

**IMPORTANT - If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice.**



## **EXPLANATORY MEMORANDUM**

### **RAM PUBLIC OFC**

**A Hong Kong open-ended fund company authorised under section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong comprising**

### **RAM INCOME FUND**

### **RAM HONG KONG GOVERNMENT BOND FUND**

This Explanatory Memorandum is dated as of May 2025.

# RAM PUBLIC OFC

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## IMPORTANT INFORMATION

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The SFC takes no responsibility for the contents of this Explanatory Memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Explanatory Memorandum. The Company and the Sub-Fund(s) have each been authorised as a collective investment scheme by the SFC.

### **SFC Authorisation**

The Company and the Sub-Funds to which this Explanatory Memorandum relates are authorised by the SFC in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance. SFC registration and authorisation do not represent a recommendation or endorsement of the Company or any Sub-Fund, nor do they guarantee the commercial merits of the Company or any Sub-Fund or their performance. They do not mean the Company or any Sub-Fund is suitable for all investors nor do they represent an endorsement of its suitability for any particular investor or class of investors.

This Explanatory Memorandum relates to the offer in Hong Kong of Shares in the Company, a public open-ended fund company incorporated in Hong Kong on 25 October 2024 with variable capital with limited liability and segregated liability between Sub-Funds registered and incorporated under Part IVA of the Securities and Futures Ordinance and authorised under section 104 of the Securities and Futures Ordinance. Shares of different classes may be established within a Sub-Fund to accommodate different subscription and/or redemption provisions and/or dividends and/or charges and/or fee arrangements, including different ongoing charges.

The portfolio of Scheme Property maintained for each Sub-Fund is invested in accordance with the investment objective and policies applicable to such Sub-Fund. Details for each Sub-Fund are set out in the Appendix.

The Directors accept full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the product key fact statement of each Sub-Fund (together, the Offering Documents) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading. The Directors confirm that this Explanatory Memorandum includes particulars given in compliance with the UT Code, the Code and the “Overarching Principles” of the Product Handbook for the purposes of giving information with regard to Shares in each Sub-Fund.

### **Reliance on this Explanatory Memorandum and on the Product Key Facts Statement**

Shares in any Sub-Fund described in this Explanatory Memorandum as well as the product key facts statements which form part of the Offering Documents are offered only on the basis of the information contained in those documents and the latest audited annual financial report and any subsequent interim financial report of the relevant Sub-Fund(s).

This Explanatory Memorandum is based on information, law and practice as at the date of this Explanatory Memorandum. The Directors cannot be bound by an out-of-date explanatory memorandum when it has issued a new explanatory memorandum, and the Directors must provide the most recently published explanatory memorandum to investors.

No person has been authorised to give any information or make any representations concerning the Company or any Sub-Fund or in connection with the offering of Shares other than those contained in this Explanatory Memorandum, and, if given or made, such information or representations must not be relied on as having been authorised by the Company. The delivery of this Explanatory Memorandum (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company or any Sub-Fund have not changed since the date of this Explanatory Memorandum.

No action has been taken to permit an offering of Shares in any of the Sub-Fund(s) or the distribution of this Explanatory Memorandum in any jurisdiction other than Hong Kong. This Explanatory Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Distribution of this Explanatory Memorandum shall not be permitted unless it is accompanied by the product key facts statement of the relevant Sub-Fund or Sub-Funds and a copy of the most recent annual report of the relevant Sub-Fund or Sub-Funds and, if later, its most recent interim report (if any).

## **United States**

The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended ("**1933 Act**") or the securities laws of any of the states of the United States. The Shares may not be offered or sold directly or indirectly in the United States or to or for the account or benefit of any US Person. Any re-offer or resale of any of the Shares in the United States or to US Persons may constitute a violation of US law. Each applicant for Shares will be required to certify to the Directors and/or the Manager that it is not a US Person.

The Shares are not open for investment by any US Person. A prospective investor will be required at the time of acquiring Shares to represent that such investor meets any qualification criteria established by the Directors, and is not a US Person or acquiring Shares for or on behalf of a US Person. The prior consent of the Directors is required in respect of each application for Shares and the granting of such consent does not confer on investors a right to acquire Shares in respect of any future or subsequent application. The Manager may, in its sole discretion, redeem Shares of any investor who is a US Person and has not otherwise been approved by the Directors to own Shares.

Where the Manager becomes aware that any Shares are directly or beneficially owned by any person in breach of the above restrictions, the Manager may direct the Shareholder to transfer his/her Shares to a person qualified to own such Shares or to request the Shareholder to redeem Shares, in default of which, the Shareholder shall, on the expiration of such time period as specified from the giving of such notice, be deemed to have given a request in writing for the redemption of the Shares. The Manager may impose such restrictions as it believes necessary to ensure that no Shares are acquired by persons who are not Qualified Holders. See the "**Mandatory Redemption and Compulsory Transfer**" section of this Explanatory Memorandum.

## **Instrument of Incorporation**

The provisions of the Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

The value of the Sub-Fund(s) may fall as well as rise, and investors may not get back the amount invested or any return on an investment. There can be no assurance that any Sub-Fund will achieve its investment objective. Potential investors should not treat the contents of this Explanatory Memorandum (including the product key facts statement) as advice relating to legal, taxation, investment or any matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares. The Directors and/or the Manager make no representation or warranties in respect of suitability.

## **Website**

Investors should note that the websites referred to in this Explanatory Memorandum (including the product key facts statements) have not been reviewed by the SFC. Any information provided in websites may be updated and changed periodically without any notice to any person.

## **Enquiries and Complaints**

Any person who has an enquiry or complaint to make about the operation of the Company or any Sub-Fund may submit his/her complaint directly to the Manager in writing to the Manager's address at Suite 3308, 33/F, Two Exchange Square, 8 Connaught Road Central, Central, Hong Kong, or by calling the Manager on +852 3727 0900 during normal business hours. The Manager will respond to any enquiry or complaint in writing as soon as practicable and within one month under normal circumstances.

**Important - while section 112S of the Securities and Futures Ordinance provides for segregated liability between Sub-Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to section 112S of the Securities and Futures Ordinance.**

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## TERMS USED IN THIS EXPLANATORY MEMORANDUM

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<b>Administrator</b>	the person duly appointed and acting as the administrator of the Company for and on behalf of the relevant Sub-Fund, and as specified in the Appendix in relation to the relevant Sub-Fund of this Explanatory Memorandum.
<b>Appendix</b>	an appendix to this Explanatory Memorandum containing information in respect of the relevant Sub-Fund.
<b>Auditor</b>	the person appointed and acting as auditor of the Company for the time being.
<b>Base Currency</b>	in relation to a Sub-Fund, the currency in which the accounts of the Sub-Fund are to be prepared and as set out in the Appendix.
<b>Bond Connect</b>	the initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China, established by CFETS, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.
<b>Business Day</b>	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general business in Hong Kong or such other day or days as the Manager and the Custodian may from time to time determine.
<b>CFETS</b>	China Foreign Exchange Trade System
<b>China A-Shares</b>	shares issued by companies incorporated in the PRC and listed on the SSE or the SZSE, traded in RMB;
<b>CIBM</b>	China Interbank Bond Market.
<b>Class</b>	any one of the classes of Shares which may be issued in respect of a Sub-Fund.
<b>Code</b>	the Code on Open-ended Fund Companies issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC.
<b>collective investment scheme</b>	has the same meaning as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance.
<b>Company</b>	RAM Public OFC.
<b>Connected Person</b>	in relation to a company: <ul style="list-style-type: none"> <li>(a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or</li> <li>(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or</li> </ul>

	<p>(c) any member of the group of which that company forms part; or</p> <p>(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).</p>
<b>Conversion Fee</b>	the conversion fee (or an amount equivalent thereto) that may be payable to or retained by the Manager on the conversion of each Share as the Manager may at its absolute discretion determine, and set out in the Appendix in relation to the relevant Sub-Fund.
<b>CSDCC</b>	the China Securities Depository and Clearing Co., Ltd.
<b>Custodian</b>	BOCI-Prudential Trustee Limited or such other person for the time being duly appointed custodian of the Company by the Company in succession thereto to whom all the Scheme Property of the Company is entrusted for safe keeping subject to and in accordance with the laws and regulations.
<b>Custodian Agreement</b>	the agreement for the time being subsisting between the Company and the Custodian relating to the appointment and duties of the Custodian in its capacity as custodian of the Company.
<b>Dealing Day</b>	each Business Day or such other day or days as the Directors may from time to time determine either generally or in respect of a particular Class or Classes of Shares provided that a Dealing Day for the issue of a Class of Shares may be a different day or days from the Dealing Day for the redemption of such Class of Shares and as specified in the Appendix in relation to the relevant Sub-Fund of this Explanatory Memorandum.
<b>Dealing Deadline</b>	in relation to any Dealing Day, such time by which an application for dealing in respect of a Sub-Fund or a Class of Shares must be received either on such Dealing Day or on such other Business Day or day as the Directors may from time to time determine either generally or in relation to any particular jurisdiction in which Shares of that Sub-Fund or the relevant Class may be from time to time be sold and as specified in the Appendix in relation to the relevant Sub-Fund of this Explanatory Memorandum.
<b>Directors</b>	the directors of the Company for the time being or the directors of the Company present at a meeting of directors at which a quorum is present and includes any committee of the Directors duly constituted for the purposes relevant in the context in which any reference to the Directors appears or the members of such committee present at a meeting of such committee at which a quorum is present, and “ <b>Director</b> ” shall be construed accordingly.
<b>Explanatory Memorandum</b>	this document issued in relation to the Company and/or any Sub-Fund in connection with the continuous offering of Shares, as amended, supplemented and updated from time to time.
<b>FDI</b>	financial derivative instruments.
<b>Foreign Access Regime</b>	the regime for foreign institutional investors to invest in the CIBM as described in the section headed “ <b>Investment in CIBM via Foreign Access Regime</b> ” of this Explanatory Memorandum.



<b>Fund Administration Agreement</b>	the agreement for the time being subsisting between the Company for and on behalf of the relevant Sub-Fund(s) and the Administrator relating to the appointment and duties of the Administrator and the Registrar of the relevant Sub-Fund.
<b>Government and other Public Securities</b>	any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multinational agencies, or as otherwise defined in the UT Code.
<b>HK\$ or HKD</b>	the lawful currency of Hong Kong.
<b>Hong Kong</b>	Hong Kong Special Administrative Region of the People's Republic of China.
<b>IFRS</b>	International Financial Reporting Standards that are developed and published from time to time by the International Accounting Standards Board.
<b>Initial Issue Date</b>	in respect of each Sub-Fund or class, the date of the first issue of Shares relating to the Sub-Fund or class, as detailed in the Appendix in relation to the relevant Sub-Fund.
<b>Initial Issue Price</b>	in relation to the initial offer of Shares in a Sub-Fund or Class, the amount per Share as determined by the Directors and for the first issue of such Shares, and as detailed in the Appendix in relation to the relevant Sub-Fund.
<b>Initial Offer Period</b>	the period set out in the Appendix in relation to any Sub-Fund or class as the period during which the Shares are initially on offer, or such other period as the Directors may determine in respect of the initial offer of the Shares in that Sub-Fund or Class commencing and ending on such dates as the Directors may determine.
<b>Instrument of Incorporation</b>	the instrument of incorporation of the Company, as amended from time to time.
<b>Investment</b>	Securities and, as the case may be, any other investments for each Sub-Fund as permitted under the Instrument of Incorporation.
<b>Investment Management Agreement</b>	the agreement for the time being subsisting between the Company and the Manager relating to the appointment and duties of the Manager in its capacity as investment manager of the Company.
<b>Issue Price</b>	in respect of an application for Shares in a Sub-Fund or Class, the Issue Price Per Share multiplied by the number of Shares to be created under the application and adjusted in accordance with the Instrument of Incorporation.
<b>Issue Price Per Share</b>	in respect of each Sub-Fund or Class, the price per Share (other than the Initial Issue Price) at which Shares are from time to time issued or to be issued and which shall be the price per Share ascertained in accordance with the section " <b>Valuation</b> ".
<b>LGFV</b>	the local government financing vehicles.
<b>Manager</b>	RAM Investment Advisors Limited or any other person for the time being duly appointed as the investment manager by the Company in succession thereto from time to time to whom all the investment

	management functions of the Company are delegated subject to and in accordance with the applicable laws and regulations.
<b>Management Fee</b>	the fees payable out of the Sub-Funds to the Manager and as set out in the section “ <b>Fees and Expenses</b> ” and the Appendix in relation to the relevant Sub-Fund in this Explanatory Memorandum.
<b>Net Asset Value</b>	the value of the Scheme Property of the Company (or, where the context requires, such part of the Scheme Property as is attributable to a particular Sub-Fund or Class of Shares) less all the liabilities of the Company (or such liabilities as are attributable to that Sub-Fund or Class of Shares as the case may be) determined in each case in accordance with the Instrument of Incorporation.
<b>OFC</b>	an open-ended fund company as defined in section 112A of the Securities and Futures Ordinance.
<b>Offering Documents</b>	the offering documents of the Company and the Sub-Funds (if applicable), as amended from time to time, which shall include the Explanatory Memorandum and the product key fact statement of each Sub-Fund.
<b>Operational Fees</b>	the costs, charges, fees and expenses incurred in the operation of the relevant Sub-Fund, as set out in the section “ <b>Fees and Expenses</b> ” of this Explanatory Memorandum.
<b>PBOC</b>	the People’s Bank of China.
<b>Performance Fees</b>	the fees payable out of the relevant Sub-Fund to the Manager and as set out in the section “ <b>Fees and Expenses</b> ” and the Appendix in relation to the relevant Sub-Fund in this Explanatory Memorandum.
<b>PRC or Mainland China</b>	the People’s Republic of China, excluding for the purposes of interpretation of this Explanatory Memorandum only, Hong Kong, Macau Special Administrative Region and Taiwan.
<b>Product Handbook</b>	the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC.
<b>Professional Investor</b>	has the meaning of Professional Investor under section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance.
<b>QFI</b>	a qualified foreign investor approved pursuant to the relevant PRC regulations (as amended from time to time) to invest in PRC domestic securities and futures with funds overseas, or, as the context may require, the QFI regime.
<b>Qualified Holder</b>	any person, corporation or entity other than: <ul style="list-style-type: none"> <li>(a) any individual under the age of 18 (or such other age as the Manager may think fit);</li> <li>(b) any US Person;</li> <li>(c) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons,</li> </ul>

connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the reasonable opinion of the Manager, might result in the Directors, the Manager, the Custodian, the Shareholders, the relevant Class, the relevant Sub-Fund or the Company incurring any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Directors, the Manager, the Custodian, the Shareholders, the relevant Class, the relevant Sub-Fund or the Company to any additional regulation to which the Manager, the Directors, the Custodian, the Shareholders, the relevant Class, the relevant Sub-Fund or the Company might not otherwise have incurred or suffered or been subject; or

- (d) any person who, by holding or owning the Shares, would be in breach of the law or requirements of any country or governmental authority or any stock exchange on which the Shares are listed.

<b>Redemption Fee</b>	The fee retained for the benefit of the Manager in respect of each Share to be redeemed as the Manager may at its absolute discretion determine, and set out in Appendix in relation to the relevant Sub-Fund.
<b>Redemption Price</b>	in respect of each Sub-Fund or class, the Redemption Price Per Share multiplied by the number of Shares to be redeemed and adjusted in accordance with the section headed “ <b>Valuation</b> ”.
<b>Redemption Price Per Share</b>	in respect of each Sub-Fund or class, the value per Share at which Shares are from time to time redeemed or to be redeemed and which shall be the value per Share ascertained in accordance with the section headed “ <b>Valuation</b> ”.
<b>REIT</b>	real estate investment trust
<b>Register</b>	the register or registers of Shareholders of Shares of a Class in a Sub-Fund.
<b>Registrar</b>	BOCI-Prudential Trustee Limited, or such other person appointed as registrar to maintain the Register for the time being. References to Registrar shall include any registrar's agent from time to time appointed by the Registrar with the Directors' prior approval.
<b>RMB</b>	the lawful currency of the PRC.
<b>Scheme Property</b>	the property of the Company (including property or assets held by the Company for the account of a Sub-Fund), required under the Securities and Futures Ordinance to be entrusted to the Custodian for safekeeping.
<b>Securities</b>	has the meaning under the Securities and Futures Ordinance.
<b>Securities and Futures Ordinance</b>	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as the same may from time to time be amended, replaced or re-enacted.
<b>Securities Market</b>	any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which Securities are regularly traded.

<b>SFC</b>	the Securities and Futures Commission of Hong Kong.
<b>Share</b>	a Share in the Company.
<b>Shareholder</b>	a holder for the time being of Shares.
<b>Special Resolution</b>	a resolution of the Company in general meeting or of a Class meeting or Sub-Fund meeting (as the case may be) passed by a majority of at least 75% of the votes validly cast for and against the resolution at such meeting.
<b>SSE</b>	the Shanghai Stock Exchange.
<b>Sub-Fund</b>	any sub-fund established by the Directors in accordance with the Instrument of Incorporation, each Sub-Fund being a segregated pool of assets and liabilities and designated by the Directors as being attributable exclusively to the Shareholders of a particular class or classes of Shares and " <b>relevant Sub-Fund</b> " means the Sub-Fund as is relevant in the context in which it is referred to in this Explanatory Memorandum.
<b>Subscription Fee</b>	the subscription fee (or an amount equivalent thereto) that may be payable to or retained by the Manager on the issue of each Share as the Manager may at its absolute discretion determine, and set out in the Appendix in relation to the relevant Sub-Fund.
<b>SZSE</b>	the Shenzhen Stock Exchange.
<b>US</b>	the United States of America.
<b>US\$ or USD</b>	the lawful currency of the United States of America.
<b>US Person</b>	(i) a U.S. person within the meaning of Rule 902 promulgated under the 1933 Act; (ii) a U.S. resident within the meaning of the United States Investment Company Act of 1940; or (iii) any person that would not qualify as a Non-United States person within the meaning of United States Commodity Futures Trading Commission Rule 4.7(a)(1)(iv).
<b>UT Code</b>	the Code on Unit Trusts and Mutual Funds issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC.
<b>Valuation Day</b>	each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Share or a Class falls to be calculated and in relation to each Dealing Day of any class or classes of Shares means either such Dealing Day or such Business Day or day as the Directors may from time to time determine either generally or in relation to a particular Sub-Fund or Class.
<b>Valuation Point</b>	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 Directors may from time to time determine either generally or in relation to a particular Sub-Fund or Class.

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## DIRECTORY

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### **Company**

Suite 3308, 33/F  
Two Exchange Square  
8 Connaught Road Central  
Central, Hong Kong

### **Manager**

RAM Investment Advisors Limited  
Suite 3308, 33/F  
Two Exchange Square  
8 Connaught Road Central  
Central, Hong Kong

### **Custodian**

BOCI-Prudential Trustee Limited  
Suite 1501-1507 & 1513-1516  
15/F, 1111 King's Road, Taikoo Shing  
Hong Kong

### **Registrar**

BOCI-Prudential Trustee Limited  
Suite 1501-1507 & 1513-1516  
15/F, 1111 King's Road, Taikoo Shing  
Hong Kong

### **Directors of the Company**

Scott Gregory WEHL  
Lap Wai William CHAI

### **Directors of the Manager**

Scott Gregory WEHL  
Lap Wai William CHAI

### **Auditor**

East Asia Sentinel Limited  
22/F, Tai Yau Building  
181 Johnston Road, Wanchai  
Hong Kong

### **Legal Adviser as to matters of Hong Kong Law**

King & Wood Mallesons  
Level 13, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central, Hong Kong SAR

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## STRUCTURE

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### OFC

The Company is a public open-ended fund company with variable capital and segregated liability between Sub-Funds registered and incorporated under Part IVA of the Securities and Futures Ordinance. Pursuant to the Instrument of Incorporation of the Company, the Directors may, subject to the approval of the SFC and applicable laws, create different Sub-Funds representing separate portfolios of assets. The Scheme Property of each Sub-Fund will be invested in accordance with the investment objective and policies applicable to such Sub-Fund. It is intended that each Sub-Fund will have segregated liability from the other Sub-Funds and the assets of a Sub-Fund are not used to discharge liabilities of, or claims against, any other person, including the Company or any other Sub-Fund. The Company may issue different classes of Shares in a Sub-Fund at any time in the future.

The Company is required to establish a separate Sub-Fund, with separate pools of assets and liabilities as being attributable exclusively to the Shareholders of a particular class of Shares in the following manner:

- (a) the Company will keep separate records and accounts for each Sub-Fund in the Base Currency of the relevant Sub-Fund. The proceeds from the issue of Shares will be applied in the records and accounts of the Company to the Sub-Fund to which those Shares relate, and the assets and liabilities and income and expenditure attributable thereto will be applied to such Sub-Fund;
- (b) for each Sub-Fund the Company shall keep books in which all transactions relating to the relevant Sub-Fund will be separately recorded and the assets and the liabilities, income and expenditure attributable to that Sub-Fund shall be applied or charged to such Sub-Fund;
- (c) any asset derived from any other asset (whether cash or otherwise) comprised in any Sub-Fund shall be applied in the books of the Company to the same Sub-Fund as the asset from which it was derived and any increase or diminution in the value of such asset shall be applied to the relevant Sub-Fund;
- (d) each Sub-Fund shall be charged with the liabilities, expenses, costs and charges of the Company in respect of or attributable to that Sub-Fund;
- (e) any assets, liabilities or contingent liabilities received or incurred by the Company on behalf of the Sub-Funds or in order to enable the operation of the Sub-Funds and which are not attributable to any particular Sub-Fund may be allocated between the Sub-Funds, and may subsequently be reallocated, in such manner as the Directors may reasonably determine provided that such allocation or reallocation shall be done in a manner which the Directors reasonably believe is fair to the Shareholders of the Company; and
- (f) the Scheme Property of each Sub-Fund shall belong exclusively to that Sub-Fund, and shall not be commingled with the Scheme Property of (i) another Sub-Fund, (ii) the property of the Manager, investment delegates and their respective Connected Persons, nor (iii) the Custodian and any nominees, agents or delegates throughout the custody chain, and any other clients of the Custodian and any of its nominees, agents or delegates throughout the custody chain, and shall not be used to discharge directly or indirectly the liabilities of or claims against or amount payable out of the Company or any other Sub-Fund and shall not be available for such purpose.

The Company may, upon prior authorisation of the SFC, from time to time issue Shares in relation to the creation of new Sub-Funds.

### Further Information

Further general information concerning the Company, Shareholders meetings and voting rights, provisions relating to the termination and winding up of the Company or any Sub-Fund and other matters are contained in the section “**General Information**”.

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## MANAGEMENT AND ADMINISTRATION

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### **The Manager**

The Manager of the Company and the Sub-Funds is RAM Investment Advisors Limited. Except to the extent of any fraud or, negligence on its own part or that of its nominees or agents, the Manager (and its directors, officers, employees, agents and delegates) shall not be in any way responsible for any loss, costs, damages or inconvenience that may result from the acts or omissions of the Manager (and its directors, officers, employees, agents and delegates) except to the extent provided under the Instrument of Incorporation, the UT Code, the Code or applicable law.

Except as provided for in the Instrument of Incorporation, the Investment Management Agreement or any applicable laws and regulations, and except to the extent of any fraud or negligence on its (or their) part:

- (a) the Manager shall not be under any liability (including any loss, costs, damages or inconvenience that may result from the exercise or non-exercise of powers, duties, authorities and discretions vested in it), nor shall the Manager be liable for any act, omission, misconduct, mistake, oversight or want of prudence on the part of the Director or the Custodian (as the case may be) or any person appointed by or otherwise acting as agent of or adviser to the Custodian; and
- (b) the Manager (and its directors, officers, employees) shall be indemnified and held harmless out of the Scheme Property of the relevant Sub-Fund(s) in respect of (in addition to any right of indemnity given by law) any action, costs, claims, expenses, damages or liabilities to which it (or they) may be put or which it (or they) may incur as a result of the Manager acting as manager of the Company and/or the relevant Sub-Fund(s), and the Manager shall for such purpose have recourse to the Scheme Property of the relevant Sub-Fund(s).

