing multiple managed accounts. Jack joined Income Partners' Hong Kong office in 2018, and has over 10 years of industry experiences. He provides the investment team with insights on China's macroeconomic trends to guide China-related investment decisions. Moreover, Jack conducts in-depth fundamental credit analysis on companies operating in the greater China regions and actively participates in the Investment Committee meetings, contributing to the credit assessment process. With a strong technological and quantitative background, Jack began his role with automating rates and credit models for various portfolio managers, as well as providing quantitative systems to the investment team for portfolio analysis and risk monitoring. Furthermore, Jack oversees the internal team responsible for running the in-house analytical systems and data platforms.

Prior to joining Income Partners, Jack spent five years at Goldman Sachs with its Asia credit trading desk, where he designed and managed applications and systems for the credit trading front office. Jack is a CFA charter holder and holds a Ph.D. degree in computer science from the University of Hong Kong.

Jason Wong

Jason Wong joined Income Partners in 2011. Jason is a portfolio manager responsible for Asian credit strategies, with a focus on credit-intensive opportunities across the Southeast Asia region. He is involved in portfolio management, credit research and trade execution. Jason has extensive experience in analysing credits across Asian markets. He covers opportunities across the credit spectrum from investment grade, high yield to stressed credits. Jason has also been actively involved in distressed debt structuring / restructuring activities across the region and has sat on steering committees for several debt workouts with global investor base. Jason has been a key member of the investment team, his depth of experience in the credit market has provided numerous valuable opportunities for the firm.

Jason graduated from the University of Toronto, with a Bachelor of Commerce degree, with a focus on Finance in 2009. Jason has obtained his CFA Charter in 2016."

30th April 2025

INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(a sub-fund of Income Partners Strategy Fund)

THE 3rd ADDENDUM TO THE EXPLANATORY MEMORANDUM

Important: If you are in doubt about the contents of this Addendum, you should seek independent professional financial advice.

This 3rd Addendum dated 22 February 2024 should be read in conjunction with, and forms part of, the Explanatory Memorandum for Income Partners Strategy Fund (the “Fund”) dated September 2022 and the first addendum dated 3 March 2023 and the 2nd addendum dated 13 October 2023, as amended and supplemented from time to time (the “Explanatory Memorandum”).

Unless otherwise stated, all capitalised terms herein contained shall have the same meaning in this Addendum as in the Explanatory Memorandum.

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum, 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 would make any statement in this Addendum misleading as at the date of publication.

1. Change in the Investment Committee Members

With effect from 14 February 2024, the disclosure under the heading “The investment committee members are as follows:” in the section headed “Management and Administration of the Fund” in the Explanatory Memorandum shall be deleted in its entirety and replaced by the following.

“With effect from 14 February 2024:

Emil Nguy
Mr. Nguy is the Chairman of the Manager, Group Chief Investment Officer, Group Chief Executive Officer and co-founded the Manager with Francis Tjia in 1993. Mr. Nguy draws upon his vast expertise and experience, after nearly 30 years in investment management, focusing his energies on new asset allocation across various strategies and macro risk management (investment committee).
Mr. Nguy has over 30 years of investment management experience in Asia, starting in equities in 1987 and debt and fixed income since 1993. Mr. Nguy’s professional career started in 1984 in Canada and he returned to Hong Kong in 1987 when he joined Indosuez Asia Investment Management to manage several funds.
In 1993, with the support of Banque Privée Edmond de Rothschild and Lloyd George Management (as minority strategic investors) he established Income Partners Asset Management (Asia) Ltd – the holding company of the Manager, with Mr. Tjia.
Mr. Nguy is a Canadian citizen. He received his education at McGill University in Montreal, Canada, where he obtained a Bachelor’s Degree and a Master’s Degrees in Engineering and an MBA. Mr. Nguy speaks English, Cantonese and Mandarin.

Suvir Mukhi

Suvir Mukhi is a Partner, Co-Chief Investment Officer, Senior Portfolio Manager and member of the Manager's Investment Committee. He is responsible for the Manager's Asian investment grade strategies including offshore Asian credit as well as local currency markets. In relation to offshore markets, Mr. Mukhi covers all key Asian markets. In relation to domestic markets (excluding Mainland China), he covers cash bonds, interest rates and foreign exchange strategies. Mr. Mukhi manages several of the firm's investment grade portfolios, including funds and managed accounts.

Mr. Mukhi joined the Manager in 2000 and has over 17 years of global fixed income market experience. His experience includes fundamental credit research, macroeconomic analysis and portfolio management. The portfolios managed by Mr. Mukhi include both absolute return and long only strategies, with varied investment objectives and mandates. He also has experience in managing high yield portfolios and has been involved in several debt restructurings and workout situations.

He is a long-standing member of the Manager's investment management team and is a core member of the Investment Committee.

Mr. Mukhi's depth of experience as a key member of the Manager's investment committee lend well to his involvement in overall portfolio strategy and risk management processes where he looks closely at both fundamental and technical factors affecting rate and currency trades across Asia and globally. This in-depth analysis helps form the basis of relative value macro trading opportunities and portfolio allocation decisions.

A CFA charter-holder, Mr. Mukhi received his education at Bentley College, MA, USA, where he earned a Bachelor of Science degree with a major in Finance.

Jack Zhai

Jack Zhai is a Portfolio Manager overseeing greater China credit strategies across both USD and RMB markets. His responsibilities include assisting with Managed Volatility High Yield strategy as well as managing multiple managed accounts. Jack joined Income Partners' Hong Kong office in 2018, and has over 10 years of industry experiences. He provides the investment team with insights on China's macroeconomic trends to guide China-related investment decisions. Moreover, Jack conducts in-depth fundamental credit analysis on companies operating in the greater China regions and actively participates in the Investment Committee meetings, contributing to the credit assessment process. With a strong technological and quantitative background, Jack began his role with automating rates and credit models for various portfolio managers, as well as providing quantitative systems to the investment team for portfolio analysis and risk monitoring. Furthermore, Jack oversees the internal team responsible for running the in-house analytical systems and data platforms.

Prior to joining Income Partners, Jack spent five years at Goldman Sachs with its Asia credit trading desk, where he designed and managed applications and systems for the credit trading front office. Jack is a CFA charterholder and holds a Ph.D. degree in computer science from the University of Hong Kong."

22nd Feb 2024

INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(a sub-fund of Income Partners Strategy Fund)

THE 2nd ADDENDUM TO THE EXPLANATORY MEMORANDUM

Important: If you are in doubt about the contents of this Addendum, you should seek independent professional financial advice.

This 2nd Addendum dated 13 October 2023 should be read in conjunction with, and forms part of, the Explanatory Memorandum for Income Partners Strategy Fund (the "**Fund**") dated September 2022 and the addendum dated 3 March 2023, as amended and supplemented from time to time (the "**Explanatory Memorandum**").

Unless otherwise stated, all capitalised terms herein contained shall have the same meaning in this Addendum as in the Explanatory Memorandum.

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum, 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 would make any statement in this Addendum misleading as at the date of publication.

1. Change in the Directors of the Manager

With effect from 21 June 2023, the disclosure under the heading "DIRECTORS OF THE MANAGER" in the section headed "DIRECTORY OF PARTIES" in the Explanatory Memorandum shall be deleted in its entirety and replaced by the following:

"With effect from 21 June 2023:

Nguy Hoc Ty, Emil
Karl Franklin Dasher
John Blackman Doggett
Grégoire Marie Haenni"

2. Addition of Selling Restriction in Switzerland

With effect from 13 October 2023, the following selling restriction in Switzerland should be added after the fifth paragraph of United States disclosure under the heading "IMPORTANT INFORMATION FOR INVESTORS" in the section headed "Selling restrictions" in the Explanatory Memorandum:

"**Switzerland**

This is an advertising document. The state of the origin of the fund is Hong Kong. In Switzerland, this document may only be provided to qualified investors within the meaning of art. 10 para. 3 and 3ter CISA. In Switzerland, the representative is Acolin Fund Services AG, Leutschenbachstrasse 50, 8050 Zurich, Switzerland, whilst the paying agent is Banque Cantonale de Genève, 17 quai de l'Ile,1204 Geneva, Switzerland. The basic documents of the fund as well as the annual and, if applicable, semi-annual report may be obtained free of charge from the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units.

For units offered in Switzerland, the place of performance is at the registered office of the representative. The place of jurisdiction shall be at the registered office of the representative or at the registered office or domicile of the investor.”

13 October 2023

INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(a sub-fund of Income Partners Strategy Fund)

ADDENDUM TO THE EXPLANATORY MEMORANDUM

Important: If you are in doubt about the contents of this Addendum, you should seek independent professional financial advice.

This Addendum dated 3 March 2023 should be read in conjunction with, and forms part of, the Explanatory Memorandum for Income Partners Strategy Fund (the "**Fund**") dated September 2022, as amended and supplemented from time to time (the "**Explanatory Memorandum**").

Unless otherwise stated, all capitalised terms herein contained shall have the same meaning in this Addendum as in the Explanatory Memorandum.

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum, 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 would make any statement in this Addendum misleading as at the date of publication.

1. <u>Change in the Solicitors to the Manager in respect of Hong Kong law</u>

With effect from 1 March 2023, the disclosure under the heading "Solicitors to the Manager in respect of Hong Kong law" in the section headed "DIRECTORY OF PARTIES" in the Explanatory Memorandum shall be deleted in its entirety and replaced by the following:

"With effect from 1 March 2023:

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

3 March 2023

INCOME PARTNERS
MANAGED VOLATILITY HIGH YIELD BOND FUND

(a sub-fund of Income Partners Strategy Fund)

EXPLANATORY MEMORANDUM

SEPTEMBER 2022

IMPORTANT INFORMATION FOR INVESTORS

Important: If you are in doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice.

This Explanatory Memorandum only comprises information relating to Income Partners Strategy Fund (formerly known as the IP Renminbi Strategy Fund or IP Strategy Fund) ("**Fund**") and to its sub-funds (each a "**Sub-Fund**" and collectively the "**Sub-Funds**"). The Fund was established in the Cayman Islands and was re-domiciled to the jurisdiction of Hong Kong as an open-ended umbrella unit trust under the laws of Hong Kong by a deed of change of governing law, retirement, appointment and variation dated 25 April 2018 between, Cititrust (Cayman) Limited as retiring trustee, Cititrust Limited ("**Trustee**") as trustee and Income Partners Asset Management (HK) Limited ("**Manager**") as manager.

For the Classes offered to retail investors in Hong Kong, investors should also refer to the Product Key Facts Statement in relation to the Sub-Fund.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the Product Key Facts Statement of each Sub-Fund, 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 would make any statement in this Explanatory Memorandum or the Product Key Facts Statement misleading. However, neither the delivery of this Explanatory Memorandum and the Product Key Facts Statement nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum or the Product Key Facts Statement is correct as of any time subsequent to the date of publication. This Explanatory Memorandum and the Product Key Facts Statement may from time to time be updated.

Distribution of this Explanatory Memorandum must be accompanied by a copy of the Product Key Facts Statement of each Sub-Fund and the latest available annual report and audited accounts of the Fund and the Sub-Fund(s) (if any) and any subsequent unaudited semi-annual accounts. Units of the Sub-Fund(s) are offered on the basis only of the information contained in this Explanatory Memorandum, the Product Key Facts Statement and (where applicable) the above mentioned annual reports and audited accounts and unaudited semi-annual accounts. Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Explanatory Memorandum or the Product Key Facts Statement should be regarded as unauthorised and accordingly must not be relied upon.

Hong Kong Authorisation and Approval

The Fund and the Sub-Fund(s) have been authorised by the SFC pursuant to section 104 of the SFO. The SFC's authorisation is not a recommendation or endorsement of the Fund and the Sub-Fund(s) nor does it guarantee the commercial merits of the Fund and the Sub-Fund(s) or their performance. It does not mean the Fund or the Sub-Fund(s) is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Selling restrictions

General:

No action has been taken to permit an offering of Units of the Sub-Fund(s) or the distribution of this Explanatory Memorandum or the Product Key Facts Statement in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum or the Product Key Facts Statement 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 Sub-Fund(s) 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 does not constitute an offer of Units of the Sub-Fund(s) in those jurisdictions in which it is illegal to make such an offer.

United States

In particular, potential investors should note the following:-

(a) the Units have not been registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a US Person which is defined as (i) an individual who is a United States citizen, a US green card holder, or a resident of the United States for US federal income tax purposes, (ii) a corporation or partnership organised under the laws of the United States or any political subdivision thereof, or (iii) an estate or trust, the income of which is subject to US federal income taxation regardless of its source;

(b) Units will not be issued to a person who is a US person (as defined above) for US federal income tax purposes and Unitholders will be required to notify the Trustee within 60 days of any change of status; and

(c) the Fund and the Sub-Fund(s) have not been and will not be registered under the United States Investment Company Act of 1940 as amended.

Potential applicants for Units 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/regions of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units.

You understand that neither the Trustee nor the Manager offer legal or tax advice. You have not relied upon and will not rely on the Trustee or the Manager for any legal or tax advice. Neither the Trustee nor the Manager can accept responsibility for the tax treatment of any Units issued to you. The Trustee and the Manager both assume that you have taken whatever tax, legal or other advice you consider necessary.

Some of the information in this Explanatory Memorandum is a summary of corresponding provisions in the Trust Deed. Investors should refer to the Trust Deed for further details.

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Investors should read the Explanatory Memorandum, particularly the section headed "Risk Factors", and the section headed "Specific Risk Factors" in the relevant Appendix, before making their investment decisions.

Please note that this Explanatory Memorandum must be read together with the relevant Appendix and/or Addendum to this Explanatory Memorandum which relate to a specific Sub-Fund of the Fund. The Appendix and/or Addendum set out the details relating to the Sub-Fund (which may include, without limitation, specific information on the Sub-Fund and additional terms, conditions and restrictions applicable to the Sub-Fund). The provisions of an Appendix and/or an Addendum supplement this Explanatory Memorandum.

Enquiries

Enquiries and complaints concerning the Fund and any Sub-Fund (including information concerning subscription and redemption procedures and the current net asset value of the relevant Sub-Fund) should be directed to the Manager at Suites 3503-4, Cambridge House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong or by electronic mail at marketing@incomepartners.com or by phone at +852 2169 2100. The Manager will endeavour to respond to any enquiry or complaint within 7 days by electronic mail.

TABLE OF CONTENTS

DIRECTORY OF PARTIES

MANAGER

Income Partners Asset Management (HK) Limited (弘收投資管理(香港)有限公司)
Suites 3503-4
Cambridge House
Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

DIRECTORS OF THE MANAGER

Emil Nguy

TRUSTEE

Cititrust Limited
50th Floor, Champion Tower
Three Garden Road, Central
Hong Kong

CUSTODIAN AND ADMINISTRATOR

Citibank, N.A., Hong Kong Branch
50th Floor, Champion Tower
Three Garden Road, Central
Hong Kong

REGISTRAR AND PROCESSING AGENT

Citicorp Financial Services Limited
Citi Tower, One Bay East
83 Hoi Bun Road
Kwun Tong
Kowloon, Hong Kong

AUDITORS

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

SOLICITORS TO THE MANAGER IN RESPECT OF HONG KONG LAW

Akin Gump Strauss Hauer & Feld
Units 1801-08 & 10, 18/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

DEFINITIONS

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

"Administrator"	Citibank, N.A., Hong Kong Branch in its capacity as the administrator of the Fund and its Sub-Funds or such other entity as may be appointed from time to time to provide administrative services to the Fund and its Sub-Funds
"Appendix"	the appendix containing specific information in relation to a Sub-Fund or a Class or Classes of Units in relation thereto which is enclosed with this Explanatory Memorandum and which forms part of this Explanatory Memorandum
"Accounting Date"	31 December in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund and after consultation with the Trustee notify to the Unitholders of such Sub-Fund
"Accounting Period"	a period commencing on the date of establishment of the Fund or the relevant Sub-Fund (as the case may be) or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
"Amortisation Period"	in relation to the Fund and/or a Sub-Fund, such period as specified in the relevant Appendix over which establishment costs of the Fund and/or such Sub-Fund will be amortised
"Application Form"	the prescribed application form for the subscription of Units and for the avoidance of doubt, the Application Form does not form part of this Explanatory Memorandum
"AUD"	Australian dollars, the lawful currency of Australia
"Authorised Distributor"	any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
"Base Currency"	in relation to a Sub-Fund, means the currency of account of the Sub-Fund as specified in the relevant Appendix
"Business Day"	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days in relation to a Sub-Fund as the Trustee and Manager may determine from time to time and as specified in the relevant Appendix, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
"Cancellation Fee"	cancellation fee of such amount as the Manager and the Trustee (or the Registrar on its behalf) may from time to time determine to represent the administrative costs involved in processing the application for such Units being cancelled
"China" or "PRC"	the People's Republic of China, including Mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan District
"Class"	means any class of Units in issue in relation to a Sub-Fund

"Class Currency"	in relation to a Class in a Sub-Fund, means the currency of account of such Class as specified in the relevant Appendix
"Code"	the Overarching Principles Section and Section II - Code on Unit Trusts and Mutual Funds 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 Commission, as may be amended from time to time
"connected person"	in relation to a company, means: (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) above
"Conversion Form"	the prescribed conversion form for the conversion of Units and for the avoidance of doubt, the Conversion Form does not form part of this Explanatory Memorandum
"Custodian"	Citibank, N.A., Hong Kong Branch in its capacity as the custodian of the Fund and its Sub-Funds or such other entity as may be appointed from time to time to provide custodial services to the Fund and its Sub-Funds
"Explanatory Memorandum"	this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
"Fund"	Income Partners Strategy Fund
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HK$" or **"HKD"**	Hong Kong Dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards
"Initial Offer Period"	in relation to a Sub-Fund or a Class or Classes of Units, such period as the Manager may determine for the purpose of making an initial offer of Units of such Sub-Fund or such Class or Classes and as specified in the relevant Appendix (if applicable)
"Initial Offer Price"	the price per Unit during the Initial Offer Period as determined by the Manager and as specified in the relevant Appendix (if applicable)
"Investment Delegate"	the investment delegate appointed in respect of a Sub-Fund, the details of which as specified in the relevant Appendix (if applicable)
"IOP Deadline"	5.00 p.m. (Hong Kong time) on the last Business Day of the Initial Offer Period of a Sub-Fund or a particular Class of Units or such other time on such Business Day or such other day as the Manager and the Trustee (or the Registrar on its behalf) may from time to time determine and as specified in the relevant Appendix
"Issue Price"	the issue price of a Unit of a particular Class after the expiry of the Initial Offer Period calculated in accordance with the Trust Deed and as described below under ***"Investing in the Fund - Issue Price"***

"Manager"	Income Partners Asset Management (HK) Limited (弘收投資管理(香港)有限公司) in its capacity as the manager of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the manager of the Fund and its Sub-Funds
"Mainland China" or "Mainland"	all customs territory of the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"Minimum Initial Subscription Amount"	the minimum initial investment for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
"Minimum Holding Amount"	the minimum number or value of Units of any Sub-Fund or Class of Units which must be held by any Unitholder and as specified in the relevant Appendix
"Minimum Redemption Amount"	the minimum number or value of Units of any Sub-Fund or Class of Units to be redeemed by any Unitholder in respect of a partial redemption of Units and as specified in the relevant Appendix
"Minimum Subsequent Subscription Amount"	the minimum additional subscriptions for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
"Minimum Subscription Level"	the total minimum subscription amount, if applicable, to be received on or prior to the close of the Initial Offer Period and as specified in the relevant Appendix
"Net Asset Value"	in relation to a Sub-Fund means the net asset value of such Sub-Fund or, as the context may require, of a Unit of the Class or Classes relating to such Sub-Fund, calculated in accordance with the provisions of the Trust Deed and as summarised below under "***Valuation and Suspension - Calculation of Net Asset Value***"
"OECD"	the Organization for Economic Co-operation and Development
"Payment Period"	such period as the Manager with the approval of the Trustee may determine, either generally or in respect of a particular Class or Classes of Units, within which payment for Units issued for cash after the Initial Offer Period for such Units is due, and as specified in the relevant Appendix (if applicable)
"Processing Agent"	the entity responsible for processing the application, conversion and redemption requests of a Sub-Fund and unless otherwise notified by the Manager, shall mean Citicorp Financial Services Limited
"Qualified Exchange Traded Funds"	exchange traded funds that are: (a) authorized by the SFC under 8.6 or 8.10 of the Code; or (b) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and either (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the Code;

“Redemption Charge”	the redemption charge (if any) payable upon redemption of Units and as specified in the relevant Appendix
“Redemption Day”	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix
“Redemption Deadline”	in relation to a Redemption Day, such time by which a redemption request in respect of a Sub-Fund or a Class of Units must be received either on such Redemption Day or on such other Business Day or day as the Manager may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix
“Redemption Form”	the prescribed redemption form for the redemption of Units and for the avoidance of doubt, the Redemption Form does not form part of this Explanatory Memorandum
“Redemption Price”	the price at which Units will be redeemed as determined in accordance with the Trust Deed and as described below under ***“Redemption of Units - Redemption Price”***
“Refund Period”	5 Business Days from the relevant Subscription Day or close of the relevant Initial Offer Period (as the case may be) or such other period as specified in the relevant Appendix within which subscription moneys in respect of an application which was rejected or a Sub-Fund or a Class of Units which was not launched will be returned to the relevant applicant
“Registrar”	Citicorp Financial Services Limited in its capacity as the registrar of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as registrar of the Fund and its Sub-Funds
“RMB” or “Renminbi”	renminbi, the lawful currency of Mainland China
“Securities Market”	any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded
“Semi-Annual Accounting Date”	30 June in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571), as amended
“SGD”	Singapore dollars, the lawful currency of the Republic of Singapore
“Sub-Fund”	a separate and distinct pool of assets of the Fund that is invested and administered separately in the form of separate and distinct trusts
“Subscription Charge”	the subscription charge (if any) payable on the issue of Units and as specified in the relevant Appendix
“Subscription Day”	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such

	other day or days as the Manager may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix
"Subscription Deadline"	in relation to a Subscription Day, such time by which an application for subscription in respect of a Sub-Fund or a Class of Units must be received either on such Subscription Day or on such other Business Day or day as the Manager may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix
"Switching Fee"	the switching fee (if any) payable on the conversion of Units and as specified in the relevant Appendix
"Trust Deed"	the amended and restated trust deed dated 23 December 2019 in relation to the Fund and entered into by the Manager and the Trustee (as amended and supplemented from time to time)
"Trustee"	Cititrust Limited in its capacity as trustee of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the trustee of the Fund and its Sub-Funds
"Unit"	a unit in a Sub-Fund
"Unitholder"	a person registered as a holder of a Unit
"U.S."	United States of America
"US$" or "USD"	US Dollars, the lawful currency of the United States of America
"Valuation Day"	each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Sub-Fund or Class of Units, and as specified in the relevant Appendix
"Valuation Point"	the close of business in the last relevant market to close on a relevant Valuation Day or such other time on that day or such other day as the Manager and the Trustee may determine from time to time either generally or in relation to a particular Sub-Fund or Class of Units and as specified in the relevant Appendix.

THE FUND

The Fund is an open-ended umbrella unit trust governed by the laws of Hong Kong. The Fund was originally constituted as a Hong Kong trust by a trust deed dated 17 November 2010, as amended, varied or supplemented from time to time between Income Partners Asset Management (HK) Limited as manager ("**Manager**") and Cititrust Limited as trustee. Pursuant to a Deed of Retirement, Appointment and Variation dated 7 April 2011 (the "**Deed of Retirement, Appointment and Variation**"), the Fund was removed from the jurisdiction of Hong Kong to the jurisdiction of the Cayman Islands. The Fund was re-domiciled back to the jurisdiction of Hong Kong by a deed of change of governing law, retirement, appointment and variation dated 25 April 2018 between, Cititrust (Cayman) Limited as retiring trustee, Cititrust Limited ("**Trustee**") as trustee and the Manager. The Manager continues to act as manager of the Fund. Pursuant to a supplemental deed dated 3 October 2011, the Fund changed its name from "IP Renminbi Strategy Fund" to "IP Strategy Fund", and pursuant to a supplemental deed dated 15 July 2013, the Fund changed its name from "IP Strategy Fund" to "Income Partners Strategy Fund".

The Fund is organised as an umbrella fund and details of each of its current Sub-Fund(s) and/or their respective Class or Classes of Units are set out in the relevant Appendix. Subject to any applicable regulatory requirements and approvals, the Manager may in its sole discretion create further Sub-Funds or determine to issue additional Classes or multiple Classes in relation to each Sub-Fund in the future.

Each Sub-Fund is established as a separate and distinct trust under the Trust Deed, and the assets of each Sub-Fund will be invested and administered separately from the assets of, and shall not be used to meet liabilities of, the other Sub-Fund(s).

The Base Currency of a Sub-Fund will be set out in the relevant Appendix. Each Class of Units within a Sub-Fund will be denominated in the Class Currency thereof, which may be the Base Currency of the Sub-Fund to which such Class relates or such other currency of account as specified in the relevant Appendix.

INVESTMENT CONSIDERATIONS

Investment Objective and Policies

The investment objective and policies of each Sub-Fund and specific risks, as well as other important details, are set forth in the Appendix hereto relating to the Sub-Fund.

There may not be any fixed asset allocation by geographical locations for certain Sub-Funds. The expected asset allocations for a Sub-Fund (if any) are for indication only. In order to achieve the investment objectives, the actual asset allocations may in extreme market conditions (such as economic downturn or political turmoil in the markets in which a substantial portion of the assets of a Sub-Fund is invested or changes in legal or regulatory requirements or policies) vary significantly from the expected asset allocations.

Any material changes in the investment objective and/or policy will be subject to the prior approval of the SFC and notified to the affected Unitholders at least one month in advance of such change (or such other notice period as agreed with the SFC). Set out below are the overriding principles and requirements that must be satisfied in order for changes to the Sub-Fund's investment objective and/or policy to not require prior approval of the SFC:

(a) the changes do not amount to a material change to the relevant Sub-Fund;

(b) there will be no material change or increase in the overall risk profile of the relevant Sub-Fund following the changes; and

(c) the changes do not materially prejudice the rights or interests of Unitholders of the relevant Sub-Fund.

Investment Restrictions

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager. Unless otherwise disclosed in the relevant Appendix, each Sub-Fund is subject to the following principal investment restrictions:-

(a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of the latest available Net Asset Value of the Sub-Fund:

(i) investments in securities issued by that entity;

(ii) exposure to that entity through underlying assets of financial derivative instruments; and

(iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in paragraphs (a) and (b) of this section and below paragraph (c) under the heading "Use of Financial Derivative Instruments" will not apply to financial derivative instruments that are:

(1) transacted on an exchange where the clearing house performs a central counterparty role; and

(2) 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 paragraph (a) will also apply to collateral that may be held by a Sub-Fund in relation to specific diversification and re-investment requirements under the Code. The Manager currently does not intend to hold collateral.

(b) subject to paragraph (a) of this section and below paragraph (c) under the heading "Use of Financial Derivative Instruments", the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the latest available Net Asset Value of the Sub-Fund:

(i) investments in securities issued by those entities;

(ii) exposure to those entities through underlying assets of financial derivative instruments; and

(iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.

For the purposes of this paragraph (b) and paragraph (c) below, "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 paragraph (b) will also apply to collateral that may be held by a Sub-Fund in relation to specific diversification and re-investment requirements under the Code. The Manager currently does not intend to hold collateral.

(c) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the latest available Net Asset Value of the Sub-Fund provided that the 20% limit may be exceeded in the following circumstances:

(i) cash held before the launch of the Sub-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 Sub-Fund, whereby the placing of cash deposits with various financial institutions would not, in the opinion of the Manager, 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, in the opinion of the Manager, would be unduly burdensome and the cash deposits arrangement would not compromise investors' interests.

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

(d) each Sub-Fund may not hold more than 10% (when aggregated with the holdings of all the other Sub-Funds) of any ordinary shares issued by any single entity;

(e) not more than 15% of the latest available Net Asset Value of a Sub-Fund may consist of securities and other financial products or instruments that are neither listed, quoted nor dealt in on a Securities Market;

(f) (i) not more than 10% of the latest available Net Asset Value of a Sub-Fund may in aggregate consist of shares or units in other collective investment schemes (namely "**underlying schemes**") which are non-eligible schemes (the list of "eligible schemes" is as specified by the SFC from time to time) and not authorised by the SFC; (ii) not more than 30% of the latest available Net Asset Value of a Sub-Fund may consist of shares or units in an underlying scheme which is either an eligible scheme (the list of "eligible schemes" as specified by the SFC from time to time) or an SFC-authorised scheme, unless the underlying scheme is authorised by the SFC and the name and key investment information of the underlying scheme are disclosed in the Explanatory Memorandum; provided that:

(1) no investment may be made in an underlying scheme, the investment objective of which is to invest primarily in any investment prohibited under Chapter 7 of the Code;

(2) where the investment objective of such underlying scheme is to invest primarily in investments restricted under Chapter 7 of the Code and/or applicable laws and regulations, such investments may not be in contravention of the relevant limitation (for the avoidance of doubt, the Sub-Fund may invest in underlying scheme(s) authorized by the SFC under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its total net asset value and Qualified Exchange Traded Funds in compliance with sub-paragraphs (f)(i) and (ii) of this paragraph;

(3) the underlying scheme's objective may not be to invest primarily in other collective investment scheme(s);

(4) all initial charges and redemption charges on the underlying scheme(s) must be waived if the underlying scheme is managed by the Manager or any of its connected persons; and

(5) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its manager, or any quantifiable monetary benefits in connection with investments in any underlying scheme;

(g) the Sub-Fund shall not 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;

(h) notwithstanding paragraphs (a), (b) and (d) above, not more than 30% of the latest available Net Asset Value of a Sub-Fund may consist of Government and other public securities of the same issue;

(i) subject to paragraph (h) above, a Sub-Fund may be fully invested in Government and other public securities issued by a single issuer provided that it holds Government and other public securities of at least six different issues; and

(j) if the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund must, under normal market circumstances, invest at least 70% of its total Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.

For the purpose of this section, "**Government and other public securities**" means 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 multilateral agencies. "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.

For the avoidance of doubt, Qualified Exchange Traded Funds may either be considered and treated as (i) listed securities for the purposes of and subject to the requirements in above paragraphs (a), (b), and (d) above; or (ii) collective investment schemes for the purposes of and subject to the requirements in above paragraphs (f)(i), (f)(ii) and (f)(1). However, the investments in Qualified Exchange Traded Funds shall be subject to paragraph (e) above and unless otherwise specified in this Explanatory Memorandum, investment by a Sub-Fund in Qualified Exchange Traded Funds is considered and treated as a collective investment scheme, for the purposes of and subject to the requirements in above paragraphs (f)(i), (f)(ii) and (f)(1) and the relevant investment limits in Qualified Exchange Traded Funds by a Sub-Fund should be consistently applied.

Specific restrictions

The Manager shall not on behalf of any Sub-Fund:-

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

(b) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies or interests in real estate investment trusts. For the avoidance of doubt, where investments are made in listed real estate investment trusts, paragraphs (a), (b) and (d) above apply and where investments are made in unlisted real estate investment trusts which are either companies or collective investment schemes, then paragraphs (e) and (f) above apply.

(c) make short sales if as a consequence the liability of such Sub-Fund to deliver securities would exceed 10% of the latest available Net Asset Value of such Sub-Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted). For the avoidance of doubt, short selling by the Sub-Fund will in any case be carried out in accordance with all applicable laws and regulations;

(d) subject to paragraph (e) above under the heading "Investment Restrictions", lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code;

(e) enter into any obligation on behalf of a Sub-Fund or acquire any asset or engage in any transaction for the account of that Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders is limited to their investments in the Sub-Fund; or

(f) 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 such Sub-Fund, whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes as set out under the below heading “Settlement of Financial Derivative Instruments”.

Borrowing Restrictions

Unless otherwise disclosed in the relevant Appendix, the Manager may borrow up to 10% of the latest available Net Asset Value of a Sub-Fund to acquire investments, to meet redemption requests or to pay expenses relating to the relevant Sub-Fund. For this purpose, back-to-back loans do not count as borrowing. The assets of a Sub-Fund may be charged or pledged as security for any such borrowings.

Breach of Investment and Borrowing Restrictions

If the investment and borrowing restrictions set out above are breached, the Manager shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due regard to the interests of Unitholders.

Securities Lending and Repurchase / Reverse Repurchase Transactions

Unless otherwise disclosed in the relevant Appendix, the Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of any of the Sub-Funds. The approval of the SFC will be sought and at least one month’s prior notice will be given to Unitholders should there be a change in such intention.

Use of Financial Derivative Instruments

The expected maximum level of leverage through the use of financial derivative instruments (i.e. expected maximum net derivative exposure) is set out in the relevant Appendix.

Financial derivative instruments acquired by the Sub-Fund for hedging purposes as outlined below will not be counted towards the calculation of net derivative exposure (as defined and calculated in accordance with the requirements and guidance issued by the SFC from time to time), although any residual derivative exposure arising from such hedging arrangement would be included in the calculation.

The Manager may acquire financial derivative instruments for hedging purposes if such financial derivative instruments meet all of the following criteria:

- they are not aimed at generating any investment return;
- they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- 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 investment being hedged;
- 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 arrangements to be adjusted or re-positioned, with due consideration as to the fees, expenses and costs, to enable the Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

Where the Manager uses financial derivative instruments, such instruments should either be listed/quoted on a stock exchange or dealt in over-the-counter markets and comply with the following provisions:

(a) the underlying assets of the financial derivative instruments consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with authorized institutions as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or financial institutions which are 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 (a “substantial financial institution”), 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 and which are in accordance with a Sub-Fund’s investment objectives and policies;

(b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions;

(c) subject to paragraphs (a) and (b) under “Investment Objectives and Policies” above, a Sub-fund’s net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of the latest available Net Asset Value of the Sub-Fund, provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and should be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and

(d) the valuation of the financial derivative instruments will be marked-to-market daily and be subject to regular, reliable and verifiable valuation conducted by the Manager, the Trustee or their nominees, agents or delegates that are independent of the issuer of the financial derivative instruments through measures such as the Manager’s valuation committee (which comprises individuals that are hierarchically and functionally independent of the investment management function) or engagement of third party services. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund’s initiative;

Subject to the foregoing requirements under the heading “Use of Financial Derivative Instruments”, the Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investment of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying and investments as set out in paragraphs (a), (b), (c), (h), (i), (f)(i), (f)(ii), (f)(1) to (3) under the heading “Investment Restrictions” above and in above paragraph (b) under the heading “Specific Investment Restrictions”.

Settlement of Financial Derivative Instruments

A Sub-Fund should be at all times be capable of meeting all its payment and delivery obligations incurred under transactions in such financial derivative instruments (whether for hedging or non-hedging purposes). For such purposes, assets that are used to cover the Sub-Fund’s payment and delivery obligations incurred under transactions in financial derivative instruments should be free from any liens and encumbrances, exclude 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.

Subject to the foregoing paragraph, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a Sub-Fund will be covered as follows:

(a) in the case of financial derivative instruments transactions which will or may at a Sub-Fund's discretion, be cash settled, the Sub-Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and

(b) in the case of transactions in financial derivative instruments which will or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund will hold the underlying assets in sufficient quantity at all times to meet the delivery obligation, and if the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation.

The requirements described under this section entitled "Use of Financial Derivatives" also apply to a financial derivatives embedded in a financial instrument.

MANAGEMENT AND ADMINISTRATION OF THE FUND

Manager

Appointment of the Manager

Income Partners Asset Management (HK) Limited ("**Manager**") has been appointed as the manager of the Fund, with responsibility for the selection of investments and the day-to-day management of the Fund and the Sub-Fund.

The Manager was incorporated in Hong Kong on 29 June 1993 and is licensed and regulated by the Hong Kong Securities and Futures Commission to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. In carrying out regulated activities, the Manager shall not hold client assets. The terms "hold" and "client assets" are as defined under the SFO.

The appointment of the Manager will continue unless and until terminated by the Trustee or the Manager retires in favour of some other qualified corporation appointed by the Trustee and subject to the approval of the SFC.

The Manager is entitled to the fees set out below under the section headed "***Fees and Expenses***".

The Manager may appoint an Investment Delegate and delegate any of its management functions in relation to assets of specific Sub-Funds to such Investment Delegate subject to prior SFC approval. In the event that an Investment Delegate is appointed by the Manager in respect of an existing Sub-Fund, at least one month's prior notice will be provided to Unitholders of such Sub-Fund and this Explanatory Memorandum and/or the relevant Appendix will be updated to include such appointment.

The Manager shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

Profile of the Manager

The Manager is a specialist Asian debt/fixed income asset manager founded in Hong Kong in 1993. The ownership of the Manager includes the two co-founders, and the day to day management of the Manager is vested in the executive management team led by Emil Nguy. The Manager is a home-grown Asian firm with a global reach, and has been credited with many "Firsts" in Asian fixed income since its inception. The Manager started its business at a time when the Asian USD Eurobond market was in its infancy, and the Manager remains fully committed to participate in the continued development of the broader Asian fixed income asset class in the region and beyond.

The Manager has an established history of first-to-market products starting with their launch of the first Asia-dedicated long-only fixed income funds in 1993, the first collateralized bond obligations issued from 1996 - 1999 and the first Asia-dedicated absolute return credit fund in 2002, to name a few.

The Manager's core investment strengths and expertise lie in rigorous, disciplined credit analysis, bottom-up credit picking, macro analysis and managing portfolios of Asian fixed income securities. Given the firm's specialization and tenor in managing Asian fixed income they have developed a deep and broad regional understanding and network, which provides a distinct advantage over other regional and non-regional players in terms of both history and knowledge of the markets and its players, as well as in their on-the-ground dedicated research, due-diligence and deal sourcing capabilities and connections. This allows the Manager to be able to locate, pin-point and capitalize on fundamental value across the region which is applied directly to the funds under its management.

The Manager specializes in managing a full spectrum of Asian debt products ranging from liquid to illiquid instruments, high grade to high yield, US dollar to local currency, and from cash products to derivatives.

Central to the firm's success, however, is the fact that the founding partners have worked together for more than two decades, with the core investment team and operational support staff having been in place for over a decade. The firm can therefore demonstrate a long-term consistency in personnel and developed expertise in the markets and products they cover, which is exceptional for a firm of this size, in particular given the many financial market crisis experienced over the past 20 years.

The Manager has also been the fortunate recipient of numerous awards and accolades over the years.

With over 20 years of experience and expertise investing across Asia, the Manager has weathered the numerous investment and financial market cycles and has proven it can manage client funds successfully through even the most severe market conditions.

The Manager's investment committee regularly reviews the investment team's investment, compliance and risk policies on a strategic level and all final investment decisions need to be approved by a majority of the investment committee.

The investment committee members are as follows:

Emil Nguy

Mr. Nguy is the Chairman of the Manager, Group Chief Investment Officer, Group Chief Executive Officer and co-founded the Manager with Francis Tjia in 1993. Mr. Nguy draws upon his vast expertise and experience, after nearly 30 years in investment management, focusing his energies on new asset allocation across various strategies and macro risk management (investment committee).

Mr. Nguy has over 30 years of investment management experience in Asia, starting in equities in 1987 and debt and fixed income since 1993. Mr. Nguy's professional career started in 1984 in Canada and he returned to Hong Kong in 1987 when he joined Indosuez Asia Investment Management to manage several funds.

In 1993, with the support of Banque Privée Edmond de Rothschild and Lloyd George Management (as minority strategic investors) he established Income Partners Asset Management (Asia) Ltd – the holding company of the Manager, with Mr. Tjia.

Mr. Nguy is a Canadian citizen. He received his education at McGill University in Montreal, Canada, where he obtained a Bachelor's Degree and a Master's Degrees in Engineering and an MBA. Mr. Nguy speaks English, Cantonese and Mandarin.

Suvir Mukhi

Suvir Mukhi is a Partner, Co-Chief Investment Officer, Senior Portfolio Manager and member of the Manager's Investment Committee. He is responsible for the Manager's Asian investment grade strategies including offshore Asian credit as well as local currency markets. In relation to offshore markets, Mr. Mukhi covers all key Asian markets. In relation to domestic markets (excluding Mainland China), he covers cash bonds, interest rates and foreign exchange strategies. Mr. Mukhi manages several of the firm's investment grade portfolios, including funds and managed accounts.

Mr. Mukhi joined the Manager in 2000 and has over 17 years of global fixed income market experience. His experience includes fundamental credit research, macroeconomic analysis and portfolio management. The portfolios managed by Mr. Mukhi include both absolute return and long only strategies, with varied investment objectives and mandates. He also has experience in managing high yield portfolios and has been involved in several debt restructurings and workout situations.

He is a long-standing member of the Manager's investment management team and is a core member of the Investment Committee.

Mr. Mukhi's depth of experience as a key member of the Manager's investment committee lend well to his involvement in overall portfolio strategy and risk management processes where he looks closely at both fundamental and technical factors affecting rate and currency trades across Asia and globally. This in-depth analysis helps form the basis of relative value macro trading opportunities and portfolio allocation decisions.

A CFA charter-holder, Mr. Mukhi received his education at Bentley College, MA, USA, where he earned a Bachelor of Science degree with a major in Finance.

James Hu, PhD

James Hu is a Partner, Co-Chief Investment Officer and Senior Portfolio Manager and is also a member of the Manager's Investment Committee. Mr. Hu joined the Manager's investment team in early 2014. He concentrates on mainly onshore / offshore RMB-related investments, including portfolio management of the Manager's Mainland China-focused debt funds, onshore RMB rates derivatives trading, and he also covers Asian USD credit bonds issued by the PRC issuers.

In his role, Mr. Hu closely monitors Mainland China's macro-economic trends as well as the central bank of Mainland China's policies and decisions. He formulates trading ideas based on comprehensive analysis of liquidity, demand-supply, credit and rates movement.

With a strong statistical and mathematical background, Mr. Hu builds and develops time series and regression models which help him formulate and analyse economic data and discover trading opportunities.

Prior to his position with the Manager, Mr. Hu worked as an onshore RMB rates trader at Citibank (China) Head Office, where he focused on onshore bond, derivatives trading, and also traded G7 FX and G3 rates. He has served as one of People's Bank of China's Open Market Operation prime dealers and interbank bond market makers and he maintains in-depth relationships with onshore regulators and market participants.

Mr. Hu holds a Doctor of Philosophy in Statistics from Yale University and a Bachelor of Science degree in Mathematics from Hong Kong University of Science and Technology. He speaks Mandarin, English and Cantonese.

Trustee

Cititrust Limited is the trustee of the Fund and is registered as a trust company in Hong Kong. Cititrust Limited is a member of Citigroup Inc. As a global financial services group, Citigroup Inc and its subsidiaries, provide a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage and wealth management to consumers, corporations, governments and institutions.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Fund and each Sub-Fund, and such assets will be dealt with pursuant to the terms of the Trust Deed. The Trustee may, from time to time appoint such person or persons (including a connected person) as custodian or co-custodians in respect of the whole or any part of the assets of any Sub-Fund and may empower any such custodian or co-custodian to appoint, subject to no objection in writing from the Trustee, sub-custodians. The fees and expenses of such custodian, co-custodian and sub-custodians or any persons appointed by the Trustee in relation to the relevant Sub-Fund shall be paid out of the relevant Sub-Fund.

The Trustee shall (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of its agent, delegate, nominee, custodian, co-custodian or sub-custodian to hold any of the investments of a Sub-Fund (each a “**Correspondent**”) each of which shall be subject to prudential regulation and supervision unless otherwise accepted by the SFC; and (B) be responsible during the term of appointment of each Correspondent for satisfying itself that such persons retained remain suitably qualified and competent to provide services to the Fund or any Sub-Fund. With respect to the selection, appointment and ongoing monitoring of a sub-custodian in respect of a Sub-Fund by a custodian under (A) above, the Trustee may pre-clear such appointment or provide consent/no objection in advance to an agreed-upon process if it is satisfied that the appointed custodian will exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of the relevant sub-custodian and has appropriate and adequate processes and procedures in place for doing so. Provided that the Trustee has discharged its obligations set out in (A) and (B) the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a connected person of the Trustee. The Trustee shall remain liable for any act or omission of any Correspondent that is a connected person of the Trustee as if the same were the act or omission of the Trustee. The Trustee shall use reasonable endeavours to recover any loss of investments and other assets arising from any default of a Correspondent.

The Trustee shall not be responsible for any act or omission of: (a) Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other such depositary or clearing system in relation to any investment deposited with such depositary or clearing system; or (b) any lender or a nominee appointed by the lender in whose name any assets of a Sub-Fund are registered pursuant to a borrowing undertaken for the account of such Sub-Fund.