In addition, subject to any applicable laws and regulations, the Manager shall not be responsible for or incur any liability for matters prescribed under the Instrument of Incorporation, including, without limitation, (i) any error of law or matter or thing done or omitted to be done in good faith, (ii) authenticity of any signature or seal affixed to any documents affecting the title to or transmission of Shares or of Investments, (iii) acting upon any resolutions purporting to have been passed at any meeting of the Shareholders in respect whereof minutes shall have been made and signed or passed in accordance with terms of the Instrument of Incorporation, (iv) any consequential, special or indirect loss or punitive damages arising under or in connection with the Instrument of Incorporation and the Investment Management Agreement, whether in contract, in tort, by law or otherwise, or (v) loss of or damage to any documents in its possession or for any failure to fulfil its duties hereunder caused by or directly or indirectly due to any cause which is beyond the reasonable control of the Manager provided that the Manager has taken all reasonable preventive or mitigating steps.

Notwithstanding anything to the contrary as set out in the Instrument of Incorporation or Investment Management Agreement, the Manager may not be exempted from any liability to the Shareholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence, nor may it be indemnified against any such liability by Shareholders or at the Shareholders' expense.

### *Regulatory Status*

The Manager (CE Reference: BGL803) is currently licensed with the SFC to conduct Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities in Hong Kong.

### **Custodian**

The Custodian of the Company is BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong and a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited. BOC Group Trustee Company Limited is owned by Bank of China (Hong Kong) Limited and BOC International Holdings Limited, which are subsidiaries of Bank of China Limited.

Pursuant to the Custodian Agreement and the Instrument of Incorporation, the Custodian is responsible for taking into its custody or under its control all of the Scheme Property.

The Custodian may appoint any person or persons (including any of its Connected Person) to be sub-custodian of the assets of the Company or any Sub-Fund or to otherwise act as its nominee or agent. The Custodian may also empower such person to appoint co-custodians, sub-custodians and/or delegates (each such custodian, nominee, agent, co-custodian, sub-custodian and delegate, a “**Correspondent**”) provided that such appointment is made with the prior consent in writing of the Custodian, with the Custodian’s agreement in writing or with no objection in writing by the Custodian.

The Custodian shall be liable for acts and omissions of Correspondent in relation to assets forming part of the Scheme Property of the Company, provided that the Custodian is not generally expected to be liable for any act, omission, insolvency, liquidation or bankruptcy of Depository Trust Company, Euroclear, Clearstream Banking, S.A. and/or any other securities depository, book-entry system or any other recognised or central depositories or clearing system/agency. The Custodian shall be liable for the acts and omissions of its Correspondent which are Connected Persons of the Custodian and that is appointed as agent, nominee, custodian, joint custodian, co-custodian and/or sub-custodian to hold certain assets of any Sub-Fund as if the same were acts or omissions of the Custodian. For the purposes of satisfying these obligations in respect of a Correspondent that is not a Connected Person of the Custodian, the Custodian shall (i) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of its Correspondent; and (ii) be satisfied that the Correspondent retained remain suitably qualified and competent to provide the relevant service, provided however that if the Custodian has discharged its obligations set out in (i) and (ii) above, the Custodian shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any such person(s) not being the Custodian’s Connected Person appointed as agents, nominees, custodians, joint custodians or delegate of certain assets of any Sub-Fund.

Notwithstanding anything to the contrary as set out in the Custodian Agreement, the Custodian may not be exempted from any liability to the Shareholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence, nor may it be indemnified against any such liability by Shareholders or at the Shareholders’ expense.

The Custodian will be entitled to a Custodian Fee and other service fees agreed by the Company.

The Custodian will remain as the primary custodian of the Company until it retires or is removed. The circumstances under which the Custodian may retire or be removed are set out in the Custodian Agreement. Where any Sub-Fund is authorised pursuant to section 104 of the Securities and Futures Ordinance, any change in the Custodian is subject to the SFC’s prior approval and the Custodian will remain as the custodian of the Company until a new primary custodian is appointed. Shareholders will be duly notified of any such changes in accordance with the requirements prescribed by the SFC.

The Custodian is not responsible for the preparation or issue of this Explanatory Memorandum and therefore accepts no responsibility for any information contained in this Explanatory Memorandum other than the descriptions under this section headed “**Custodian**” and neither the Custodian nor any of its subsidiaries, affiliates, directors and other officers, shareholders, servants, employees, agents or permitted delegates accept any responsibility or liability for any information contained in this Explanatory Memorandum other than the description under this section headed “Custodian”.

### **Auditor**

The Company has appointed East Asia Sentinel Limited to act as the auditor of the Company and Sub-Funds. All accounts of the Company and Sub-Funds including the annual report thereof shall be audited by the Auditor and shall be accompanied by an auditor’s report. The Auditor shall further be required to report whether the accounts have been properly prepared in accordance with the provisions of the Instrument of Incorporation, the UT Code, the Code and IFRS.

### **Administrator and Registrar**

BOCI-Prudential Trustee Limited has been appointed as the Administrator of the Company and Sub-Fund(s) and shall carry out certain administrative functions and other services in relation to the relevant



Sub-Fund on its behalf and is responsible for, among other things: (i) calculating the Net Asset Value and Net Asset Value per Shares of any Class relating to the relevant Sub-Fund, and (ii) the general administration of the relevant Sub-Fund, which includes the proper book keeping of the relevant Sub-Fund, arranging the administration of the issue and redemption of Shares of the relevant Sub-Fund.

BOCI-Prudential Trustee Limited also acts as the Registrar for the Sub-Fund(s) under the terms of the Fund Administration Agreement, unless otherwise stated in the relevant Appendix. The Registrar provides services in respect of the establishment and maintenance of the Register of the relevant Sub-Fund.

BOCI-Prudential Trustee Limited is not responsible for the preparation or issue of this Explanatory Memorandum other than with respect to the description above in respect of the Administrator and the Registrar.

#### **Other Service Providers**

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

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## CONFLICTS OF INTEREST

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### Conflicts of Interest

The Manager and the Custodian may from time to time act as manager, registrar, administrator, trustee, custodian, receiving agent, delegate as well as serving as directors, officers, delegates or agents or be otherwise involved in, other Sub-Funds or collective investment schemes that have similar investment objectives to those of any Sub-Fund. It is therefore possible that any of them may, in the due course of their business, have potential conflicts of interests with the Company or any Sub-Fund. Each will, at all times, have regard in such event to its obligations under the Instrument of Incorporation and/or any agreements to which it is a party or by which it is bound in relation to the Company or any Sub-Fund and, in particular, but without limitation, to its obligations to act in the best interests of the Shareholders when undertaking any investments where conflicts of interest may arise and will endeavour to ensure that such conflicts are resolved fairly.

The Manager may also act as the investment manager of other funds whose investment objectives, approach and 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 Company 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 subscription fees and redemption fees which it is entitled to charge for its own account in relation to 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 has in place internal control procedures (e.g. in relation to staff dealing and consent procedures) to ensure that, in the event of conflicts of interests, all transactions shall be treated fairly. Dedicated personnel are put in place to monitor the internal systems and controls, and to ensure that any potential conflicts of interests are, to the extent possible, promptly identified and handled in accordance with the established policies.

### Connected Party Transactions

The Directors will ensure that all transactions carried out by or on behalf of the Company or any Sub-Fund are conducted at arm's length and are in the best interests of the Shareholders.

Any transactions with Connected Persons will be carried out in accordance with the provisions of the UT Code, any other applicable laws and any conditions imposed by the SFC and other competent governmental authority from time to time.

The Manager, the investment delegate (if any), the Directors and their Connected Persons must not, without the prior written consent of the Custodian, as principal sell, or deal in the sale of, Investments for the account of a Sub-Fund or otherwise deal as principal for the account of a Sub-Fund, including any purchase for the account of a Sub-Fund of, any unit or other interest in a collective investment scheme managed by the Manager, the investment delegate (if any) or any of their Connected Persons. The Custodian may give such consent on the condition that the Manager, the investment delegate (if any), the Directors, or their Connected Persons (as the case may be) will ensure that such transactions:

- (a) are or will be transacted at arm's length; and
- (b) are in the best interests of the Shareholders.

A report of such transactions entered into during a reporting period shall be provided in the annual and interim reports, and will list all such transactions, by type, name of the related party and, where relevant, fees paid to that party in connection with the transaction.

The Custodian shall not as principal for its own account sell or deal in the sale of Investments to the Custodian for the account of the Company or any Sub-Fund or otherwise deal as principal with the Company or any Sub-Fund, provided that the Custodian shall be permitted to sell or deal in the sale of Investments and otherwise deal with the Company or any Sub-Fund where it acts at all times in its capacity as a custodian and not in its capacity as a principal. The Connected Persons of the Custodian must not, without the prior written approval of the Custodian, as principal sell, or deal in the sale of, Investments for the account of the Company or the relevant Sub-Fund or otherwise deal as principal for the account of the Company or the relevant Sub-Fund, and if the Custodian shall give its approval, any such selling or dealing shall be transacted at arm's length, in the best interests of the Shareholders and otherwise in accordance with the Instrument of Incorporation and/or the Custodian Agreement. If any Connected Person of the Custodian shall so sell or deal, such Connected Person may retain for its own absolute use and benefit any profit which it may derive therefrom or in connection therewith, provided that such transactions are entered into on an arm's length basis, in the best interest of the Shareholders and at the best price available to the Company and the relevant Sub-Fund.

The Manager shall select brokers and dealers through whom transactions for the account of the Sub-Funds are to be executed. The Manager will use due care in the selection of brokers or dealers to ensure that the selected brokers will provide best execution to the relevant Sub-Fund. In determining what constitutes best execution, the Manager will consider the overall economic result of the relevant Sub-Fund (price of commission plus other costs), the efficiency of the transaction, the broker's ability to effect the transaction if a large block is involved, the availability of the broker for difficult transactions in the future, other services provided by the broker such as research and the provision of statistical and other information, and the financial strength and stability of the broker.

Where any cash forming part of the Scheme Property is transferred to a deposit account with the Custodian, the Manager, the investment delegate (if any) or with any of their Connected Persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interests of the Shareholders, having regard to the prevailing commercial rate a deposit of similar type, size and term, in the same currency and with institutions of a similar standing negotiated at arm's length in accordance with ordinary and normal course of business.

Subject thereto, the Custodian, the Manager, the investment delegate (if any) or their Connected Persons shall be entitled to retain for its or their own use and benefit any benefit which it or they may derive from any cash for the time being in its or their hands (whether on current or deposit account) as part of a Sub-Fund.

### **Cash Rebates and Commission**

In transacting with brokers or dealers connected to the Manager, the investment delegate (if any), the Directors, the Custodian or any of their Connected Persons, the Manager must ensure that it complies with the following obligations:

- (a) such transactions should be on arm's length terms;
- (b) it 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 relevant Sub-Fund's annual report.

None of the Manager, the investment delegate (if any) or any of their Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions for the account of a Sub-Fund to the broker or dealer and none of the Manager, the investment delegate (if any) or any of their Connected Persons intends to have in place any soft dollar arrangements to receive goods and services from a broker or dealer, save that goods and services (soft dollar) pursuant to the requirements of the UT Code may be retained if:

- (a) such goods or services are of demonstrable benefit to the Shareholders (including 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);
- (b) 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;
- (c) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates;
- (d) adequate prior disclosure is made in the Offering Documents the terms of which the Shareholders have consented to;
- (e) periodic disclosure is made in the annual report in the form of a statement describing the soft dollar policies and practices of the Manager or the investment delegate (if any), including a description of the goods and services received by them; and
- (f) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

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 including a description of the goods and services received by the Manager will be disclosed periodically in the annual and interim report and accounts of the Company and/or the relevant Sub-Fund.

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## INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS

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### General

The Company has been established as a public open-ended fund company with variable capital and segregated liability between Sub-Funds. Different Sub-Funds may be established from time to time by the Directors with the prior approval of the SFC. On the introduction of any new Sub-Fund or class of Shares, either a revised explanatory memorandum or a supplemental explanatory memorandum will be prepared, setting out the details. The Sub-Funds are operated separately and the Scheme Property of each Sub-Fund are managed in accordance with the investment objective and policy applicable to that Sub-Fund.

### Investment Objectives and Strategies of the Sub-Funds

The specific investment objective and strategies of each Sub-Fund are set out in the Appendix in relation to the relevant Sub-Fund.

The Scheme Property of each Sub-Fund will be invested with the aim of achieving the investment objective and in accordance with the policies of that Sub-Fund. Investments of each Sub-Fund must also comply with the investment and borrowing powers and restrictions set out in the UT Code, the Code, the Instrument of Incorporation and this Explanatory Memorandum.

### Investment Restrictions

The Company is subject to certain investment restrictions set out under the UT Code and Instrument of Incorporation, as amended from time to time. No holding of any Securities or cash deposits may be acquired or added for each Sub-Fund which would result in:

- (a) the aggregate value of a Sub-Fund's Investments in, or exposure to, any single entity through the following, to exceed 10% of the total Net Asset Value of a Sub-Fund: (i) investments in Securities issued by such entity; (ii) exposure to such entity through underlying assets of FDIs; and (iii) net counterparty exposure to that entity arising from transactions of over-the-counter FDIs. For the avoidance of doubt, restrictions and limitations on counterparty as set out in this paragraph (a) and paragraph (b) of this section and paragraph (a)(iv) under the section headed **"Restrictions applicable to FDIs"** below will not apply with FDIs that are:
  - (i) transacted on an exchange where the clearing house performs a central counterparty role; and
  - (ii) marked-to-market daily in the valuation of their FDI positions and subject to margining requirements at least on a daily basis.

To the extent applicable, the requirements under this paragraph (a) will also apply in the case of paragraphs (e) and (j) under section headed **"Restrictions applicable to collateral"**;

- (b) subject to paragraph (a) above in this section and paragraph (a)(iv) under the section headed **"Restrictions applicable to FDIs"** below, the aggregate value of a Sub-Fund's Investment in, or exposure to, entities within the same group through the following, to exceed 20% of the total Net Asset Value of a Sub-Fund: (i) Investments in Securities issued by those entities; (ii) exposure to those entities through underlying assets of FDIs; and (iii) net counterparty exposure to those entities arising from transactions of over-the-counter FDIs. For the purposes of this paragraph (b) and paragraph (c) below in this section, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards are generally regarded as "entities within the same group". To the extent applicable, the requirements under this paragraph (b) will also apply in the case of paragraphs (e) and (j) under section headed **"Restrictions applicable to collateral"**;

- (c) the value of a Sub-Fund's cash deposits made with the same entity (or entities within the same group) to exceed 20% of the total Net Asset Value of the Sub-Fund, unless: (i) the cash is held before the launch of the relevant Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested, or (ii) the cash proceeds from liquidation of Investments prior to the merger or termination of a Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interest of investors; or (iii) the 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 is 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 relevant Sub-Fund and not referable to provisions of property or services;
- (d) the Sub-Funds collectively holding more than 10% of any ordinary shares issued by any single entity;
- (e) more than 15% of the total Net Asset Value of any Sub-Fund being invested in Securities and other financial products or instruments which are neither listed, quoted or dealt in on a Securities Market;
- (f) notwithstanding paragraphs (a), (b), (d) and (e) above in this section, where direct investment by a Sub-Fund in a market is not in the best interests of investors, a Sub-Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:
  - (i) the underlying investments of the subsidiary, together with the direct investments made by the relevant Sub-Fund, must in aggregate comply with the requirements of Chapter 7 of the UT Code;
  - (ii) any increase in the overall fees and charges directly or indirectly borne by the Shareholders or the relevant Sub-Fund as a result must be clearly disclosed in the Offering Documents; and
  - (iii) the relevant Sub-Fund must produce the reports required by Chapter 5.10(b) of the UT Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the relevant Sub-Fund;
- (g) notwithstanding paragraphs (a), (b) and (d) above in this section, more than 30% of the total Net Asset Value of any Sub-Fund being invested in Government and other Public Securities of the same issue;
- (h) subject to paragraph (g) above in this section, a Sub-Fund may invest all of its assets in Government and other Public Securities in at least six different issues. For the avoidance of doubt, Government and other Public Securities will be regarded as being 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;
- (i) investment 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;
- (j) (i) the value of any Sub-Fund's investment in units or shares in other collective investment schemes ("**underlying schemes**") which are non-eligible schemes (as determined and specified by the SFC from time to time) and not authorised by the SFC, in aggregate exceeding 10% of the total Net Asset Value of the relevant Sub-Fund; and
  - (ii) the value of any Sub-Fund being invested in units or shares in one or more underlying schemes which are either authorised by the SFC or eligible schemes (as determined and specified by the SFC from time to time), exceeding 30% of the total Net Asset Value of a Sub-

Fund, unless (x) the underlying scheme is authorised by the SFC and (y) the name and key investment information of the underlying scheme are disclosed in the Offering Documents,

provided that:

- (A) no investment may be made in any underlying scheme where the investment objective is to invest primarily in any investment prohibited by Chapter 7 of the UT Code;
  - (B) where an underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the UT Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, a Sub-Fund may invest in underlying scheme(s) authorised by the SFC under Chapter 8 of the UT Code (except for hedge funds under Chapter 8.7 of the UT Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in paragraph (k)(i) and paragraph (k)(ii) below and with paragraphs (j)(i) and (j)(ii) above in this section;
  - (C) where the underlying schemes are managed by the Manager or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) of this section are also applicable to the investments of the underlying schemes;
  - (D) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
  - (E) where an investment is made in an underlying scheme(s) managed by the Manager or their Connected Persons, all subscription fees and redemption fees on the underlying schemes(s) must be waived; and
  - (F) the Manager or any person acting on behalf of a Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme; and
- (k) unless otherwise provided under the UT Code, the spread requirements under paragraphs (a), (b), (d) and (e) above in this section do not apply to investments in other collective investment schemes by a Sub-Fund. For the avoidance of doubt, exchange traded funds that are:
- (i) authorised by the SFC under Chapters 8.6 or 8.10 of the UT Code; or
  - (ii) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and;
    - (A) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the UT Code; or
    - (B) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the UT Code,

may either be considered and treated as (x) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above in this section; or (y) collective investment schemes for the purposes of and subject to the requirements in paragraphs (j)(i), (j)(ii) and subparagraphs (A) to (D) of paragraph (j) above in this section. However, the investments in exchange traded funds shall be subject to paragraph (e) above in this section and, unless otherwise specified in the relevant Appendix in respect of the relevant Sub-Fund, investment by a Sub-Fund in exchange traded funds is considered and treated as listed securities for the purposes of and subject to the requirements as set out in paragraphs (a), (b) and (d) above in this section.

In addition, the Company is subject to the following investment restrictions, which prohibits the Directors and the Manager, for the account of any Sub-Fund, from:

- (l) investing in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in REITs). In the case of investments in such shares and REITs, they shall comply with the investment limits as set out in paragraphs (a), (b), (d), (e) and (j)(i) above in this section, where applicable. For the avoidance of doubt, where investments are made in listed REITs, paragraphs (a), (b) and (d) above in this section apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then paragraphs (e) and (j)(i) above in this section apply respectively;
- (m) making short sales unless (i) the Sub-Fund's liability to deliver Securities does not exceed 10% of its total Net Asset Value; (ii) the security which is to be sold short is actively traded on a market where short selling activity is permitted and (iii) the short sales are carried out in accordance with the applicable laws and regulations;
- (n) carrying out any naked or uncovered short sales of securities;
- (o) subject to paragraph (e) above in this section, lending, assuming, guaranteeing, endorsing or otherwise becoming directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in Chapters 7.32 to 7.35 of the UT Code are not subject to the limitations in this paragraph (o);
- (p) acquiring any asset or engaging in any transaction for the account of a Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Shareholders must be limited to their investments in the relevant Sub-Fund;
- (q) investing in any Securities 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, such directors and officers collectively own more than 5% of those Securities; and
- (r) acquiring any security where a call is to be made for any sum unpaid on that security unless that call can be met in full out of cash or near cash by the Scheme Property relating to the relevant Sub-Fund, whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of paragraphs (c) and (d) under the section headed "**Restrictions applicable to FDIs** below".

If any of the investment restrictions and limitations under this section of the Explanatory Memorandum are breached, the Manager will take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the Shareholders.

### **Borrowing Restrictions**

The Company may borrow money for the account of any Sub-Fund, subject to the following limitations:

- (a) the principal amount for the time being of all borrowings (with the exception of back-to-back loans) for the account of any Sub-Fund shall not exceed an amount equal to 10% of the total Net Asset Value of the relevant Sub-Fund on any Dealing Day. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in Chapters 7.32 to 7.35 of the UT Code are not subject to the limitations in this paragraph (a); and
- (b) each borrowing may be related to any one or more of the following:
  - (i) to pay the redemption proceeds on a redemption of Shares;



- (ii) to settle the purchase or sale of any Investments in order to facilitate a rebalance of the portfolio of the Scheme Property attributable to a Sub-Fund;
- (iii) to meet the fees, expenses and liabilities of the Company or the relevant Sub-Fund (excluding the Management Fee and fees payable to the services providers of the Company); or
- (iv) for any other proper purpose as the Directors may from time to time determine.

If at any time the aggregate principal amount of all outstanding borrowings under the Instrument of Incorporation in respect of a Sub-Fund shall exceed an amount equal to 10% of the total Net Asset Value of the relevant Sub-Fund calculated on the then most recent Dealing Day, the Manager shall take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking into account the interests of Shareholders.

### **Financial Derivative Instruments**

- (a) Subject to the provisions of the Instrument of Incorporation, the Company may on behalf of a Sub-Fund, enter into transactions in relation to currency forwards, swaps, futures, options or other FDI. A Sub-Fund may acquire FDIs for hedging purpose provided that such FDIs meet all of the following criteria:
  - (i) they are not aimed at generating any investment return;
  - (ii) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
  - (iii) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
  - (iv) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

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

- (b) Each Sub-Fund may also acquire FDIs for non-hedging purposes ("**investment purposes**"), subject to the limit that the Sub-Fund's net exposure relating to these FDIs does not exceed 50% of its total Net Asset Value. For the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDI, taking into account the prevailing market value of the underlying assets, counterparty risk, future market movements and time available to liquidate the positions. For the avoidance of doubt, FDIs acquired for hedging purposes under paragraph (a) of this section will not be counted towards the limit as referred to in this paragraph (b) so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the UT Code and the requirements and guidance issued by the SFC which may be updated from time to time.

### **Restrictions applicable to FDIs**

- (a) In addition, investment by the relevant Sub-Fund in FDIs should be either listed or quoted on a stock exchange or dealt in over-the-counter market, and comply with the following requirements:
  - (i) the underlying assets of the FDIs invested in by the relevant Sub-Fund consist solely of shares in companies, debt securities, money market instruments, units/shares in collective investment schemes, deposits with substantial financial institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange

rates, currencies, or other asset classes acceptable to the SFC, in which the scheme may invest according to its investment objectives and policies;

- (ii) where the relevant Sub-Fund invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions or limitations set out in paragraphs (a), (b), (c) and (g) in the above section headed **“Investment Restrictions”** provided that the index is in compliance with Chapter 8.6(e) of the UT Code;
  - (iii) the counterparties to transactions of over-the-counter FDIs or their guarantors are substantial financial institutions or such other entity acceptable to the SFC (taking into account factors such as the regulatory status of the entity or the group to which it belongs and the net asset value of the entity);
  - (iv) subject to paragraphs (a) and (b) in the above section headed **“Investment Restrictions”** above, the net counterparty exposure to a single entity arising from transactions of over-the-counter FDIs may not exceed 10% of the Net Asset Value of the relevant Sub-Fund, provided that the exposure of a Sub-Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter FDIs with that counterparty, if applicable; and
  - (v) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or their nominee(s), agent(s), or delegate(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund’s initiative. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.
- (b) Subject to paragraph (b) in the above section headed **“Financial Derivative Instruments”** and paragraph (a) of this section, a Sub-Fund may invest in FDIs provided that the exposure to the underlying assets of the FDIs, together with the other Investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and Investments as set out in paragraphs (a), (b), (c), (g), (h), (j)(i), and (j)(ii), proviso (A) to (D) of paragraph (j) and paragraph (l) in the above section headed **“Investment Restrictions”**.
- (c) If the relevant Sub-Fund engages in a transaction in FDIs, the relevant Sub-Fund should at all times be capable of meeting all its payment and delivery obligations incurred under such transactions (whether for hedging or for investment purposes) and the Manager shall, as part of its risk management process, monitor to ensure that such transactions in FDIs are adequately covered on an ongoing basis. For the purposes of this paragraph (c), assets that are used to cover the relevant Sub-Fund’s payment and delivery obligations incurred under transactions in FDIs shall be free from liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.
- (d) Subject to paragraph (c) of this section, a transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund should be covered in accordance with Chapter 7.30 of the UT Code (including the *Note to Chapter 7.30* of the UT Code).
- (e) Where a financial instrument embeds an FDI, the investment restrictions and limitations under the section headed **“Financial Derivative Instruments”** above and paragraphs (a) to (d) of this section above will also apply to the embedded FDI (being a FDI that is embedded in another security, namely the host contract).