Under the Trust Deed, the Trustee and its directors, officers, employees, delegates and agents shall be entitled for the purpose of indemnity against any actions, proceedings, liabilities, costs, claims, damages, expenses (including all reasonable legal, professional and other similar expenses) or demands to which it may be put or asserted against, or may incur or suffer in performing its obligations or functions relating to a Sub-Fund to have recourse to the assets of the relevant Sub-Fund. Notwithstanding the foregoing, the Trustee shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

The Manager is solely responsible for making investment decisions in relation to the Fund and/or each Sub-Fund. The Trustee shall take reasonable care to ensure that the investment and borrowing limitations set out under the section headed “***Investment Considerations***” and any specific investment and borrowing limitations as set out in the relevant Appendix as they relate to a Sub-Fund and the conditions under which such Sub-Fund is authorised pursuant to the SFO are complied with and save for the aforesaid, the Trustee is not responsible and has no liability for any investment decision made by the Manager.

The Trustee is not responsible for the preparation or issue of this Explanatory Memorandum.

Custodian and Administrator

The Trustee has appointed Citibank, N.A., Hong Kong Branch ("**Citibank**"), to act as custodian of the assets of the Fund and its Sub-Funds and the Manager has appointed Citibank, to act as fund administrator of the Fund and its Sub-Funds.

Citibank has been a provider of custodial and settlement services to domestic and international clients since its establishment in the United States of America in 1814. Between 1962 and 1990, Citibank established a global custodial network consisting of Citibank branches, subsidiaries and correspondent banks. Today, Citibank's global custodial network covers all mature and major emerging markets.

Citibank began providing securities services in Hong Kong in the mid-1970's and launched a fully operational global custody product in Hong Kong in the mid-1980's. Today, Citibank's Securities and Funds Services business claims a global client base of premier banks, fund managers, broker dealers, insurance companies and government entities.

As Administrator of the Fund and its Sub-Funds, Citibank is responsible, inter alia, for the following matters:

- preparing and maintaining the Fund's principal records and books of accounting;
- calculating the Net Asset Value per Unit;
- assisting in preparing the audited financial statements;
- providing general accounting, clerical and administrative services;
- disbursing payments of fees and expenses, if any; and
- calculating the fees payable by the Fund to its service providers.

Registrar and Processing Agent

The Trustee has appointed Citicorp Financial Services Limited as the registrar and processing agent of the Fund, in which capacity it is responsible for maintaining the register of Unitholders and for processing subscriptions, transfers and redemption of Units.

The register of Unitholders is kept in Hong Kong.

Authorised Distributors

The Manager may appoint one or more Authorised Distributor(s) to market, promote, sell and/or distribute Units of one or more Sub-Fund(s), and to receive applications for subscription, redemption and/or conversion of Units.

Where application for Units is made through an Authorised Distributor, Units may be registered in the name of a nominee company of the Authorised Distributor through whom the applicant applies for the Units. As a result of this arrangement, the applicant will be dependent on the person in whose name the applicant's Units are registered to take action on his/her behalf.

Investors who apply for subscription, redemption and/or conversion of Units through Authorised Distributor(s) should note that such Authorised Distributor(s) may impose earlier dealing deadlines for receiving instructions for subscriptions, redemptions or conversions. Investors should pay attention to the arrangements of the Authorised Distributor(s) concerned.

The Manager may pay or share any of the fees received by it (including any Subscription Charge, Redemption Charge, Switching Fee and management fees) with such Authorised Distributors. For the avoidance of doubt, any fees, costs and expenses payable to the Authorised Distributor(s) arising out of any advertisement or promotional activities in connection with the Fund or the Sub-Fund(s) will not be paid from the assets of the Fund or the Sub-Fund(s).

Other Service Providers

The Trustee or the Manager may appoint other service providers to provide services in respect of a Sub-Fund. Details of such other service providers (if any) are set out in the relevant Appendix.

INVESTING IN THE FUND

Classes of Units

Different classes of Units may be offered for each Sub-Fund. Although the assets attributable to each Class of Units of a Sub-Fund will form the same pool, each class of Units may be denominated in a different Class Currency or may have a different charging structure with the result that the Net Asset Value attributable to each Class of Units of a Sub-Fund may differ. In addition, each Class of Units may be subject to different Minimum Initial Subscription Amount, Minimum Subsequent Subscription Amount, Minimum Holding Amount and Minimum Redemption Amount. Investors should refer to the relevant Appendix for the available Classes of Units and the applicable minimum amounts.

Initial Offer

Units of a Sub-Fund or a Class in a Sub-Fund will be offered for the first time at the Initial Offer Price during the Initial Offer Period of such Sub-Fund or such Class as specified in the relevant Appendix.

Minimum Subscription Level

The offering of a Class of Units or a Sub-Fund may be conditional upon the Minimum Subscription Level (if applicable) being received on or prior to the close of the Initial Offer Period.

In the event that the Minimum Subscription Level of a Class of Units or a Sub-Fund is not achieved or the Manager is of the opinion that it is not in the commercial interest of investors or not feasible, as a result of adverse market conditions or otherwise, to proceed with the relevant Class of Units or Sub-Fund, the Manager may in its discretion extend the Initial Offer Period for the relevant Class of Units or Sub-Fund or determine that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units relating to it will not be launched. In such event, the relevant Class of Units or the Sub-Fund and the Class or Classes of Units relating to it shall be deemed not to have commenced.

Notwithstanding the aforesaid, the Manager reserves the discretion to proceed with the issue of Units of the relevant Class of Units or Sub-Fund even if the Minimum Subscription Level has not been achieved.

Subsequent Subscription

Units are available for subscription on each Subscription Day after the expiry of the Initial Offer Period.

Issue Price

After the close of the Initial Offer Period, the Issue Price per Unit for any Class of a Sub-Fund on a Subscription Day will be calculated by reference to the Net Asset Value per Unit of that Class as at the Valuation Point on the Valuation Day in respect of that Subscription Day (for further details see "***Valuation and Suspension - Calculation of Net Asset Value***" below).

In calculating the Issue Price, the Manager may impose such amount (if any) as the Manager may estimate as an appropriate allowance to reflect (i) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available asked price of such investment and (ii) fiscal and purchase charges (including any stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees, or registration fees) which would be incurred for the account of the relevant Sub-Fund in investing an amount equal to that Net Asset Value per Unit. For further details, please see "***Valuation and Suspension – Adjustment of Prices***" below.

The Issue Price shall be rounded to 2 decimal places. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

Subscription Charge

The Manager, its agents or delegates may charge a Subscription Charge on the issue of each Unit of a percentage of either (i) the Initial Offer Price or the Issue Price, as the case may be, of such Unit or (ii) the total subscription amount received in relation to an application, as the Manager may at its discretion determine. The maximum and current rate of Subscription Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Subscription Charge may be imposed in relation to the issue of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Manager may at any time increase the rate of Subscription Charge provided that any increase in the rate of Subscription Charge above the maximum rate may only be made if such increase (i) will not impact on the existing investments of any Unitholder and (ii) will be subject to any requirements of the Code.

The Manager may on any day differentiate between applicants or Classes of Units as to the amount of the Subscription Charge. The Subscription Charge will be retained by or paid to the Manager, its agents or delegates for their own absolute use and benefit.

Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount

Details of any Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

The Manager has the discretion to waive, change or accept an amount lower than the Minimum Initial Subscription Amount or Minimum Subsequent Subscription Amount from time to time, whether generally or in a particular case.

Application Procedures

Application for subscription of Units by new applicants may be made to the Processing Agent by completing the Application Form and sending it by post or by facsimile (provided that the original follows promptly) to the Processing Agent at the business address or facsimile number on the Application Form.

Applications from existing Unitholders wishing to apply for additional Units may be made by facsimile or SWIFT (or other electronic means of transmission as agreed with the Processing Agent) to the Processing Agent.

The Manager and/or the Processing Agent may request further supporting documents and/or information to be provided together with the Application Form. The Application Form is available from the Processing Agent and/or the Authorised Distributors.

In respect of Application Forms and subscription moneys in cleared funds which are received on or before the IOP Deadline, Units will be issued following the close of the Initial Offer Period. If Application Forms and/or application monies in cleared funds are received after the IOP Deadline, the relevant applications shall be carried forward to the next Subscription Day and shall be dealt with at the Issue Price at such Subscription Day.

Following the close of the Initial Offer Period, an Application Form received by the Processing Agent by the Subscription Deadline of a Subscription Day will be dealt with on that Subscription Day. If an application for Units is received after the Subscription Deadline in respect of a Subscription Day then the application will be held over until the next Subscription Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee (or the Registrar on its behalf) after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept an application in respect of a Subscription Day which is received after the Subscription Deadline if it is received prior to the Valuation Point relating to that Subscription Day. Notwithstanding the aforesaid, where in the reasonable opinion of the Trustee (or the Registrar on its behalf), the Trustee's or the Registrar's operational requirements cannot support accepting any such application, the Manager shall not exercise its discretion to accept any application.

Payment procedures

Payment for Units subscribed for cash during the Initial Offer Period and the Subscription Charge (if any) is due in cleared funds by the IOP Deadline.

For the avoidance of doubt, and unless specified otherwise in the relevant Appendix for a particular Sub-Fund, payment of application moneys in kind will only be accepted by the Manager in its sole discretion and only in compliance with the terms of the Trust Deed when the following conditions are satisfied:

(i) such securities or assets are subject to independent valuation and the specific costs for such payment in kind will be borne by the subscriber or by a third party, but will not be borne by the Sub-Fund unless the Trustee considers that the payment in kind is in the interest of the Sub-Fund or made to protect the interest of the Sub-Fund;

(ii) the Trustee's prior consent and/or approval will be obtained;

(iii) such securities or assets will be in line with the investment objective and policy of the Sub-Fund; and

(iv) the in kind arrangement as proposed is in the best interests of existing investors.

Following the close of the Initial Offer Period, payment for Units and the Subscription Charge (if any) must be received on or prior to the end of the Payment Period of such Subscription Day in relation to which Units are to be issued. Notwithstanding the above and subject to the discretion of the Manager, a Sub-Fund may rely upon application orders received, even prior to receipt of application moneys, and may issue Units to investors according to such application orders and invest the expected application amounts. If payment in full in cleared funds has not been received by the IOP Deadline or the relevant Payment Period (or such other period as the Manager may determine and disclose in the relevant Appendix or to the applicants), the Manager may (without prejudice to any claim in respect of the failure of the applicant to make payment when due) cancel any Units which may have been issued in respect of such application for subscription and the Manager must cancel the issue of the relevant Units if the Trustee so requires.

Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee, provided that: (i) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units; (ii) the Manager and the Trustee (or the Registrar on its behalf) may charge the applicant a Cancellation Fee to represent the administrative costs involved in processing the application for such Units from such applicant; and (iii) the Manager and the Trustee (or the Registrar on its behalf) may require the applicant to pay (for the account of the relevant Sub-Fund in respect of each Unit so cancelled) the amount (if any), by which the Issue Price of each such Unit exceeds the Redemption Price of such Unit on the day of cancellation (if such day is a Redemption Day for the relevant class of Units) or the immediately following Redemption Day plus interest on such amount until receipt of such payment by the Trustee (or the Registrar on its behalf).

Payments for Units should be made in the Base Currency of the relevant Sub-Fund or where one or more Classes are issued in respect of a Sub-Fund, payment for Units of a Class should be made in the Class Currency of such Class. Subject to the agreement of the Manager, payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant Base Currency or Class Currency (as the case may be), they will be converted into the relevant Base Currency or Class Currency (as the case may be) at the cost of the relevant applicant and the proceeds of conversion (after deducting the costs of such conversion) will be applied in the subscription of Units in the relevant Sub-Fund or Class. Any conversion to the relevant Base Currency or Class Currency (as the case may be), will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Currency conversion will be subject to availability of the currency concerned. Save for any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee, the Registrar or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

All payments should be made by direct transfer, telegraphic transfer or bank draft (or other manner as may be agreed by the Manager). Bank drafts should be crossed “a/c payee only, not negotiable” and made payable to the accounts specified in the Application Form, stating the name of the relevant Sub-Fund to be subscribed, and sent with the Application Form. Any costs of transfer of subscription moneys to a Sub-Fund will be payable by the applicant.

All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted. The applicant should provide sufficient evidence as to the source of payment as the Manager and the Trustee may from time to time require.

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

General

The Manager has an absolute discretion to accept or reject in whole or in part any application for Units.

If an application is rejected (either in whole or in part) or the Manager determines that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units related to it will not be launched, subscription moneys (or the balance thereof) will be returned within the Refund Period without interest and after deducting any of out-of-pocket fees and charges incurred by the Manager and the Trustee (or the Registrar on its behalf) by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicant or in such other manner as the Manager and the Trustee (or the Registrar on its behalf) may from time to time determine. Save for any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence of the Trustee or the

Manager, none of the Manager, the Trustee or their respective delegates or agents will be liable to the applicant for any loss the applicant suffers as a result of the rejection or delay of any application.

Issued Units will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon acceptance of an applicant's application and the receipt of cleared funds and will be forwarded to the applicant (at the risk of the person entitled thereto). In case of any error in a contract note, applicants should contact the relevant intermediaries or the Authorised Distributor promptly for rectification.

Fractions of a Unit (rounded to 3 decimal places) may be issued. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

Restrictions on Issue

No Units of a Sub-Fund or a Class will be issued where the determination of the Net Asset Value of that Sub-Fund or Class and/or the allotment or issuance of Units of that Sub-Fund or Class is suspended (for further details see "***Suspension***" below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for such Sub-Fund or Class of Units are closed.

REDEMPTION OF UNITS

Redemption of Units

Subject to the restrictions (if any) as specified in the relevant Appendix, any Unitholder may redeem his Units on any Redemption Day in whole or in part. Save where there is a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or Class and/or the redemption of Units of the relevant Sub-Fund or Class, a redemption request once given cannot be revoked without the consent of the Manager.

Redemption Price

Units redeemed on a Redemption Day will be redeemed at the Redemption Price calculated by reference to the Net Asset Value per Unit of the relevant Class as at the Valuation Point on the Valuation Day in respect of that Redemption Day (for further details, see "***Valuation and Suspension - Calculation of Net Asset Value***" below).

In calculating the Redemption Price that fairly reflects the Sub-Fund's Net Asset Value, the Manager may deduct such amount (if any) as the Manager may estimate as an appropriate allowance to reflect (i) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available bid price of such investments and (ii) fiscal and sale charges (including stamp duty, other taxes, duties or governmental charges, brokerage, bank charges or transfer fees) which would be incurred for the account of the relevant Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request. For further details, please see "***Valuation and Suspension – Adjustment of Prices***" below.

The Redemption Price shall be rounded to 2 decimal places. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

If at any time during the period from the time as at which the Redemption Price is calculated and the time at which redemption proceeds are converted out of any other currency into the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class there is an officially announced devaluation or depreciation of that currency, the amount payable to

any relevant redeeming Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.

Redemption Charge

The Manager may charge a Redemption Charge on the redemption of Units of a percentage of either (i) the Redemption Price per Unit; or (ii) the total redemption amount in relation to a redemption request, as the Manager may at its discretion determine. The maximum and current rate of Redemption Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Redemption Charge may be imposed in relation to the redemption of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Manager may increase the rate of Redemption Charge payable up to or towards the maximum rate for a Sub-Fund or a Class of Units, on giving at least one month's prior written notice to affected Unitholders. The maximum rate of Redemption Charge of a Sub-Fund or a Class of Units may be increased with the sanction of an extraordinary resolution of the Unitholders of the relevant Sub-Fund or Class of Units (as the case may be) and subject to the SFC's prior approval.

For the purpose of calculating the Redemption Charge payable on a partial redemption of a Unitholder's holding, Units subscribed earlier in time are deemed to be redeemed prior to Units subscribed later in time unless the Manager and the Trustee agree otherwise.

The Redemption Charge will be deducted from the amount payable to a Unitholder in respect of the redemption of Units. The Redemption Charge will be retained by or paid to the Manager for its own absolute use and benefit or, if so stated in the relevant Appendix, retained by the relevant Sub-Fund. Where the Redemption Charge is retained by the Manager, it may at its discretion, pay all or part of the Redemption Charge to its agents or delegates. The Manager shall be entitled to differentiate between Unitholders or Classes of Units as to the amount of the Redemption Charge (within the maximum rate of Redemption Charge).

Minimum Redemption Amount and Minimum Holding Amount

Details of any Minimum Redemption Amount and Minimum Holding Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

If a redemption request will result in a Unitholder holding Units of a Sub-Fund or a Class less than the Minimum Holding Amount for that Sub-Fund or Class, the Manager may deem such request to have been made in respect of all Units of the relevant Sub-Fund or Class held by that Unitholder.

The Manager has the discretion to waive, change or accept an amount lower than the Minimum Redemption Amount or Minimum Holding Amount from time to time, whether generally or in a particular case.

Redemption Procedures

Applications for redemptions of Units may be made to the Processing Agent by completing the Redemption Form and sending it by post, facsimile or SWIFT (or other electronic means of transmission as agreed with the Processing Agent) to the Processing Agent via the procedure(s) stated in the Redemption Form. The Redemption Form is available from the Processing Agent and/or the Authorised Distributors.

A Redemption Form received by the Processing Agent by the Redemption Deadline of a Redemption Day will be dealt with on that Redemption Day. If an application for redemption of Units is received after the Redemption Deadline in respect of a Redemption Day then the application will be held over until the next Redemption Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee (or the Registrar on its behalf) after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept a redemption request in respect of a Redemption Day which is received after the Redemption Deadline if it is received prior to the Valuation Point relating to that Redemption Day. Notwithstanding the aforesaid, where in the reasonable opinion of the Trustee (or the Registrar on its behalf), the Trustee's or the Registrar's operational requirements cannot support accepting any such redemption request, the Manager shall not exercise its discretion to accept any redemption request.

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

Payment of Redemption Proceeds

Redemption proceeds will normally be paid by direct transfer or telegraphic transfer in the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class of Units to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted. Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Unitholder.

Redemption proceeds may be paid in a currency other than the relevant Base Currency or Class Currency if so requested by the relevant redeeming Unitholders and agreed by the Manager.

Where redemption proceeds are paid in a currency other than the relevant Base Currency or Class Currency, they will be converted from the relevant Base Currency or Class Currency at the cost of the relevant redeeming Unitholders. Any conversion from the relevant Base Currency or Class Currency, will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Save for any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

Redemption Proceeds will be paid as soon as practicable but in any event not exceeding one calendar month after the later of (i) the relevant Redemption Day and (ii) the day on which the Processing Agent receives the duly completed Redemption Form and such other documents and information as the Trustee, the Manager and/or the Processing Agent may require, 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 practicable. In such case, payment of redemption proceeds may be deferred, but the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

The Manager or the Trustee, as the case may be, may, in its absolute discretion, delay payment to the Unitholder until (a) where redemption proceeds are to be paid by telegraphic transfer, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee (or the Processing Agent on behalf of the Trustee); and (b) the Unitholder has produced all documents or information required by the Trustee, the Manager and/or the Processing Agent for the purpose of verification of identity.

The Manager or the Trustee, as the case may be, may refuse to make a redemption payment to a Unitholder if either the Manager or the Trustee suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee or other service providers with any such laws or regulations in any relevant jurisdiction.

If the Manager or the Trustee is required or entitled by any applicable laws, regulations, direction or guidance, or by any agreement with any tax or fiscal authority to make withholdings from any redemption moneys payable to the Unitholder, the amount of such withholdings shall be deducted from the redemption moneys otherwise payable to such person, provided that the Manager or the Trustee is acting in good faith and on reasonable grounds.

Save for any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence of the Trustee or the Manager, neither the Manager nor the Trustee nor their agents shall be liable for any loss caused by any refusal or delay in making payment as a result of delay in receipt of proceeds of realisation of the investments of the relevant Sub-Fund.

The Trust Deed also provides for payment of redemption proceeds in specie with the consent of the relevant Unitholder.

Restrictions on Redemption

No Units of a Sub-Fund or a Class may be redeemed where the determination of the Net Asset Value of that Sub-Fund or Class and/or the redemption of Units of that Sub-Fund or Class is suspended (for further details see "***Valuation and Suspension - Suspension***" below).

With a view to protecting the interests of all Unitholders of a Sub-Fund, the Manager may with the approval of the Trustee limit the number of Units of such Sub-Fund redeemed on any Redemption Day (whether by sale to the Manager or by cancellation of Units) to 10% of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund who have validly requested to redeem Units of the same Sub-Fund on that Redemption Day will redeem the same proportion of such Units of that Sub-Fund. Any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding Redemption Day and all following Redemption Days (in relation to which the Manager has the same power) until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned within 7 Business Days of such Redemption Day.

Compulsory redemption of Units

If the Manager or the Trustee (or the Registrar on its behalf) suspects that Units of any Class are owned directly or beneficially by any person:

(a) in contravention of any laws or requirements of any country/region, any governmental authority or any stock exchange on which such Units are listed; or

(b) in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager or the Trustee to be relevant) which in their opinion might result in the relevant Sub-Fund, the Fund, the Trustee and/or the Manager incurring any liability to taxation or suffering any other pecuniary disadvantage which the Sub-Fund, the Fund, the Trustee and/or the Manager might not otherwise have incurred or suffered,

the Manager or the Trustee (or the Registrar on its behalf) may:

(i) give notice requiring the relevant Unitholder to transfer the Units to a person who would not be in contravention of the above restrictions within 30 days of the date of the notice; or

(ii) deem receipt of a redemption request in respect of such Units.

Where the Manager or the Trustee (or the Registrar on its behalf) has given such notice and the Unitholder has failed to either (i) transfer the relevant Units within 30 days of the date of the notice, or (ii) establish to the satisfaction of the Manager or the Trustee (or the Registrar on its behalf) (whose judgment is final and binding) that the relevant Units are not held in contravention of any of the restrictions set out above, the Unitholder is deemed to have given a redemption request in respect of the relevant Units on the expiry of 30 days from the date of the notice.

CONVERSION

Conversion of Units

Unless otherwise specified in the relevant Appendix, Unitholders shall be entitled (subject to such limitations as the Manager after consulting with the Trustee may impose) to convert all or part of their Units of any Class relating to a Sub-Fund (the "**Existing Class**") into Units of any other Class in the same Sub-Fund or (where the Fund offers more than one Sub-Fund) into Units of another Sub-Fund (the "**New Class**") available for subscription or conversion. Unless the Manager otherwise agrees, Units of a Class can only be converted into Units of the same Class of another Sub-Fund.

A request for conversion will not be effected if as a result the relevant Unitholder would hold less than the Minimum Holding Amount of the Existing Class, or is prohibited from holding Units of the New Class.

In addition, specific limitations or restrictions may apply when a Unitholder intends to convert his Units into another Class or Sub-Fund. The relevant limitations or restrictions (if any) will be set out in the Appendix for the relevant Sub-Fund.