The Sub-Funds currently do not intend to invest in any FDI for investment purposes.

## Restrictions applicable to securities financing transactions

Where indicated in the relevant Appendix, the Manager, subject to the approval of the SFC and applicable requirements under the UT Code, may cause a Sub-Fund to engage in securities lending, sale and repurchase, and reverse repurchase transactions (collectively, “**securities financing transactions**”), provided that they are in the best interests of the Shareholders of such Sub-Fund to do so and the associated risks have been properly mitigated and addressed, and provided further that the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

A Sub-Fund shall have at least 100% collateralisation in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions. For the purpose of this section, invested assets under an unfunded swap structure should be treated as collateral and be subject to the requirements in the section headed “**Restrictions applicable to collateral**” and Schedule 1 of this Explanatory Memorandum.

Any revenues attributable to a Sub-Fund as a result from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, shall, on receipt by the Custodian, be credited to the relevant Sub-Fund.

A Sub-Fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the Sub-Fund at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction or terminate the securities financing transaction(s) into which it has entered.

## Restrictions applicable to collateral

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

- (a) **Liquidity** – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in deep and liquid marketplace with transparent pricing;
- (b) **Valuation** – the collateral is marked-to-market daily by using independent pricing sources;
- (c) **Credit quality** – the asset used as collateral is of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- (d) **Haircut** – the collateral is subject to prudent haircut policy which is based on the market risks of the assets used as collateral in order to cover the potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. The haircut policy will take into account the price volatility of the asset used as collateral and, where appropriate, other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions;
- (e) **Diversification** – the collateral is appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group. A Sub-Fund’s exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapters 7.1, 7.1A, 7.1B, 7.4, 7.5, 7.11, 7.11A, 7.11B and 7.14 of the UT Code. By way of illustration, the value of collateral and a Sub-Fund’s other investments in, or exposure to, any single entity or entities within the same group may not exceed 10% or 20% of that Sub-Fund’s Net Asset Value respectively. Where the collateral is in the form of (i) cash; (ii)

Government and other Public Securities; (iii) collective investment scheme; and (iv) REITs, the applicable investment limitations and restrictions under Chapters (i) 7.1B, (ii) 7.4 and 7.5, (iii) 7.11, 7.11A and 7.11B and (iv) 7.14 of the UT Code apply respectively, together with the Sub-Fund's other investments or exposure;

- (f) **Correlation** – the value of the collateral does not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs, or the counterparty of securities financing transactions (if applicable) in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the FDIs, or the counterparty of securities financing transactions (if applicable) or any of their related entities will not be used as collateral;
- (g) **Management of operational and legal risks** – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;
- (h) **Independent custody** – the collateral is held by the Custodian of the relevant Sub-Fund;
- (i) **Enforceability** – the collateral is readily accessible or enforceable by the Custodian of the Sub-Fund without further recourse to the issuer of the FDIs, or the counterparty of securities financing transactions (if applicable);
- (j) **Re-investment of collateral** –
  - (i) any re-investment of collateral received for the account of the Sub-Fund will be subject to the following requirements:
    - (A) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the UT Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the UT Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposits, commercial papers, short-term notes and bankers' acceptances. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;
    - (B) non-cash collateral received may not be sold, re-invested or pledged;
    - (C) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Chapters 8.2(f) and 8.2(n) of the UT Code;
    - (D) cash collateral received is not allowed to be further engaged in any securities financing transactions;
    - (E) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
  - (ii) subject to any investment restrictions applicable to a Sub-Fund, notwithstanding the requirements on re-investment of collateral as described in paragraph (j)(i) above, a Sub-Fund may re-invest the cash collateral received from sale and repurchase transactions in investments other than those set out in paragraph (j)(i) above provided that such re-investment, together with the Sub-Fund's net derivative exposure, shall not in aggregate exceed 50% of the Sub-Fund's Net Asset Value. Re-investment of cash collateral pursuant to this paragraph (j)(ii) shall only be effected upon prior consultation with the SFC, and if the following requirements are met:

- (A) the re-investment, together with the Sub-Fund's net derivative exposure, do not in aggregate exceed 50% of the Sub-Fund's Net Asset Value;
- (B) the re-investment is consistent with the Sub-Fund's investment objective and strategies;
- (C) the re-investment is limited to securities which are sufficiently liquid and of good quality; and
- (D) the re-investment is subject to the corresponding investment restrictions and limitations applicable to such investments or exposures as set out in Chapter 7 of the UT Code and complies with paragraphs (j)(i)(D) and (j)(i)(E) above,

provided that re-investment of cash collateral received from sale and repurchase transactions in compliance with the above requirements under this paragraph (j)(ii) shall not be subject to the limitation in Chapter 7.21 of the UT Code which allows borrowing of a Sub-Fund of up to 10% of the Sub-Fund's net asset value;

- (k) **Encumbrances** – the collateral is free of prior encumbrances; and
- (l) the collateral generally should not include:
  - (i) structured products whose payouts rely on embedded FDIs or synthetic instruments;
  - (ii) Securities issued by special purpose vehicles, special investment vehicles or similar entities;
  - (iii) securitised products; or
  - (iv) unlisted collective investment schemes.

Further details relating to the collateral policy of the Company and/or the Sub-Fund are disclosed in Schedule 1 of this Explanatory Memorandum.

A description of collateral holdings of each Sub-Fund will be disclosed in its interim and annual financial reports as required under Appendix E of the UT Code.

### Currency Hedging

A Sub-Fund may enter into transactions for the purposes of hedging the currency exposure of the underlying Securities into the relevant Sub-Fund's Base Currency. If undertaken, the aim of this hedging will be to reduce the relevant Sub-Fund's level of risk or to hedge the currency exposure to the currency of denomination of some or all of the relevant Sub-Fund's underlying Securities. FDIs such as currency forwards and interest rate futures may be utilised if the relevant Sub-Fund engages in such hedging. The currency exposure of Investments will not be allocated to other Sub-Funds.

### Investment in the CIBM via Foreign Access Regime

Pursuant to the "Announcement (2016) No 3" issued by the PBOC (中國人民銀行公告[2016]第 3 號) on 24 February 2016, foreign institutional investors can invest in the CIBM ("**Foreign Access Regime**") subject to other rules and regulations as promulgated by Mainland China authorities, i.e., PBOC and the SAFE. Such rules and regulations may be amended from time to time and include (but are not limited to):

- (a) the "Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets" (境外機構投資者投資銀行間債券市場備案管理實施細則) issued by the Shanghai Head Office of PBOC on 27 May 2016;

- (b) the "Circular concerning the Foreign Institutional Investors' Investment in Interbank bond market in relation to foreign currency control" (國家外匯管理局關於境外機構投資者投資銀行間債券市場有關 外匯管理問題的通知) issued by SAFE on 27 May 2016; and
- (c) any other applicable regulations promulgated by the relevant authorities.

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

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

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

Bond Connect is an initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by CFETS, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

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

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

Under the prevailing regulations in Mainland China, eligible foreign investors are allowed to invest in the bonds circulated in the CIBM through the northbound trading of Bond Connect ("**Northbound Trading Link**"). There is no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

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

### **Stock Connect**

The Stock Connect is a securities trading and clearing linked programme developed by the HKEx, the SSE, the SZSE and the CSDCC, with an aim to achieve mutual stock market access between the PRC and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

The Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Funds), through their Hong Kong brokers and securities trading service companies established by the SEHK and the HKSCC (in Shanghai and Qianhai Shenzhen respectively), are able to trade eligible shares listed on the SSE or the SZSE by routing orders to the SSE or the SZSE (as the case may be). Under the Southbound Trading Link, eligible investors, through PRC securities firms and securities trading service companies established by the SSE and the SZSE respectively, are able to trade eligible shares listed on the SEHK by routing orders to the SEHK.

**Eligible securities** – Initially, Hong Kong and overseas investors are only able to trade certain stocks listed on the SSE market (the “SSE Securities”) and the SZSE market (the “SZSE Securities”).

SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed on the SEHK, except the following:

- SSE-listed shares which are not traded in RMB; and
  - SSE-listed shares which are under “risk alert”.
- SZSE Securities will include all the constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed A shares which have corresponding H shares listed on SEHK, except the following:
- SZSE-listed shares which are not traded in RMB; and
  - SZSE-listed shares which are under “risk alert”.

At the initial stage of Shenzhen-Hong Kong Stock Connect, shares listed on the ChiNext Board of SZSE under Northbound Trading Link will be limited to institutional professional investors. Subject to resolution of related regulatory issues, other investors may subsequently be allowed to trade such shares.

It is expected that the list of eligible securities will be subject to review.

**Trading day** – Investors (including the Sub-Funds) will only be allowed to trade on the other market on days where both markets are open for trading, and banking services are available in both markets on the corresponding settlement days.

**Trading quota** – Trading under the Stock Connect will be subject to a daily quota (“Daily Quota”), which will be separate for Northbound and Southbound trading. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The quotas do not belong to the Sub-Funds and are utilised on a first-come-first-serve basis. The SEHK will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the HKEx’s website. The Daily Quota may change in future. The Manager will not notify investors in case of a change of quota.

**Settlement and Custody** – The HKSCC is responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

**Corporate actions and shareholders’ meetings** – Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities held in its omnibus stock account in the CSDCC, the CSDCC as the share registrar for SSE listed companies still treats the HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities. The HKSCC will monitor the corporate actions affecting SSE Securities and keep the relevant CCASS participants informed of all such corporate actions that require CCASS participants to take steps in order to participate in them. The same arrangement is applicable to SZSE Securities.

**Currency** – Hong Kong and overseas investors (including the Sub-Funds) trade and settle SSE Securities and SZSE Securities in RMB only.

Further information about the Stock Connect is available at the website:  
[https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc\\_lang=en](https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc_lang=en)



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## ISSUE AND CONVERSION OF SHARES

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### Initial Subscription

Shares in a Sub-Fund will initially be offered at the Initial Issue Price during the Initial Offer Period as set out in the Appendix in relation to the relevant Sub-Fund.

For initial subscription of Shares in the Sub-Funds, the minimum subscription amount for each Sub-Fund will be as set out in the Appendix in relation to the relevant Sub-Fund.

The Manager may, in its absolute discretion, accept subscriptions of lesser amounts.

### Subsequent Subscription

After the Initial Offer Period, Shares will be offered on any Dealing Day of such relevant Class at the Issue Price of such relevant Class. The minimum subsequent subscription amount will be as set out in the Appendix in relation to the relevant Sub-Fund.

The Manager may, in its absolute discretion, accept subsequent subscriptions of lesser amounts.

### General

The Manager may charge a Subscription Fee in respect of issue of each Share of a percentage of the total subscription amount, as the Manager may at its absolute discretion determine. The maximum and current rates of Subscription Fee (if any) are specified in the relevant Appendix. The Manager may retain the benefit of such Subscription Fee or may pay all or part of the Subscription Fee (and any other fees received) to intermediaries or such other persons as the Manager may at its absolute discretion determine, subject to all applicable laws and regulations. The Manager also has discretion to waive or rebate the Subscription Fee in whole or in part in relation to any subscription for Shares whether generally or in a particular case.

Fractions of Shares rounded down to 3 decimal places may be issued. Subscription monies representing smaller fractions of a Share will be retained by the relevant Sub-Fund. Unless the Directors determine otherwise, no Shares shall be issued so as to give rise to a holding of less than the minimum number or value of Shares of the relevant Class as specified in the Appendix in relation to the relevant Sub-Fund. The Manager reserves the right to reject in whole or in part any application for Shares. In the event that an application is rejected, application moneys will be returned without interest by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicants or in such other manner as determined by the Manager.

Shares shall not be issued or sold in the event that determination of the Net Asset Value is suspended under the “**Temporary Suspension of Determination of Net Asset Value**” section of this Explanatory Memorandum.

### Subscription Procedure

An applicant must submit an application form in proper form in writing by post, sent by fax or given by such electronic means as agreed by the Directors and accompanied with other information as the Directors may from time to time require to the Administrator (with a copy to the Manager) and such order must be received by the Administrator or the Company and accepted by the Directors by the Dealing Deadline for the relevant Sub-Fund. The Directors may, in their absolute discretion, determine whether or not duly signed original applications are also required in respect of applications for subscriptions sent by post or by electronic means. Neither the Company, the Manager nor the Administrator (nor any of their respective officers, employees, agents or delegates) will be responsible to an applicant for any loss resulting from non-receipt or illegibility of any application form sent by post or other electronic means accepted by the Directors or for any loss caused in respect of any action taken as a consequence of such application believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission

discloses that such transmission was sent. An application for the subscription of Shares, once given, cannot be revoked or withdrawn after the Dealing Deadline without the consent of the Directors.

The application form for subscription may be obtained from the Company, the Manager and their authorised distributors. Once completed, the application form can be submitted to the Administrator, together with the application moneys, unless the Manager agrees otherwise.

Unless otherwise agreed by the Manager, for applications for Shares during the Initial Offer Period, the application form and payment for Shares in cleared funds must be received by 4:00 p.m. (Hong Kong time) on the last day of the Initial Offer Period. For applications for Shares after the Initial Offer Period, the application form and payment for Shares in clear funds must be received by the relevant Dealing Deadline and payment deadline respectively as specified in the relevant Appendix. If payment is not received in full cleared funds by the specified deadline, the application may, unless the Manager determines otherwise, be rejected, and if Shares are issued prior to receipt of the payment, the Directors may cancel the relevant allotment of Shares.

Upon such cancellation, the relevant Shares are deemed never to have been issued and the applicant has no right to claim against the Company in respect of any loss, damages, liability, costs or expenses the applicant incurs as a result of such cancellation. The Company may charge the applicant (and retain for the account of the relevant Sub-Fund) a cancellation fee of such amount as the Directors may from time to time determine to represent the administrative costs involved in processing the application for such Shares from such applicant. The Manager may require the applicant to pay, for the account of the relevant Sub-Fund, in respect of each Share so cancelled, the amount (if any) by which the Issue Price of each such Share exceeds the Redemption Price which would have applied in relation to each cancelled Share on the date on which the Share is cancelled.

Unless otherwise agreed by the Manager, all payments should be made by cheque, direct transfer or telegraphic transfer. Applicants may refer to the application form for details on payment instructions. Payment by cheque is likely to cause delay in receipt of cleared funds and Shares generally will not be issued until the cheque is cleared. Any costs of transfer of application monies 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 is responsible for providing the evidence of its source of application moneys.

As permitted under the Instrument of Incorporation, subject to the prior approval of the Custodian, the Company may, at the request of an investor, agree to issue Shares for a "contribution in specie" of securities or assets with an aggregate value equal to the Issue Price, provided that such securities or assets are determined by the Manager (after due assessment, taking into account the fair value of such securities or assets and suitability assessment for the relevant Sub-Fund by comparing the product features of such securities or assets (e.g. liquidity profile and dealing frequency)) to be compliant with the investment objective and policy of the relevant Sub-Fund (including being consistent with the liquidity profile of the relevant Sub-Fund to meet the dealing frequency of the relevant Sub-Fund) and any restrictions and conditions imposed by applicable laws and regulations, suitable for the Sub-Fund. Such securities or assets will be valued independently in a special report issued by the Auditor or any other independent auditor agreed by the Company, applying the same valuation method as set out in the "**Valuation**" section of this Explanatory Memorandum. Costs associated with any subscription in specie will be borne by the investor or a third party, but will not be borne by the relevant Sub-Fund. The subscription in specie arrangement would be conducted only in the best interests of the relevant Sub-Fund and the existing investors of the relevant Sub-Fund.

Depending on the value of such securities and/or other assets, a corresponding number of Shares will be issued to the relevant Shareholder. In the event that the value of securities and/or assets provided by an investor in exchange for Shares in the relevant Sub-Fund is less than the minimum subscription amount, the relevant investor shall pay the outstanding balance in cash. Any securities or other assets provided by the investor for an in specie subscription of Shares in the relevant Sub-Fund shall be received by the Manager by the relevant Dealing Deadline and payment deadline respectively as specified in the relevant Appendix. If the above conditions are not satisfied, then the application may be held over until the next Dealing Day following satisfaction of these conditions.

All stamp duty, registration fees and other charges payable in respect of any transfer as a result of such in specie transfer shall be payable by the Shareholder, and made in accordance with the Instrument of Incorporation.

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

### **Conversion**

Shareholders are entitled on any Dealing Day, subject to any conditions the Directors may impose, to convert all or part of their Shares of any Class relating to a Sub-Fund ("**Existing Class**") into Shares of any other Class ("**New Class**") of the same Sub-Fund or any other Sub-Fund by giving notice to the Company or its duly authorised agents prior to the Dealing Deadline applicable to the relevant Sub-Fund which Shares are being converted on a Dealing Day in relation to such Existing Class will be dealt with on that Dealing Day. Notices for conversion must be received in proper form in writing by post, sent by fax or given by such electronic means as agreed by the Directors and accompanied with other information as the Directors may from time to time require, to the Administrator and the Company. The Directors may, in its absolute discretion, determine whether or not duly signed original notices for conversion are also required in respect of notices sent by fax or by electronic means.

Notices for conversion received prior to the Dealing Deadline for a Dealing Day will be dealt with on that Dealing Day. Notices received after such Dealing Deadline will be dealt with on the next Dealing Day in relation to the relevant Sub-Fund. Notices to convert may not be withdrawn without the consent of the Directors.

Shares shall not be converted during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended.

The Manager may impose a Conversion Fee in respect of each Share of the New Class to be issued upon conversion of a percentage of the total subscription amount of Shares in the New Class. The maximum and current rates of Conversion Fee (if any) are specified in the relevant Appendix. The Conversion Fee shall be deducted from the amount reinvested into the Sub-Fund relating to the Shares of the New Class and shall be retained or paid to the Manager for its own absolute use and benefit. Such Conversion Fee (if any) is described in the Appendix in relation to the relevant Sub-Fund.

### **Acceptance of Orders**

The Manager has absolute discretion to accept or reject in whole or in part any application that is below the minimum subscription amounts of each Class of the relevant Sub-Fund.

The Manager reserves the right not to accept any applications for subscription of Shares until (i) the Administrator or the Manager receives an application in form and substance satisfactory to, and accompanied by such documents as may be required by, the Company; and (ii) the Company receives such other certifications and opinions of counsel as each may in their absolute discretion consider necessary to ensure compliance with applicable securities and other laws. The Manager will notify the applicant if it rejects the applicant's application for subscription of Shares.

The Manager reserves the right to limit the issue of Shares in any Sub-Fund where the liquidity within the relevant Sub-Fund is deemed to be detrimental to its performance by closing the relevant Sub-Fund to new applications for subscription of Shares. An example of the circumstances in which this may occur could be where the Manager determines that it would be prudent to limit the capacity or the size of a Sub-Fund, the investment objective of which is aimed at a particular market or sector.

### **Timing of Applications**

Subscription or conversion applications received before the Dealing Deadline of that Dealing Day will be dealt with on that Dealing Day. Applications submitted after the Dealing Deadline will be dealt with on the next Dealing Day.

The Directors may at its discretion, in exceptional circumstances, permit an applicant to withdraw or amend any application for subscription or conversion of Shares after it has been submitted, provided that the amended application is accepted before the Dealing Deadline on the Dealing Day to which the application relates.

**Documents the Applicant Will Receive**

Shares will be in registered form and no temporary documents of title will be issued. No individual certificates for Shares will be issued. All Shares will be registered in the Shareholder's name by the Registrar on the Register, which is the evidence of ownership of Shares.

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## REDEMPTION OF SHARES

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### Requests for Redemption of Shares from Investors

Any redemption request must be in writing by post or given by such electronic means as agreed by the Directors and accompanied with other information as the Directors may from time to time require and be received on or prior to the Dealing Deadline for the relevant Sub-Fund. The Directors may, in its absolute discretion, determine whether or not duly signed original redemption requests are also required in respect of redemption requests sent by fax or by electronic means. Neither the Company, the Manager nor the Administrator (nor any of their respective officers, employees, agents or delegates) will be responsible to a Shareholder for any loss resulting from non-receipt or illegibility of any redemption request sent by fax or other electronic means accepted by the Directors or for any loss caused in respect of any action taken as a consequence of such redemption request believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent. A redemption request once given cannot be revoked or withdrawn without the Directors' consent.

The Manager may, in consultation with the Custodian and having regard to the best interest of the Shareholders, suspend the redemption of Shares of the Shareholders and/or the Manager may delay payment of redemption proceeds if determination of the Net Asset Value of the relevant Sub-Fund relating to such Classes of Shares is suspended pursuant to the section headed "**Temporary Suspension of Determination of Net Asset Value**".

Valid instructions to the Administrator (with a copy to the Manager) to redeem Shares in a Sub-Fund will be processed at the Redemption Price (less any Redemption Fee) calculated with reference to the next Valuation Point for that Sub-Fund following acceptance of the instruction (the basis of calculation as summarised under the "**Valuation**" section of this Explanatory Memorandum), except in the case where dealing in a Sub-Fund has been suspended as set out under the section headed "**Temporary Suspension of Determination of Net Asset Value**" of this Explanatory Memorandum. For the avoidance of doubt, all redemption instructions received before a Sub-Fund's Dealing Deadline on a Dealing Day will be processed based on the Redemption Price calculated as at that Dealing Day's Valuation Point.

Subject to the Manager's discretion to accept late redemption requests prior to the Valuation Point on the relevant Dealing Day, any requests for redemption received after the Dealing Deadline will be held over until the next Dealing Day and Shares will then be redeemed at the Redemption Price applicable on that Dealing Day.

### *Payment of Redemption Proceeds*

Payments to Shareholders will normally be paid in the currency of the relevant Class of Shares by cheque, direct transfer or telegraphic transfer to the pre-designated bank account of the Shareholder (at his/her risk and expense). No third party payments will be permitted. Any cost of bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Shareholder.

Redemption proceeds will normally be paid within a period after the relevant Dealing Day as specified in the Appendix in relation to the relevant Sub-Fund, and in any event no later than one calendar month after receipt of the duly completed and signed redemption request and other required documentation 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) rendering the payment of the redemption money within one calendar month not practicable. In such case, the extended time frame for the payment of redemption proceeds shall reflect the additional time needed in light of the specific circumstances in the relevant market(s).

Redemption proceeds will not be paid to any redeeming Shareholder until: (a) if so required by the Directors, the written original of the redemption request (in the required form) duly signed by the Shareholder has been received; (b) where redemption proceeds are to be paid by telegraphic transfer, the signature of the Shareholder (or each joint Shareholder) has been verified to the satisfaction of the Directors, the Manager, the Administrator or their authorised agents (c) any documents or information

reasonably required by the Company, the Manager, the Administrator, the Registrar or the Custodian or its duly authorised agents have been received by the Manager or the Administrator for the purposes of verification of identity or that are necessary to ensure compliance with the applicable laws and regulations; and (d) all dealings in relation to the Shareholder's subscription of Shares have been settled.

#### *Payment of Redemption Proceeds by Distribution in Specie*

Subject to the relevant Shareholder's consent, the Directors may effect a redemption payment by transferring in specie to such Shareholder Investments (or partly Investments and partly cash) forming part of the relevant Sub-Fund to which the Class of Shares to be redeemed relates, instead of cash payment of the Redemption Price. All stamp duty, registration fees and other charges payable in respect of any transfer as a result of distribution in specie shall be payable by the Shareholder. Payment by distribution in specie shall be made in accordance with the Instrument of Incorporation.

#### *Fees*

The Manager may charge a Redemption Fee in respect of each Share to be redeemed of a percentage of the Redemption Price Per Share, as the Manager may at its absolute discretion determine. The maximum and current rates of Redemption Fee (if any) are specified in the relevant Appendix. Please see "**Fees and Expenses**" of this Explanatory Memorandum for further details on Redemption Fee.

#### **Mandatory Redemption and Compulsory Transfer**

If any redemption order reduces the holding of such Shareholder to below any minimum holding required in respect of a Sub-Fund (as set out in the Appendix), such order will be treated as an order to redeem all the Shares held by that Shareholder.

The Manager may, provided it is acting in good faith and on reasonable grounds, and in compliance with any applicable laws and regulations, give notice to a Shareholder requiring him to transfer Shares to a person who would not be in contravention of any such restrictions below within 30 days of the date of the notice, or may give a request in writing for the redemption of such Shares in accordance with the Instrument of Incorporation, if the Manager become aware that Shares of any class are owned directly or beneficially by any person in contravention of any laws or requirements of any country, any governmental or regulatory authority or any stock exchange on which such Shares are listed or 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 to be relevant) which in the Manager's opinion might result in the relevant Sub-Fund in relation to such Class of Shares, the Company, the Directors, the Manager, the Administrator, the Custodian, the Registrar, other service providers to the Company and/or Sub-Fund, and/or other Shareholders (i) incurring any liability to taxation or (ii) suffering any other pecuniary disadvantage which the relevant Sub-Fund, the Company, the Directors, the Manager, the Administrator, the Custodian, the Registrar, other service providers to the Company and/or Sub-Fund, and/or other Shareholders might not otherwise have incurred or suffered.

Where the Manager has given such transfer notice and the Shareholder has failed to either (i) transfer the relevant Shares prior to expiry of the notice, or (ii) establish to the reasonable satisfaction of the Manager (whose judgment is final and binding) that the relevant Shares are not held in contravention of any of the above restrictions, the Shareholder shall be deemed to have given a redemption request in respect of the relevant Shares on the expiry of the notice.

If a Sub-Fund is terminated pursuant to any of the provisions as specified in "**Termination of the Company or the Sub-Funds**" in the section "**General Information**" in this Explanatory Memorandum, the Director may, upon such notice as may be required by law or regulation, cancel all of the issued Shares of any Sub-Fund and distribute remaining proceeds from the realisation of the Scheme Property pro rata to the number of Shares in issue.

## Rejection of Redemption of Shares

Provided that the Directors must act reasonably and in good faith, the Directors reserve the right to reject a redemption request under exceptional circumstances, including without limitation the following circumstances where:

- (a) the Directors, as the case may be, suspect or are advised that the payment of any redemption proceeds to such Shareholder may result in a breach or violation of any applicable laws and regulations (including anti-money laundering law);
- (b) such refusal is considered necessary or appropriate to ensure the compliance by the Company, the Manager, the Custodian, the Administrator, the Registrar or other service providers with any such laws or regulations in any relevant jurisdiction;
- (c) there is a delay or failure by the redeeming Shareholder in producing information or documentation required by the Directors, the Custodian and/or the Manager or their respective duly authorised agent for the purpose of verification of identity; or
- (d) the acceptance of the redemption of Shares would, in the reasonable opinion of the Directors, have a material adverse effect on the Company or the relevant Sub-Fund,

provided that, in so rejecting any redemption request, the Directors will take into account the interests of Shareholders of the Company or the relevant Sub-Fund to ensure that the interests of such Shareholders will not be materially adversely affected by such rejection.

In the event of such rejection, the Directors shall notify the relevant Shareholders of its decision to reject such redemption request.

With a view to protecting the interests of all Shareholders, the Manager may, in consultation with the Custodian, limit the total Net Asset Value of Shares of any Sub-Fund being redeemed on any Dealing Day (whether by sale to the Manager or cancellation of Shares) to 10% of the Net Asset Value of such Sub-Fund. Such limitation shall be applied pro rata to all Shareholders of the relevant Sub-Fund who have validly requested redemption to be effected on such Dealing Day so that the proportion redeemed is the same for all such Shareholders. Any Shares which are not redeemed by reason of exercise of this power shall be redeemed on the next Dealing Day for the Shares of such Sub-Fund, in accordance with the method described above. If redemption requests are carried forward, the Manager will give notice to the affected Shareholders within seven days of such Dealing Day that such Shares (i) have not been redeemed and (ii) shall be redeemed on the next Dealing Day for the relevant Sub-Fund. Any part of a redemption request to which effect is not given by reason of exercise of this power will be treated with priority in respect of the next Dealing Day and all following Dealing Days until the original request has been satisfied in full.

## Liquidity Risk Management

### *Governance*

Liquidity risk is the risk that a particular position cannot be easily unwound or offset due to insufficient market depth or market disruptions; or that the relevant Sub-Fund's financial obligations (such as investor redemptions) cannot be met. An inability to sell a particular investment or portion of the relevant Sub-Fund's assets may have a negative impact to the value of a Sub-Fund and to the relevant Sub-Fund's ability to meet its investment objectives. Additionally, an inability to sell a Sub-Fund's assets may have negative implications for investors being able to redeem in a timely fashion, and also to investors who remain invested in the Sub-Fund.

The Manager has established a liquidity risk management policy which enables it to identify, monitor and manage the liquidity risks of a Sub-Fund and to ensure that the liquidity profile of the investments of a Sub-Fund will facilitate compliance with the Sub-Funds' obligation to meet redemption requests. Such policy seeks to achieve fair treatment of Shareholders and safeguards the interests of remaining Shareholders in case of sizeable redemptions and mitigate against systemic risk by taking into account the Sub-Fund's liquidity terms, asset class liquidity, and the regulatory requirements.

The Manager is supported by a risk management team which is functionally independent from the day-to-day investment management personnel to implement the liquidity risk management policy. This policy enables the risk management team to assess, review and decide on an ongoing basis, in conjunction with the Manager, any necessary course of action at short notice to deal with large redemption or structurally stressed market conditions, via employing one or more of the liquidity risk management tools outlined below where necessary.

#### *Liquidity risk management policy*

The Manager's liquidity risk management policy takes into account the investment strategy, liquidity profile of the holdings, market liquidity, the cost to transact in various market conditions, the redemption policy, dealing frequency, ability to meet redemption and respond to outside flows. In this respect, the Manager and the risk management team will: (i) consider the liquidity of holdings, market liquidity and liquidity requirements of the Sub-Funds and (ii) perform ongoing liquidity risk assessment through quantitative and qualitative evaluations (e.g. considering the relevant Sub-Fund's dealing arrangements, investment strategy, underlying assets' liquidity profile, time to maturity and time of issuance, bid-ask spreads, transaction costs, projected fund flows, and historical subscription and redemption patterns).

The liquidity risk management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of a Sub-Fund under normal and exceptional market conditions. The Manager will perform periodic stress testing on an ongoing basis to ensure that the liquidity profile of each Sub-Fund is appropriate to facilitate compliance with each Sub-Fund's obligation to meet redemption requests in an orderly manner. Any significant adverse results from stress testing and on liquidity risk related issues are escalated to the Manager's chief executive officer and compliance officer with appropriate actions properly documented. In the event a position fails to meet the minimum liquidity or in an escalation of exceptions, the Manager shall take measures to remove the underlying asset from the relevant Sub-Fund's portfolio, as well as to evaluate, when necessary, the need for (and available) tools which may be employed to generate additional liquidity, and the operational feasibility of processes to execute extraordinary measures in order to meet redemption requests.

The liquidity risk management policy is reviewed periodically from time to time, but in any event at least once every year.

These measures seek to ensure fair treatment and transparency for all investors.

#### *Liquidity risk management tools*

Under the Manager's liquidity risk management policy, the Manager may utilise the following liquidity risk management tools to manage liquidity risks:

- implementation of and maintaining appropriate practices to limit redemptions to allow them to be proceeded in an orderly manner, such as, in consultation with the Custodian, imposing redemption gates of up to 10% of the Net Asset Value of the relevant Sub-Fund;
- borrowing for the account of a Sub-Fund an amount not exceeding 10% of the Net Asset Value of the relevant Sub-Fund on any Dealing Day for the purposes of paying redemption proceeds on a redemption of Shares;
- suspension of redemption of Shares of any Sub-Fund, in consultation with the Custodian, during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended; and
- imposition of certain tools to allocate the costs of redemption to redeeming Shareholders, in consultation with the Custodian, such as imposing swing pricing in the event a Sub-Fund experiences major redemptions, so to ensure that the Redemption Price paid to redeeming Shareholders reflect the fair value of the relevant Sub-Fund's assets, and to pass on flow-induced transaction costs to the redeeming Shareholders.



In practice, the Manager will consult the Custodian before the use of any liquidity risk management tools. Shareholders should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risk. The use of liquidity risk management tools may impact on the investors' ability to redeem investments on a Dealing Day.

These measures seek to ensure fair treatment and transparency for all investors.

The above liquidity risk management policies are subject to ongoing review by the Manager, taking into account the results of the liquidity risk assessment and stress testing as set out above, as well as the changing market conditions.

### **No Liability**

In the absence of any fraud or negligence on its/their part, neither the Company, the Directors, the Custodian, the Administrator, the Registrar nor the Manager shall be liable for any loss to any Shareholder caused as a result of the subscription or redemption of Shares being suspended pursuant to the Instrument of Incorporation; any circumstances beyond the Company's, the Directors', the Custodian's, the Administrator's, the Registrars' or the Manager's reasonable control or non-receipt of any instruction or for any loss caused in respect of any action taken as a consequence of such instructions believed in good faith to have originated from properly authorised persons.

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## TEMPORARY SUSPENSION OF DETERMINATION OF NET ASSET VALUE

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The Manager may at any time, in consultation with the Custodian, having regard to the best interests of Shareholders, declare a suspension of (i) the determination of the Net Asset Value of the Company or any Sub-Fund or of any Class of Shares; (ii) the allotment or the issuance of Shares of any Class and/or (iii) the right of Shareholders to redeem or switch Shares of any Class and/or (iv) the payment of the Redemption Price for the whole or any part of any period:

- (a) during which there is a closure (other than customary weekend and holiday closing) of or the restriction or suspension of trading on any Securities Market on which a substantial part of the Investments of the Company or a Sub-Fund is normally traded;
- (b) during which for any other reason the prices of Investments held or contracted for by the Company or a Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly or fairly be ascertained;
- (c) when circumstances exist as a result of which in the opinion of the Manager it is not reasonably practicable for the Company to realise a substantial part of the investments held or contracted for the account of the Company or a Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Shareholders of the relevant Class;
- (d) during which the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the Investments of the Company or a Sub-Fund or the issue or redemption of Shares of the relevant Class is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange;
- (e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of Investments or the Net Asset Value or the Issue Price or Redemption Price Per Share of any Class, or when, for any other reason, the value of any of the Investments or the Net Asset Value of the Company or a Sub-Fund or the Issue Price or the Redemption Price Per Share of any Class cannot in the opinion of the Manager reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner;
- (f) when in the opinion of the Manager such suspension, delay or extension is required by law or applicable legal process or the issue, redemption or transfer of Shares would result in the violation of any applicable law;
- (g) where the Company or a 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 Company or that Sub-Fund) is suspended or restricted;
- (h) during which the business operations of the Manager, the Administrator, the Registrar, the Custodian or their delegates in respect of the Company are substantially interrupted or closed as a result of or arising from sabotage, storm, tempest, typhoon, earthquake, accident, fire, flood, explosion, toxicity, radioactivity, acts of God, act of any government or other competent authority, hostilities (whether war be declared or not), act of terrorism, riot, civil commotion, strikes or industrial action of any kind, insurrection, rebellion or other cause, which is beyond the reasonable control of the relevant party; or
- (i) where the Company or a Sub-Fund is restrained from, subject to a quota limit, or is otherwise unable to acquire or dispose of further investments for the time being comprised in the Scheme Property of the Company or attributable to the particular Sub-Fund.

Such suspension will take effect forthwith upon the declaration thereof and thereafter there shall be no determination of Net Asset Value of the relevant Sub-Fund until the Manager shall declare that suspension to be at an end. No Shares may be issued, converted or redeemed during such a period of suspension. However, the suspension will terminate in any event on the Business Day following the first Business Day on which (i) the condition giving rise to the suspension ceases to exist; and (ii) no other condition exists under which a suspension may be declared. The Manager will regularly review any

prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as possible.

Whenever the Manager shall declare a suspension of determination of the Net Asset Value of any Sub-Fund, the Manager shall not be obliged to rebalance or adjust the Scheme Property, in either case at the discretion of the Manager, and shall notify the SFC and publish a notice of suspension in accordance with the applicable rules, laws and regulations that the calculation of the value of the Scheme Property and each Share is suspended immediately following such decision of suspension and at least once a month during the period of suspension, on the Manager's website at <https://ramgroup.com.hk/> (the contents of which have not been reviewed by the SFC).

For the avoidance of doubt, notwithstanding any suspension of determination of Net Asset Value of any Sub-Fund, any redemption proceeds available for settlement in respect of any redemption requests which have been fully processed prior to a declaration of suspension will be paid in accordance with normal redemption procedures as set out under the section headed “**Requests for Redemption of Shares from Investors**” in this Explanatory Memorandum.

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## VALUATION

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The Net Asset Value of a Sub-Fund is determined as at the Valuation Point relating to each Dealing Day by valuing the assets of the relevant Sub-Fund and deducting the liabilities of the relevant Sub-Fund in accordance with the terms of the Instrument of Incorporation.

The Instrument of Incorporation provides that all functions in respect of valuation and pricing of the assets of the Company and the Shares are delegated to the Manager. The Manager has, in turn, delegated the calculation of the Net Asset Value and the Net Asset Value per Share to the Administrator.

Set out below is a summary of how the value of the assets comprised in a Sub-Fund is calculated:

- (a) the value of any Investment (other than a unit or other interest in a collective investment scheme or a commodity) that are quoted, listed, traded or dealt in on any Securities Market is generally calculated by reference to the price appearing as the official closing price or the last traded price as calculated and published by the relevant security market for such Investment as at the close of the business in such place on the Dealing Day, provided that:
  - (i) if an investment is quoted, listed or normally dealt in on more than one Securities Market, the Manager shall adopt the price on the Securities Market which provides the principal market for such investment;
  - (ii) 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, or determined by the Manager, in consultation with the Custodian;
  - (iii) if the Manager considers that the prices rules on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any investment, it may, after consultation with the Custodian to adopt such prices;
  - (iv) 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;
  - (v) any value (whether of a security or cash) otherwise than in the Base Currency shall be translated into the Base Currency of the relevant Sub-Fund at the rate which the Manager shall in its absolute discretion deem appropriate to the circumstances having regard, inter alia, to any premium or discount which the Manager considers may be relevant and to costs of exchange; and
  - (vi) for the purpose of the foregoing provisions, the Manager shall be entitled to use and rely upon electronically transmitted information from such source or sources as it may from time to time think fit with regard to the pricing of Investments on any Securities Market notwithstanding that the prices so used are not the last traded prices or the official closing price.
- (b) the value of any Investment (other than a unit or other interest in a collective investment scheme or a commodity) that is not quoted, listed or ordinarily dealt in on any Securities Market ("**Unquoted Investment**") will be the initial value as ascertained or the value as assessed on the latest revaluation and shall be determined on a regular basis by a professional qualified to value such Unquoted Investment as appointed by the Manager and approved by the Custodian. Such professional person may, with the approval of the Custodian, be the Manager;
- (c) subject to paragraph (d) below, the value of each unit or other interest in a collective investment scheme which is valued as at the same day as the relevant Sub-Fund will be the Net Asset Value per unit or other interest in such collective investment scheme calculated as at that day

or, if the Manager so determines, in consultation with the Custodian, or if such collective investment scheme is not valued as at the same day as the relevant Sub-Fund, will be the last published Net Asset Value per unit or other interest in such collective investment scheme, or if unavailable, the last published bid and offer price for such unit or other interest;

- (d) if no Net Asset Value, bid and offer prices or price quotations are available for such unit or other interest as provided in paragraph (c) above, the value shall be determined from time to time in such manner as the Manager shall determine in consultation with the Custodian;
- (e) the Manager may, acting in good faith and with due skill, care and diligence, in consultation with the Custodian, adjust the value of any Investment if, having regard to currency, applicable rates of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment is required to reflect the fair value of the Investment or permit some other method of valuation to be used if it considers that to do so better reflects the fair value of the Investment; and
- (f) assets other than Investments and cash will be valued in such manner and at such times as the Manager may decide acting prudently and in good faith and after consultation with the Custodian.

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

The above is a summary and is therefore limited by its nature. For details in relation to valuation methodology and mechanics, investors are encouraged to review the specific provisions of the Instrument of Incorporation in relation to valuation of assets.

#### **Determination of Net Asset Value of a Class of Shares**

The Net Asset Value attributable to Shares of a particular class related to a Sub-Fund as at any Valuation Point on the relevant Valuation Day shall be determined as follows:-

- (a) by calculating the Net Asset Value of such Sub-Fund as at that time excluding any assets or liabilities which are specifically attributable to any particular Class of Shares related to such Sub-Fund;
- (b) by apportioning the resulting amount between the Classes of Shares related to such Sub-Fund by reference to the respective Net Asset Values of each such Class immediately prior to the relevant Valuation Point; and
- (c) by deducting the liabilities and adding any assets specifically attributable to the relevant Class of Shares.

In order to determine the Net Asset Value of a Share of a particular Class related to such Sub-Fund, the Net Asset Value of such Class shall be divided by the number of Shares of that Class in issue immediately prior to the relevant Dealing Day for such Class of Shares, rounded down to the nearest four decimal places of the Base Currency, or in such manner and to such other number of decimal places as the Manager may determine from time to time. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

#### **Determination of Issue Price**

The Issue Price on any Dealing Day will be the Net Asset Value of such Class as at the Valuation Point in respect of the Dealing Day divided by the number of Shares of that Class in issue immediately prior to the relevant Dealing Day for such Class of Shares, rounded down to the nearest four decimal places (“**Issue Price Per Share**”), or in such manner and to such other number of decimal places as the

Manager may determine from time to time. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund. Such price shall be calculated and quoted in the currency of the relevant Class.

The Manager may add to the Issue Price (but not include within it) such sum (if any) as the Manager may consider represents an estimation of the difference between the prices at which the assets comprised in the relevant Sub-Fund are to be valued and the total cost of acquiring such assets or creating any deposit comprised in such Sub-Fund including any other relevant expenses including any stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees or registration fees. The estimation of the Manager shall for all purposes be conclusive.

Any changes to the method of determination of Issue Price will require the Manager's prior written approval, after consultation with the Custodian.

### **Determination of Redemption Price**

The Redemption Price on any Dealing Day will be the price per Share ascertained by dividing the Net Asset Value of such Class of the relevant Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such Class of Shares in issue immediately prior to the relevant Dealing Day for such Class of Shares, rounded down to the nearest four decimal places ("**Redemption Price Per Share**"), or in such manner and to such other number of decimal places as the Manager may determine from time to time. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund. Such price shall be calculated and quoted in the currency of the relevant Class.

The Manager is entitled to deduct an additional amount which it considers represents an appropriate provision for extraordinary transactional fees or expenses, including stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees and registration fees, which are likely to be incurred in selling the Investments constituting the relevant Sub-Fund or the remittance of money to the Custodian. Any such additional amount will be retained by the Company and will form part of the relevant Sub-Fund.

Any changes to the method of determination of Redemption Price will require the Manager's prior written approval, after consultation with the Custodian.

For further details on suspension of determination of Net Asset Value, please refer to "**Temporary Suspension of Determination of Net Asset Value**" in this Explanatory Memorandum.

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## RISK FACTORS

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Investment in any Sub-Fund involves risk. While there are some risks that may be common to a number or all of the Sub-Funds, there may also be specific risk considerations that apply to particular Sub-Funds. The price of Shares and the Net Asset Value of any Sub-Fund may rise or fall. There is no assurance that an investor will achieve a return on his/her investments in any Sub-Fund or a return of his/her original investment amount. As you consider an investment in the Sub-Funds, you should take into account your personal risk tolerance.

### **General Risk Factors**

#### *General investment risk*

The purchase of a Share in a Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company. A Sub-Fund's investment portfolio may fall in value due to any of the key risk factors in this Explanatory Memorandum and therefore, investors' investments in the Sub-Funds may suffer losses. There is no guarantee of the repayment of principal and the Manager has no obligation to redeem the Shares at the offer value. A Sub-Fund does not have a constant Net Asset Value and is not subject to the supervision of the Hong Kong Monetary Authority.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing Securities or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in a Sub-Fund or may lose a substantial part or all of their initial investment.

#### *Market risk*

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

#### *Concentration risk*

A Sub-Fund may focus on investing in a single sector, geographical area or country that is highly specialised. Although a Sub-Fund's investment portfolio may be diversified in terms of the underlying investments, such Sub-Fund is likely to be more volatile than a broad-based fund, such as a global equity fund, and it may be more susceptible to fluctuations in value resulting from adverse conditions in the sectors or countries in which the relevant Sub-Fund invests.

Where a Sub-Fund's portfolio is concentrated in a particular geographical area, the value of such Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant markets.

#### *Counterparty risk*

A Sub-Fund will be subject to the risk of the inability of any counterparty to perform with respect to any investments or contracts purchased by the Sub-Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Sub-Fund may experience significant delays in obtaining any recovery in bankruptcy or other reorganisation proceeding. Such Sub-Fund is likely to be an unsecured creditor in any such proceeding and may obtain only a limited recovery or may obtain no recovery in such circumstances.

A Sub-Fund may be exposed to the counterparty risk of the Custodian with which the Scheme Property is deposited. The Custodian may be unable to perform their obligations due to credit-related and other events like insolvency of or default of them. In these circumstances the relevant Sub-Fund may be required to unwind certain transactions and may encounter delays of some years and difficulties with respect to court procedures in seeking recovery of the relevant Sub-Fund's assets.

### *Custody risk*

Custody risk refers to the risks inherent in the process of clearing and settling trades and to the holding of Securities by local banks, agents and depositories. Local agents are held to local standards of care and in general, the less developed a country's Securities Market is, the greater the likelihood of custody problems and the assets of a Sub-Fund may be exposed to custodial risk. Additionally, Securities of a Sub-Fund may be registered in the name of a sub-custodian where it is common market practice to do so, or is in the relevant Sub-Fund's best interest to do so, or that it is not feasible to do otherwise due to the nature of applicable law, regulation, rule, guideline, code, general guidance or local practice of any stock exchange, governmental or regulatory body laws or market practice of jurisdictions. Such Securities may not be segregated from the sub-custodian's own investments and in the event of default or fraud of such sub-custodian, the Scheme Property may not be protected and may be irrecoverable by the relevant Sub-Fund.

### *Currency risk*

Investments of the Sub-Funds may be denominated in currencies other than the Base Currency of the Sub-Funds. Also, a Class of Shares may be designated in a currency other than the Base Currency of the Sub-Funds. The Net Asset Value of a Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls.

### *Emerging market risk*

A Sub-Fund may invest in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

### *Liquidity risk*

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

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

### *Auditing and accounting standards risk*

The legal infrastructure and accounting, auditing and reporting standards in some countries, particularly emerging markets, in which some Sub-Funds will invest, may not provide the same degree of information to investors as would generally apply internationally. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from international accounting standards.

If IFRS principles shall be used, investors should note that, investments should be valued at fair value and that bid and offer pricing is considered to be representative of the fair value of investments. However, for the purpose of calculating the Net Asset Value for subscription and redemption purposes, listed investments are expected to be valued at the last traded price instead of bid and offer pricing as required under IFRS, which may lead to a different valuation had the valuation been performed in accordance with IFRS. 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 to comply with IFRS.