Switching Fee

A Switching Fee may be charged by the Manager in respect of each Unit of the New Class to be issued upon such conversion of a percentage of –

(i) the Issue Price per Unit of the New Class as at the Valuation Point on the Valuation Day at which the Issue Price of such Units is ascertained; or

(ii) the total amount being converted into.

The maximum and current rate of Switching Fee (if any) and the manner in which it will be imposed are specified in the relevant Appendix. The Manager may increase the rate of Switching Fee payable up to or towards the maximum rate for a Sub-Fund or a Class of Units, on giving at least one month's prior written notice to the Unitholders. For the avoidance of doubt, a lower maximum rate of Switching Fee may be imposed in relation to the conversion of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Switching Fee shall be deducted from the amount reinvested into the Sub-Fund relating to Units of the New Class and shall be retained by or paid to the Manager for its own absolute use and benefit.

Where the Switching Fee is levied pursuant to paragraph (i) above, Units of the Existing Class will be converted into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:-

$$N = \frac{(E \times R \times F)}{S + SF}$$

Where the Switching Fee is levied pursuant to paragraph (ii) above, Units of the Existing Class will be converted into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:-

$$N = \frac{(E \times R \times F - SF)}{S}$$

Where in either case:-

N is the number of Units of the New Class to be issued, provided that amounts lower than the smallest fraction of a Unit of the New Class shall be ignored and shall be retained by the Sub-Fund relating to the New Class.

E is the number of Units of the Existing Class to be converted.

F is the currency conversion factor determined by the Manager for the relevant Subscription Day of the New Class as representing the effective rate of exchange between the Class Currency of Units of the Existing Class and the Class Currency of Units of the New Class.

R is the Redemption Price per Unit of the Existing Class applicable on the relevant Redemption Day less any Redemption Charge imposed by the Manager.

S is the Issue Price per Unit for the New Class applicable on the Subscription Day for the New Class coincident with or immediately following the relevant Redemption Day for the Existing Class PROVIDED THAT where the issue of Units of the New Class is subject to the satisfaction of any conditions precedent to such issue then **S** shall be the Issue Price per Unit of the New Class applicable on the first Subscription Day for the New Class falling on or after the satisfaction of such conditions.

SF is a Switching Fee (if any).

If there is, at any time during the period from the time as at which the Redemption Price per Unit of the Existing Class is calculated up to the time at which any necessary transfer of funds from the Sub-Fund to which the Existing Class relates ("**Original Sub-Fund**") to the Sub-Fund to which the New Class relates takes place, a devaluation or depreciation of any currency in which any investment of the Original Sub-Fund is denominated or normally traded, the Manager may at its discretion reduce the Redemption Price as the Manager consider appropriate to take account of the effect of that devaluation or depreciation and in such event the number of Units of the New Class to be allotted to any relevant Unitholder shall be recalculated in accordance with the relevant formula set out above as if that reduced Redemption Price had been the Redemption Price ruling for redemptions of Units of the Existing Class on the relevant Redemption Day.

Conversion Procedures

Applications for conversion of Units may be made to the Processing Agent by completing the Conversion Form and sending it by post, facsimile or SWIFT (or other electronic means of transmission as agreed with the Processing Agent) to the Processing Agent via the procedure(s) stated in the Conversion Form. The Conversion Form is available from the Processing Agent and/or the Authorised Distributors.

Conversion Forms which are received by the Processing Agent by the Redemption Deadline applicable to the Existing Class or such later time as the Manager may think fit on a Redemption Day (but prior to the Valuation Point relating to the relevant Redemption Day) in relation to such Existing Class will be dealt with on that Redemption Day and Conversion Forms received after such time will be dealt with on the following Redemption Day in relation to such Existing Class. Conversion Forms may not be withdrawn without the consent of the Manager.

Depending on the Valuation Point of the relevant Sub-Fund and the time required to remit the conversion money, the day on which investments are converted into the New Class may be later than the day on which investments in the Existing Class are converted out or the day on which the instruction to convert is given.

Restrictions on Conversion

Units shall not be converted during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended (for further details see "***Valuation and Suspension - Suspension***" below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for Units of the New Class are closed.

VALUATION AND SUSPENSION

Calculation of Net Asset Value

The Net Asset Value of each Sub-Fund and the Net Asset Value per Unit of each Class will be calculated in accordance with the Trust Deed as at the Valuation Point on each Valuation Day. The Trust Deed provides among others that:-

(a) <u>Listed Investments</u>

Except in the case of any interest in a collective investment scheme or a commodity, the value of any investment quoted, listed, traded or normally dealt in on a Securities Market shall at the discretion of the Manager be calculated by reference to the last traded price or closing price as calculated and published by the Securities Market (which, in the opinion of the Manager, provides the principal Securities Market for such investment) or (if no last traded price or closing price is available) midway between the latest available market dealing offer price and the latest available market dealing bid price on which the investment is quoted, listed, traded or normally dealt in for such amount of such investment at or immediately preceding the Valuation Point, as the Manager may consider in the circumstances to provide a fair criterion, provided that:-

(i) If the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may, subject to the Trustee's consent, adopt such prices.

(ii) If an investment is quoted, listed or normally dealt in on more than one Securities Market, the Manager shall adopt the price or, as the case may be, middle quotation on the Securities Market which, in its opinion and after consultation with the Trustee, provides the principal market for such investment.

(iii) For an investment where only a single external pricing source is available, the price shall be obtained independently for that source as the Manager may, subject to the Trustee's consent, deem appropriate.

(iv) In the case of any investment which is quoted, listed or normally dealt in on a Securities Market but in respect of which, for any reason, prices on that Securities Market may not be available at any relevant time, the value thereof shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager with the Trustee's consent.

(v) Where there is no Securities Market, all calculations based on the value of investments quoted by any person, firm or institution making a market in that investment (and if there shall be more than one such market maker then such particular market maker as the Manager, subject to the Trustee's consent, may determine) shall be made by reference to the mean of the latest bid and asked price quoted thereby.

(vi) There shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price.

(b) Unquoted Investments

The value of any investment (other than an interest in a collective investment scheme or a commodity) which is not quoted, listed or normally dealt in on a Securities Market shall be based on their fair value, provided that the value of such investment shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such investment. Such professional person may, with the approval of the Trustee, be the Manager.

(c) Cash, Deposits etc.

Cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager after consultation with the Trustee, any adjustment should be made to reflect the value thereof.

(d) Collective Investment Scheme

The value of each unit, share or other interest in any collective investment scheme shall be the net asset value per unit, share or other interest as at the same day the Net Asset Value of the relevant Sub-Fund is calculated, or if such collective investment scheme is not valued as at the same day, the last published net asset value per unit, share or other interest in such collective investment scheme (where available) or (if the same is not available) the latest available bid price for such a unit, share or other interest at or immediately preceding the Valuation Point.

If no net asset value, bid and offer prices or price quotations are available, the value of each unit, share or other interest shall be determined from time to time in such manner as the Trustee and the Manager shall determine.

(e) Other Valuation Methods

Notwithstanding paragraphs (a) to (d) above, the Manager may, after consultation with the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment or use of such other method is required to reflect the fair value thereof. Any such adjustment or other method of valuation used shall be reviewed by the Manager's valuation committee which comprises individuals that are hierarchically and functionally independent of the investment management function.

The valuation policies and procedures with respect to the Sub-Fund are periodically reviewed (at least annually) by the Manager's Regulatory, Operations and Valuation Review Committee, which is primarily composed of a majority of external personnel (such as legal advisers and fund fiduciary personnel) and is functionally independent body from other investment management and valuation departments of the Manager.

(f) Conversion to Base Currency

The value (whether of a borrowing or other liability, an investment or cash) otherwise than in the Base Currency of a Sub-Fund shall be converted into the Base Currency at the prevailing market rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate.

(g) Reliance on Price Data and Information provided through Electronic Price Feeds etc

Subject as provided below, when calculating the Net Asset Value of a Sub-Fund, price data and other information in relation to the value of any investment or the cost price or sale price thereof provided through electronic price feeds, mechanised or electronic systems of price or valuation, or valuation or pricing information which is provided by any valuer, third party valuation agent, intermediary or other third party appointed or authorised to provide valuations or pricing information of the investments or the assets of the Sub-Fund may be relied upon without verification, further enquiry or liability notwithstanding that the prices so used are not the last traded prices or closing prices.

The Trustee and the Manager shall exercise reasonable care, skill and diligence in the selection, appointment and monitoring of the valuation service providers and shall satisfy themselves that such valuation service providers remain suitably qualified and competent (including possessing the appropriate level of knowledge, experience and resources commensurate to a Sub-Fund's policies and procedures) to provide such price data and other information services.

Investors should note that, under IFRS, investments should be valued at fair value and also that, under IFRS, the price within the bid and ask spread that is the most representative of the fair value of investments in the circumstances shall be used. However, the valuation basis described above may be outside of the bid and ask range which may lead to a different valuation had the valuation been performed in accordance with IFRS. The Manager has considered the impact of such non-compliance and do not expect this issue to affect the results and Net Asset Value of a Sub-Fund materially. To the extent that the valuation basis adopted by the relevant Sub-Fund deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with IFRS.

The Manager may, after consultation with the Trustee, arrange for a revaluation of the Net Asset Value of a Unit of any Class if it considers that the Net Asset Value per Unit of the relevant Class calculated in relation to any Subscription Day or Redemption Day (as the case may be) does not accurately reflect the true value of such Unit. Any revaluation will be made on a fair and equitable basis.

Adjustment of Prices

In calculating the Issue Price, the Manager may add fiscal and purchase charges (see "***Investing in the Fund – Issue Price***" above) and in calculating the Redemption Price, the Manager may deduct fiscal and sale charges (see "***Redemption of Units – Redemption Price***" above).

The Manager will only make such adjustment to the Issue Price and Redemption Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Trustee prior to any adjustment in the Issue Price or Redemption Price and such adjustment would only be made where the Trustee has no objection to it. Exceptional circumstances for adjusting the Issue Price or Redemption Price may include (a) the aggregate net transactions (either net subscriptions or net redemptions) in Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders. In such circumstances the Net Asset Value per Unit of the relevant Class may be adjusted by an amount (not exceeding 1% of that Net Asset Value) which reflects the dealing costs that may be incurred by the relevant Sub-Fund and the estimated bid/offer spread of the assets in which the relevant Sub-Fund invests.

For the avoidance of doubt,

(a) the Issue Price and Redemption Price, prior to any adjustment, will be determined with reference to the same Net Asset Value per Unit of the relevant Class; and

(b) it is not the intention of the Manager to adjust the Issue Price upwards and the Redemption Price downwards for the same Subscription Day and Redemption Day; and

(c) any adjustment in the Issue Price or Redemption Price must be made on a fair and equitable basis.

Suspension

The Manager may, in consultation with the Trustee and having regard to the best interests of Unitholders, declare a suspension of the determination of the Net Asset Value of any Sub-Fund or of any Class of Units and/or the issuance, conversion and/or the redemption of Units for the whole or any part of any period during which:-

(a) there is a closure (other than customary weekend and holiday closing) of or the restriction or suspension of trading on any commodities market or Securities Market on which a substantial part of the investments of that Sub-Fund is normally traded or a breakdown in any of the means normally employed in ascertaining the prices of investments or the Net Asset Value of a Sub-Fund or the Issue Price or Redemption Price per Unit; or

(b) for any other reason the prices of investments held or contracted for by the Manager for the account of that Sub-Fund cannot, in the opinion of the Manager or the Trustee, reasonably, promptly or fairly be ascertained; or

(c) circumstances exist as a result of which, in the opinion of the Manager or the Trustee, it is not reasonably practicable to realise a substantial part of the investments held or contracted for the account of that Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of Units of the relevant Class; or

(d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the investments of that Sub-Fund or the issue or redemption of Units of the relevant Class is delayed or cannot, in the opinion of the Manager or the Trustee, be carried out promptly at normal rates of exchange; or

(e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit takes place or when for any other reason the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit cannot in the opinion of the Manager or the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner; or

(f) when, in the opinion of the Manager or the Trustee, such suspension is required by law or applicable legal process; or

(g) where that Sub-Fund is invested in one or more collective investment schemes and the realisation of interests in any relevant collective investment scheme(s) (representing a substantial portion of the assets of the Sub-Fund) is suspended or restricted; or

(h) when the business operations of the Manager or the Trustee or any of their delegates in relation to the operations of that Sub-Fund are substantially interrupted or closed as a result of or arising from a force majeure event; or

(i) when the Unitholders or the Manager has resolved or given notice to terminate that Sub-Fund; or

(j) such other circumstance or situation exists as set out in the Appendix of that Sub-Fund.

If a suspension is declared, during such a period of suspension –

(a) where the suspension is in respect of the determination of the Net Asset Value, there shall be no determination of the Net Asset Value of the relevant Sub-Fund and the Net Asset Value per Unit of that Sub-Fund (or a Class thereof) (although an estimated Net Asset Value may be calculated and published) and any applicable issue or request for conversion or redemption of Units shall be similarly suspended. If a request for subscription, conversion or redemption of Units are received by the Manager during a period of suspension and not withdrawn, such request shall be treated as if it were received in time to be dealt with on the Subscription Day or the Redemption Day (as the case may be) next following the end of the said suspension and dealt with accordingly;

(b) where the suspension is in respect of the allotment or issue, conversion and/or the redemption of Units, there shall be no allotment, issue, conversion and/or redemption of Units. For the avoidance of doubt, the allotment, issue, conversion or redemption of Units may be suspended without suspending the determination of the Net Asset Value.

A suspension shall take effect forthwith upon the declaration thereof until the Manager 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 declares such a suspension, it (i) shall immediately after any such declaration notify the SFC of such suspension; and (ii) shall, immediately after any such declaration and at least once a month during the period of such suspension, publish on the Manager's website www.incomepartners.com that such declaration has been made. Investors should note that the aforesaid website has not been reviewed or authorised by the SFC and may contain information on funds not authorised by the SFC.

DISTRIBUTION POLICY

The distribution policy adopted by a Sub-Fund is set out in the relevant Appendix of such Sub-Fund. A Sub-Fund may offer Classes of Units that accumulate income ("**Accumulation Classes**") or pay regular distributions out of net distributable income or capital or gross income of such Sub-Fund ("**Distribution Classes**").

Accumulation Classes

No distribution is intended to be made in respect of Accumulation Classes. Therefore, any net income and net realised capital gains attributable to Units of the Accumulation Classes will be reflected in their respective Net Asset Value.

Distribution Classes

For Distribution Classes, the Manager will declare and pay distributions in such amount, on such date and at such frequency as the Manager may determine. However, unless otherwise specified in the relevant Appendix, there is neither a guarantee that such distributions will be made nor will there be a target level of distributions payout.

The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant Distribution Class. The Manager may also at its discretion pay dividends out of the gross income while charging / paying all or part of the Sub-Fund's fees and expenses to / out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

In the event that the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared, the Manager may in its discretion determine such dividends be paid from capital. Investors should note that where the payment of dividends are paid out of capital or payment of dividends effectively out of

capital (as the case may be), this represents and amounts to a return or withdrawal of part of the amount originally invested or capital gains attributable to that, and may result in an immediate decrease in the value of the Units of the relevant Distribution Class and will reduce any capital appreciation for the Unitholders of such Distribution Class.

The composition of the distributions (i.e. the relative amounts paid out of net distributable income and/or capital) for the last 12 months are available from the Manager on request and also on the Manager's website www.incomepartners.com. Investors should note that the aforesaid website has not been reviewed or authorised by the SFC and may contain information of funds not authorised by the SFC.

Distributions of a Distribution Class declared, if any, shall be distributed among the Unitholders of the relevant Distribution Class rateably in accordance with the number of Units held by them on the record date as determined by the Manager after providing notice to the Trustee in respect of the corresponding distribution. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date shall be entitled to the distribution declared in respect of the corresponding distribution.

Distributions may be paid in cash or may be applied to subscribe for additional Units in the relevant Class of the relevant Sub-Fund at the option of the Unitholder as indicated in its Application Form. Unitholders may change their distribution option by giving not less than 7 days' written notice to the Manager. Any payment of distributions in cash will normally be paid by direct transfer or telegraphic transfer in the Class Currency of the relevant Distribution Class to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted.

The Manager may amend the distribution policy subject to obtaining the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

RISK FACTORS

Investors should consider the following risks and any additional risk(s) relating to any specific Sub-Fund, contained in the relevant Appendix, before investing in any of the Sub-Funds. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not a Sub-Fund is suitable for them, they should obtain independent professional advice. There is no assurance that the investment objective of the respective Sub-Fund will be achieved.

Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Sub-Fund and the income from them may go down as well as up.

Market risk

Market risk includes such factors as changes in economic environment, consumption pattern, lack of publicly available information of investments and their issuers and investors' expectations, which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the relevant Sub-Fund. The Net Asset Value per Unit and the distributions from the Units (if any) may go down as well as up.

There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. The value of investments and the income derived from such investments may fall as well as rise and investors may not recoup the original amount invested in the Sub-Funds. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies. In falling equity markets, there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons and as a result, may have adverse impact to the relevant Sub-Fund and its investors.

Volatility risk

Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national/regional and international political and economic events, and the inherent volatility of the market place. A Sub-Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

Risk relating to small- and mid-capped companies

Certain Sub-Funds may invest in the securities of small- and/or mid-capped companies. Investing in these securities may expose the Sub-Fund to risks such as greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle.

Risks relating to debt securities

- *Credit risk*

  Investment in bonds or other debt securities involve credit risk of the issuers. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security or its issuer may also affect the security's liquidity, making it more difficult to sell. A Sub-Fund's investment is also subject to the risk that issuers may not make timely payments on principal and/or interests of the securities they issue. If the issuers of any of the securities in which the Sub-Fund's assets are invested default, the performance of the Sub-Fund will be adversely affected.

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

  A Sub-Fund may hold cash and deposits in banks or other financial institutions and the extent of governmental and regulatory supervision may vary. The Sub-Fund might suffer a significant or even total loss in the event of insolvency of the banks or financial institutions.

- *Credit ratings risk*

  Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. The ratings of debt securities by Moody's Investor Services, Standard & Poor's and Fitch's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint. The rating of an issuer is heavily weighted by past performance and does not necessarily reflect probable future conditions. Rating agencies might not always change their credit rating of an issuer in a timely manner to reflect events that could affect the issuer's ability to make scheduled payment on its obligations. In addition, there may be varying degrees of difference in credit risk of securities within each rating category. These factors may have an adverse impact on the relevant Sub-Fund and its investors.

- *Credit rating agency risk*

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

- *Credit rating downgrading risk*

  The credit rating assigned to a security or an issuer may be re-evaluated and updated based on recent market events or specific developments. As a result, investment grade securities may be subject to the risk of being downgraded to below investment grade securities. Similarly, an issuer having an investment grade rating may be downgraded, for example, as a result of deterioration of its financial conditions. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the debt securities that are being downgraded. In the event of investment grade securities being downgraded to below investment grade securities and such securities continued to be held by the Sub-Fund, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

- *Below investment grade and unrated securities risk*

  A Sub-Fund may invest in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities and may be subject to greater fluctuation in value and higher chance of default. If the issuer of securities defaults, or such securities cannot be realised, or are realised at a significant discount, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile. The value of the relevant Sub-Fund may therefore be adversely affected.

  The value of lower-rated or unrated corporate bonds may be affected by investors' perceptions. When economic conditions appear to be deteriorating, below investment grade or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

- *Interest rates risk*

  Changes in interest rates may affect the value of a debt security as well as the financial markets in general. Debt securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by a Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

- *Valuation risk*

  The value of debt securities that a Sub-Fund invests may be subject to the risk of mispricing or improper valuation, i.e. operational risk that the debt securities are not priced properly. Valuations of quoted or listed debt securities are primarily based on the valuations from independent third party sources where the prices are available. However, in the case where independent pricing information may not be available such as in extreme market conditions or break down in the systems of third party sources, the value of such debt securities may be based on certification by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee. Valuations in such circumstance may involve uncertainty and judgmental determination. In the event of adverse market conditions where it is not possible to obtain any reference quotation from the market at the relevant time of valuation, the latest available quotations of the relevant debt securities may be used to estimate the fair market value. Alternatively, the Manager after consultation with the Trustee may, permit some other method of valuation to be used to estimate the fair market value of such debt securities including the use of quotation of other debt securities with very similar attributes. Such valuation methodology may not equal to the actual liquidation price due to liquidity and size constraints. If valuation is proven to be incorrect, this will affect the Net Asset Value calculation of the relevant Sub-Fund.

The valuation of unlisted debt securities is more difficult to calculate than listed debt securities. Normally, unlisted debt securities are valued at their initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition thereof (excluding in each case the amount of the stamp duties, commissions and other acquisition expenses which will be charged as expenses to the relevant Sub-Fund) provided that the value of any such unlisted debt securities shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such unlisted debt securities. Such professional person may value the unlisted debt securities by reference to the prices of other comparable unlisted debt securities. The trading of unlisted debt securities may not be transparent and the prices of unlisted debt securities may not be openly displayed. There is a risk that such professional person is not aware of all the trading in unlisted debt securities and may use prices which may be historical only and may not reflect recent trading in the debt securities concerned. In such circumstance, the valuation of the unlisted debt securities may not be accurate as a result of incomplete price information. This would have impact on the calculation of the Net Asset Value of the relevant Sub-Fund.

- *Unlisted debt securities risk*

  The debt securities in which a Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. 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 relevant Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the relevant Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the relevant Sub-Fund may suffer losses in trading such securities.

Risk relating to investment in other funds

A Sub-Fund may invest in underlying funds including funds which are not regulated by the SFC. In addition to the expenses and charges charged by such Sub-Fund, investor should note that there are additional fees involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the relevant Sub-Fund during its subscription to or redemption from these underlying funds.

Furthermore, investment decisions of the underlying funds are made at the level of such underlying funds. There can be no assurance that (1) the selection of the managers of the underlying funds will result in an effective diversification of investment styles and that positions taken by the underlying funds will always be consistent; (2) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and (3) investment objective and strategy of the underlying funds will be successfully achieved despite the due diligence procedures undertaken by the Manager and the selection and monitoring of the underlying funds. These factors may have adverse impact on the relevant Sub-Fund and its investors. The relevant Sub-Fund may also be adversely affected where suspension of redemption or calculation of the net asset value of an underlying fund or termination of an underlying fund occurs.

If a Sub-Fund invests in an underlying fund managed by the Manager or connected person of the Manager, potential conflict of interest may arise. In the event of such conflicts, the Manager will endeavour to ensure that such conflicts are resolved fairly and all transactions between the Fund and any of them are on an arm's length basis. Please refer to the section headed "*Conflicts of Interest*" for further details.