### *Conflicts of interest risk*

The Sub-Funds may invest in schemes affiliated with the Manager or in schemes for which the Manager or an affiliate acts as sponsor, investment delegate or provides other services or which may pay fees to the Manager or an affiliate. The Manager, the Custodian, the investment delegate (if any) and their Connected Persons may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager 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 the Sub-Funds. As such, there is a risk that any of them may, in the course of business, have potential conflicts of interest with the Company and the Sub-Funds.

### *Changes in applicable law risk*

The Company and each Sub-Fund must comply with various legal requirements, including securities laws and tax laws as imposed by the jurisdictions under which it operates. Should any of those laws change over the life of the Company or any Sub-Fund, the legal requirements to which the Company, a Sub-Fund and the Shareholders of the relevant Sub-Fund may be subject, could differ materially from current requirements.

### *Government intervention and country risks*

The value of a Sub-Fund's Net Asset Value may be negatively affected by factors such as international political developments, government intervention, changes in a country's government policies, taxation, restrictions on foreign investment, currency decisions, other decisions in applicable laws and regulations, or any natural disasters, wars, threat of war, local or regional conflict, economic instability or political upheaval, which will weaken a country's Securities Markets. In addition, certain governments or regulators may intervene in financial markets by imposing trading restrictions, such as a ban on "naked" short selling or other types of investment activities.

### *Restricted markets risk*

Certain Sub-Funds may invest in securities in jurisdictions which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, such Sub-Funds 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.

### *Risks associated with regulatory requirements or exchanges policies*

Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. These factors may have an adverse impact on value of the Sub-Funds.

### *Limited Operating History*

The Company is recently formed and as such, have limited operating history or performance record on which you may base an evaluation of their likely performance. The investment results are reliant upon the success of the Manager and no guarantee or representation is made in this regard.

### *Investment techniques*

There are certain investment risks that apply in relation to techniques and instruments that the Manager may employ for efficient portfolio management purposes. To the extent that the Manager's expectations in employing such techniques and instruments are incorrect, a Sub-Fund may suffer a substantial loss having an adverse effect on the Net Asset Value per Share.

A Sub-Fund's ability to use these techniques and instruments may be limited by market conditions, regulatory limits and tax considerations.

### *Management risk*

Each Sub-Fund is subject to the risk that the Manager's strategy and the implementation thereof which may be subject to a number of constraints, may not produce the intended results. If the Manager becomes unable to participate in the management of the Sub-Funds, there may be material and adverse impacts on the Sub-Funds.

### *Net Asset Value consideration*

Each Sub-Fund's Net Asset Value is expected to fluctuate over time depending on its performance. A Shareholder may not fully recover his/her initial investment when he/she chooses to redeem his/her Shares if the Net Asset Value of the relevant Class at the time of such redemption is less than the Initial Issue Price or the Issue Price paid by such Shareholder.

### *Valuation risk*

Securities acquired on behalf of the Sub-Fund(s) may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. There may be 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). If this situation occurs, the Manager may, in consultation with the Custodian, value the asset at a price which reflects a fair and reasonable price for that asset in the prevailing circumstances, as such investors' interest may be adversely affected if they purchase or redeem Shares during such period and the value of the relevant Sub-Fund may be adversely impacted. Market volatility also may result in a discrepancy between the market price of investments and their fair value. In such circumstances, to protect the interest of investors, the Manager may, having due regard to the interests of incoming, remaining and outgoing Shareholders and in consultation with the Custodian, adjust the value of the securities or permit some other valuation method to be used pursuant to the "**Valuation**" section of this Explanatory Memorandum, to ascertain the fair value of the investments of that Sub-Fund, 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. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

### *Suspension risk*

Under the terms of the Instrument of Incorporation and as disclosed in this Explanatory Memorandum, in certain circumstances, the Manager may suspend the determination of the Net Asset Value of Shares in a Sub-Fund as well as suspend subscriptions and redemptions for Shares in a Sub-Fund. Investors may not be able to subscribe or redeem when such a suspension is invoked. Investors may not be able to obtain a market value of their investment if the share price is suspended.

### *Termination risk*

A Sub-Fund may be terminated in certain circumstances. In the event of the termination of a Sub-Fund, such Sub-Fund would have to distribute to Shareholders their pro rata interests in the assets of the relevant 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 Shareholders. Additionally, expenses related to organisation of the relevant Sub-Fund that have not been fully amortised would be debited against the relevant Sub-Fund's assets at the time.

A Sub-Fund may also be terminated if any laws, rules and regulations render it illegal, impracticable or inadvisable to continue the Sub-Funds or the Sub-Funds cease to be authorised by the SFC. Investors may suffer loss if a Sub-Fund is terminated.

### *Cross Class liability risk*

The Instrument of Incorporation allows the Directors to issue Shares in separate Classes. The Instrument of Incorporation provides for the manner in which liabilities are to be attributed across the

various Classes within a Sub-Fund under the Company (liabilities are to be attributed to the specific Class of a Sub-Fund in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant Class (in the absence of the Company or the Custodian granting that person a security interest). However, the Custodian will have a right of reimbursement and indemnity out of the assets of the Company which may result in Shareholders of one Class of Shares of a Sub-Fund being compelled to bear the liabilities incurred in respect of another Class of the Sub-Fund which Shares such Shareholders do not themselves own if there are insufficient assets attributable to that other Class to satisfy the amount due to the Custodian. Accordingly, there is a risk that liabilities of one Class of a Sub-Fund may not be limited to that particular class and may be required to be paid out of one or more other Classes of that Sub-Fund.

#### *Umbrella structure of the Company and segregated liability between Sub-Funds*

The Instrument of Incorporation allows the Directors to issue Shares in separate Sub-Funds, and provides for the manner in which the liabilities are to be attributed across the various Sub-Funds. There should not be cross contamination of liabilities between Sub-Funds. Nevertheless, given the concept of segregated liability is relatively new, there can, therefore, be no categorical assurance that, should an action be brought against the Company in the courts of another jurisdiction, the segregated nature of the Sub-Funds will be upheld.

#### *Risks relating to Foreign Account Tax Compliance Act (“**FATCA**”)*

The US Foreign Account Tax Compliance Act (“**FATCA**”) provides that a 30% withholding tax will be imposed on certain payments to foreign financial institutions (“**FFIs**”), unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (“**IRS**”) to identify United States persons (within the meaning of the US Internal Revenue Code) with interests in such payments. To avoid such withholding, an FFI generally will be required to register with the IRS to obtain Global Intermediary Identification Number (“**GIIN**”) and identify its direct or indirect account holders who are United States persons and report certain information concerning such account holders to the IRS.

Under the terms of a Model 2 inter-governmental agreement (“**IGA**”) between the US and Hong Kong with respect to FATCA, an FFI domiciled in Hong Kong is generally considered to be FATCA compliant and thus not subject to FATCA withholding if it registers with the IRS on the IRS FATCA registration website and complies with the terms of an FFI agreement with the IRS (“**FFI Agreement**”).

The Manager has registered the Company and each of the Sub-Funds as FFIs under FATCA with the GIIN QVUJFD.99999.SL.344. The Company and the Sub-Funds will endeavour to satisfy the requirements imposed under FATCA and FFI Agreement to avoid the imposition of any FATCA withholding. However, no assurance can be given that the Company and/or any Sub-Fund will be able to achieve this and/or satisfy such FATCA obligations or requirements. If the Company and/or the Sub-Funds become subject to a 30% FATCA withholding (further described under the section “**FATCA**” in this Explanatory Memorandum) as a result of such non-compliance, the value of the Company or relevant Sub-Fund may be adversely affected and the Shareholders holding Shares in the relevant Sub-Fund may suffer material losses.

In the event a Shareholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Company and/or the relevant Sub-Fund, or a risk of the Company and/or the relevant Sub-Fund being subject to withholding tax under FATCA, the Company, the Manager or its agents may, acting in good faith and on reasonable grounds as permitted under applicable laws and regulations and under the applicable provisions of the Instrument of Incorporation, (a) report the relevant information of such Shareholder to the US IRS; (b) withhold, set-off or deduct such amount from any redemption and/or distributions moneys which would otherwise be payable to a Shareholder; and/or (c) exercise its right to request a transfer of Shares to another person or to compulsorily redeem the Shares held by such Shareholder.

All prospective investors and Shareholders should consult with their own tax advisors regarding the possible implications of FATCA and the tax consequences on their investments in a Sub-Fund. Shareholders who hold their Shares through intermediaries should also confirm the FATCA compliance status of those intermediaries.

### *Taxation in overseas jurisdictions*

The Sub-Funds may make investments in a number of different jurisdictions. Interest, dividends and other income realised by a Sub-Fund from sources in these jurisdictions, and capital gains realised on the sale of assets may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced and/or in which the issuer is located and/or in which the permanent establishment is located. In particular, investors should pay attention to PRC tax considerations for any Sub-Funds that may have exposure to investments issued in or relating to the PRC market. Changes in the PRC taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the relevant Sub-Fund. Laws governing taxation will continue to change and may contain conflicts and ambiguities, which may adversely affect the Net Asset Value of the Sub-Funds.

### **Investment Risks**

#### *Risk of investing in equity securities*

A Sub-Fund which invest directly or indirectly in equity securities are exposed to the risk that the market value of such equity securities may go down as well as up. Equity markets may fluctuate significantly with prices rising and falling sharply, and this will have a direct impact on such Sub-Funds. When equity markets are extremely volatile, such Sub-Fund's Net Asset Value may fluctuate substantially.

#### *Risks of investing in fixed income instruments*

- *Interest rate risk:* A Sub-Fund which invests in fixed income instruments are subject to interest rate risk. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, market value of fixed income instruments tends to fall. Long-term fixed income instruments in general are subject to higher interest rate risk than short-term fixed income instruments.
- *Credit risk:* Investment in fixed income instruments is subject to the credit risk of the issuers of the debt securities that a Sub-Fund invest in, which may be unable or unwilling to make timely payments of principal and/or interest. In general, debt instruments that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments held by a Sub-Fund, that Sub-Fund's Net Asset Value will be adversely affected and investors may suffer a substantial loss as a result.

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

- *Volatility and liquidity risk:* The debt securities in the Mainland China markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the relevant Sub-Fund may incur significant trading costs. The relevant Sub-Fund may encounter difficulties in valuing and/or disposing of assets at fair value in a timely manner which could impact the relevant Sub-Fund's ability to meet redemption requests on demand. In order to mitigate this risk, the Manager will monitor liquidity daily, and will only hold debt securities that in its opinion are very liquid and use its best endeavours to ensure daily execution without incurring significant trading costs. Additionally, investing in Mainland China debt securities may be subject to the risks not typically associated with investment in developed markets including risks of nationalisation or expropriation of assets, government control and intervention, regulatory risk, legal risk and accounting risk, settlement risk, currency risk and/or currency control, political and economic uncertainties, taxation risk and custody risk. These factors may have an adverse impact on the value of the relevant Sub-Fund.

- *Risks of investing in lower graded or unrated fixed income instruments:* A Sub-Fund may invest in fixed income instruments which are rated with a relatively lower grade or which are non-rated. As mentioned above, such instruments are generally more susceptible to the credit risk of the issuers, and as a result such investments assume greater risks because of lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities. The valuation of these instruments may also be more difficult and thus the relevant Sub-Fund's prices may be more volatile.
- *Risks of credit rating downgrades:* Credit rating of fixed income instruments and/or issuers of fixed income instruments may be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded.
- *Sovereign debt risk:* A Sub-Fund which invests in fixed income instruments issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.
- *Risks of fixed income instruments from Mainland China:* A Sub-Fund may invest in fixed income instruments issued or distributed within Mainland China. The financial market of Mainland China is at an early stage of development, and many of such Mainland Chinese fixed income instruments may be unrated, which exposes such Sub-Funds to greater risks because of generally reduced liquidity, greater price volatility and greater credit risk. Such a Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who will generally be incorporated in Mainland China and therefore not subject to the laws of Hong Kong.
- *Limited availability of offshore RMB fixed income instruments:* Certain Sub-Funds may invest in RMB fixed income instruments issued or distributed outside Mainland China. However, the quantity of RMB fixed income instruments issued or distributed outside Mainland China that are available is currently limited, and the remaining duration of such instruments may be short. In the absence of available fixed income instruments, or when such instruments held are at maturity, a Sub-Fund holding such investments may have to allocate a significant portion of its portfolio in RMB negotiated term deposits with authorised financial institutions until suitable fixed income instruments are available in the market. This may adversely affect the relevant Sub-Fund's return and performance.

#### *Credit rating 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 Standard & Poor's, Fitch and Moody's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint and do not guarantee the creditworthiness of the security and/or issuer at all times. 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 Sub-Fund and its investors.

#### *Mainland China 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 China rating agencies may therefore not be directly comparable with those given by other international rating agencies. At present, Mainland China's domestic credit rating industry lacks a strong reputation and authority amongst market participants in comparison to its counterparts in more developed markets. This is in part due to the highly-regulated nature of the Mainland China bond markets, which may result in credit ratings being perceived as superfluous. In addition, the rating process may lack transparency and the rating standards may be significantly different from that adopted by internationally recognised

credit rating agencies. Consequently, there is little assurance that credit ratings are independent, objective and of adequate quality. As a result, credit ratings given by local credit rating agencies are often disregarded by market participants when making investment and financing decisions. It may also increase valuation risk as a result of the lack of transparency and independence in the credit ratings. Investors should also exercise caution before relying on any credit ratings given by Mainland China rating agencies.

#### *Risks associated with convertible bonds*

Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specific future date. As such, convertible bonds will be exposed to equity movements and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

#### *Risks associated with collateralised and/or securitised products (e.g. asset backed securities and mortgage backed securities)*

A Sub-Fund may invest in collateralised and/or securitised products (e.g. asset backed securities and mortgage backed securities), which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

#### *Risks of investing in other funds*

A Sub-Fund may invest in underlying funds which are not regulated by the SFC and will be subject to the risks associated with the underlying funds. 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 the 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, there can be no assurance that (i) the liquidity of the underlying funds will always be sufficient to meet redemption requests as and when made; and (ii) investment objective and strategy of the underlying funds will be successfully achieved despite the due diligence procedures undertaken by the Manager. These factors may have an adverse impact on the relevant Sub-Fund and its investors. If a Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, potential conflicts of interest may also arise. Please refer to the section headed “**Conflicts of Interest**” for details under these circumstances.

#### *Hedging risk*

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

#### *Borrowing Risks*

Subject to the borrowing restrictions set in this Explanatory Memorandum and the Instrument of Incorporation, the Manager may, for various reasons, borrow money for the account of any Sub-Funds. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the relevant Sub-Fund will be able to borrow on favourable terms, or that such Sub-Fund's indebtedness will be accessible or be able to be refinanced by such Sub-Fund at any time.

#### *FDI risks*

The risks associated with the use of FDI are different from, or possibly greater than, the risks associated with investing directly in Securities and other traditional investments. Generally, a derivative is a financial contract the value of which depends upon, or is derived from, the value of an underlying asset, reference

rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices. Any Sub-Fund investing in FDI may utilise both exchange-traded products and over-the-counter derivatives. Compared to equity securities, FDI can be more sensitive to changes in market prices of the underlying assets and thus market prices of FDI may fall in value as rapidly as they may rise. Investors investing in such Sub-Funds are exposed to a higher degree of fluctuation than traditional funds. Transactions in over-the-counter FDI may involve additional risk as there is no regulated market for such FDI. It may not always be possible for such Sub-Funds to dispose of their investment or liquidate an existing position especially in a falling market. Investing in FDI also involves other types of risks including, but not limited to, the risk of adopting different valuation methodologies and imperfect correlation between the FDI and its underlying securities, rates and indices. There is no assurance that any derivative strategy used by a Sub-Fund will succeed.

#### *Over-the-counter markets risk*

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

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

#### *Collateral risks*

There are risks associated with management of collateral and re-investment of collateral. Collateral may be received from or provided to the relevant counterparty and the value of any collateral received in respect of any FDI transactions may be affected by market events. Whilst a Sub-Fund may re-invest any cash collateral, investors should note that there are risks associated with the re-investment of cash collateral. If a Sub-Fund reinvests cash collateral, such re-investment is subject to investment risks including the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested and the potential loss of principal.

Cash collateral received by a Sub-Fund may also be reinvested in order to generate additional income. In this circumstance, the relevant Sub-Fund will be exposed to market risk in respect of any such investments and may incur a loss in reinvesting the cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made.

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

#### *Risks relating to securities financing transactions*

A Sub-Fund may enter into securities financing transactions or other similar over-the-counter transactions, which is subject to risks including:

- *Risk relating to securities lending transactions:* Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.
- *Risk relating to sale and repurchase transactions:* In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

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



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## FEES AND EXPENSES

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### **Charges Payable by Investors**

Subscription Fee, Redemption Fee and Conversion Fee may be charged to an investor in his/her purchase, redemption and conversion of Shares. The applicable rates of such charges in respect of a Sub-Fund are set out in the section “**Fees and Expenses**” in the Appendix for the relevant Sub-Fund.

### **Charges Payable by the Sub-Funds**

#### *Management Fee*

The Management Fee will be paid out of the Scheme Property of the relevant Sub-Fund as set out in the Appendix in relation to the relevant Sub-Fund. This fee will be accrued on each Valuation Day and paid monthly in arrears. The Management Fee shall be paid as soon as possible after the last Dealing Day in each month. The Management Fee is expressed as a percentage of the Net Asset Value of the relevant Sub-Fund.

Pursuant to the Instrument of Incorporation and Investment Management Agreement, the Manager may, upon expiry of one month’s notice to the affected Shareholders, increase the Management Fee to the maximum rate of 5% per annum of the Net Asset Value of the relevant Sub-Fund.

#### *Performance Fee*

The Manager may charge a Performance Fee in respect of a Sub-Fund.

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.

#### *Custodian Fee*

Pursuant to the Instrument of Incorporation and Custodian Agreement, the Custodian is entitled to receive a Custodian Fee as soon as reasonably practicable after the last Dealing Day for each Sub-Fund or Class in each calendar month. This fee will be calculated monthly and paid monthly in arrears. Please refer to the Appendix of the relevant Sub-Fund for the current rate of Custodian Fee payable and the basis of calculation of such fee. The Custodian is also entitled to receive various transaction, custodial, and other applicable fees as agreed with the Company from time to time to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses properly incurred by it in the performance of its duties as the Custodian.

#### *Administrator and Registrar Fee*

The Administrator and Registrar is entitled to receive various transaction, processing, valuation fees and other applicable fees as agreed with the Company from time to time and to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses properly incurred by it in the performance of its duties as Administrator and the Registrar.

#### *Operational Fees*

Each Sub-Fund shall pay the Operational Fees which comprise of other costs, charges, fees and expenses incurred in the establishment and operation of the relevant Sub-Fund, specifically any fees and expenses incurred in relation to banking, the costs and expenses of preparing, printing, publishing and distributing Explanatory Memorandums, annual and semi-annual reports, and other documents to current and prospective Shareholders, the costs and expenses of obtaining and maintaining authorisations or registrations of the Company and/or the Sub-Funds with the regulatory authorities (including the SFC), the costs of convening and holding Shareholders’ meetings and professional fees and expenses for preparing financial statements, auditing and other consulting services and professional fees incurred in the normal course of business of any Sub-Fund, and such other costs and

expenses as may arise from time to time and that have been approved by the Manager as necessary or appropriate for the continued operation of the Company or of any Sub-Fund.

Expenses of the Company that are not directly attributable to the operation of a particular Sub-Fund are allocated among all Sub-Funds in a manner determined by the Manager.

#### *Director's Remuneration*

Directors of the Company may be entitled to remuneration for their services as Directors, whereby such remuneration shall be paid annually and determined based on a percentage of the Net Asset Value of the relevant Sub-Fund. The Directors may waive payment of such remuneration wholly or in part.

The Directors currently do not intend to receive remuneration for their services. The Directors will provide Shareholders with at least one month's prior written notice if there is a change in such practice.

#### *Establishment Fees*

The fees and expenses relating to the establishment of the Company and the initial Sub-Funds, being RAM Income Fund and RAM Hong Kong Government Bond Fund, are estimated to be approximately USD274,000. The establishment fees and expenses of the Company and the initial Sub-Funds will be charged to RAM Income Fund and RAM Hong Kong Government Bond Fund and will be amortised over the first 5 calendar years from the close of the Initial Offer Period of the Sub-Fund (or such other period as determined by the Manager). Where subsequent Sub-Funds are established in the future, the Manager may determine that any unamortised establishment costs of the Company (or a part thereof) will be reapportioned on a pro-rata basis to subsequent Sub-Funds of the Company when they are launched.

All fees and expenses related to the establishment of each subsequent Sub-Fund will be charged to the relevant Sub-Fund and shall be amortised over a period of 5 calendar years from the close of the Initial Offer Period of the relevant Sub-Fund or such other period as the Manager thinks fit as specified in the Appendix.

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## TAXATION

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The following summary is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all the tax considerations that may be relevant to an investment in the Sub-Funds. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all investors.

Prospective investors should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or redeeming Shares under the laws of their countries of citizenship, residence, ordinary residence or domicile.

The information below is based on the law and practice in force in Hong Kong as at the date of this Explanatory Memorandum. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Explanatory Memorandum.

### Taxation of the Sub-Funds

The Company and the Sub-Funds will be exempted from profits tax in Hong Kong upon authorization by the SFC as a collective investment scheme under section 104 of the Securities and Futures Ordinance for offer to the retail public in Hong Kong.

### Taxation of Shareholders

Profits arising on the transfer or redemption of an investment in the Shares should only be subject to profits tax for Shareholders who carry on a trade or business in Hong Kong where the profits, not being regarded as capital in nature (for example, dealers in securities, financial institutions or insurance companies), arise in or are derived from such trade or business carried on in Hong Kong (that is, such profits are sourced in Hong Kong).

Profits tax is currently imposed at a rate of 16.5% for corporations and 15% for all other persons. Please note that the Inland Revenue (Amendment) Ordinance (No.3) 2018 was enacted into law on 29 March 2018 to implement a two-tier profits tax system in Hong Kong effective from the year of assessment 2018/19. Under the two-tier tax rates, the first HK\$2 million of assessable profits of corporations and unincorporated business will be taxed at a reduced rate of 8.25% and 7.5% respectively on a self-election basis, with certain exceptions. For a group of “connected entities”, only one entity within the group can elect to apply the two-tier rates.

Dividends/distributions received by the Shareholders from the Company (in respect of Shares of the Sub-Fund(s)) would generally not be subject to tax in Hong Kong. However, any tax-exempt profits of a Hong Kong source derived by a fund exempt under the Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Ordinance 2019 may be deemed as taxable in the hands of Hong Kong resident investors who hold a direct or indirect beneficial interest in the tax-exempt fund (the “**Deeming Provisions**”). The Deeming Provisions will apply if:

1. a Hong Kong resident, together with its associates (whether a resident person or not), holds directly or indirectly 30% or more of the beneficial interest in such a tax-exempt fund; or
2. a Hong Kong resident holds directly or indirectly a beneficial interest in such a tax-exempt fund that is an associate of the Hong Kong resident (irrespective of the percentage holding of the beneficial interest in the fund).

The above Deeming Provisions do not apply to a Hong Kong resident if the relevant Sub-Fund is regarded as “bona fide widely held.” Investors should seek their own independent Hong Kong tax advice on this issue.

Distributions received by Shareholders should generally not be subject to withholding tax in Hong Kong.

### *Stamp duty*

No Hong Kong stamp duty is payable in relation to the issue or redemption of Shares if the Shares are extinguished upon redemption.

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

Other types of sales and purchases or transfers of the Shares by the Shareholders should be liable to Hong Kong stamp duty of 0.26% (normally borne in equal share of 0.13% by the buyer and 0.13% by the seller) 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 Shares.