Risk relating to convertible bonds

A Sub-Fund may invest in convertible bonds. Convertibles are a hybrid between debt and equity, permitting holders to convert into shares or stocks in the company issuing the bond at a specified future date. Prior to conversion, convertible bonds have the same general characteristics as non-convertible fixed income securities and the market value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. However, while convertible bonds generally offer lower interest or dividend yields than non-convertible fixed income securities of similar quality, they enable the Sub-Fund to benefit from increases in the market price of the underlying stock, and hence the price of a convertible bond will normally vary with changes in the price of the underlying stock. Therefore, investors should be prepared for greater volatility than straight bond investments, with an increased risk of capital loss, but with the potential of higher returns.

Emerging markets risk

Various countries/regions in which a Sub-Fund may invest are considered as emerging markets, which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risks and the likelihood of a high degree of volatility. Investments in emerging markets will be sensitive to any change in political, social or economic development in the region. Many emerging countries/regions have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk. The securities markets of some of the emerging countries/regions in which a Sub-Fund's assets may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. The securities markets of developing countries/regions are not as large as the more established securities markets and have a substantially lower trading volume. Investment in such markets will be subject to risks such as market suspension, restrictions on foreign investment and control on repatriation of capital. There are also possibilities of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Sub-Funds' investments. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging country/region. Underlying investments of emerging market funds may also become illiquid which may constrain the Manager's ability to realise some or all of the portfolio. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries/regions in which a Sub-Fund may invest may differ from those applicable in developed countries/regions, for example, less information is available to investors and such information may be out of date.

Concentration risk

Certain Sub-Funds may invest only in a specific country/region/sector. Each Sub-Fund's portfolio may not be well diversified in terms of the number of holdings and the number of issuers of securities that the Sub-Fund may invest in. Investors should also be aware that such Sub-Funds are likely to be more volatile than a broad-based fund that adopts a more diversified strategy, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in their respective countries/regions. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Settlement risk

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

Custodial risk

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

Counterparty risk

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to a Sub-Fund. A Sub-Fund may be exposed to the risk of a counterparty through investments such as bonds, futures and options. To the extent that a counterparty defaults on its obligations and a Sub-Fund is prevented from exercising its rights with respect to the investment in its portfolio, a Sub-Fund may experience a decline in the value and incur costs associated with its rights attached to the security. The Sub-Fund may sustain substantial losses as a result.

Equity investment risks

A Sub-Fund may invest directly or indirectly in equities and are thus, subject to the risks generally associated with equity investment, namely, the market value of the stocks that it invests in may go down as well as up. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the relevant Sub-Fund to losses.

Risks of investing in IPO securities

A Sub-Fund may invest in initial public offers ("**IPOs**") securities. The prices of securities involved in initial public offers ("**IPOs**") are often subject to greater and more unpredictable price changes than more established securities. There is the risk that there are inadequate trading opportunities generally or allocations for IPOs which the Manager wishes or is able to participate in. Furthermore, the liquidity and volatility risks associated with investments or potential investments in IPO securities may be difficult to assess, due to the lack of trading history of such IPO securities. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Currency and foreign exchange risk

A Sub-Fund may also issue Classes denominated in a currency other than the Base Currency of that Fund. A Sub-Fund may be invested in part in assets quoted in currencies other than its Base Currency or the relevant Class Currency. The performance of such Sub-Fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the Base Currency of such Sub-Fund or the relevant Class Currency. Since the Manager aims to maximise returns for such Sub-Fund in terms of its Base Currency, investors in such Sub-Fund may be exposed to additional currency risk. These risks may have adverse impact on the relevant Sub-Fund and its investors.

A Sub-Fund may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in a Sub-Fund may be suspended if the relevant Sub-Fund is unable to repatriate funds for the purpose of making payments on the redemption of Units. For further details on suspension of dealings in a Sub-Fund, please refer to the section headed "***Valuation and Suspension - Suspension***" above.

Derivative risk

A Sub-Fund may enter into derivatives transactions such as swap, currency forwards, options, futures and convertible securities transactions. Investment in these instruments can be illiquid, if there is no active market in these instruments, and their prices may be volatile. Such instruments are complex in nature. Therefore, there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Sub-Funds. The instruments will also be subject to insolvency or default risk of the issuers or counterparties. Besides, many derivative products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the relevant Sub-Funds to the possibility of a loss exceeding the original amount invested.

Over-the-counter markets risk

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

In addition, certain instruments traded on the OTC markets (such as customised financial derivatives and structured products) can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Hedging risk

The Manager is permitted, but not obliged, to use hedging techniques and/or instruments such as using futures, options, warrants and/or forward contracts (if applicable) to attempt to offset market and currency risks. There is no guarantee that hedging techniques will fully and effectively achieve their desired result. The success of hedging much depends on the Manager's expertise and hedging may become inefficient or ineffective. This may have adverse impact on the relevant Sub-Fund and its investors. In adverse situations, the Sub-Fund may even suffer significant losses.

While a Sub-Fund may enter into such hedging transactions to seek to reduce risks, unanticipated changes in currency, interest rates and market circumstances may result in a poorer overall performance of a Sub-Fund. A Sub-Fund may not obtain a perfect correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the relevant Sub-Fund to risk of loss.

Any expenses arising from such hedging transactions, which may be significant depending on prevailing market conditions, will be borne by the relevant Sub-Fund in relation to which they have been incurred.

Risks relating to the Hedged Classes

For some of the Classes of Units in a Sub-Fund (a "**hedged Class**"), the Manager will hedge the Sub-Fund's Base Currency back to its Class Currency, on a commercial best effort basis, with an aim to align the performance of the hedged Class to that of the equivalent Class denominated in the Sub-Fund's Base Currency. The effects of hedging will be reflected in the Net Asset Values of the hedged Classes. Similarly, any expenses arising from such hedging transactions will be borne by the hedged Classes in relation to which they have been incurred. There can be no assurance that any hedging strategy employed by the Manager will fully and effectively achieve a positive desirable effect and result.

If the Manager hedges the Sub-Fund's Base Currency against the currencies in which the underlying assets of a Sub-Fund are denominated, currency exposures or currency hedging transactions within the Sub-Fund's portfolio will not be considered when hedging transactions are entered into for the hedged Classes.

It should also be noted that hedging transactions may be entered into whether the denominated currency of the hedged Class is declining or increasing in value relative to the Sub-Fund's Base Currency and so, where such hedging is undertaken it may substantially protect Unitholders in the hedged Class against a decrease in the value of the Sub-Fund's Base Currency relative to the Class Currency of the hedged Class, but it may also preclude unitholders from benefiting from an increase in the value of that Sub-Fund's Base Currency.

Liquidity risk

Some of the markets in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the relevant Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

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

Difficulties in valuation of investments

Securities acquired on behalf of a Sub-Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Sub-Fund's portfolio securities is available (for example, when the secondary markets on which a security is traded has become illiquid) the Manager may apply valuation methods to ascertain the fair value of such securities.

In addition, market volatility may result in a discrepancy between the latest available issue and redemption prices for the Sub-Fund and the fair value of the Sub-Fund's assets. To protect the interest of investors, the Manager may, after consultation with the Trustee, adjust the Net Asset Value of the Sub-Fund or the Units, if in the circumstances it considers that such adjustment is required to reflect more accurately the fair value of the Sub-Fund's assets.

Valuation of a Sub-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 Sub-Fund may be adversely affected.

Restricted markets risk

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

Settlement cycle under the Mainland-Hong Kong Mutual Recognition of Funds arrangement

Where a Sub-Fund is or becomes registered for offering to Mainland China investors under the Mainland-Hong Kong Mutual Recognition of Funds arrangement, it is possible that there may be a longer delay between the time that the Units issued to such investors are recorded to the Sub-Fund's account and the time when such moneys are actually received for the account of the Sub-Fund. Compared to investors subscribing for units in Hong Kong, such delays may arise due to various reasons, including but not limited to, developing settlement procedures in Mainland China, foreign exchange requirements and banking transfer procedures and may mean that that the NAV of the relevant Sub-Fund would reflect that such Units have been subscribed for before the corresponding subscription moneys have actually been received by the Sub-Fund and may be used for investments. This may cause the NAV of the relevant Sub-Fund to be temporarily diluted until such subscription moneys are received.

Legal, tax and regulatory risk

Legal, tax and regulatory changes could occur in the future. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in their regulation or taxation may adversely affect the value of derivative instruments. Changes to the current laws and regulations will lead to changes in the legal requirements to which the relevant Sub-Fund may be subject, and may adversely affect the relevant Sub-Fund and its investors.

Risk of termination

A Sub-Fund may be terminated in certain circumstances which are summarised under the section "***General Information - Termination of Fund or a Sub-Fund***", including where, on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than US$10 million or its equivalent or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units outstanding thereunder shall be less than US$10 million or its equivalent (or other amounts disclosed in the Appendix). In the event of the termination of a Sub-Fund, such Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the relevant Sub-Fund will be worth less than the initial cost of acquiring such investments, resulting in a loss to the Unitholders. Moreover, any organisational expenses (such as establishment costs and authorisation costs) with regard to the relevant Sub-Fund that had not yet been fully amortised would be debited against the Sub-Fund's assets at that time.

Distributions risk

Distributions may be made in respect of the Distribution Classes. However, there is no guarantee that such distributions will be made nor will there be a target level of distributions payout. A high distribution yield does not imply a positive or high return.

Subject to the disclosure in the relevant Appendix, distributions may be paid out of the capital of a Sub-Fund. The Manager may distribute out of the capital of a Sub-Fund if the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared. Subject to the disclosure in the relevant Appendix, the Manager may also, at its discretion, pay distributions out of gross income while paying all or part of the fees and expenses attributable to the relevant Distribution Class out of the capital of the relevant Distribution Class, resulting in an increase in distributable income for payment of distributions and therefore paying distributions effectively out of the capital of the relevant Distribution Class. **Investors should note that the payment of distributions out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

For Accumulation Classes, the Manager does not intend to pay distributions. Accordingly, an investment in the Accumulation Classes may not be suitable for investors seeking income returns for financial or tax planning purposes.

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

Potential conflicts of interest

The Manager and its connected persons may act as the adviser or investment manager to other clients (including funds) now or in the future. They may additionally serve as consultants to partners or shareholders in other investment funds, companies and investment firms. Investors in a Sub-Fund should understand that certain investments may be appropriate for that Sub-Fund and also for other clients advised or managed by the Manager or its connected persons. Investment decisions for the Sub-Fund and for such other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, the current investment views of the Manager, availability of cash for investment, and the size of their positions generally.

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

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

The Manager may pay Subscription Charge, trail fees, commissions, rebates or other benefits to Authorised Distributors in respect of distribution of Units of a Sub-Fund. Such payments or benefits create an incentive to the Authorised Distributors to distribute the Units to investors. It may also incentivise the Authorised Distributors to recommend Units of that Sub-Fund over other investments in respect of which the Authorised Distributors receive lower incentive payments or benefits.

Cross-Class liability

Multiple Classes of Units may be issued in relation to a Sub-Fund, with particular assets and liabilities of that Sub-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 that Sub-Fund (i.e. when the assets of that Sub-Fund are insufficient to meet its liabilities), all assets will be used to meet that Sub-Fund's liabilities, not just the amount standing to the credit of any individual Class. However, the assets of that Sub-Fund may not be used to satisfy the liabilities of another Sub-Fund.

Creation of Sub-Funds or new Classes of Units

Additional Sub-Funds or additional Classes of Units which may have different terms of investment may be established in the future without the consent of, or notification to existing Unitholders. In particular, such additional Sub-Funds or additional Classes may have different terms with regard to fees. Such additional Classes of Units will be in compliance with the investment objective and policies of the Sub-Fund and the provisions of the Trust Deed.

Allocation of management time and services

A Sub-Fund will not have independent management or employees and will rely on the Manager, the Trustee, the Custodian, other service providers and their respective connected persons for management and administration of such Sub-Fund and its investments. Although the independent management and employees of the Manager, the Trustee, the Custodian and other service providers will devote as much time to each Sub-Fund as they believe is necessary to assist such Sub-Funds in achieving its investment objectives and to administer its operations, conflicts of interest may arise in allocating management time, services or functions between or among the other Sub-Funds (if any) and other entities for which individuals involved with such Sub-Fund may provide services. Each service provider will ensure that sufficient time is devoted to carry out its services or functions for each Sub-Fund taking into account the need and requirement of each Sub-Fund and interest of investors in each Sub-Fund.

Reliance on management

The Manager will provide investment management and other services to the Sub-Funds with the assistance of the service providers of the Sub-Fund. Unitholders will not, unless otherwise agreed, have any right or power to take part in the management, control or investment decisions of the Sub-Funds. Unitholders must rely solely on the judgment of the Manager in selecting investments and should not invest in the Units unless willing to entrust all aspects of the portfolio management of the Sub-Funds to the Manager.

Reliance on key personnel

The success of a Sub-Fund depends in substantial part upon the skill and expertise of the Manager and its employees. There can be no assurance that current employees of the Manager will continue in their current roles or continue to be associated with the Manager throughout the life of a Sub-Fund. The operations of the relevant Sub-Fund may be affected if the Manager is unable to retain its experienced employees. The Manager will, however, take all reasonable actions to ensure that any key employees who resigned are replaced with suitably qualified new employees, if necessary, or re-organise its resources to ensure that the management of the Sub-Funds is not adversely affected by the resignation of such key employees.

Non-compliance with IFRS

The annual and semi-annual reports and accounts of a Sub-Fund will be prepared in accordance with the IFRS. Further, if a Sub-Fund is authorised by the SFC pursuant to section 104 of the SFO, the costs incurred in obtaining the SFC's authorisation may be amortised over such period as the Manager after consultation with the Auditors shall determine and as disclosed in the relevant Appendix. Investors should note that the valuation rules described in the section headed "***Valuation and Suspension – Calculation of Net Asset Value***" above may not necessarily comply with IFRS. Under IFRS, investments should be valued at fair value, and the price within the bid and ask spread that is the most representative of the fair value of investments in the circumstances shall be used. However, under the valuation basis described in the section headed ***Valuation and Suspension – Calculation of Net Asset Value***" above, listed investments are expected to be valued normally at the last traded price or closing price, which may be outside of the bid and ask range as required under IFRS.

The cost of establishment of each Sub-Fund will be amortised over the Amortisation Period. Investors should note that this policy of amortisation is not in accordance with IFRS which requires the cost of establishment and/or authorisation to be expensed in the period incurred. However, the Manager has considered the impact of such non-compliance and do not expect this issue to materially affect the results and Net Asset Value of a Sub-Fund. Further, the Manager believes that this policy is fairer and more equitable to the initial investors.

Foreign Account Tax Compliance Act (commonly known as "FATCA")

Sections 1471 – 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**IRS Code**") provides that a 30% withholding tax will be imposed on certain payments to foreign financial institutions, such as the Fund and / or the Sub-Fund(s), including interest and dividends from securities of U.S. issuers and gross proceeds from the sale of such securities, unless the Fund and/or the Sub-Fund comply with FATCA. All such payments may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the U.S. Internal Revenue Service (the "**IRS**") to identify United States persons (within the meaning of the IRS Code as set out in the paragraph below) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an "**FFI**"), such as the Fund and/or the Sub-Fund(s) (and generally, other investment funds organised outside the U.S.), generally will be required to enter into an agreement (an "**FFI Agreement**") with the IRS under which it will agree to identify its direct or indirect owners who are United States persons and report certain information concerning such United States person owner to the IRS.

For the purpose of this section, a United States person is defined under the IRS Code - Section 7701(a)(30) as:

(A) an individual who is a U.S citizen or U.S. resident alien (e.g. green card holder or meets substantial presence test);

(B) a partnership, corporation, or association created or organized in the U.S. or under the laws of the U.S;

(C) a foreign estate; or

(D) a trust where a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a 30% withholding tax on "withholdable payments", including dividends and interest payments made on or after 1 July 2014. In addition, from 1 January 2019 the earliest, this withholding tax is extended to the proceeds received from the sale or disposition of assets that give rise to U.S. source dividends or interest payments, and foreign passthru payments. It is expected that certain non-U.S. source payments attributable to amounts that would be subject to FATCA withholding (referred to as "passthru payments") will also be subject to FATCA withholding, though the definition of "foreign passthru payment" in U.S. Treasury Regulations is currently pending.

The Hong Kong government signed an intergovernmental agreement with the **US ("Hong Kong IGA**") for the implementation of FATCA on 13 November 2014, adopting "Model 2" IGA arrangements. Under the Hong Kong IGA, FFIs in Hong Kong (such as the Fund and / or the Sub-Fund(s)) would be required to enter into the FFI Agreement with the IRS, register with the IRS and comply with the terms of FFI Agreement. Otherwise they will be subject to a 30% withholding tax on "withholdable payments".

Under the Hong Kong IGA, FFIs in Hong Kong (such as the Fund and / or the Sub-Fund(s)) that comply 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 IRS) or close those non-consenting accounts (provided that information regarding such non-consenting account holders is reported to the IRS), but may be required to withhold tax on payments made to non-compliant FFIs.

The Sub-Fund(s) have registered with the IRS as reporting FFIs and have obtained Global Intermediary Identification Numbers ("**GIIN**") within the time prescribed by FATCA. The GIINs for the Sub-Fund(s) are as follows:

Income Partners Managed Volatility High Yield Bond Fund: LA0DXU.99999.SL.136

The Manager will endeavour to satisfy the requirements imposed under FATCA and the Hong Kong IGA on each Sub-Fund to avoid the FATCA withholding tax. No assurance can be given that each Sub-Fund will be able to satisfy these requirements. In the event that any Sub-Fund is not able to comply with the requirements imposed under FATCA or the Hong Kong IGA and the Sub-Fund becomes subject to US withholding tax as a result of the FATCA regime, the Net Asset Value of the Fund or that Sub-Fund may be adversely affected and the Fund or such Sub-Fund may suffer significant loss as a result.

Unitholders may be asked to provide certain information and/or documentation certifying their United States or non-United States tax status, together with such additional tax information as the Manager or its agents may from time to time request.

Each Unitholder shall also be required to: (a) inform the Fund, the Sub-Fund, the Manager or its agents as soon as possible of any change in any information provided in relation to its U.S. or non-

U.S. tax status (including any circumstances that would result in a change in the taxpayer status of such Unitholder); and (b) subject to the Unitholder's express consent, waive any and all rights of such Unitholder under any relevant law or regulation in any applicable jurisdiction that would prevent the Fund, the Sub-Fund, the Manager or its agents from meeting applicable regulatory and legal requirements. The Fund, the Sub-Fund, the Manager or its agents may, acting in good faith and on reasonable grounds as permitted under applicable laws and regulations, request a transfer of Units to another person or to compulsorily redeem the Units held by such Unitholder, if such Unitholder fails to provide any information requested or contests the waiver provided above.

Nothing in this section constitutes or purports to constitute tax advice and Unitholder should not rely on any information set out in this section for the purposes of making any investment decision, tax decision or otherwise. Investors should consult their own tax advisors regarding the FATCA requirements, possible implications and related tax consequences with respect to their own situation. In particular, investors who hold their Units through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer FATCA withholding tax on their investment returns.

Risks related to the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard

The "Common Reporting Standard" was developed by the OECD to be an international standard for the automatic exchange of financial account information between relevant jurisdictions. The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The AEOI, as enacted under the Ordinance, requires financial institutions ("**FI**") in Hong Kong to identify financial accounts and to collect information relating to non-Hong Kong tax residents holding accounts with Hong Kong FIs, and to file such information with the Hong Kong Inland Revenue Department ("**IRD**") to the extent the financial accounts are reportable accounts in respect of tax residents of reportable jurisdictions (as listed under Schedule 17E of the Inland Revenue Ordinance)("**Reportable Jurisdictions**"). The IRD in turn will exchange such information with the Reportable Jurisdiction(s) in which that account is identified as a reportable account. Generally, information regarding a reportable account will be exchanged only with jurisdictions with which Hong Kong has signed a Competent Authority Agreement ("**CAA**"); however, the Fund, the Sub-Fund, the Manager, the Trustee and/or their agents may further collect relevant information as required or allowed by the Ordinance relating to residents of other jurisdictions.

The Fund and the Sub-Fund is required to comply with the requirements of AEOI as implemented by Hong Kong, which means that the Fund, the Sub-Fund, the Manager, the Trustee and/or their agents may collect information relating to Unitholders (and Controlling Persons, as defined in the Ordinance, of a Unitholder that is not a natural person) and prospective investors and provide to the IRD such information of the reportable accounts ("**Reportable Account**") as determined under the Ordinance.

The AEOI rules as implemented by Hong Kong under the Ordinance require the Sub-Fund to, amongst other things: (i) register the Sub-Fund's status as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts (i.e., Unitholders) to identify whether any such accounts are considered Reportable Accounts for AEOI purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis commencing from the year 2018 to transmit the information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has entered into a CAA. The Ordinance requires that Hong Kong FIs report on: (i) individuals or entities that are tax resident of a Reportable Jurisdiction; and (ii) Controlling Persons of a Unitholder that is not a natural person who are tax resident in a Reportable Jurisdiction. Details of Unitholders, including but not limited to their name, date of birth, jurisdiction of birth, address, tax residence, account details, Taxpayer Identification Number ("**TIN**"), account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in Reportable Jurisdictions.

To assist in identifying Unitholders (and/or its Controlling Persons of a Unitholder that is not a natural person) who are Reportable Persons, the Unitholders and prospective Unitholders (and/or its Controlling Persons) may be required by the Fund, the Sub-Fund, the Manager, the Trustee or their agents to complete self-certification forms for verification of the Unitholders' (and/or its Controlling Persons') respective tax residency status.

A failure by a prospective investor to provide a duly completed self-certification will result in the subscription for Units being rejected. A failure to provide required information under the Ordinance may result in the Unitholders' Units being compulsorily redeemed.

By investing in the Fund and its Sub-Fund and/or continuing to invest in the Fund and its Sub-Fund, Unitholders acknowledge that they may be required to provide additional information to the Fund, the Sub-Fund, the Manager, the Trustee and/or the Sub-Fund's agents in order for the Fund and its Sub-Fund to fulfil its obligations under the Ordinance. The Unitholder's information (and information pertaining to Controlling Persons of a Unitholder that are not natural persons), if reportable, may be communicated by the IRD to authorities in Reportable Jurisdictions. The failure by a Unitholder or the Controlling Persons of the Unitholder to provide any requested information may result in the Fund, the Sub-Fund, the Manager, the Trustee and/or their other agents taking any action and/or pursue remedies at their disposal including, without limitation, compulsory redemption. Any such compulsory redemption will be done in accordance with the Trust Deed and applicable laws and regulations.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Sub-Fund.