## **FATCA**

### *(a) General Information*

FATCA, a US tax law enacted in March 2010, attempts to minimise tax avoidance by US persons investing in foreign assets both through their own accounts and through their investments in foreign entities. FATCA generally requires foreign financial institutions (“**FFIs**”) to provide information to the US tax authority, the Internal Revenue Service (the “**IRS**”), regarding their US account Shareholders including substantial US owners of certain non-financial foreign entities (“**NFFEs**”). FFIs who fail to commit to meeting certain due diligence, withholding and reporting requirements and certain NFFEs who fail to provide required information on their substantial US owners are now subject to 30% FATCA withholding on certain payments (as further described below).

FATCA withholding applies to (i) payments of US source income, including US source dividends and interest, made after 30 June 2014; and (ii) payments of gross proceeds of sale or other disposal of property that can produce US source income after 31 December 2018. It is possible that certain non-US source payments attributable to amounts that would be subject to FATCA withholding (referred to as “foreign passthru payments”) may also be subject to FATCA withholding starting from 1 January 2019, though the definition of “foreign passthru payment” in US Treasury Regulations is currently pending. Withholding agents, including participating FFIs, will generally be required to begin withholding on withholdable payments made after 30 June 2014.

US tax law has detailed rules for determining the source of income. Different rules apply for each type of income. Interest and dividends, two of the most important types of income for investors, are generally sourced by reference to the residence of the obligor. Specifically, dividends are generally treated as US source income when paid by a US corporation with respect to its stock, and interest is generally treated as US source income when paid by a US borrower of money.

Under the terms of a Model 2 inter-governmental agreement (“**IGA**”) between the US and Hong Kong with respect to FATCA, an FFI domiciled in Hong Kong is generally considered to be FATCA compliant and thus not subject to FATCA withholding if it registers with the IRS on the IRS FATCA registration website and complies with the terms of an FFI agreement with the IRS.

### *(b) FATCA Registration Status*

The Company and the Sub-Fund(s) are FFIs under FATCA and the US-Hong Kong IGA, and in compliance with FATCA and the US-Hong Kong IGA, are registered on the IRS FATCA registration website as a “Reporting Financial Institution under a Model 2 IGA”.

### *(c) Impact to the Sub-Funds and Shareholders*

Each Shareholder is required to: (a) upon demand by the Company, provide any form, certification or other information reasonably requested by and acceptable to the Company that is necessary for the Company (i) to avoid 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 Company receives payments and/or (ii) to satisfy due diligence, reporting or other obligations under FATCA, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax authority; (b) update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, (for the avoidance of doubt, including informing the Company, the Manager or its agents within 30 days of any change in any information provided in relation to its FATCA status (including any circumstances that would result in a change in the taxpayer status of such Shareholder)); (c) 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; and (d) waive any and all rights of such Shareholder under any relevant law or regulation in any applicable jurisdiction that would prevent the Company from meeting applicable regulatory and legal requirements.

In the event a Shareholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Company and/or the relevant Sub-Fund, or a risk of the Company and/or the relevant Sub-Fund being subject to withholding tax under FATCA, the Company, the Manager or its agents may, acting in good faith and on reasonable grounds as permitted under applicable laws and regulations and under the applicable provisions of the Instrument of Incorporation, (a) report the relevant information of such Shareholder to the US IRS; (b) withhold, set-off or deduct such amount from any redemption and/or distributions moneys which would otherwise be payable to a Shareholder; and/or (c) exercise its right to request a transfer of Shares to another person or to compulsorily redeem the Shares held by such Shareholder.

In the event that the Company and/or a Sub-Fund holds US securities and is not FATCA compliant, the Company and/or the relevant Sub-Fund may become subject to a 30% FATCA withholding as a result of the FATCA regime, and the Company or relevant Sub-Fund may be adversely affected and the Shareholders holding Shares in the relevant Sub-Fund may suffer material losses.

The Manager does not support US tax evasion or any request to help investors avoid detection under FATCA. The Manager is not able to provide tax advice and cannot determine the impact or compliance obligations of FATCA or an applicable IGA for investors' business activities. The Manager strongly encourages Shareholders to seek the advice of an experienced tax adviser to determine what actions Shareholders may need to take.

The FATCA provisions are complex and their application is relatively uncertain as the US IRS may update FATCA rules and requirements from time to time. The above description is based in part on FATCA regulations from the United States Department of the Treasury, official guidance from the US IRS and the US-Hong Kong IGA, all of which are subject to change. Nothing in this section constitutes or purports to constitute tax advice and Shareholders should not rely on any information set out in this section for the purposes of making any investment decision, tax decision or otherwise. All Shareholders should therefore consult their own tax and professional advisors regarding the FATCA requirements, possible implications and related tax consequences with respect to their own situation. In particular, Shareholders who hold their Shares through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they would not suffer the above mentioned withholding tax on their investment returns.

## **Automatic Exchange of Financial Account Information ("AEOI")**

### **(a) General Information**

The Inland Revenue (Amendment) (No.3) Ordinance ("**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for

AEOI. The AEOI requires financial institutions (“FI”) in Hong Kong 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”) who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement (“CAA”); however, each Sub-Fund and/or agents of the Sub-Fund may further collect information relating to residents of other jurisdictions.

The Company and each of its Sub-Funds are required to comply with the requirements of AEOI as implemented by Hong Kong, which means that each Sub-Fund, the Manager, the Custodian and/or any of their agents shall collect and provide to the IRD tax information relating to Shareholders (and their Controlling Persons, as defined in the Ordinance) and prospective investors.

The AEOI rules as implemented by Hong Kong require the Company to, amongst other things: (i) register the Company’s status as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts to identify whether any such accounts are considered reportable accounts ("**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 2018, to transmit the information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has signed a CAA; and (ii) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the Ordinance, details of Shareholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

(b) *Impact to the Sub-Funds and Shareholders*

To assist in identifying Shareholders who are reportable persons, the Sub-Fund may require Shareholders and prospective Shareholders to complete self-certification forms for verification of the Shareholders’ respective tax residency status.

According to the due diligence procedures under the Ordinance (which are based on the international standard required), self-certification will be required for all new Shareholders who acquire Shares on or after 1 January 2017. The Sub-Fund reserves the right to require existing Shareholders before that date to verify their respective tax residences.

By investing in the Company and its Sub-Funds and/or continuing to invest in the Company and its Sub-Funds, Shareholders acknowledge that they may be required to provide additional information to the Company, the Manager, the Custodian and/or their agents in order for the Company and each of its Sub-Funds to comply with AEOI. The Shareholder’s information may be communicated by the IRD to authorities in other jurisdictions. The failure of a Shareholder to provide any requested information, may result in the Company, the Manager and/or the Custodian taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Shareholder concerned. Any such mandatory redemption or withdrawal will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Managers acting in good faith and on reasonable grounds.

Each Shareholder 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 Company and the relevant Sub-Fund.

## **PRC Taxation**

The following is based on the Manager’s general understanding of certain aspects of the tax laws, regulations and practice currently in force in Mainland China with respect to an investment in the Sub-

Funds. No guarantee can be given that the tax position at the date of this Explanatory Memorandum or at the time of an investment will endure indefinitely. Each taxpayer should seek tax advice from an independent tax advisor based on the taxpayer's particular circumstances.

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

#### General

##### (a) CIT

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

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

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

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

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

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

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

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

Generally, QFI would be subject to Mainland China WHT at 10% on its gross income from dividends, interest and capital gains realized from the holding and disposal of the shares in Mainland China investee companies unless reduced/waived under Mainland China tax laws and regulations or relevant tax treaties/tax arrangements.

##### (b) VAT

Under the prevailing VAT regulations in Mainland China, general VAT payers and small-scale payers are subject to different VAT calculation methods and different VAT rates.

Foreign investors are subject to VAT at 6% which is applicable to general VAT payers on the gains derived from trading financial products in Mainland China (including trading equity or equity-linked securities) and interest income from the Mainland China.

(c) SD

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

Mainland China bonds investment via Bond Connect, QFI and Foreign Access Regime

(a) Interest

*WHT and VAT*

Pursuant to Public Notice 34 jointly issued by the Ministry of Finance and the State Taxation Administration on 22 November 2021, interest income derived by overseas institutional investors from the domestic bond market are temporarily exempt from CIT/WHT and VAT during the period from 7 November 2021 to 31 December 2025 provided that such bond interest is not derived by the establishment or place of business of the overseas investors in Mainland China or effectively connected with such establishment or place. However, it is uncertain whether this temporary exemption will be further extended after expiration.

(b) Capital gains

*CIT/WHT*

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

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

Under the current practice in the Mainland China, the capital gains derived by foreign investors from trading Mainland China bonds are not subject to CIT or WHT in Mainland China, unless Mainland China tax authorities issue specific tax rules in the future to state otherwise.

*VAT*

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

- QFI entrust Mainland China domestic companies to conduct securities trading in Mainland China; or
- Bond trading conducted by foreign institutions approved by the PBOC through China Interbank Bond Market.

*SD*

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



(c) Investment in new asset classes

In Mainland China, new QFI scheme became effective on 1 November 2020 with significant changes, including the consolidation of previous QFII and RQFII schemes into one QFI scheme and expansion of QFI's investment scope, etc.

The prevailing tax laws in Mainland China may not fully cover the tax treatment on the income derived from new permissible asset classes upon the implementation of new QFI scheme. The current tax policies could be a reference. However, it is subject to further clarification of regulatory and tax authorities on the tax treatment on investment in new assets classes.

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

It should also be noted that the actual Mainland China taxes imposed by Mainland China tax authorities may be different and may change from time to time. There is a possibility of regulatory changes and Mainland China taxes being applied retrospectively. There are also risks and uncertainties associated with the current tax laws, regulations and practice in Mainland China. Such changes or uncertainties may result in higher taxation on Mainland China investments than currently contemplated. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet ultimate tax liabilities in Mainland China. Consequently, investors may be advantaged or disadvantaged depending upon the ultimate tax liabilities in Mainland China, the level of provision and when they subscribed and/or redeemed their shares in the Sub-Funds.

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

The Manager may or may not make tax provisions for capital gains, realised or unrealised, arising from the transfers of a Sub-Fund's investments in the Mainland China. Please refer to the relevant Appendix for details.

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## GENERAL INFORMATION

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### Instrument of Incorporation

The Company is a public open-ended fund company with variable capital and segregated liability between Sub-Funds registered and incorporated under Part IVA of the Securities and Futures Ordinance. The Instrument of Incorporation is the constitutive document of the Company which sets out, among others, rules relating to the management of the Company and other matters governing the relationship between the Company and its Shareholders. All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Instrument of Incorporation. The Instrument of Incorporation contains provisions for the indemnification of the Directors, the Custodian and the Manager and their relief from liability in certain circumstances. Shareholders and prospective investors are advised to consult the terms of the Instrument of Incorporation. Nothing in the Instrument of Incorporation shall exempt either the Custodian, the Directors or the Manager (as the case may be) from any liability to Shareholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence nor may they be indemnified against such liability by Shareholders or at Shareholders' expense.

### Distribution Policy

A Sub-Fund may offer Classes of Shares that accumulate income ("**Accumulation Classes**") or pay regular distributions out of net distributable income of such Sub-Fund ("**Distribution Classes**"). Please refer to the Appendix of the relevant Sub-Fund for further details, including the frequency of distributions to the Shareholders in respect of that Sub-Fund.

#### *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 Shares of the Accumulation Classes will be reflected in their respective Net Asset Value.

#### *Distribution Classes*

For Distribution Classes, the Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. However, unless otherwise specified in the relevant Appendix, **there is no guarantee of regular distribution nor, where distribution is made, the amount being distributed.**

The Manager may in its absolute discretion declare distributions in accordance with the Instrument of Incorporation. The Manager may at its discretion pay dividends out of the capital of the Sub-Fund. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund, and therefore, the Sub-Fund may effectively pay dividend out of capital. **Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant Class.**

Distributions of a Distribution Class declared, if any, shall be distributed among the Shareholders of the relevant Distribution Class pro rata in accordance with the number of Shares held by them on the record date as determined by the Manager and notified to the Custodian in respect of the corresponding distribution. Shareholders are entitled to distribution of dividends in accordance with the number of Shares held by them on the record date in respect of the corresponding distribution. For the avoidance of doubt, only Shareholders whose names are entered on the Register on such record date shall be entitled to the distribution declared in respect of the corresponding distribution.

Distributions, if declared, will be paid in cash. 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 Shareholder (at the Shareholder's risk and expense). No third party payments will be permitted.

Income earned by the Sub-Funds may be reinvested in the Sub-Funds and reflected in the value of the Shares of the Sub-Fund. The composition of dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the Manager's website <https://ramgroup.com.hk/> (this website has not been reviewed by the SFC).

The Manager may amend the distribution policy. Where required by the SFC or the UT Code, the Manager will obtain the SFC's prior approval and/or give prior notice to Shareholders of any such amendment.

### **Accounting Periods and Annual and Interim Reports**

The Directors and the Manager, with the assistance of other service providers, shall cause to be prepared an interim report and an annual report for the Company and each Sub-Fund for the period ending 31 December in every financial year.

The first annual report and audited annual accounts for the Company, RAM Income Fund and RAM Hong Kong Government Bond Fund will cover the period from the establishment of RAM Income Fund and RAM Hong Kong Government Bond Fund to 31 December 2025. The unaudited interim reports for the Company and each Sub-Fund will cover the period from 1 January to 30 June.

Once the annual and interim reports for the Company are issued, Shareholders will be notified within the relevant timeframe. The audited annual reports and interim reports will be prepared in English only and will be posted at <https://ramgroup.com.hk/> (this website has not been reviewed by the SFC) and available at the office of the Manager free of charge during normal business hours within four months of the end of each financial year and two months after the end of the semi-financial year-end respectively. Chinese annual reports and interim reports will not be prepared in respect of the Company and the Sub-Funds.

At least one month's prior notice will be provided to Shareholders if there will be any change to the mode of distribution of the annual report and interim reports described above.

### **Communications with Shareholders**

Communications with Shareholders may be effected by mail. Notice to Shareholders will also be published on <https://ramgroup.com.hk/> (this website has not been reviewed by the SFC). Shareholders should regularly visit the website, or request that their representatives do so on their behalf, to ensure that they obtain such information on a timely basis.

The following information will be available at <https://ramgroup.com.hk/> (this website has not been reviewed by the SFC):

- the latest Net Asset Value of each Sub-Fund;
- the past performance information of other share classes offered to Hong Kong investors;
- the composition of dividends (if any) (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital for the last 12 months);
- information on the intermediaries of each Sub-Fund;
- this Explanatory Memorandum, including the product key facts statements for each Sub-Fund (as revised from time to time);
- the Dealing Days for each Sub-Fund;

- the latest audited annual and unaudited interim reports and accounts of the Company and the Sub-Fund(s) (available in English only);
- any announcements or notices made by the Company and Sub-Fund(s), including information regarding the Sub-Fund(s), the suspension and resumption of subscription and redemption of Shares, the suspension of the calculation of the Net Asset Value, changes in fees, and notices relating to material alterations or additions to this Explanatory Memorandum or the constitutive documents of the Company; and
- the ongoing charges figure and the past performance information of the Sub-Fund(s).

### **Shareholders' Meetings and Voting Rights**

The Instrument of Incorporation provides that the Directors may (and the Directors shall at the request in writing of Shareholders together registered as holding not less than 10% of the Shares for the time being in issue and entitled to vote) call a general meeting. The quorum for the transaction of business for the passing of a Special Resolution is 25% of the Shares in issue in respect of the relevant Sub-Fund or Sub-Funds and 10% if only an Ordinary Resolution is to be considered and a minimum of two Shareholders present in person or by proxy. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

Except for matters requiring special notice which requires at least 28 days' prior notice, at least 21 days' prior notice (inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every general meeting at which a Special Resolution is to be proposed and at least 14 days' prior notice (inclusive of the day on which the notice is served or deemed to be served and of the day of which the notice is given) of every general meeting at which an ordinary resolution is proposed shall be given by the Directors to all Shareholders in the relevant Sub-Fund or Sub-Funds in accordance to the terms of the Instrument of Incorporation. These meetings may be used to sanction any modification, alteration or addition to the terms of the Instrument of Incorporation or to approve termination of the Company or any Sub-Fund. An ordinary resolution may be passed by a simple majority of the votes. A Special Resolution may only be passed by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting.

Proxies may be appointed. A Shareholder may appoint more than one proxy to attend and vote a prescribed number of his/her or its Shares.

The Instrument of Incorporation sets out procedures to be followed in respect of meetings of the Shareholders, including provisions as to the giving of notice, appointment of proxies and quorum.

### **Documents Available for Inspection**

Copies of the following documents may be inspected free of charge at the place of business of the Manager at Suite 3308, 33/F, Two Exchange Square, 8 Connaught Road Central, Central, Hong Kong during normal business hours on any Business Day:

- (a) the Instrument of Incorporation (as amended);
- (b) this Explanatory Memorandum, including the product key facts statements of the Sub-Fund(s); and
- (c) any audited annual or unaudited interim reports of any Sub-Fund (available in English only).

A copy of the Instrument of Incorporation (as amended) may be supplied by the Manager on application at a reasonable fee.

### **Amendment of Instrument of Incorporation**

Provisions of the Instrument of Incorporation may not be altered or amended unless:

- (a) the alteration has been approved by Shareholders by a Special Resolution;

- (b) the Custodian certifies in writing that in its opinion the proposed alteration:
  - (i) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements;
  - (ii) does not materially prejudice Shareholders' interests, does not to any material extent release the Directors, the Manager, the Custodian or any other person from any liability to Shareholders and does not increase the costs and charges payable from the Scheme Property; or
  - (iii) is necessary to correct a manifest error;
- (c) the alteration is approved by the SFC; or
- (d) the alteration does not require Shareholders' approval nor the SFC's approval and which does not fall within paragraph (b) according to the applicable laws and regulations.

No such modification, alteration or addition (whether or not approved by a Special Resolution) shall impose upon any Shareholder any obligation to make any further payment in respect of his/her Shares or to accept any liability in respect thereof.

Shareholders shall be given written notice of the details of any modification, alteration or addition to the Instrument of Incorporation and their effects on existing Shareholders (if any). The Company must give notice in writing to the SFC and submits to the Registrar of Companies in accordance with the applicable rules, laws and regulations after the date of alteration takes effect, the modification, alteration or addition to the Instrument of Incorporation for registration.

#### **Retirement or Removal of Directors**

A person ceases to be a Director if the person:

- (a) ceases to be a Director or is prohibited from being a Director under the applicable laws and regulations or under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32);
- (b) becomes bankrupt or makes any arrangement or composition with the person's creditors generally;
- (c) becomes a mentally incapacitated person;
- (d) resigns from the office of Director by notice in writing of the resignation of not less than 28 days;
- (e) has been absent for more than 6 months without the Directors' permission from Directors' meetings held during that period;
- (f) upon the expiry of any period or notice period stated in an agreement for the provision of services between the Company and the Director or if such agreement is summarily terminated in accordance with its terms; or
- (g) is removed from the office of Director by an Ordinary Resolution.

Notice for such removal of Directors and general meeting at which the Director is removed shall be held in accordance with the procedures set out in the section headed "**Shareholders' Meetings and Voting Rights**".

#### **Removal and Retirement of the Custodian and the Manager**

*The Custodian*

Subject to requisite regulatory approvals (including the SFC's prior approval), the Custodian may retire from office subject to the Company giving at least one month's prior written notice to the Shareholders (or such shorter period as the SFC may approve). A Custodian must retire in the case of (a) below, and must be subject to removal by notice in writing in the case of (b) and (c) below:

- (a) when it ceases to be eligible to be a Custodian or is prohibited from being a Custodian under the applicable law and regulations or when the SFC withdraws its approval of the Custodian;
- (b) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets; or
- (c) when for good and sufficient reason, the Directors state in writing that a change in the Custodian is desirable in the interests of the Shareholders.

The Custodian may not retire except upon the appointment of a new Custodian approved by the SFC.

In the event that the Custodian shall retire or be removed or its appointment shall otherwise terminate, the Company shall appoint another corporation eligible under the applicable laws and regulations (including the UT Code) to act as a custodian of an open-ended company which is approved by the SFC to be the Custodian in place of the Custodian so retiring or being removed on or before the expiry of any period of notice of such retirement or removal. The retirement of the Custodian should take effect at the same time as the new Custodian takes up office.

#### *The Manager*

The Manager may retire from office by giving at least one month's prior written notice to Shareholders (or such shorter period as the SFC may approve), upon and subject to the appointment of a new manager in accordance with the provisions of the Instrument of Incorporation, subject to requisite regulatory approvals (including the SFC's prior approval).

The Manager must retire in the case of (a) below, and must be subject to removal by notice in writing from the Directors in the case of (b) or (c) below:

- (a) when it ceases to be eligible to be a Manager or is prohibited from being a Manager under the applicable laws and regulations or when the SFC withdraws its approval of the Manager;
- (b) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets;
- (c) when for good and sufficient reason, the Directors state in writing that a change in the Manager is desirable in the interests of the Shareholders.

The Manager may not retire except upon the appointment of a new Manager approved by the SFC.

In the event that the Manager shall retire or be removed or its appointment shall otherwise terminate, the Company shall appoint another corporation eligible under the applicable law and regulations to act as the investment manager of an open-ended company which is approved by the SFC to be the Manager in place of the Manager so retiring or being removed on or before the expiry of any period of notice of such retirement or removal.

The Company may further entrust to and confer upon the Manager so appointed any of the relevant powers, duties, discretions, and/or functions exercisable by them as Directors upon such terms and conditions including the right to remuneration payable by the Company and with such powers of delegation and such restrictions as they think fit and collaterally with their own powers.

#### **Termination of the Company or the Sub-Funds (otherwise than by winding up)**

The Company, any Sub-Fund or any Class of Shares may be terminated by the Directors in the following circumstances:

- (a) if on any date:

- (i) in relation to the Company, after 12 months from the date of the first issue of Shares relating to the first Sub-Fund or at any date thereafter, the Net Asset Value of the Company is less than USD60,000,000 or its equivalent in the Base Currency of the Company; or
- (ii) in relation to a Sub-Fund including Classes therein, after 12 months from the date of the first issue of Shares relating to the relevant Sub-Fund or at any date thereafter, the Net Asset Value of the relevant Sub-Fund is less than USD60,000,000 or its equivalent in the Base Currency of the Sub-Fund;
- (b) in relation to a Class only, there are no Shareholders of such Class in a Sub-Fund;
- (c) if the Manager is unable to implement its investment strategy in respect of the Sub-Fund;
- (d) if any laws, rules and regulations passed or imposed by any regulatory or supervisory, governmental, or quasi-governmental authority, any fiscal body or self-regulatory organisation (whether of a governmental nature or otherwise) render it illegal or in the reasonable opinion of the Directors impracticable or inadvisable to continue the Company or the relevant Sub-Fund(s); or
- (e) if the Company or the relevant Sub-Fund ceases to be authorised by the SFC pursuant to the Securities and Futures Ordinance, or if the SFC directs under the Securities and Futures Ordinance or any other competent governmental authority directs that the Company or a Sub-Fund be terminated.

The Directors terminating the Company, a Sub-Fund or the Class of Shares (as applicable) will give at least one month's prior written notice of termination of the Company, a Sub-Fund or the Class of Shares (as applicable) to the Shareholders (such notice having been previously approved by the SFC, if necessary) containing information necessary to enable Shareholders to make an informed judgement of the proposed termination by the Directors (including the reasons for the termination, the relevant provisions under the Instrument of Incorporation that enable such termination, the consequences of the termination and their effects on existing Shareholders, the alternatives available to Shareholders, the estimated costs of the termination and who is expected to bear them). The Directors shall by such notice fix the date at which such termination is to commence taking effect (where the Company is terminated by reason of illegality, impracticability or inadvisability in which case termination may take effect forthwith provided that at least one month's prior notice of termination shall be given to Shareholders).

Any unclaimed proceeds or other monies held by the Custodian in the event of a termination may at the expiration of twelve months from the date upon which the same became payable be paid into court of competent jurisdiction subject to the right of the Custodian to deduct therefrom any expenses it may incur in making such payment.

### **Winding up of the Company or the Sub-Funds**

Subject to any other provisions applicable to the relevant Sub-Fund as set out in the Appendix in relation to the relevant Sub-Fund, the rights of the Shareholders to participate in the property comprised in a Sub-Fund on a winding up of the Company or a Sub-Fund shall be proportionate to the proportionate interests in the Sub-Fund represented by the Shares which they hold.

If the Company or a Sub-Fund is wound up and a surplus remains after the payment of debts proved in the winding up, the liquidator:

- (i) may, with the required sanction of a Special Resolution of the Company or the Shareholders of the relevant Sub-Fund and any other sanction required by the applicable laws and regulations, divided amongst the Shareholders the whole or any part of the assets of the Company or relevant Sub-Fund (whether they consist of property of the same kind or not) and may, for this purpose, set a value the liquidator thinks fair on any property to be so divided; and
- (ii) may determine how the division is to be carried out between the Shareholders or different classes of Shareholders.

## **Anti-Money Laundering Regulations**

In order to comply with the responsibilities for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Custodian, the Administrator, the Registrar, the Sub-Fund(s) or the Company is subject to, the Company, the Manager, the Administrator, the Registrar or the Custodian may require a detailed verification of an investor's identity and the source of payment of any applications for Shares at any time as they deem appropriate.

Depending on the circumstances of each application, a detailed verification might not be required where:

- (a) the investor makes the payment from an account held in the investor's name at a recognised financial institution; or
- (b) the application is made through a recognised intermediary.

These exceptions apply only if the financial institution or intermediary is within a country recognised by the Custodian and the Manager as having sufficient anti-money laundering regulations.

Each of the Company, the Manager, the Custodian, the Administrator and the Registrar 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 information required for verification purposes, each of the Company, the Manager, the Custodian, the Administrator and the Registrar, as applicable, may refuse to accept the relevant application and the application monies. None of the Directors, the Company, the Manager, the Custodian, the Administrator or the Registrar shall be liable to the applicant for any loss caused as a result of such delay or refusal to process applications.

No payment of subscription from, or redemptions to, any persons other than the Shareholder will be allowed.



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## SCHEDULE 1 COLLATERAL VALUATION AND MANAGEMENT POLICY

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The Manager employs a collateral management policy in relation to collateral received in respect of over-the-counter (“**OTC**”) FDI transactions and securities financing transactions entered into in respect of a Sub-Fund.

A Sub-Fund may receive collateral from a counterparty in order to reduce its counterparty risk exposure, subject to the investment restrictions and requirements applicable to securities financing transactions under section headed “**Restrictions applicable to securities financing transaction**” and collateral under the section headed “**Restrictions applicable to collateral**”.

### ***Nature and quality of the collateral***

A Sub-Fund may receive both cash and non-cash collateral from a counterparty. Cash collateral may include cash, cash equivalents and money market instruments. Cash collateral may include cash, cash equivalents and money market instruments. Non-cash collateral may comprise assets listed or traded in a regulated market, including government or corporate bonds whether investment grade/non-investment grade/unrated, long/short term bonds, listed or traded in any regulated markets.

### ***Criteria for selecting counterparties***

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties which shall include amongst other considerations, fundamental creditworthiness (e.g. ownership structure, financial strength) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, minimum credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty. In particular:

- The counterparty of securities financing transactions must be financial institutions which are subject to ongoing prudential regulation and supervision.
- The counterparties must be entities with legal personality typically located in Organisation for Economic Co-operation and Development (OECD) jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority.
- The counterparty to a securities financing transaction and an OTC FDI transaction must have a minimum credit rating as determined by the Manager from time to time. The Manager will also monitor and conduct periodic review on the counterparties’ ability and strength in the specific market (e.g. by reference to the counterparties’ share capital).

### ***Valuation of collateral***

The collateral received is valued daily by an entity that is independent from the counterparty on a mark-to market basis.

### ***Enforceability of collateral***

Collateral (subject to any net-off or set-off, if applicable) is capable of being fully enforced by the Custodian at any time without further recourse to the counterparty.

### ***Haircut policy***

A documented haircut policy is in place for detailing the policy in respect of each class of assets received by a Sub-Fund in order to reduce exposure to counterparties. A haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation or liquidity profile, may deteriorate over time. The haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by the relevant Sub-Fund. Haircuts will be based on the market

risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. The haircut policy takes account of the price volatility of the asset used as collateral and other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions.

#### ***Diversification and correlation of collateral***

Collateral must be sufficiently diversified. The exposures of a Sub-Fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in the section headed “**Investment Restrictions**”. Collateral received must be issued by an entity that is independent from the relevant counterparty.

The Manager will ensure the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty, in such a way that would undermine the effectiveness of the collateral. As such securities issued by the counterparty, or any of their related entities should not be used as collaterals.

#### ***Cash collateral reinvestment policy***

A Sub-Fund shall not sell, pledge or re-invest any non-cash collateral received by it.

Subject to the applicable restrictions in respect of collateral in the section headed “**Investment Restrictions**”, cash collateral received by a Sub-Fund may be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the UT Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

Up to 100% of the cash collateral received by a Sub-Fund may be reinvested.

#### ***Safe-keeping of collateral***

Any non-cash assets received by a Sub-Fund from a counterparty on a title transfer basis (whether in respect of a securities financing transaction or an OTC FDI transaction) should be held by the Custodian or a Correspondent. This is not applicable in the event that there is no title transfer in which case the collateral will be held by a third party custodian which is unrelated to the provider of the collateral.

Assets provided by a Sub-Fund on a title transfer basis shall no longer belong to the Sub-Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Custodian or a Correspondent.

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## APPENDIX 1 RAM INCOME FUND

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### Investment Objective

The investment objective of the Sub-Fund is to achieve regular income and capital appreciation over the medium term by investing in a diversified portfolio of global fixed income securities.

### Investment Strategy and Policy

#### *Primary Investment*

The Sub-Fund will invest primarily (i.e. at least 70% of its Net Asset Value) in global fixed income securities issued by corporations, government and government agencies. The fixed income securities invested by the Sub-Fund includes investment grade bonds, below investment grade or unrated bonds, Additional Tier 1 and Tier 2 capital instruments issued by corporates and financial institutions, contingent convertible bonds, convertible bonds, convertible notes, preference shares, collateralised and/or securitised products (e.g. asset backed securities and mortgage-backed securities) and Renminbi (“RMB”) denominated fixed income securities issued within Mainland China traded on the China Interbank Bond Market via Bond Connect.

The Sub-Fund is not subject to any requirements on the minimum credit rating of the fixed income securities it may hold and consequently it may hold fixed income securities that are rated investment grade, below investment grade or unrated. A fixed income security is considered investment grade if its credit rating is BBB- or above by Standard and Poor’s or Fitch Ratings or Baa3 or above by Moody’s or equivalent rating as rated by an international credit rating agency. For split credit ratings, the highest credit rating issued to the fixed income securities will be deemed as the reference credit rating. For Mainland China fixed income securities, a fixed income security is considered investment grade if it has a minimum credit rating of AA+ as rated by China Chengxin International Credit Rating Co., Ltd or China Lianhe Credit Rating Co., Ltd, or equivalent ratings by one of the local rating agencies recognised by the relevant authorities in Mainland China. For split credit ratings, the highest credit rating issued to the fixed income securities will be deemed as the reference credit rating.

The Sub-Fund’s investment in below investment grade and unrated fixed income securities shall be no more than 50% of the Sub-Fund’s Net Asset Value. The Sub-Fund, however, will not invest more than 10% of its Net Asset Value in fixed income securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade and/or unrated.

The asset allocation of the fixed income securities primarily invested by the Sub-Fund are as follows:

- less than 30% of its Net Asset Value in instruments with loss-absorption features (“LAPs”) such as contingent convertible bonds issued by financial institutions, non-preferred senior debt instruments and certain Additional Tier 1 and Tier 2 capital instruments. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s);
- less than 30% of its Net Asset Value in collateralised and/or securitised products, including asset-backed securities, mortgage-backed securities, loan-backed securities and securitised notes. The Sub-Fund may invest less than 30% of the Sub-Fund’s Net Asset Value in inflation-linked securities and hybrid securities, including convertible notes, perpetual securities and preference shares;
- less than 30% of its Net Asset Value in RMB denominated fixed income securities issued within Mainland China traded on the China Interbank Bond Market via Bond Connect (including urban investment bonds, i.e. debt instruments issued by the LGFVs). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects,

noting that the investments in each of these categories will be individually less than 30% of the Sub-Fund's Net Asset Value.

For the Sub-Fund's portfolio of fixed income securities, the Manager intends to maintain an average portfolio interest rate duration of no more than 5 years.

#### *Ancillary Investments*

The Sub-Fund may also invest up to 20% of its Net Asset Value in securities listed in recognised global exchanges, including but not limited to exchange traded funds, interests in REITs and China A-Shares through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (collectively, "**Stock Connect**").

The Sub-Fund may invest no more than 30% of its Net Asset Value in collective investment schemes which are either authorised by the SFC or eligible schemes (as defined in the SFC's Code on Unit Trusts and Mutual Funds). The Sub-Fund's investment in collective investment schemes which are non-eligible schemes and are not authorised by the SFC may not exceed 10% of the Sub-Fund's Net Asset Value.

The Sub-Fund may also hold no more than 30% of its Net Asset Value in cash, bank deposits, cash equivalents and/or money market instruments under normal market circumstances, but may temporarily increase its holding up to 100% of its Net Asset Value in cash, bank deposits, cash equivalents and/or money market instruments under exceptional circumstances (e.g. market crash or major crisis such as during periods of significant downturn in the economic or political turmoil) in the best interests of Shareholders in order to protect the assets of the Sub-Fund, mitigate risk or maintain liquidity of the Sub-Fund.

The Sub-Fund may use FDI, including but not limited to swaps, forwards, futures and options, for hedging purposes and investment purposes.

The Sub-Fund may borrow up to 10% of its Net Asset Value on a temporary basis for the purpose of meeting realisation requests or defraying operating expenses.

#### **Securities financing, repurchase and reverse repurchase transactions**

The Manager does not currently intend to engage in securities lending, repurchase and reverse repurchase transactions in respect of the Sub-Fund. The approval of the SFC will be sought and at least one month's prior notice will be given to shareholders.

#### **SUB-FUND DETAILS**

The Sub-Fund currently has the following Classes of Shares which are available to investors:

- Class A USD (ACC)
- Class A USD (DIST)
- Class A HKD (ACC)
- Class A HKD (DIST)
- Class A AUD (ACC)
- Class A AUD (DIST)
- Class A EUR (ACC)
- Class A EUR (DIST)
- Class A RMB (ACC)
- Class A RMB (DIST)
- Class B USD (ACC)
- Class B USD (DIST)
- Class B HKD (ACC)
- Class B HKD (DIST)
- Class B AUD (ACC)
- Class B AUD (DIST)
- Class B EUR (ACC)

- Class B EUR (DIST)
- Class B RMB (ACC)
- Class B RMB (DIST)
- Class C USD (ACC)
- Class C USD (DIST)
- Class C HKD (ACC)
- Class C HKD (DIST)
- Class C AUD (ACC)
- Class C AUD (DIST)
- Class C EUR (ACC)
- Class C EUR (DIST)
- Class C RMB (ACC)
- Class C RMB (DIST)

The Directors may in the future determine to offer other Class(es) of Shares, of such currencies and features as may be determined by the Directors from time to time, pursuant to the provisions of the Instrument of Incorporation.

<b>Product Type</b>	Fixed income	
<b>Manager</b>	RAM Investment Advisors Limited	
<b>Custodian</b>	BOCI-Prudential Trustee Limited	
<b>Administrator / Registrar</b>	BOCI-Prudential Trustee Limited	
<b>Initial Issue Price</b>	Class A USD (DIST)/(ACC) Class B USD (DIST)/(ACC) Class C USD (DIST)/(ACC)	USD1.00 per Share
	Class A HKD (DIST)/(ACC) Class B HKD (DIST)/(ACC) Class C HKD (DIST)/(ACC)	HKD1.00 per Share
	Class A AUD (DIST)/(ACC) Class B AUD (DIST)/(ACC) Class C AUD (DIST)/(ACC)	AUD1.00 per Share
	Class A EUR (DIST)/(ACC) Class B EUR (DIST)/(ACC) Class C EUR (DIST)/(ACC)	EUR1.00 per Share
	Class A RMB (DIST)/(ACC) Class B RMB (DIST)/(ACC) Class C RMB (DIST)/(ACC)	RMB1.00 per Share
<b>Initial Issue Date</b>	2 May 2025, or such other date as the Directors may determine in their absolute discretion from time to time	
<b>Initial Offer Period</b>	The period commencing from 9:00 a.m (Hong Kong time) on 2 December 2024 to 4:00 p.m. (Hong Kong time) on 30 April 2025, or such other period as the Directors may determine in their absolute discretion from time to time	
<b>Base Currency</b>	USD	

<b>Initial Minimum Subscription</b>	Class A USD (DIST)/(ACC): USD2,000 Class A HKD (DIST)/(ACC): HKD15,000 Class A AUD (DIST)/(ACC): AUD10,000 Class A EUR (DIST)/(ACC): EUR2,000 Class A RMB (DIST)/(ACC): RMB15,000 Class B USD (DIST)/(ACC): USD2,000 Class B HKD (DIST)/(ACC): HKD15,000 Class B AUD (DIST)/(ACC): AUD10,000 Class B EUR (DIST)/(ACC): EUR2,000 Class B RMB (DIST)/(ACC): RMB15,000 Class C USD (DIST)/(ACC): USD2,000 Class C HKD (DIST)/(ACC): HKD15,000 Class C AUD (DIST)/(ACC): AUD10,000 Class C EUR (DIST)/(ACC): EUR2,000 Class C RMB (DIST)/(ACC): RMB15,000
<b>Subsequent Minimum Subscription</b>	Class A USD (DIST)/(ACC): USD1,000 Class A HKD (DIST)/(ACC): HKD8,000 Class A AUD (DIST)/(ACC): AUD10,000 Class A EUR (DIST)/(ACC): EUR1,000 Class A RMB (DIST)/(ACC): RMB8,000 Class B USD (DIST)/(ACC): USD1,000 Class B HKD (DIST)/(ACC): HKD8,000 Class B AUD (DIST)/(ACC): AUD10,000 Class B EUR (DIST)/(ACC): EUR1,000 Class B RMB (DIST)/(ACC): RMB8,000 Class C USD (DIST)/(ACC): USD1,000 Class C HKD (DIST)/(ACC): HKD8,000 Class C AUD (DIST)/(ACC): AUD10,000 Class C EUR (DIST)/(ACC): EUR1,000 Class C RMB (DIST)/(ACC): RMB8,000
<b>Minimum Holding</b>	Class A USD (DIST)/(ACC): USD2,000 Class A HKD (DIST)/(ACC): HKD15,000 Class A AUD (DIST)/(ACC): AUD10,000 Class A EUR (DIST)/(ACC): EUR2,000 Class A RMB (DIST)/(ACC): RMB15,000 Class B USD (DIST)/(ACC): USD2,000 Class B HKD (DIST)/(ACC): HKD15,000 Class B AUD (DIST)/(ACC): AUD10,000 Class B EUR (DIST)/(ACC): EUR2,000 Class B RMB (DIST)/(ACC): RMB15,000 Class C USD (DIST)/(ACC): USD2,000 Class C HKD (DIST)/(ACC): HKD15,000 Class C AUD (DIST)/(ACC): AUD10,000 Class C EUR (DIST)/(ACC): EUR2,000 Class C RMB (DIST)/(ACC): RMB15,000
<b>Minimum Redemption</b>	Class A USD (DIST)/(ACC): USD2,000 Class A HKD (DIST)/(ACC): HKD15,000 Class A AUD (DIST)/(ACC): AUD10,000 Class A EUR (DIST)/(ACC): EUR2,000 Class A RMB (DIST)/(ACC): RMB15,000 Class B USD (DIST)/(ACC): USD2,000

	Class B HKD (DIST)/(ACC): HKD15,000 Class B AUD (DIST)/(ACC): AUD10,000 Class B EUR (DIST)/(ACC): EUR2,000 Class B RMB (DIST)/(ACC): RMB15,000 Class C USD (DIST)/(ACC): USD2,000 Class C HKD (DIST)/(ACC): HKD15,000 Class C AUD (DIST)/(ACC): AUD10,000 Class C EUR (DIST)/(ACC): EUR2,000 Class C RMB (DIST)/(ACC): RMB15,000
<b>Dealing Day</b>	Each Business Day will be a Dealing Day, or such other days as the Manager may, in consultation with the Custodian, determine
<b>Dealing Deadline</b>	4:00 p.m. (Hong Kong time) on the relevant Dealing Day  For Shares subscribed during the Initial Offer Period, the applicant shall submit the application form to the Administrator by 4:00 p.m. (Hong Kong time) on the last day of the Initial Offer Period.
<b>Payment of subscription monies</b>	For Shares subscribed during the Initial Offer Period, payment for such Shares is due by 4:00 p.m. (Hong Kong time) on the last day of the Initial Offer Period.  For Shares subscribed after the Initial Offer Period, payment for such Shares is due by 4:00 p.m. (Hong Kong time) within 1 Business Day from the relevant Dealing Day where the relevant Shares are issued.
<b>Payment of redemption proceeds</b>	Within 7 Business Days from the relevant Dealing Day for the redemption of Shares
<b>Valuation Point</b>	Close of business of the last relevant market to close on a Valuation Day or such other time on that day or such other date as determined by the Manager
<b>Financial year end</b>	31 December
<b>Website</b> (this website has not been reviewed by the SFC)	<a href="https://ramgroup.com.hk/">https://ramgroup.com.hk/</a>
<b>Distribution Frequency</b>	Distribution (DIST) Classes: At the Manager's discretion. There is no guarantee of regular distribution, nor where distribution is made, the amount being distributed. Dividends (if any) may be paid out of capital or effectively out of capital.  Accumulation (ACC) Classes: No distributions will be made.

## DISTRIBUTION POLICY

### *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 Shares of the Accumulation Classes will be reflected in their respective Net Asset Value.

### *Distribution Classes*

For the Distribution Classes, the Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. **However, there is no guarantee of regular distribution nor, where distribution is made, the amount being distributed.** Distributions will be paid in the class currency of the relevant Class of Shares.

The Manager may in its absolute discretion declare distributions in accordance with the Instrument of Incorporation. The Manager may at its discretion pay dividends out of the capital of the Sub-Fund. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund, and therefore, the Sub-Fund may effectively pay dividend out of capital. **Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant Class.**

Distributions of a Distribution Class declared, if any, shall be distributed among the Shareholders of the relevant Distribution Class pro rata in accordance with the number of Shares held by them on the record date as determined by the Manager and notified to the Custodian in respect of the corresponding distribution. Shareholders are entitled to distribution of dividends in accordance with the number of Shares held by them on the record date in respect of the corresponding distribution. For the avoidance of doubt, only Shareholders whose names are entered on the Register on such record date shall be entitled to the distribution declared in respect of the corresponding distribution.

Distributions, if declared, will be paid in cash. 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 Shareholder (at the Shareholder's risk and expense). No third party payments will be permitted.

Income earned by the Sub-Funds may be reinvested in the Sub-Funds and reflected in the value of the Shares of the Sub-Fund. The composition of dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the Manager's website <https://ramgroup.com.hk/> (this website has not been reviewed by the SFC).

The Manager may amend the distribution policy. Where required by the SFC or the UT Code, the Manager will obtain the SFC's prior approval and/or give prior notice to Shareholders of any such amendment.



## FEES AND EXPENSES

<b>Management Fee*</b>	<p>Class A: 0.95% per annum of the Net Asset Value of the Sub-Fund.</p> <p>Class B: 1.25% per annum of the Net Asset Value of the Sub-Fund.</p> <p>Class C: 1.55% per annum of the Net Asset Value of the Sub-Fund.</p> <p><i>*May be increased up to 5% of the Net Asset Value of the Sub-Fund by giving Shareholders at least one month's prior notice.</i></p>
<b>Custodian Fee and Administration Fee*</b>	<p>Up to 0.125% per annum of the Net Asset Value of the Sub-Fund, subject to a monthly minimum fee of USD5,000.</p> <p><i>*May be increased up to 1% per annum of the Net Asset Value of the Sub-Fund by giving Shareholders at least one month's prior notice.</i></p>
<b>Performance Fee</b>	Nil
<b>Subscription Fee</b>	<p>Class A: Up to 5% of the total subscription amount</p> <p>Class B: Up to 5% of the total subscription amount</p> <p>Class C: Up to 5% of the total subscription amount</p>
<b>Redemption Fee</b>	<p>Nil*</p> <p><i>*A Redemption Fee of up to 5% of the Redemption Price per Share may be charged by giving Shareholders at least one month's prior notice.</i></p>
<b>Conversion Fee</b>	<p>0.25% of the total amount being converted</p> <p><i>*May be increased up to 5% of the total amount being converted by giving Shareholders at least one month's prior notice</i></p>

## ADDITIONAL RISKS RELATING TO THE SUB-FUND

Investors should refer to the relevant risk factors under the section headed “**Risk Factors**” in the main body of the Explanatory Memorandum and in particular, the following risk factors as set out in the main body of the Explanatory Memorandum:

- General investment risk
- Market risk
- Concentration risk
- Custody risks
- Currency risk
- Emerging market risk
- Liquidity risk
- Conflicts of interest risk
- Valuation risk
- Changes in applicable law risk
- Government intervention and country risks
- Restricted markets risk
- Risks associated with regulatory requirements or exchanges policies
- Risk of investing in equity securities
- Risks of investing in fixed income instruments
- Credit rating risk
- Mainland China credit rating agency risk
- Risks associated with convertible bonds
- Risks associated with collateralised and/or securitised products (e.g. asset backed securities and mortgage backed securities)
- Risks of investing in other funds
- Hedging risk
- Borrowing risks
- FDI risks
- Over-the-counter markets risk
- Collateral risks

The following additional risk factors also apply to the Sub-Fund:

### *General investment risk*

The Sub-Fund’s investment portfolio may fall in value due to any of the risk factors set out below and in the “**Risk Factors**” section of this Explanatory Memorandum, and therefore, investors’ investments in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

### *Market and issuer risk*

Securities Markets are volatile and can decline significantly in response to adverse market, economic, political, regulatory or other developments, which may lower the value of securities held by the Sub-Fund, sometimes rapidly or unpredictably. Additionally, an adverse event or adverse economic conditions may depress the value of a particular issuer’s securities or may increase the risk that issuers will not generate sufficient cash flow to service their debt obligations.

### *Market liquidity risk*

Liquidity risk exists when a particular investment is difficult to be purchased or sold. If the Sub-Fund invests in illiquid securities (including fixed income securities which are close to maturity) or the current market become illiquid, it may reduce the returns of the Sub-Fund because the Sub-Fund cannot sell the illiquid securities at an advantageous time or price. The cost of dealing may be high in such illiquid markets. A disruption in the asset allocation in the Sub-Fund is also possible if underlying securities cannot be purchased or sold. The Sub-Fund is subject to liquidity risk as continued regular trading activity and active secondary market for bonds is not guaranteed. The Sub-Fund may suffer losses in

trading such instruments. The bid and offer spread of the price of bonds may be large, so the Sub-Fund may incur significant trading and realisation costs and may suffer losses accordingly.

#### *Corporate debt obligations*

Investment in debt obligations issued by companies and other entities, is subject to the risk that a particular issuer may not fulfil its payment or other obligations in respect of such debt obligations. Additionally, an issuer may experience an adverse change in its financial condition which may in turn result in a decrease in the credit rating assigned to such issuer and its debt obligations, possibly below investment grade. Such adverse change in financial condition or decrease in credit rating(s) may result in increased volatility in the price of an issuer's debt obligations and negatively affect liquidity, making any such debt obligation more difficult to sell.

#### *Eurozone risk*

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

#### *Risks relating to below investment grade or unrated securities*

Investors should note that securities that are below investment grade or are unrated would generally be subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated fixed income securities.