Additional risk factors

In view of the above, investment in any Sub-Fund should be regarded as long term in nature. The Sub-Funds are, therefore, only suitable for investors who can afford the risks involved. Investors should refer to the relevant Appendix for details of any additional risks specific to a Sub-Fund.

FEES AND EXPENSES

Management Fee

The Manager is entitled to receive in respect of a Sub-Fund (or any Class thereof), a management fee calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears as a percentage of the Net Asset Value of such Sub-Fund (or such Class) as at each Valuation Day at the rates as specified in the relevant Appendix subject to a maximum fee as specified in the relevant Appendix.

Performance Fee

The Manager may charge a performance fee in respect of a Sub-Fund (or any Class thereof), payable out of the assets of the relevant Sub-Fund (or the relevant Class). If a performance fee is charged, further details will be provided in the Appendix for the relevant Sub-Fund, including the current rate of the performance fee payable and the basis of calculation of such fee.

The Manager reserves the right to waive or rebate any fees to which it is entitled, whether in part or in full and whether in respect of particular investors or generally. The Manager may share any fees it receives with any person(s) as it deems appropriate.

Trustee Fee

The Trustee is entitled to receive a fee which is charged as a percentage of the Net Asset Value of the relevant Sub-Fund on each Valuation Day, at the rates specified in the Appendix and subject to a minimum monthly fee (if any) as specified in the relevant Appendix. The Trustee's fee is calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears out of the assets of the relevant Sub-Fund (or such Class). The fee payable to the Trustee is subject to a maximum rate as specified in the Appendix.

Custodian Fee

The Custodian is entitled to (among others) transaction fees and safekeeping fees at different rates, largely depending on the markets where the Custodian is required to hold a Sub-Fund's assets. Such fees will be calculated monthly and will be paid monthly in arrears, out of the assets of the relevant Sub-Fund. The Custodian will be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.

Administrator Fee

The Administrator is entitled to such fees as disclosed in the relevant Appendix. The Administrator will also be entitled to reimbursement by the relevant Sub-Fund for any out-of-pocket expenses incurred in the course of its duties wholly and exclusively in respect of the relevant Sub-Fund.

Registrar and Processing Agent Fee

The Registrar and Processing Agent is entitled to (among others) transaction fees and account maintenances fees at the rates specified in the Appendix and subject to a minimum monthly fee (if any) as specified in the relevant Appendix.

Notice for Fee Increase

Unitholders shall be given not less than one month's prior notice should there be any increase of the management fee, performance fee or Trustee's or Administrator's fee from the current level to the maximum level. Any increase in the maximum level of the management fee, performance fee or Trustee's or Administrator's fee of a Sub-Fund (or any Class thereof) shall be subject to the SFC's prior approval and the sanction of extraordinary resolution of the Unitholders of such Sub-Fund (or such Class).

Establishment and Authorisation Costs

The establishment costs of the Fund and the initial Sub-Fund are of such amount as set out in the Appendix of the initial Sub-Fund and will be borne by the initial Sub-Fund. The establishment costs will be amortised over the Amortisation Period. Where subsequent Sub-Funds are established in the future, the Manager may determine that the unamortised establishment costs of the Fund or a part thereof may be re-allocated to such subsequent Sub-Funds.

The establishment costs and payments incurred in the establishment of subsequent Sub-Funds are to be borne by the Sub-Fund to which such costs and payments relate and amortised over the Amortisation Period.

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

General Expenses

Each Sub-Fund will bear the costs (including those set out below) which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, such costs will be allocated amongst the Sub-Funds in proportion to the respective Net Asset Value of all the Sub-Funds.

Such costs include but are not limited to the costs of investing and realising the investments of the Sub-Funds (including all brokerage, research, financing, margins, clearing and/or other trading costs (if any) payable on the purchase or sale of investments, interest on borrowings and fees in respect thereof), the fees and expenses of the custodian, registrar and the auditors, valuation costs, legal fees, the cost of any liability insurance covering the Fund and Sub-Funds, the expenses incurred by the Manager and the Trustee in establishing the Fund and Sub-Funds and costs in connection with the initial issue of Units or a Class of Units, the costs incurred in connection with the preparation of supplemental deeds or any listing or regulatory approval, the costs of holding meetings of Unitholders and of giving notices to Unitholders, the costs incurred in terminating the Fund or any Sub-Fund, the fees and expenses of the Trustee in connection with time and resources incurred by the Trustee reviewing and producing documentation in connection with the operation of any Sub-Fund including the filing of annual returns and other statutory information required to be filed with any relevant regulatory authority and the costs incurred in the preparation and printing of any explanatory memorandum, all costs incurred in publishing the Net Asset Value of a Sub-Fund, Net Asset Value per Unit, Issue Price and Redemption Price of Units, all costs of preparing, printing and distributing all statements, accounts and reports, the expenses of preparing and printing any offering document, and any other expenses, deemed by the Manager, after consulting the Auditors, to have been incurred in compliance with or 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 any code relating to unit trusts.

For so long as the Fund and such Sub-Funds are authorised by the SFC, no advertising or promotional expenses shall be charged to the Sub-Funds so authorised.

Transactions with Connected Persons, Cash Rebates and Soft Dollars

All transactions carried out by or on behalf of the Fund or a Sub-Fund must be executed at arm's length and in the best interests of Unitholders. In particular, any transactions between the Sub-Fund and the Manager, the Trustee, the Investment Delegate 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 report of the Fund and/or the relevant Sub-Fund. In transacting with brokers or dealers connected to the Manager, the Investment Delegate, the Trustee and the Custodian or any of their connected persons, the Manager must ensure that:

(a) such transactions are on arm's length terms;

(b) it uses due care in the selection of such brokers or dealers and ensure that they are suitably qualified in the circumstances;

(c) transaction execution must be consistent with applicable best execution standards;

(d) 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;

(e) it monitors such transactions to ensure compliance with its obligations; and

(f) 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 report and of the Fund and/or the relevant Sub-Fund.

Neither the Manager, the Investment Delegate nor any of their connected persons will retain cash or other rebates from brokers or dealers in consideration of directing transactions in property of a Sub-Fund to such brokers or dealers, save that goods and services (soft dollars) as described in the paragraph below may be retained. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund. Details of any such commissions and the Manager's and the Investment Delegate's soft dollar policies and practices, including a description of the goods and services received by them will be disclosed in the annual and semi-annual report and accounts of the Fund and/or the relevant Sub-Fund.

The Manager, the Investment Delegate and/or any of their connected persons reserve the right to effect transactions by or through the agency of another person with whom the Manager, the Investment Delegate and/or any of their connected persons have an arrangement under which that party will from time to time provide to or procure for the Manager, the Investment Delegate and/or any of their connected persons, goods or services for which no direct payment is made but instead the Manager, the Investment Delegate and/or any of their connected persons undertake to place business with that party. In order to manage and minimize conflicts of interest, the Manager shall, in accordance with its internal soft dollar compliance policies and practices, procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager in its ability to manage the relevant Sub-Fund or otherwise, (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates and (iii) the availability of such soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. Such goods and services may include 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. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

TAXATION

Each prospective Unitholder should inform himself of, and where appropriate take advice on, the taxes applicable to the acquisition, holding and redemption of Units by him under the laws of the places of his citizenship, residence and domicile.

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

Hong Kong Taxation

The Fund/ Sub-Fund(s)

The Sub-Fund(s) is exempted from profits tax in Hong Kong during the period it is authorised by the SFC as a collective investment scheme pursuant to Section 104 of the SFO.

The Unitholders

(a) *Profits Tax:*

Dividends or other income distributions which the Fund / Sub-fund(s) may pay on its Units will not be taxable in Hong Kong (whether by way of withholding or otherwise) under current legislation and practice.

Hong Kong does not tax capital gains arising from the sale or other disposal of Units by Unitholders except for the case where certain Unitholders are carrying on a trade or business in Hong Kong and who also invest in securities for trading purposes (e.g. dealers in securities, financial institutions and insurance companies). Such gains may be considered to be part of the Unitholder's normal business profits and in such circumstances will be subject to Hong Kong profits tax (which is currently charged at the rate of (i) 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000 for corporations and (ii) 7.5% on assessable profits up to HK$2,000,000 and 15% on any part of assessable profits over HK$2,000,000 for unincorporated businesses) if the gains in question arise in or are derived from Hong Kong.

(b) *Stamp Duty:*

No Hong Kong stamp duty should be payable in relation to the issue of Units or on the redemption of Units.

No Hong Kong stamp duty is payable where the sale or transfer of the Unit is effected by selling or transferring the Units back to the Manager, who then either extinguishes the Units or re-sells the Units to another person within two months thereof.

Other types of sales or purchases or transfers of the Units by the Unitholders should be liable to Hong Kong Stamp Duty of 0.26% (normally borne by the buyer and seller in equal share) on the higher of the consideration amount or market value. In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of Units.

If a transfer is made to effect the change of nominee (e.g. change of custodian) which does not involve a change of the beneficial ownership of the relevant Units, the transfer form shall be exempted from ad valorem stamp duty and be charged with a fixed stamp duty of HK$5.00 provided that the following are set forth in the relevant transfer form:

(1) there is no change of beneficial ownership of the relevant Units;

(2) the name of the ultimate beneficial owner of the relevant Units; and

(3) the date of the relevant transfer form.

A fixed stamp duty of HK$5.00 shall be payable in person at 3/F, Revenue Tower, 5 Gloucester Road, Wan Chai, Hong Kong. The shroffing hours are 8:45 am to 5 pm (Monday to Friday).

Other Jurisdiction(s)

Please refer to the relevant Appendix on taxation requirements in other jurisdiction(s) that may be applicable to a Sub-Fund.

GENERAL INFORMATION

Reports and Accounts

The Fund's and each Sub-Fund's financial year end is on the Accounting Date in each year.

As an alternative to the distribution of printed audited accounts and unaudited semi-annual reports, the Manager will notify Unitholders where the annual report and audited accounts (in English only) can be obtained (in printed and electronic forms) within four months after the Accounting Date, and where the unaudited semi-annual accounts (in English only) can be obtained (in printed and electronic forms) within two months after the Semi-Annual Accounting Date in each year. Once issued, hardcopies of the reports and accounts are available upon request of Unitholders free of charge at any time during normal business hours on any Business Day at the office of the Manager. Copies of the accounts and reports may be posted to investors on request.

The Manager intends to adopt IFRS in drawing up the annual accounts of the Fund and Sub-Funds. It should however be noted that in amortising the establishment costs of the Fund in accordance with the section headed "**Establishment Costs**", possible deviation from such accounting standards may occur but the Manager does not expect this issue to be material under normal circumstances. The Manager may make necessary adjustments in the annual accounts in order to comply with IFRS and to include a reconciliation note in the Fund's audited accounts.

Publication of Prices

The Issue Price and Redemption Price for each Class will be published on every Subscription Day and Redemption Day on the Manager's website www.incomepartners.com. Investors should note that the aforesaid website has not been reviewed or authorised by the SFC and may contain information of funds not authorised by the SFC.

Termination of Fund or a Sub-Fund

The Fund shall continue for a period of 80 years unless it is earlier terminated in one of the ways provided under the Trust Deed and as summarised below.

Termination by the Trustee

The Fund may be terminated by the Trustee by notice in writing to the Manager and the Unitholders if:-

(a) the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee), becomes bankrupt or if a receiver is appointed over any of their assets and not discharged within 60 days;

(b) in the opinion of the Trustee the Manager shall be incapable of performing or shall in fact fail to perform its duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Fund into disrepute or to be harmful to the interests of the Unitholders;

(c) any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund;

(d) the Manager shall have ceased to be the manager and, within a period of 30 days thereafter, no other qualified corporation shall have been appointed by the Trustee as successor manager; or

(e) the Trustee shall have notified the Manager of its desire to retire as Trustee and the Manager shall fail to find a qualified corporation to act as a trustee in place of the Trustee within three months therefrom, provided that where the Manager has identified a corporation which meets the requirements set out in the Code for a trustee and a submission has been made to the SFC for the approval of such corporation as the new trustee within three months of the Trustee giving notice of such desire to retire, the Trustee may in such circumstance only terminate the Fund if no qualified corporation is found to act as trustee of the Fund within six months of the Trustee giving notice of such desire to retire.

Termination by the Manager

The Fund, any Sub-Fund and/or any Class of Units (as the case may be) may be terminated by the Manager in its discretion by notice in writing to the Trustee and the Unitholders if:-

(a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding hereunder shall be less than US$10 million or its equivalent or, in relation to any Sub-Fund, the aggregate Net Asset Value of the Units outstanding hereunder in respect of such Sub-Fund shall be less than US$10 million or its equivalent or such other amount stated in the relevant Appendix or, in relation to any Class of Units, the aggregate Net Asset Value of the Units of such class outstanding hereunder in respect of such Class shall be less than US$10 million or its equivalent or such other amount stated in the relevant Appendix;

(b) in the opinion of the Manager, it is impracticable or inadvisable to continue the Fund, a Sub-Fund and/or any Class of Units (as the case may be) (including without limitation, a situation where it is no longer economically viable to operate the Fund, the Sub-Fund or the relevant Class of Units);

(c) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund and/or any Sub-Fund and/or any Class of Units of a Sub-Fund; or

(d) the occurrence of any other event(s) or in such other circumstance(s) as set out in the relevant Appendix of the Sub-Fund.

In cases of termination on notice, no less than one month's notice will be given to Unitholders.

Further, a Sub-Fund or a Class of Units may be terminated by an extraordinary resolution of the Unitholders of the Sub-Fund or the Unitholders of the relevant Class (as the case may be) on such date as the extraordinary resolution may provide. At least twenty one days' notice shall be given to the Unitholders in respect of a meeting of Unitholders where such extraordinary resolution will be tabled.

Trust Deed

All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. Any indemnity expressly given to the Trustee or to the

Manager in the Trust Deed is in addition to and without prejudice to any indemnity allowed by law. However, the Trustee and the Manager shall not be exempted from any liability to Unitholders imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

Voting Rights

Meetings of Unitholders may be convened by the Manager or the Trustee, and the Unitholders of 10% or more in value of the Units in issue may require a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting.

The quorum for all meetings is Unitholders present in person or by proxy representing 10% of the Units for the time being in issue except for the purpose of passing an extraordinary resolution. The quorum for passing an extraordinary resolution shall be Unitholders present in person or by proxy representing 25% or more of the Units in issue. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting should be adjourned for not less than 15 days. 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. 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.

Transfer of Units

Subject as provided below, Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee.

The duly stamped instrument of transfer, any necessary declarations, other documents that may be required by the Manager, the Trustee or the Registrar or in consequence of any legislation (including any anti-money laundering legislation) shall be left with the Registrar for registration. 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.

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

Anti-Money Laundering Regulations

As part of the responsibility of the Manager, the Trustee, the Processing Agent and their respective delegates or agents for the prevention of money laundering, each of them may require a detailed verification of an investor's identity and the source of payment of application monies. Depending on the circumstances of each application, a detailed verification might not be required where the investor is:-

(a) a financial institution;

(b) an institution that is (i) incorporated or established in a jurisdiction that is a member of the Financial Action Task Force or a jurisdiction that imposes requirements similar to applicable Hong Kong legislation and regulations on the prevention of money laundering and terrorist financing, (ii) carries on a business similar to that carried on by a financial institution, (iii) has measures in place to ensure compliance with requirements similar to those imposed under applicable Hong Kong legislation and regulations on the prevention of money laundering and terrorist financing, and (iv) is supervised for compliance with those requirements by an authority in that jurisdiction that performs functions similar to those of any of the relevant authorities;

(c) a corporation listed on any stock exchange;

(d) an investment vehicle where the person responsible for carrying out measures that are similar to the customer due diligence measures in relation to all the investors of the investment vehicle is—

  (i) a financial institution;

  (ii) an institution that (A) is incorporated or established in Hong Kong, (B) has measures in place to ensure compliance with requirements similar to those imposed under applicable Hong Kong legislation and regulations on the prevention of money laundering and terrorist financing; and (C) is supervised for compliance with those requirements; or

  (iii) an institution that (A) is incorporated or established in a jurisdiction that is a member of the Financial Action Task Force or a jurisdiction that imposes requirements similar to applicable Hong Kong legislation and regulations on the prevention of money laundering and terrorist financing, (B) has measures in place to ensure compliance with requirements similar to those imposed under applicable Hong Kong legislation and regulations on the prevention of money laundering and terrorist financing; and (C) is supervised for compliance with those requirements;

(e) the Government or any public body in Hong Kong; or

(f) the government of an equivalent jurisdiction or a body in an equivalent jurisdiction that performs functions similar to those of a public body.

Each of the Manager, the Trustee, the Processing Agent and their respective delegates or agents reserves the right to request such information as is necessary to verify the identity of an applicant and the source of payment.

In the event of delay or failure by the applicant to produce any documents or information required for verification of identity or legitimacy of the subscription monies, the Manager, the Trustee or the Processing Agent may refuse to accept the application and the subscription moneys relating thereto. Further, they may delay in paying any redemption proceeds if an applicant for Units delays in producing or fails to produce any documents or information required for the purposes of verification of identity. The Manager, the Trustee or the Processing Agent may refuse to make payment to the Unitholder if either of them suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee, the Processing Agent or other service providers with any such laws or regulations in any relevant jurisdiction.

Where a person knows or suspects or has reasonable grounds to believe that any property in whole or in part directly or indirectly represents any person's proceeds from money laundering, he shall as soon as it is reasonable for him to do so disclose that knowledge or suspicion, together with any matter on which that knowledge or suspicion is based, to an authorized officer pursuant to the Drug Trafficking (Recovery of Proceeds) Ordinance and the Organized and Serious Crimes Ordinance. Such disclosure shall not be treated as a breach of any restriction upon the disclosure of information imposed by contract or by any enactment, rule of conduct or other provision and shall not render the person who made it liable in damages for any loss arising out of (i) the disclosure and (ii) any act done or omitted to be done in relation to the property concerned in consequence of the disclosure.

By subscribing, applicants consent to the disclosure by the Manager, the Trustee and/or the Processing Agent of any information about them to regulators and others upon request in connection with anti-money laundering and similar matters both in Hong Kong and in other jurisdictions.

Conflicts of Interest

The Manager, the Investment Delegate (if any), the Trustee, the Custodian, the Administrator and the Processing Agent may from time to time act as trustee, administrator, transfer agent, manager, custodian or investment delegate, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund and the Sub-Funds. Each will, at all times, have regard in such event to its obligations to the Fund and the Sub-Funds and will endeavour to ensure that such conflicts are resolved fairly and taking into account investors' interests. Compliance procedures and measures such as segregation of duties and responsibilities together with different reporting lines and "Chinese walls" have been put in place to minimize potential conflicts of interest. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

The Manager may also act as the investment manager of other funds whose investment objectives, investment approach and investment restrictions are similar to those of a Sub-Fund. The Manager or any of its connected persons may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by a Sub-Fund. Neither the Manager nor its connected persons is under any obligation to offer investment opportunities of which any of them become aware to any Sub-Fund or to account to any Sub-Fund in respect of (or share with any Sub-Fund or to inform any Sub-Fund of) any such transactions or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Fund and other clients. Where the Manager invests a Sub-Fund in shares or units of a collective investment scheme managed by the Manager or any of its connected persons, the manager of the scheme in which the investment is being made by such Sub-Fund must waive any preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any connected person of the Manager) borne by the relevant Sub-Fund.

The Manager reserves the right for itself and its connected persons to co-invest on its own or for other funds and/or other clients with any Sub-Fund, although any such co-investment must be made on terms no better than those in which the relevant Sub-Fund is investing. Further, the Manager and any of its connected persons may hold and deal in Units of any Sub-Fund or in investments held by any Sub-Fund either for their own account or for the account of their clients.

Subject to the restrictions and requirements applicable from time to time, the Manager, any Investment Delegates as may be appointed by the Manager or any of their respective connected persons may deal with any Sub-Fund as principal provided that dealings are effected on best available terms negotiated and on an arm's length basis. Any transactions between a Sub-Fund and the Manager, the Investment Delegates as may be appointed by the Manager or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Sub-Fund's annual report.

In effecting transactions for the account of any Sub-Fund with brokers or dealers connected to the Manager, the Investment Delegates of such Sub-Fund or their connected persons, the Manager shall ensure that it complies with the following requirements:

(a) such transactions should be on arm's length terms;

(b) the Manager must use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;

(c) transaction execution must be consistent with applicable best execution standards;

(d) 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;

(e) the Manager must monitor such transactions to ensure compliance with its obligations; and

(f) 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 report of the relevant Sub-Fund.

The services of the Trustee provided to the Fund and the Sub-Funds are not deemed to be exclusive and the Trustee shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all appropriate fees and benefits. The Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund and the Sub-Funds any fact or information which comes to the notice of the Trustee in the course of the Trustee rendering similar services to other parties or in the course of its business in any other capacity, otherwise than in the course of carrying out its duties under the Trust Deed or as required by any applicable laws and regulations for the time being in force.

If cash forming part of a Sub-Fund's assets is deposited with the Trustee, the Manager, the Investment Delegate or any of their connected persons (being an institution licensed to accept deposits), such cash deposits shall be maintained in a manner that is in the best interests of Unitholders, having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with the ordinary and normal course of business.

Liquidity Risk Management

The Manager has established a liquidity management policy to identify, monitor and manage the liquidity risks of the Sub-Funds under its management. The liquidity risk management policy is designed to minimize the risk that redemption requests cannot be met, to achieve fair treatment of Unitholders, and to safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The liquidity risk management function is carried out by the Manager's liquidity risk management committee ("**LRMC**") which is functionally independent from the day-to-day portfolio investment function. The LRMC comprises senior individuals from the Manager's legal, operations, risk, investment and business teams. The LRMC monitors and consults with the portfolio managers on the Sub-Fund's liquidity risk issues and escalates problems and non-compliance identified to the investment committee and/or the board of directors of the Manager as necessary.

The Manager conducts liquidity assessment of securities of the Sub-Fund based on a time-to-liquidation-analysis ("**TTL**") on a monthly basis, with daily monitoring. TTL is performed by analysing the number of trading days required to liquidate a certain percentage of the Sub-Fund's portfolio. The Manager performs an internal liquidity assessment on each underlying asset of the Sub-Fund whereby each asset is evaluated and categorized into an internal liquidity score based on factors including the underlying debt securities' credit rating, geographical origin, issue size and liquidity status. Relevant input is also gathered from an independent secondary source as part of the internal liquidity assessment of each asset.

The Manager's liquidity policy takes into account such factors as the liquidity profile of the relevant Sub-Fund's assets, the dealing frequency, the redemption policy and the profile of the Sub-Fund's investor base. Liquidity risk is monitored on an on-going basis and periodic stress testing is carried out by the Manager to manage the liquidity risk of the Sub-Funds under normal and exceptional market conditions.

The following tools may be employed by the Manager to manage liquidity risks:

(a) the Manager may with the approval of the Trustee limit the number of Units of any Sub-Fund redeemed on any Redemption Day to 10% of the total number of Units of the relevant Sub-Fund in issue;

(b) the Manager may suspend redemption under exceptional circumstances as set out under the heading entitled "Suspension" in the section headed "Valuation and Suspension";

(c) the Manager may, after seeking the view of the Trustee and where the Trustee has made no objection, in calculation of the Issue Price and the Redemption Price, add fiscal and purchase charges or deduct fiscal and sales charges, to protect the interest of remaining Unitholders; and

(d) the Manager may borrow up to 10% of the latest available Net Asset Value of a Sub-Fund to meet redemption requests.

Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risks.

Facsimile or Electronic Instructions

Investors should be reminded that if they choose to send the Application Forms, Redemption Forms or Conversion Forms by facsimile or SWIFT (or other electronic means of transmission as agreed with the Processing Agent), they bear their own risk of such Application Forms, Redemption Forms or Conversion Forms not being received. Electronic communications may not be a completely reliable or secure medium of communication due to circumstances or factors beyond the control of the Fund, the Sub-Funds, the Manager, the Trustee, the Processing Agent and their respective agents and delegates, including but not limited to the disruption or failure of electronic equipment or communication networks, delays in transmission and the vulnerability of hardware, software or operating systems. This is notwithstanding the fact that a transmission report (or equivalent) produced by the originator of such transmission discloses that such transmission was sent.

Investors should therefore for their own benefit confirm with the Manager, the Trustee or the Processing Agent safe receipt of an Application Form, Redemption Form or Conversion Form. The Fund, the Sub-Funds, the Manager, the Trustee, the Processing Agent and their respective agents and delegates are not required to act upon instructions sent by facsimile or SWIFT (or other electronic means of transmission as agreed with the Processing Agent) if in their opinion (which shall be conclusive and binding on the Unitholder), such instructions are unclear and/or ambiguous. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee, the Processing Agent and their respective agents and delegates accept no responsibility for any loss caused as a result of the non-authenticity, non-receipt or illegibility of any Application Form, Redemption Form or Conversion Form sent by facsimile or SWIFT (or other electronic means of transmission as agreed with the Processing Agent), or for any loss caused in respect of any action taken or not taken as a consequence of such instructions believed in good faith to have originated from properly authorised persons sent via such means.

Forfeiture of Unclaimed Proceeds or Distributions

If any redemption proceed or distribution remains unclaimed six years after the relevant Redemption Day or distribution date, as the case may be, (a) the Unitholder and any person claiming through, under or in trust for the Unitholder will forfeit any right to the proceed or distribution; and (b) the amount of the proceed or distribution will become part of the relevant Sub-Fund unless such Sub-Fund shall have been terminated in which case such amount shall be paid into a court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Any unclaimed proceeds or other cash held by the Trustee in the event of a termination of a Sub-Fund may at the expiration of twelve months from the date upon which the same were payable, be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Market Timing

The Manager does not authorise practices connected to market timing and it reserves the right to reject any applications for subscriptions or switching of Units from a Unitholder which it suspects to use such practices and take, as the case may be, the necessary measures to protect the Unitholders of the Sub-Funds.

Market timing is to be understood as an arbitrage method through which a Unitholder systematically subscribes, redeems or switches Units within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the Net Asset Value of the concerned Sub-Funds.

Certification for Compliance with FATCA or Other Applicable Laws

Each investor (i) will be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund or the relevant Sub-Fund receives payments and/or (B) to satisfy reporting or other obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any agreement with any tax or fiscal authority, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

Power to Disclose Information to Tax Authorities

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the IRS), certain information in relation to a Unitholder, including but not limited to the Unitholder’s name, address, taxpayer identification number (if any) and certain information relating to the Unitholder's holdings, to enable the Fund or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, or regulation relating to FATCA).

Personal Data

Pursuant to the provisions of the Personal Data (Privacy) Ordinance, as amended from time to time (Chapter 468 of the Laws of Hong Kong, “**PDPO**”), the Trustee, the Manager, or any of their respective delegates (each a “**Data User**”) may collect, hold, use personal data of individual investors in the Fund and the Sub-Funds only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

Removal of the Fund to Another Jurisdiction

The Trustee may, in accordance with the provisions of the Trust Deed and without the consent of the Unitholders, remove the Fund from the jurisdiction of Hong Kong to the jurisdiction of some other country or place if it shall appear to the Trustee beneficial to the Fund and in the interests of the Unitholders to do so. In such circumstance, the forum for the administration of the Fund shall be the courts of that country or place and the laws of the country or place shall be the forum for the administration of the Fund.

Documents Available for Inspection

Copies of the following documents are available for inspection during normal working hours at the offices of the Manager free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee:-

(a) the Trust Deed, and any supplemental deeds;

(b) all material contracts (including those as specified in the relevant Appendix (if any)); and

(c) the latest annual reports and audited accounts and unaudited semi-annual accounts (if any) of the Fund and the Sub-Funds.

APPENDIX 1 – INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Income Partners Managed Volatility High Yield Bond Fund ("**Sub-Fund**"), a sub-fund of the Fund.*

PRINCIPAL TERMS

DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

"Amortisation Period"	the first 5 Accounting Periods from the close of the initial offer period of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine.
"Base Currency"	RMB
"Business Day"	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise.
"Class"	The Sub-Fund currently offers Class 2A USD (Distribution) Units, Class 2A USD (Accumulation) Units, Class 2B RMB (Distribution) Units, Class 2B RMB (Accumulation) Units, Class 2C USD (Distribution) Units, Class 2D HKD (Distribution) Units, Class 2D HKD (Accumulation) Units, Class 2E AUD (Distribution) Units, Class 2E AUD (Accumulation) Units, Class 2F AUD-Hedged (Distribution) Units, Class 2F AUD-Hedged (Accumulation) Units, Class 2G USD-Hedged (Distribution) Units, Class 2G USD-Hedged (Accumulation) Units, Class 2H SGD (Distribution) Units, Class 2H (Accumulation) Units, Class 2I SGD-Hedged (Distribution) Units, Class 2I SGD-Hedged (Accumulation) Units, Class 2J EUR (Distribution) Units, Class 2J EUR (Accumulation) Units, Class 2K EUR-Hedged (Distribution) Units, Class 2K EUR-Hedged (Accumulation) Units, Class 2L HKD-Hedged (Distribution) Units and Class 2L HKD-Hedged (Accumulation) Units (collectively the "**Class 2 Units**"). The Sub-Fund has obtained approval from the China Securities Regulatory Commission for certain Classes of Units to be offered to Mainland China investors under the Mainland-Hong Kong Mutual Recognition of Funds arrangement. Please note that separate Class 2X RMB (USD Exposure) Units, Class 2XA USD Units, Class 2XB RMB Units and Class 2XG USD-Hedged Units (both Distribution and Accumulation Units) will only be available to investors in Mainland China subscribing pursuant to the Mainland-Hong Kong Mutual Recognition of Funds arrangement.

Specific details relating to Class 2X RMB (USD Exposure) Units, Class 2XA USD Units, Class 2XB RMB Units and Class 2XG USD-Hedged Units (both Distribution and Accumulation Units) will be set out in a separate document for such Mainland China investors.

"Class Currency"

Class 2A USD (Distribution) Units	USD
Class 2A USD (Accumulation) Units	USD
Class 2B RMB (Distribution) Units	RMB
Class 2B RMB (Accumulation) Units	RMB
Class 2C USD (Distribution) Units	USD
Class 2D HKD (Distribution) Units	HKD
Class 2D HKD (Accumulation) Units	HKD
Class 2E AUD (Distribution) Units	AUD
Class 2E AUD (Accumulation) Units	AUD
Class 2F AUD-Hedged (Distribution) Units	AUD
Class 2F AUD-Hedged (Accumulation) Units	AUD
Class 2G USD-Hedged (Distribution) Units	USD
Class 2G USD-Hedged (Accumulation) Units	USD
Class 2H SGD (Distribution) Units	SGD
Class 2H SGD (Accumulation) Units	SGD
Class 2I SGD-Hedged (Distribution) Units	SGD
Class 2I SGD-Hedged (Accumulation) Units	SGD
Class 2J EUR (Distribution) Units	EUR
Class 2J EUR (Accumulation) Units	EUR
Class 2K EUR-Hedged (Distribution) Units	EUR
Class 2K EUR-Hedged (Accumulation) Units	EUR
Class 2L HKD-Hedged (Distribution) Units	HKD
Class 2L HKD-Hedged (Accumulation) Units	HKD

"Initial Offer Period" The initial offer period for Class 2X RMB (USD Exposure) Units, Class 2XA USD Units, Class 2XB RMB Units and Class 2XG USD-Hedged Units (both Distribution and Accumulation Units), which will only be available to investors in Mainland China subscribing pursuant to the Mainland-Hong Kong Mutual Recognition of Funds arrangement, will be set out in a separate document for such Mainland China investors.

"Payment Period"	5:00 p.m. (Hong Kong time) on the third Business Day following the relevant Subscription Day or such other period as the Manager with the approval of the Trustee may determine, either generally or in respect of a particular Class or Classes of Units, within which payment for Units issued for cash for such Units is due.
"Redemption Day"	each Business Day or such other day or days as the Manager may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund.
"Redemption Deadline"	5:00 p.m. (Hong Kong time) on the relevant Redemption Day by which a redemption request in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
"Sub-Fund"	Income Partners Managed Volatility High Yield Bond Fund
"Subscription Day"	each Business Day or such other day or days as the Manager may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund.
"Subscription Deadline"	5:00 p.m. (Hong Kong time) on the relevant Subscription Day by which an application for subscription in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold.
"Valuation Day"	each Business Day on which the Net Asset Value of the Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit of the Sub-Fund falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Class of Units.

INVESTMENT CONSIDERATIONS

Investment Objective	The Sub-Fund's investment objective is to maximize total investment returns, comprising capital appreciation and interest income by investing in high yield debt instruments that are below investment grade or unrated.

Investment Policies	In order to achieve its investment objectives, the Sub-Fund will invest primarily (that is, at least two-thirds of the Net Asset Value of the Sub-Fund) in high yield debt instruments, which are below investment grade or unrated. However, during exceptional circumstances (e.g. market crash or major crisis) or adverse market conditions, the Sub-Fund may be invested temporarily up to 100% of its Net Asset Value in investment grade bonds, short-term money market instruments, cash and/or cash equivalents. The debt securities may be non-investment grade securities and/or unrated bonds issued by corporates or sovereigns. "Non-investment grade" refers to a rating of below BBB- by Standard and Poor's or below Baa3 by Moody's or below BBB- by Fitch Ratings or equivalent ratings by other internationally recognized rating agencies (in the case where the credit rating is designated by an internationally recognised credit agency), or rated BB+ or below (in the case where the credit rating is designated or assigned by a Mainland China credit rating agency). "Unrated bond" refers to a bond where neither the bond itself nor its issuer has a credit rating. The Sub-Fund however, will not invest more than 10% of its Net Asset Value in debt securities issued and/or guaranteed by any single sovereign issuer which is below investment grade. The Sub-Fund may invest at least 40% of its Net Asset Value in debt instruments issued by or fully guaranteed by (i) governments and/or government-related entities in the PRC, and/or (ii) listed or unlisted corporations in any jurisdiction which are domiciled in or derive substantial revenue from or have significant business economic/operational activities in the PRC. The Sub-Fund's portfolio may also include instruments from issuers unrelated to the PRC. It is intended that the portfolio of the Sub-Fund will maintain a high level of diversity across industries and issuers. Optimal credit selection will be based on the Manager's in-depth knowledge and experience in the PRC related credit market and supported by comprehensive in-house credit research and relative value analysis. Where the Manager considers appropriate, the Sub-Fund will invest not more than 10% of its Net Asset Value in each of (i) debt securities traded on the China interbank bond market and/or through the Hong Kong and Mainland China bond connect scheme ("**Bond Connect Scheme**"), and (ii) urban investment bonds (i.e. debt instruments issued by local government financing vehicles ("**LGFVs**") and traded in the Mainland China listed bond market and China interbank bond market). These LGFVs are separate legal entities established by local governments and /or their affiliates to raise financing for public welfare investment or infrastructure projects. For the avoidance of doubt, the Sub-Fund will not in aggregate invest more than 20% of its Net Asset Value in the onshore Mainland China market. The Sub-Fund seeks to deliver high yield returns with a reduced level of volatility compared against the broader high yield market, through an actively managed portfolio. The Manager uses both quantitative and qualitative measures to manage the volatility of the Sub-Fund, with the aim of operating the portfolio as a whole below the Manager's target volatility. Volatility is a key and material metric in the overall construction of the portfolio of the Sub-Fund.

On a quantitative basis, the Manager closely monitors the volatility of each individual bond in the Sub-Fund's portfolio on day-to-day basis. In addition, the Manager strives to ensure that the weighted average volatility of the Sub-Fund's portfolio as a whole does not exceed its pre-set annualized volatility target for the Sub-Fund, by actively adjusting the weighting of each bond based on the Manager's credit views. For example, if the Sub-Fund's volatility rises to a level that is close to the volatility target, the Manager may sell certain higher volatility bonds and purchase lower volatility bonds to control the volatility of the portfolio as a whole.

In general, bonds with less credit risk tend to have lower volatility. The qualitative measures employed by the Manager to control the portfolio's volatility includes conducting bottom-up credit selection, and a preference for selecting issuers with stable or improving credit quality. Accordingly, the Manager is of the view that it has better control of the default risk of each individual bond, and better able to manage volatility.

Under normal market conditions, the Sub-Fund may invest up to 30% of its Net Asset Value in money market instruments, cash and/or bank deposits to manage liquidity and to diversify portfolio risk.

As mentioned above, during exceptional circumstances or adverse market conditions, the Sub-Fund may invest up to 100% of its Net Asset Value in investment grade bonds and/or cash. To the extent the investment is in investment grade bonds, the Manager will use the same methodology of preferring bonds with a lower volatility within the investment grade debt securities.

In order to ensure the Sub-Fund achieves its aim of managing volatility, the Manager conducts periodic benchmark checks against certain index and peer funds managed by other managers which in the Manager's view, are comparable to that of the Sub-Fund ("**Benchmark Indices**"). Such Benchmark Indices used for comparison purposes are those that have publicly verifiable performance disclosures and are sold to the retail public. In making its selection of Benchmark Indices, the Manager considers whether such index or fund primarily invests in high-yielding bonds and whether the constituents in the index has a similar geographical focus as that of the Sub-Fund.

The debt securities in which the Sub-Fund may invest shall include, but are not limited to, bonds and other high yield debt securities as the Manager deems appropriate. The Sub-Fund may also invest not more than 30% of its Net Asset Value in RMB-denominated bonds and deposits issued outside Mainland China and not more than 10% of its NAV in contingent convertible bonds. Other than contingent convertible bonds, the Sub-Fund will not invest in any other instruments with loss absorption features. As the base currency of the Sub-Fund is RMB, the Manager may from time to time fully or partially hedge the non-RMB investments into RMB.

The Sub-Fund may also invest not more than 10% of its Net Asset Value in asset-backed securities and investment funds.

Investment and Borrowing Restrictions

The Sub-Fund is subject to the applicable investment and borrowing restrictions described in the "***Investment Restrictions***" section in the main part of the Explanatory Memorandum.

Securities Lending and Repurchase / Reverse Repurchase Agreements

Currently, the Sub-Fund has no intention to enter into repurchase agreements ("**repo**") or reverse-repo transactions or engage in securities lending transactions, or invest in structured deposits or structured products.

Use of Derivatives

The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

INVESTING IN THE FUND AND REDEMPTION OF UNITS

Class of Units

	Offer Price / Initial Offer Price	Minimum Initial Subscription Amount	Minimum Subsequent Subscription Amount	Minimum Redemption Amount	Minimum Holding Amount
Class 2A USD (Distribution) Units	Current Net Asset Value	USD1,000	USD1,000	USD2,000	USD2,000
Class 2A USD (Accumulation) Units	Current Net Asset Value	USD1,000	USD1,000	USD2,000	USD2,000
Class 2B RMB (Distribution) Units	Current Net Asset Value	RMB10,000	RMB10,000	RMB10,000	RMB10,000
Class 2B RMB (Accumulation) Units	Current Net Asset Value	RMB10,000	RMB10,000	RMB10,000	RMB10,000
Class 2C USD (Distribution) Units	Current Net Asset Value	USD1,000	USD1,000	USD2,000	USD2,000
Class 2D HKD (Distribution) Units	Current Net Asset Value	HKD10,000	HKD10,000	HKD10,000	HKD10,000
Class 2D HKD (Accumulation) Units	Current Net Asset Value	HKD10,000	HKD10,000	HKD10,000	HKD10,000
Class 2E AUD (Distribution) Units	Current Net Asset Value	AUD1,000	AUD1,000	AUD10,000	AUD100,000
Class 2E AUD (Accumulation) Units	Current Net Asset Value	AUD1,000	AUD1,000	AUD10,000	AUD100,000
Class 2F AUD-Hedged (Distribution) Units	Current Net Asset Value	AUD1,000	AUD1,000	AUD10,000	AUD100,000
Class 2F AUD-Hedged (Accumulation) Units	Current Net Asset Value	AUD1,000	AUD1,000	AUD10,000	AUD100,000
Class 2G USD-Hedged (Distribution) Units	Current Net Asset Value	USD1,000	USD1,000	USD2,000	USD2,000
Class 2G USD-Hedged (Accumulation) Units	Current Net Asset Value	USD1,000	USD1,000	USD2,000	USD2,000

Class 2H SGD (Distribution) Units	SGD100	SGD1,000	SGD1,000	SGD1,000	SGD1,000
Class 2H SGD (Accumulation) Units	SGD100	SGD1,000	SGD1,000	SGD1,000	SGD1,000
Class 2I SGD- Hedged (Distribution) Units	Current Net Asset Value	SGD1,000	SGD1,000	SGD1,000	SGD1,000
Class 2I SGD-Hedged (Accumulation) Units	Current Net Asset Value	SGD1,000	SGD1,000	SGD1,000	SGD1,000
Class 2J EUR (Distribution) Units	EUR100	EUR1,000	EUR1,000	EUR1,000	EUR1,000
Class 2J EUR (Accumulation) Units	EUR100	EUR1,000	EUR1,000	EUR1,000	EUR1,000
Class 2K EUR-Hedged (Distribution) Units	Current Net Asset Value	EUR1,000	EUR1,000	EUR1,000	EUR1,000
Class 2K EUR-Hedged (Accumulation) Units	Current Net Asset Value	EUR1,000	EUR1,000	EUR1,000	EUR1,000
Class 2L HKD-Hedged (Distribution) Units	Current Net Asset Value	HKD10,000	HKD10,000	HKD10,000	HKD10,000
Class 2L HKD-Hedged (Accumulation) Units	Current Net Asset Value	HKD10,000	HKD10,000	HKD10,000	HKD10,000

Classes of Units are available for subscription at the relevant Net Asset Value per Unit as at each Subscription Day.

Payment for Units of a Class should be made in the Class Currency of such Class and the Subscription Charge (if any) must be received on or prior to the end of the Payment Period of such Subscription Day in relation to which Units are to be issued. The Manager has the discretion to accept application moneys received after the Payment Period provided they are received no later than 5 Business Days after the relevant Subscription Day or such other days as may be from time to time determined by the Manager with the prior approval of the Trustee and upon giving notice to the Unitholders.

For the avoidance of doubt, payment of application moneys in kind will only be accepted by the Manager in its sole discretion and only in compliance with the terms of the Trust Deed and the Explanatory Memorandum.

Redemption proceeds will normally be paid in the Class Currency of the relevant Class of Units. Redemption proceeds may be paid in a currency other than the relevant Base Currency or Class Currency if so requested by the relevant redeeming Unitholders and agreed by the Manager.

Specific details relating to Class 2X RMB (USD Exposure) Units, Class 2XA USD Units, Class 2XB RMB Units and Class 2XG USD-Hedged Units (both Distribution and Accumulation Units), which will only be available to investors in Mainland China subscribing pursuant to the Mainland-Hong Kong Mutual Recognition of Funds arrangement, will be set out in a separate document for such Mainland China investors.

CONVERSION

Unless the Manager otherwise agrees, Unitholders shall not be entitled to convert all or part of their Units of a Class of the Sub-Fund into Units of another Class in the Sub-Fund or (where the Fund offers more than one sub-fund) into Units of another sub-fund of the Fund available for subscription or conversion. Notwithstanding the aforesaid, for so long as the Sub-Fund is authorised by the SFC pursuant to section 104 of the SFO, a class of Units which is offered to the public in Hong Kong can only be converted into Units of another class of Units which is offered to the public in Hong Kong of the Sub-Fund or of another sub-fund which is authorised by the SFC pursuant to section 104 of the SFO.

DISTRIBUTION POLICY

No distribution is intended to be made in respect of the Accumulation Class of Units noted above.

In respect of Class 2A USD (Distribution) Units, Class 2B RMB (Distribution) Units, Class 2D HKD (Distribution) Units, Class 2E AUD (Distribution) Units, Class 2F AUD-Hedged (Distribution) Units, Class 2G USD-Hedged (Distribution) Units, Class 2H SGD (Distribution) Units, Class 2I SGD-Hedged (Distribution) Units, Class 2J EUR (Distribution) Units, Class 2K EUR-Hedged (Distribution) Units, and Class 2L HKD-Hedged (Distribution) Units, the Manager intends to distribute income or capital attributable to the Distribution Classes monthly on such date as may be determined by the Manager, or such other time or frequency as the Manager considers appropriate.

In respect of Class 2C (USD) (Distribution) Units, the Manager makes non-discretionary monthly distributions at a fixed percentage of 7% per annum. The 7% annualized yield is calculated as follows: (total dividend paid or to be paid over the current calendar year / last available Net Asset Value in the prior calendar year) x 100%. **A positive dividend yield does not imply positive return.**

With respect to all Distribution Class of Units, in the event that the income generated from the Sub-Fund's investments attributable to the relevant Distribution Classes during the relevant period is insufficient to pay distributions as declared, the Manager may in its discretion determine such distributions be paid from capital. The Manager may also, at its discretion, pay distributions out of gross income, while paying all or part of the fees and expenses out of the capital of the Sub-Fund, resulting in an increase in distributable income for payment of distributions by the Sub-Fund. Therefore, the Sub-Fund may effectively pay dividends out of capital. The Sub-Fund or the Manager may amend the Sub-Fund's policy with respect to the matters set out in this paragraph subject to the SFC's prior approval and by giving not less than one month's prior notice to all of Investors in the Sub-Fund.

Payment of dividends or other distributions out of capital by the Sub-Fund amounts to a return or withdrawal of part of an Investor's original investment in the Sub-Fund or from any capital gains attributable to that original investment.

Any distributions involving payment of dividends out of the Sub-Fund's capital or payment of dividends effectively out of the Sub-Fund's capital (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit.

The compositions of the dividends or other distributions of the Sub-Fund (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the preceding twelve months, where available, ("Dividend Composition Information") are available from the Manager on request and also on the Manager's website www.incomepartners.com.

No distributions have been made in respect of the Accumulation Class of Units noted above.

Please refer to the section headed "**Distribution Policy**" and the risk factor headed "**Distributions risk**" in the main part of the Explanatory Memorandum for further details.

SPECIFIC RISK FACTORS

Investors should also take note of the relevant risks mentioned in the "*Risk Factors*" section in the Explanatory Memorandum which are applicable to the Sub-Fund. In addition, investors should also take note of the following risks associated with investment in the Sub-Fund.

Investment Risk	The investments held by the Sub-Fund may fall in value due to any of the risk factors and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.
Concentration risk	This Sub-Fund focuses its investments on debt instruments issued by or fully guaranteed by governments, government-related entities, or companies in the PRC, and involves concentration risks. Consequently, this Sub-Fund is particularly dependent on the development of the PRC and individual or interdependent markets in the PRC, and of governments and companies based on/or operating in the PRC. The Net Asset Value of the Sub-Fund may be more volatile than a diversified fund.
Managed volatility strategy risk	The managed volatility strategy may not achieve the desired results under all circumstances and market conditions. While the Manager will endeavour to manage the Sub-Fund such that it does not exceed its pre-determined annualized volatility target, there is no guarantee that such targets can be reached in all market conditions. Investors should note that managed volatility does not necessarily mean lower risk and the Sub-Fund may still suffer losses.
Investment in Mainland China	Investing in the Mainland China market is subject to the risks of investing in emerging markets generally and the risks specific to the Mainland China market. Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the economy of Mainland China, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. The value of the Sub-Fund's assets may be affected by uncertainties or changes in government policies, promulgation of foreign currency and monetary policies and tax regulations. Such measures may have associated impact on the economy of Mainland China. The Chinese government's regulatory and legal framework for capital markets and debt instruments is still developing. Mainland Chinese accounting standards and practices may deviate significantly from international accounting standards. The settlement and clearing systems of the securities markets in Mainland China may not be well tested and may be subject to increased risk of errors or inefficiency. Investors should also be aware that changes in Mainland China taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the Sub-Fund. Laws governing taxation will continue to change and may contain conflicts and ambiguities.
Foreign exchange control risk	The Renminbi is not currently a freely convertible currency and is subject to exchange control and repatriation restrictions imposed by the Chinese government. Such control of currency conversion and movements in the Renminbi exchange rates may adversely affect the

operations and financial results of companies in the Mainland China and may subject the Sub-Fund to higher transaction costs associated with currency conversion.

RMB exchange risk

Since 2005, the exchange rate of the Renminbi is no longer pegged to the US dollar. The Renminbi has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the Renminbi against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for Renminbi against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. It should be noted that the Renminbi is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The possibility that the appreciation of Renminbi will be accelerated cannot be excluded. On the other hand, there can be no assurance that the Renminbi will not be subject to devaluation. Any devaluation of the Renminbi could adversely affect the value of investors' investments in the Sub-Fund. Investors whose base currency is not the Renminbi may be adversely affected by changes in the exchange rates of the Renminbi. Further, the PRC government's imposition of restrictions on the repatriation of Renminbi out of Mainland China may limit the depth of the Renminbi market in Hong Kong and reduce the liquidity of the relevant Sub-Fund. The Chinese government's policies on exchange control and repatriation restrictions are subject to change, and the Sub-Fund's or the investors' position may be adversely affected.

Mainland China tax consideration

- Renminbi Instruments issued outside Mainland China by non-Mainland China tax resident enterprises

Income (including interest income and capital gains) derived from the Sub-Fund's investments in RMB denominated fixed income instruments issued by non-Mainland China tax resident enterprises outside of Mainland China should not be subject to Mainland China taxes, unless the Sub-Fund is considered as a tax resident enterprise of Mainland China.

- Renminbi Instruments issued offshore by Mainland China tax resident enterprises

By investing in Renminbi Instruments issued offshore by Mainland China tax resident enterprise, the Sub-Fund may be subject to withholding and other taxes imposed in Mainland China.

Corporate Income Tax ("**CIT**"):

If the Sub-Fund is considered as a tax resident enterprise of Mainland China, it will be subject to Mainland China CIT at 25% on its worldwide taxable income. If the Sub-Fund is considered as a non-tax resident enterprise with an establishment or place of business ("**PE**") in Mainland China, Mainland China sourced profits attributable to that PE would be subject to CIT at 25%.

Under the PRC CIT Law effective from 1 January 2008, a foreign enterprise without a PE in Mainland China will generally be subject to a Withholding Income Tax ("**WIT**") at the current rate of 10% on its Mainland China sourced income, including but not limited to passive income (e.g. interest, gains arising from transfer of assets etc.). The WIT rate may be reduced or waived by (a) relevant double tax agreements/arrangements, if applicable, subject to the equity holding ratio and the tax residency status of the relevant holding company, whether it is the beneficial owner of the income in the case of interest or dividend income; and (b) specific relief, if any, announced by the relevant authorities.

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not tax resident enterprises and have no permanent establishment in Mainland China for Mainland China CIT purposes, although this cannot be guaranteed.

Interests

- Unless a specific exemption is applicable, for recipients that are treated as non-Mainland China tax residents in Mainland China under the CIT Law (such as the Sub-Fund), WIT is levied on the payment of interests on debt instruments, including bonds issued by enterprises established within Mainland China. The general rate applicable is 10% (for non-residents) and the entity distributing such interest is required to withhold such WIT for the non-Mainland China tax resident recipient.

- Interests derived from PRC government bonds issued by the Ministry of Finance ("**MOF**"), or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council are exempt from Mainland China WIT under the CIT law.

Capital gains

- Under the current Mainland China tax law, there are no specific rules or regulations governing taxes on capital gains derived by non-residents from the trading of debt securities and instruments issued by Mainland China tax residents. In the absence of such specific rules, the Mainland China CIT treatment should be governed by the general tax provisions of the PRC CIT Law. Under the CIT Law, a non-Mainland China tax resident (which does not have a PE in the Mainland China; or if there is a PE in the Mainland China but the income derived is not connected to such a PE), should only be subject to Mainland China WIT to the extent that the income is sourced from Mainland China. According to the Detailed Implementation Rule ("DIR") of the PRC CIT Law, the source of income from the transfer of properties should be determined according to the following principles:
  - If the property concerned is an immovable property, the source shall be determined according to the location where the immovable property is situated;
  - If the property concerned is an equity investment, the source shall be determined according to the location of the investee

enterprise whose shares are being transferred;

- If the property concerned is a movable property, the source shall be determined according to the location of the transferor.

- Mainland China debt securities should not be considered as immovable properties or equity investment. However, the CIT Law and its DIR did not specify whether Mainland China debt securities should be treated as movable properties for WIT purpose.

Based on the current interpretation of the State Taxation Administration ("**SAT**") and the local tax authorities, debt securities can be regarded as movable property, and thus gains derived by a non-resident from disposal of debt securities in Mainland China should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT.

Value Added Tax ("**VAT**") and other surtaxes:

In Mainland China, Business Tax was completely replaced by VAT starting from May 1, 2016.

Interest

- Interest income received by the Sub-Fund from investments in RMB denominated debt instruments issued by Mainland China tax resident enterprises shall be subject to 6% VAT unless special exemption applies.

- According to Circular Caishui [2016] 36 ("Circular 36"), interest income received from investment in non-government bonds is subject to Mainland China Value-Added Tax ("VAT") at 6% from 1 May 2016 onwards. In addition, based on Circular 36 and Caishui [2016] No. 46, deposit interest income is not subject to VAT and interest income earned on government bonds or local government bonds is exempted from VAT.

Capital gain

- Based on Circular 36, VAT should be levied 6% on the difference between the selling and purchase prices in trading of onshore marketable securities unless separate exemption applies. Where capital gains are derived from transfer of offshore RMB denominated debt instruments, VAT in general is not imposed as the purchase and disposal are often concluded and completed outside Mainland China.

- According to Circular 36 and Caishui [2016] No. 70 ("Circular 70"), QFIIs and RQFIIs are exempted from VAT on gains derived from trading of securities (including debt and fixed income instruments) in Mainland China.

- If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would also be charged at an amount as high as 12% of the VAT payable.

General:

- Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in Mainland China will be changed with retrospective effect in the future and any such change may have an adverse effect on the asset value of the Sub-Fund. Moreover, there is no assurance that tax incentives currently offered to offshore companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in Mainland China which the Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

- Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Tax Provision:

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment, and having taken and considered independent professional tax advice, the Manager considers that currently, the possibility of the Sub-Fund being liable for potential Mainland China WIT is remote. On this basis, the Manager currently does not intend to make any provisions from the Sub-Fund's asset for any potential Mainland China WIT payable by the Sub-Fund. The Manager will make provision of VAT and other surtaxes on interest income derived from non-government bonds. If the PRC State Administration of Taxation eventually levies WIT on capital gains derived from trading of Renminbi Instruments, the Net Asset Value of the Sub-Fund will be adversely affected as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the additional tax liabilities will impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. Even if provisions are made, the amount of such provisions may not be sufficient to meet the actual tax liabilities. With the uncertainties under the applicable Mainland China tax laws and the possibility of such laws being changed and taxes being applied retrospectively, any provision for taxation made by the Manager may be excessive or inadequate to meet actual Mainland China tax liabilities on gains derived from investments held by the Sub-Fund. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how such capital gains will be taxed, the level of provision and when they subscribed and/or redeemed their Units in/from the Sub-Fund. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund's assets, the Sub-Fund's asset value will be adversely affected.

Risks associated with exposure to RMB currency

RMB is currently not freely convertible and is subject to exchange controls and restrictions. Such control of currency conversion and movements in the RMB exchange rates may adversely affect the operations and financial results of companies in Mainland China and may subject the Sub-Fund to higher transaction costs associated with currency conversion which in turn will have impact on the net asset value of the Sub-Fund.

Non-RMB investors are exposed to foreign exchange risk and there is no guarantee that the value of the RMB against the investor's Class Currency (for example USD) will not depreciate. Any devaluation/depreciation of RMB could adversely affect the value of the investor's investment in the Sub-Fund. When calculating the value of non-RMB investments, the Manager will normally apply the exchange rate for offshore RMB market in Hong Kong ("**CNH**"). Although CNH and onshore RMB ("**CNY**") are the same currency, they trade at different rates. The CNH rate may be at a premium or discount to the exchange rate for CNY and there may be significant bid and offer spreads. The value of the Sub-Fund thus calculated will be subject to fluctuation. If investors convert other currencies into RMB so as to invest in the RMB Classes of Units and subsequently convert the RMB redemption proceeds back into other currencies, they may suffer a loss if RMB depreciates against such other currencies.

Under exception circumstances, payment of redemption and/or dividend payments in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Credit risk of issuers / counterparties

Investment in certain high yielding fixed income securities or instruments is subject to the counterparty risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest.

Investors should also note the limitations of credit ratings set out under the risk factors headed "***Credit rating downgrading risk***" in the main part of the Explanatory Memorandum.

In the event of a default or credit rating downgrading of the issuers, the Sub-Fund may be subject to additional risks relating to below investment grade securities and its value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in liquidating its position or enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to laws of other jurisdictions.

Certain high yielding fixed income securities or instruments that the Sub-Fund invests in may be offered on an unsecured basis without collateral, and such instruments will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of the relevant instrument only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor and may suffer a total loss on the securities if the counterparties default.

Counterparty and settlement risk

Investment in certain high yielding fixed income securities or instruments will expose the Sub-Fund to counterparty default risks. Exchange traded instruments may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system. On the other hand, the degree of counterparty risk may be higher in the over-the-counter (OTC) market, where deals are negotiated between two counterparties through a trading system. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Liquidity risk

Certain high yielding fixed income securities or instruments in which the Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if such instruments 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 Sub-Fund may need to hold the relevant instrument until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such securities or instruments.

The price at which certain high yielding fixed income securities or instruments are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spread of the price of certain instruments in which the Sub-Fund invests may be large, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments.

"Dim sum" bond market risk

The "Dim Sum" bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the net asset value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the CNH market by the relevant regulator(s).

Bond Connect Scheme & China interbank bond market

The Sub-Fund is approved to trade in the China Interbank bond market via the Bond Connect Scheme. The China interbank bond market is not freely available to offshore investors. Market volatility and potential lack of liquidity due to low trading volume through the Bond Connect Scheme may result in prices of certain debt securities traded on such a market to fluctuate significantly.

The Sub-Fund's investment into such a market is therefore subject to liquidity and volatility risks and the Sub-Fund may suffer losses in trading "onshore China" bonds. In particular, the bid and offer spreads of the prices of "onshore China" bonds may be large, and the Sub-Fund may therefore incur significant trading and realisation costs when selling such investments.

To the extent that the Sub-Fund transacts in the China interbank bond market in Mainland China (whether or not via the Bond Connect Scheme), the Sub-Fund may also be exposed to risks associated with settlement, clearing procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

The Bond Connect Scheme and the China interbank bond market is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant PRC authorities suspend account opening or trading on the China interbank bond market, the Sub-Fund's ability to invest in the China interbank bond market will be adversely affected and limited. In addition, there are risks and uncertainties associated with current China tax laws, regulations and practice in respect of investing in the China interbank bond market (whether or not via Bond Connect) on the Sub-Fund's investments in China (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Net Asset Value of the Sub-Fund.

Urban investment bond risk

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

Contingent Convertibles

Contingent convertible bonds are risky and highly complex instruments, which are a type of debt security that may be converted into equity or could be forced to suffer a write down of principal upon the occurrence of a predetermined event ("the trigger event"). The trigger event is ordinarily linked to the financial position of the issuer (including but not limited to the capital ratio of the issuer falling below a certain level or the share price of the issuer falling to a particular level for a certain period of time) and therefore the conversion is likely to occur as a result of a deterioration of the relative capital strength of the underlying. It might be difficult at times for the Manager to assess how the contingent convertible bonds will behave upon conversion. Consequentially, there is a likelihood that the conversion to equity would occur at a share price, which is lower than when the bond was issued or purchased, or in some cases, even at zero. In the case of a principal write down contingent convertible bond, it is possible that the holder could take a write down before equity holders, which is contrary to the typical capital structure hierarchy. In stressed market conditions, the liquidity profile of the issuer can deteriorate significantly and it may be difficult to find a ready buyer which means that a significant discount may be required in order to sell it. Furthermore, coupon payments may be discretionary and can be cancelled at any time, for any reason. Contingent convertible debt securities may be perpetual instruments which may not be called on the predefined call date and investors may not receive return of principal on the call date or at any date. As a result, investment in contingent convertible bonds can carry higher risk than investment in traditional debt instruments/ convertibles and in certain cases equities; the volatility and risk of loss can be significant.

Risk of limited availability of financial derivative

The availability of currency swaps, forward contracts, futures and other financial derivative instruments for hedging certain high yielding fixed income securities or instruments exposure may be limited. This is

instruments for hedging	expected to limit the Sub-Fund's ability to hedge such exposure, and this may adversely affect the Sub-Fund's return and performance.
Sovereign / government debt risk	The Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign/government issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign/government debt issuers.
Asset-backed securities risk	Asset-backed securities, where principal is paid back over the life of the security, may see their maturity shortened or extended as interest rate levels change. A shortened maturity may mean a loss of anticipated interest and may result in a substantial loss to a Sub-Fund. An extended maturity may cause prices to be more sensitive to interest rate changes and may adversely affect the relevant Sub-Fund. Asset-backed securities may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compare to other debt securities. They are often exposed to risk that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.
Risks associated with swaps, futures and forwards	The Sub-Fund may enter into swap and/or futures agreements with respect to interest rates and currency forward and futures agreements with respect to the Sub-Fund's intended RMB exposure. The Sub-Fund may use these techniques to hedge against changes in interest rates, exposures in RMB or as part of its overall investment strategies. Whether the Sub-Fund's use of these agreements will be successful will depend on the Manager's ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments.
Risks associated with distribution out of the Sub-Fund's capital	• The Manager may at its discretion, in respect of the Distribution Units, pay distributions out of, or effectively out of, the capital of the Sub-Fund. Investors should note that where the payment of dividends are paid out of capital, this represents and amounts to a return or withdrawal of part of the amount originally invested or capital gains attributable to that, and may result in an immediate decrease in the value of the Units of the relevant Distribution Class and will reduce any capital appreciation for the Unitholders of such Distribution Class. Any such distribution may result in an immediate reduction of the Net Asset Value per Unit. • The distribution amount and the Net Asset Value of the hedged Classes in the Sub-Fund may be adversely affected by differences in the interest rates of the reference currency of the hedged Classes in the Sub-Fund and the Sub-Fund's Base Currency, resulting in an increase in the amount of distribution that is paid out of capital and

hence a greater erosion of capital than other non-hedged Classes in the Sub-Fund.

Additional/Specific Risk Considerations

- The value of investments held by the Sub-Fund in its portfolio may go up or down due to the changing of economic, political or market conditions.
- There is no guarantee that the Sub-Fund's investment objective will be achieved.
- Investors should consider and satisfy themselves as to the risks of investing in the Sub-fund as there is no guarantee of the extent to which the investment objectives will be achieved.
- The Sub-Fund is intended for investors who are looking for long-only exposure to a diversified portfolio of high-yielding fixed income instruments and currencies primarily from the PRC. Accordingly, investors should note that the volatility of the Sub-Fund may result in a loss of the capital that they invested.
- The costs of implementing the Sub-Fund's investment policy may have a significant impact on the performance of the Sub-Fund. Such costs are likely to include, but not to be limited to, manager's fees, administration fees, custody fees, audit fees, transaction fees, derivative fees, brokerage fees, clearing fees and/or other trading costs.
- The existence of uninvested assets in the Sub-Fund (including cash and deferred fees and expenses) may dilute the performance of the Units of the Sub-Fund, compared to what such performance would be if the Sub-Fund was fully invested in fixed income securities.
- The Sub-Fund's portfolio will primarily comprise fixed income securities and instruments from the PRC, the prices of which are affected by a variety of factors, including changes in interest and exchange rates, trading activities, political developments, public opinion and corporate governance of their issuers. These factors may adversely affect the value of the Units of the Sub-Fund. Further, as a result of the costs of implementing the Sub-Fund's investment policy, the Sub-Fund's returns, and the value of the Units of the Sub-Fund, will not correlate precisely with changes in the value of the assets held by the Sub-Fund in any event.

FEES AND EXPENSES

Fees payable by investors:

	Subscription Charge (% of subscription amount)		Redemption Charge (% of redemption amount)		Switching Fee (% of the total amount being converted)	
	Current	Maximum	Current	Maximum	Current	Maximum
Class 2A USD (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2A USD (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%

Class 2B RMB (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2B RMB (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2C USD (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2D HKD (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2D HKD (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2E AUD (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2E AUD (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2F AUD-Hedged (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2F AUD-Hedged (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2G USD-Hedged (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2G USD-Hedged (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2H SGD (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2H SGD (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2I SGD-Hedged (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2I SGD-Hedged (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2J EUR (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2J EUR (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2K EUR-Hedged (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2K EUR-Hedged (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2L HKD-Hedged (Distribution) Units	Up to 5%	5%	Nil	2%	Nil	5%
Class 2L HKD-Hedged (Accumulation) Units	Up to 5%	5%	Nil	2%	Nil	5%

Fees and expenses payable from the assets of the Sub-Fund:

Management Fee	
(based on the % Net Asset Value of the relevant Class per annum) #: *# The Trust Deed provides that the maximum level of Management Fee is 2% per annum*	All Class 2 Units noted above: 1.50%
Trustee Fee## *## The Trust Deed provides that the maximum level of Trustee Fee is 1% per annum.*	0.0075% per annum of the Net Asset Value of the Sub-Fund, subject to a minimum annual fee of USD10,000.
Performance Fee	There is no Performance Fee charged for this Sub-Fund.
Administrator Fee	The Administrator is entitled to an administration fee at 0.1% per annum for the first USD250 million of the Net Asset Value of the Sub-Fund and 0.08% per annum for the remaining balance of the Net Asset Value of the Sub-Fund, subject to a minimum monthly fee of USD6,000. The fee payable to the Administrator will be calculated monthly and will be paid monthly in arrears and is payable out of the assets of the Sub-Fund. The Administrator will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties wholly and exclusively in respect of the Sub-Fund. The Administrator also charges a compliance monitoring fee of 0.01% per annum of the Sub-Fund, subject to a minimum annual fee of USD1,500 and a financial statement preparation fee of USD5,000 per financial statement.
Custodian Fee	The Custodian is entitled to (among others) safekeeping fees at a rate of up to 0.075% per annum of the market value of the Sub-Fund (inclusive of a safekeeping fee charged by the Custodian at a rate of 0.06% per annum of the market value of the Sub-Fund for custody services in respect of the Bond Connect Scheme), subject to a minimum monthly fee of USD2,500. The Custodian is entitled to transaction fees and other service fees at customary market rates. Such fees will be calculated monthly and will be paid monthly in arrears, out of the assets of the Sub-Fund. The Custodian will be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.
Registrar and Processing Agent Fee	The Processing Agent is entitled to, among others, transaction fees and account maintenance fee at customary market rates, payable out of the assets of the Sub-Fund, subject to a minimum monthly fee of USD500. The fee is payable monthly in arrears. The Processing Agent will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket

	expenses incurred in the course of its duties wholly and exclusively in respect of the Sub-Fund.
Establishment Costs and Costs relating to Authorisation of the Fund and Sub-Fund	The establishment costs of the Fund and the Sub-Fund have been fully amortised. In addition, the costs of obtaining and maintaining the SFC's authorisation of the Fund and the Sub-Fund are expected to be approximately USD150,000 and will be borne by all Investors in the Sub-Fund and amortised over the first 5 Accounting Periods from the date of authorisation of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine.
General Expenses	Please refer to the section headed "***General Expenses***" for further details.