#### *Risks relating to investments in debt instruments with loss-absorption features*

The Sub-Fund may invest in instruments with loss-absorption features which typically include terms and conditions specifying that the instrument is subject to being written off, written down, or converted to ordinary shares on the occurrence of a trigger event (i.e. when the issuer, or the resolution entity if the issuer is not a resolution entity, is near or at the point of non-viability; or when the issuer's capital ratio falls to a specified level), such as total loss-absorbing capacity eligible instruments, contingent convertible debt securities, senior non-preferred debt and instruments which qualify as Additional Tier 1 or Tier 2 capital instruments as defined in the Banking (Capital) Rules.

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

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

#### *Risks associated with investing in senior non-preferred debts*

The Sub-Fund may invest in senior non-preferred debts. While senior non-preferred debts are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in a total loss of principal invested.

#### *Risks associated with investment in contingent convertible bonds*

The Sub-Fund may invest in contingent convertible debt securities, commonly known as CoCos, which are highly complex and are of high risk. Upon the occurrence of a trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-

down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company) or cause the permanent writedown to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis.

Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time. Contingent convertible bonds are also subject to additional risks specific to their structure including:

- *Trigger level risk:* Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the trigger events that would require the debt to convert into equity or write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios; (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible bonds into equity or write down, in circumstances that are beyond the control of the issuer; or (iii) a national authority deciding to inject capital.
- *Coupon cancellation:* Coupon payments on some contingent convertible bonds are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible bonds may be volatile and their price may decline rapidly in the event that coupon payments are suspended.
- *Capital structure inversion risk:* Contrary to the classic capital hierarchy, the Sub-Fund investing in contingent convertible bonds may suffer a loss of capital while equity holders do not, for example, when the loss absorption mechanism of a high trigger/write-down of a contingent convertible bond is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.
- *Call extension risk:* Some contingent convertible bonds are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible bonds will be called on a call date. Contingent convertible bonds are a form of permanent capital. The Sub-Fund investing in contingent convertible bonds may not receive return of principal as expected on call date or indeed at any date.
- *Conversion risk:* Trigger levels differ between specific contingent convertible bonds and determine exposure to conversion risk. It might be difficult at times for the Manager to assess how the contingent convertible bonds will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment strategy of the Sub-Fund. Given the trigger event is likely to be an event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some losses.
- *Valuation and write-down risk:* Contingent convertible bonds often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible bonds may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets.

Therefore, the Sub-Fund may lose the entire investment value or may be required to accept cash or securities with a value less than the original investment.

- *Market value fluctuations due to unpredictable factors:* The value of contingent convertible bonds is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible bonds; (iii) general market conditions and available liquidity; and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.
- *Liquidity risk:* In certain circumstances finding a buyer ready to invest in contingent convertible bonds may be difficult and the Sub-Fund may have to accept a significant discount to sell it.
- *Sector concentration risk:* Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund with investment in contingent convertible bonds may therefore be affected to a larger extent by the overall condition of the financial services industry than for the funds following a more diversified strategy.
- *Subordinated instruments:* Contingent convertible bonds will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible bonds, such as the Sub-Fund, against the issuer in respect of or arising under the terms of the contingent convertible bonds shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.
- *Novelty and untested nature:* The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

#### *Risks of investing in urban investment bonds*

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

#### *Risks associated with CIBM via Bond Connect*

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

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

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

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

affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

By investing in the Mainland inter-bank bond market, the Sub-Fund may be at risk of being subject to taxes in the Mainland China. There is a possibility that the current tax laws, rules, regulations and practice in the Mainland China and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Sub-Fund could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Sub-Fund.

#### *Risks associated with investment in China A-Shares through Stock Connect*

The relevant rules and regulations on Shanghai-Hong Kong Stock Connect are subject to change which may have potential retrospective effect. The Shanghai-Hong Kong Stock Connect is subject to quote limitations. Where a suspension in the trading through the programme is effected, the Sub-Fund's ability to invest in China A-Shares or access the PRC market through the programme will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

Investments in China-A Shares through Stock Connect may also be subject to the following risks:

- *Legal and regulatory risk* – The Sub-Fund may invest in China A-Shares through Stock Connect which aim to achieve mutual stock market access between the PRC and Hong Kong such as Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. The relevant rules and regulations will be subject to change which may have potential retrospective effect.
- *Trading risks* – Trading in China A-Shares through Stock Connect is subject to quota limitations, operational risks, risks arising from differences in trading days and restrictions on selling imposed by frontend monitoring and recalling of eligible stocks. In such events, the Sub-Fund's ability to achieve its investment objective could be negatively affected, which may adversely affect the Net Asset Value of the Sub-Fund and investors may as a result suffer loss.
- *Investor Compensation Fund* – Further, the Sub-Fund's investments through Stock Connect is not covered by China Securities Investor Protection Fund and may not be covered by Hong Kong's Investor Compensation Fund. Therefore, the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A-shares through Stock Connect.
- *Suspension risk* – Each of SEHK, SSE and SZSE (as appropriate) reserves the right to suspend the Northbound Shanghai Trading Link or Northbound Shenzhen Trading Link and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the trading through a programme is effected, the Sub-Fund's ability to invest in China A-shares or access the PRC market through Stock Connect will be adversely affected.
- *Clearing and settlement risk* – The Hong Kong Securities Clearing Company Limited (HKSCC) and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**") have established the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. As the central counterparty of the securities market in Mainland China, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through

available legal channels or through ChinaClear's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear

- *Participation in corporate actions and shareholders' meetings* – HKSCC will keep Central Clearing and Settlement System ("CCASS") participants informed of corporate actions of SSE securities and SZSE securities. Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the PRC regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the Sub-Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE securities and SZSE securities may be very short. Therefore, the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

#### *Risks of investing in other collective investment schemes/funds*

The underlying funds in which the Sub-Fund may invest may or may not be regulated by the SFC. There will be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made. There can also be no assurance that an underlying Sub-Fund's investment strategy will be successful or that its investment objective will be achieved.

Conflicts of interests may arise in a situation where the Sub-Fund invests in other funds managed by the Manager or its Connected Persons (despite that all subscription fees and redemption fees of the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly. For further details, please refer to the section headed "**Conflicts of interest**" in the main body of this Explanatory Memorandum.

#### *Risks of investing in REITs*

The Sub-Fund may invest in REITs which invest primarily in real estate and may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property. Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

#### *Mainland China market risk*

The assets of the relevant Sub-Fund may be invested in offshore securities issued by issuers which have their main operations in, or have a majority of their income derived from Mainland China and additional risks may be encountered. Since 1978, Mainland China government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of Chinese economy, 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. Any significant change in Mainland China's political, social or economic policies may have a negative impact on investments in Mainland China market.

#### *Mainland China tax risk*

Investments in the Sub-Fund may be subject to risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of the Sub-Fund's investments in Mainland China (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund. Based on professional and independent tax advice, the Sub-Fund will not make any provision on the gross unrealised and realised capital gains derived from the trading of Mainland China debt securities. For further details, please refer to the section headed "**Taxation**" above.

#### *RMB currency risk and conversion risk*

The Sub-Fund offers RMB-denominated Classes.

The RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against investors' base currencies (e.g. HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions and/or dividend payment (if applicable) in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. These factors may have an adverse impact on the value of the Sub-Fund.

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

#### *Risks associated with bank deposits*

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

#### *Risks of investing in FDIs*

The Sub-Fund may use FDIs for hedging and investment purposes. In adverse situations, its use of FDIs may become ineffective and/or cause the Sub-Fund to suffer significant loss. Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

The Sub-Fund's investments in FDIs for hedging and investment purposes are subject to the investment restrictions applicable to the Sub-Fund as set out in the section headed "**Investment Objective, Strategy and Restrictions**". These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "FDI risks" under the section headed "**Risk Factors**" in the main body of this Explanatory Memorandum.

#### *Operational and settlement risks*

The Sub-Fund is subject to operational risks that may arise from any breaches by the Manager's investment management staff of operational policies or technical failures of the Manager's communication and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks,



there is no guarantee events beyond the Manager's control (such as unauthorised trading, trading errors or system errors) will not occur. The occurrence of any such events may adversely affect the value of the Sub-Fund.

As the Sub-Fund may invest in the Mainland China market, it may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the Sub-Fund's portfolio and adversely affect the Sub-Fund.

#### *RMB share class risk*

The Sub-Fund offer share classes designated in RMB. When calculating the value of RMB denominated class(es), CNH will be used. The value of the RMB denominated class(es) thus calculated will be subject to fluctuation. Non-RMB based (e.g. Hong Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB denominated class(es). Subsequently, investors may also have to convert the RMB redemption proceeds and RMB distributions received (if any) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses if RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds and/or RMB distributions (if any). Furthermore, where RMB appreciates against the currencies of non-RMB denominated underlying investments and/or base currency of the Sub-Fund (e.g. USD), and the value of non-RMB denominated underlying investments decreased, the value of investors' investments in RMB denominated class(es) may suffer additional losses.

#### *Dividend risk*

There is no assurance that the Sub-Fund will declare to pay dividends or distributions. The ability of the Sub-Fund to pay distributions also depends on the coupons declared and paid by issuers of the securities which the Sub-Fund has invested and the level of fees and expenses payable by the Sub-Fund. The ability of issuers of securities to make coupon payments are based on numerous factors, including their current financial condition and general economic conditions. There can be no assurance that such companies will be able to honour payment obligations or make other distributions.

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

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

Please refer to the "**Risk Factors**" section of this Explanatory Memorandum for further information.

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## APPENDIX 2

### RAM HONG KONG GOVERNMENT BOND FUND

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#### **Investment Objective**

The investment objective of the Sub-Fund is to achieve long-term capital growth by investing in debt securities issued by and/or guaranteed by the Hong Kong government, Hong Kong Monetary Authority or other securities fulfilling requirements set out in the Sub-Fund's investment policies.

#### **Investment Strategy and Policy**

The Sub-Fund will invest primarily (i.e. at least 70% of its Net Asset Value) in a diversified portfolio of debt securities issued or guaranteed by the Hong Kong government, the Hong Kong Monetary Authority or issued by companies, agencies or bodies wholly owned beneficially by the government of Hong Kong. The debt securities which the Sub-Fund may invest in include, but are not limited to bonds, certificate of deposits, treasury bills, exchange fund bills, exchange fund notes, convertible bonds, discount securities and fixed and floating rate securities.

The Sub-Fund may also invest up to 30% of its Net Asset Value in debt securities issued or guaranteed by non-Hong Kong governmental related entities including (A) debt instruments issued in Hong Kong by the Ministry of Finance of the People's Republic of China and local people's governments at any level in the PRC).

The Sub-Fund may also invest up to 30% of its NAV in debt securities issued or guaranteed by non-governmental related entities including bonds issued and/or guaranteed by (A) companies listed on the Hong Kong Stock Exchange and traded in HKD or RMB and (B) supranational bodies, international agency, financial institutions and banks, and corporate entities which are domiciled in, based in, or carry out the larger part of their business in Asia (including Hong Kong).

The Sub-Fund may invest less than 30% of its Net Asset Value in debt securities issued within Mainland China (including urban investment bonds, i.e. debt instruments issued by the LGFVs traded on the China Interbank Bond Market via Bond Connect. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

The Sub-Fund may also invest up to 20% of its Net Asset Value in securities listed in recognised global exchanges, including but not limited to exchange traded funds and interests in REITs.

The Sub-Fund may also invest no more than 20% of its Net Asset Value in inflation-linked securities and hybrid securities, including convertible notes.

The Sub-Fund may also hold no more than 30% of its Net Asset Value in cash, bank deposits, cash equivalents and/or money market instruments under normal market circumstances, but may temporarily increase its holding up to 100% of its Net Asset Value in cash, bank deposits, cash equivalents and/or money market instruments under exceptional circumstances (e.g. market crash or major crisis such as during periods of significant downturn in the economic or political turmoil) in the best interests of Shareholders in order to protect the assets of the Sub-Fund, mitigate risk or maintain liquidity of the Sub-Fund.

The debt securities which the Sub-Fund may also invest includes convertible bonds, collateralised and/or securitised products (such as asset-backed securities, mortgage-backed securities, loan-backed securities and securitised notes). Investments in convertible bonds, collateralised and/or securitised products will be less than 20% of the Sub-Fund's Net Asset Value.

The Sub-Fund is not subject to any requirements on the minimum credit rating of the debt securities it may hold and consequently it may hold debt securities that are rated investment grade, below investment grade or unrated. A debt security is considered investment grade if its credit rating is BBB- or above by Standard and Poor's or Fitch Ratings or Baa3 or above by Moody's or equivalent rating as rated by an international credit rating agency. For split credit ratings, the highest credit rating issued to

the debt securities will be deemed as the reference credit rating. For Mainland China debt securities, a debt security is considered investment grade if it has a minimum credit rating of AA+ as rated by China Chengxin International Credit Rating Co., Ltd or China Lianhe Credit Rating Co., Ltd, or equivalent ratings by one of the local rating agencies recognised by the relevant authorities in Mainland China. For split credit ratings, the highest credit rating issued to the debt securities will be deemed as the reference credit rating.

The Sub-Fund's investment in below investment grade and unrated debt securities shall be no more than 30% of the Sub-Fund's Net Asset Value. The Sub-Fund, however will not invest more than 10% of its Net Asset Value in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade and/or unrated.

For the Sub-Fund's portfolio of debt securities, the Manager intends to maintain an average portfolio interest rate duration of no more than 3 years.

The Sub-Fund may also invest no more than 30% of its Net Asset Value in collective investment schemes which are either authorised by the SFC or eligible schemes (as defined in SFC's Code on Unit Trusts and Mutual Funds). The Sub-Fund's investment in collective investment schemes which are non-eligible schemes and are not authorised by the SFC may not exceed 10% of the Sub-Fund's Net Asset Value.

The Sub-Fund may borrow up to 10% of its Net Asset Value on a temporary basis for the purposes of meeting realisation requests or defraying operating expenses.

The Sub-Fund may use FDI, including but not limited to swaps, forwards, futures and options, for hedging purposes only to hedge market, interest rate and currency risks.

### **Securities financing transactions**

The Manager does not currently intend to engage in securities lending, repurchase and reverse repurchase transactions in respect of the Sub-Fund. The approval of the SFC will be sought and at least one month's prior notice will be given to shareholders.

### **SUB-FUND DETAILS**

The Sub-Fund currently has the following Classes of Shares which are available to investors:

- Class A USD (ACC)
- Class A USD (DIST)
- Class A HKD (ACC)
- Class A HKD (DIST)
- Class A AUD (ACC)
- Class A AUD (DIST)
- Class A EUR (ACC)
- Class A EUR (DIST)
- Class A RMB (ACC)
- Class A RMB (DIST)
- Class B USD (ACC)
- Class B USD (DIST)
- Class B HKD (ACC)
- Class B HKD (DIST)
- Class B AUD (ACC)
- Class B AUD (DIST)
- Class B EUR (ACC)
- Class B EUR (DIST)
- Class B RMB (ACC)
- Class B RMB (DIST)
- Class C USD (ACC)
- Class C USD (DIST)

- Class C HKD (ACC)
- Class C HKD (DIST)
- Class C AUD (ACC)
- Class C AUD (DIST)
- Class C EUR (ACC)
- Class C EUR (DIST)
- Class C RMB (ACC)
- Class C RMB (DIST)

The Directors may in the future determine to offer other Class(es) of Shares, of such currencies and features as may be determined by the Directors from time to time, pursuant to the provisions of the Instrument of Incorporation.

<b>Product Type</b>	Fixed income	
<b>Manager</b>	RAM Investment Advisors Limited	
<b>Custodian</b>	BOCI-Prudential Trustee Limited	
<b>Administrator / Registrar</b>	BOCI-Prudential Trustee Limited	
<b>Initial Issue Price</b>	Class A USD (DIST)/(ACC) Class B USD (DIST)/(ACC) Class C USD (DIST)/(ACC)	USD1.00 per Share
	Class A HKD (DIST)/(ACC) Class B HKD (DIST)/(ACC) Class C HKD (DIST)/(ACC)	HKD1.00 per Share
	Class A AUD (DIST)/(ACC) Class B AUD (DIST)/(ACC) Class C AUD (DIST)/(ACC)	AUD1.00 per Share
	Class A EUR (DIST)/(ACC) Class B EUR (DIST)/(ACC) Class C EUR (DIST)/(ACC)	EUR1.00 per Share
	Class A RMB (DIST)/(ACC) Class B RMB (DIST)/(ACC) Class C RMB (DIST)/(ACC)	RMB1.00 per Share
<b>Initial Issue Date</b>	18 November 2024	
<b>Initial Offer Period</b>	The period commencing from 9:00 a.m (Hong Kong time) on 1 November 2024 to 4:00 p.m. (Hong Kong time) on 15 November 2024	
<b>Base Currency</b>	HKD	
<b>Initial Minimum Subscription</b>	Class A USD (DIST)/(ACC): USD2,000 Class A HKD (DIST)/(ACC): HKD15,000 Class A AUD (DIST)/(ACC): AUD10,000 Class A EUR (DIST)/(ACC): EUR2,000 Class A RMB (DIST)/(ACC): RMB15,000 Class B USD (DIST)/(ACC): USD2,000	

	Class B HKD (DIST)/(ACC): HKD15,000 Class B AUD (DIST)/(ACC): AUD10,000 Class B EUR (DIST)/(ACC): EUR2,000 Class B RMB (DIST)/(ACC): RMB15,000 Class C USD (DIST)/(ACC): USD2,000 Class C HKD (DIST)/(ACC): HKD15,000 Class C AUD (DIST)/(ACC): AUD10,000 Class C EUR (DIST)/(ACC): EUR2,000 Class C RMB (DIST)/(ACC): RMB15,000
<b>Subsequent Minimum Subscription</b>	Class A USD (DIST)/(ACC): USD1,000 Class A HKD (DIST)/(ACC): HKD8,000 Class A AUD (DIST)/(ACC): AUD10,000 Class A EUR (DIST)/(ACC): EUR1,000 Class A RMB (DIST)/(ACC): RMB8,000 Class B USD (DIST)/(ACC): USD1,000 Class B HKD (DIST)/(ACC): HKD8,000 Class B AUD (DIST)/(ACC): AUD10,000 Class B EUR (DIST)/(ACC): EUR1,000 Class B RMB (DIST)/(ACC): RMB8,000 Class C USD (DIST)/(ACC): USD1,000 Class C HKD (DIST)/(ACC): HKD8,000 Class C AUD (DIST)/(ACC): AUD10,000 Class C EUR (DIST)/(ACC): EUR1,000 Class C RMB (DIST)/(ACC): RMB8,000
<b>Minimum Holding</b>	Class A USD (DIST)/(ACC): USD2,000 Class A HKD (DIST)/(ACC): HKD15,000 Class A AUD (DIST)/(ACC): AUD10,000 Class A EUR (DIST)/(ACC): EUR2,000 Class A RMB (DIST)/(ACC): RMB15,000 Class B USD (DIST)/(ACC): USD2,000 Class B HKD (DIST)/(ACC): HKD15,000 Class B AUD (DIST)/(ACC): AUD10,000 Class B EUR (DIST)/(ACC): EUR2,000 Class B RMB (DIST)/(ACC): RMB15,000 Class C USD (DIST)/(ACC): USD2,000 Class C HKD (DIST)/(ACC): HKD15,000 Class C AUD (DIST)/(ACC): AUD10,000 Class C EUR (DIST)/(ACC): EUR2,000 Class C RMB (DIST)/(ACC): RMB15,000
<b>Minimum Redemption</b>	Class A USD (DIST)/(ACC): USD2,000 Class A HKD (DIST)/(ACC): HKD15,000 Class A AUD (DIST)/(ACC): AUD10,000 Class A EUR (DIST)/(ACC): EUR2,000 Class A RMB (DIST)/(ACC): RMB15,000 Class B USD (DIST)/(ACC): USD2,000 Class B HKD (DIST)/(ACC): HKD15,000 Class B AUD (DIST)/(ACC): AUD10,000 Class B EUR (DIST)/(ACC): EUR2,000 Class B RMB (DIST)/(ACC): RMB15,000 Class C USD (DIST)/(ACC): USD2,000 Class C HKD (DIST)/(ACC): HKD15,000

	Class C AUD (DIST)/(ACC): AUD10,000 Class C EUR (DIST)/(ACC): EUR2,000 Class C RMB (DIST)/(ACC): RMB15,000
<b>Dealing Day</b>	Each Business Day will be a Dealing Day, or such other days as the Manager may, in consultation with the Custodian, determine
<b>Dealing Deadline</b>	4:00 p.m. (Hong Kong time) on the relevant Dealing Day  For Shares subscribed during the Initial Offer Period, the applicant shall submit the application form to the Administrator by 4:00 p.m. (Hong Kong time) on the last day of the Initial Offer Period.
<b>Payment of subscription monies</b>	For Shares subscribed during the Initial Offer Period, payment for such Shares is due by 4:00 p.m. (Hong Kong time) on the last day of the Initial Offer Period.  For Shares subscribed after the Initial Offer Period, payment for such Shares is due by 4:00 p.m. (Hong Kong time) within 1 Business Day from the relevant Dealing Day where the relevant Shares are issued.
<b>Payment of redemption proceeds</b>	Within 7 Business Days from the relevant Dealing Day for the redemption of Shares
<b>Valuation Point</b>	Close of business of the last relevant market to close on a Valuation Day or such other time on that day or such other date as determined by the Manager
<b>Financial year end</b>	31 December
<b>Website</b> (this website has not been reviewed by the SFC)	<a href="https://ramgroup.com.hk/">https://ramgroup.com.hk/</a>
<b>Distribution Frequency</b>	Distribution (DIST) Classes: The Manager may at its discretion pay dividends (if any) on a monthly basis. However, there is no guarantee of regular distribution, nor where distribution is made, the amount being distributed. Dividends may be paid out of capital or effectively out of capital.  Accumulation (ACC) Classes: No distributions will be made.

## DISTRIBUTION POLICY

### *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 Shares of the Accumulation Classes will be reflected in their respective Net Asset Value.

### *Distribution Classes*

For the Distribution Classes, the Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. **However, there is no guarantee of regular distribution nor, where distribution is made, the amount being distributed.** Distributions will be paid in the class currency of the relevant Class of Shares.

The Manager may in its absolute discretion declare distributions in accordance with the Instrument of Incorporation. The Manager may at its discretion pay dividends out of the capital of the Sub-Fund. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund, and therefore, the Sub-Fund may effectively pay dividend out of capital. **Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant Class.**

Distributions of a Distribution Class declared, if any, shall be distributed among the Shareholders of the relevant Distribution Class pro rata in accordance with the number of Shares held by them on the record date as determined by the Manager and notified to the Custodian in respect of the corresponding distribution. Shareholders are entitled to distribution of dividends in accordance with the number of Shares held by them on the record date in respect of the corresponding distribution. For the avoidance of doubt, only Shareholders whose names are entered on the Register on such record date shall be entitled to the distribution declared in respect of the corresponding distribution.

Distributions, if declared, will be paid in cash. 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 Shareholder (at the Shareholder's risk and expense). No third party payments will be permitted.

Income earned by the Sub-Funds may be reinvested in the Sub-Funds and reflected in the value of the Shares of the Sub-Fund. The composition of dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the Manager's website <https://ramgroup.com.hk/> (this website has not been reviewed by the SFC).

The Manager may amend the distribution policy. Where required by the SFC or the UT Code, the Manager will obtain the SFC's prior approval and/or give prior notice to Shareholders of any such amendment.

## FEES AND EXPENSES

<b>Management Fee*</b>	<p>Class A: 0.75% per annum of the Net Asset Value of the Sub-Fund.</p> <p>Class B: 1.25% per annum of the Net Asset Value of the Sub-Fund.</p> <p>Class C: 1.55% per annum of the Net Asset Value of the Sub-Fund.</p> <p><i>*May be increased up to 5% of the Net Asset Value of the Sub-Fund by giving Shareholders at least one month's prior notice.</i></p>
<b>Custodian Fee and Administration Fee*</b>	<p>Up to 0.125% per annum of the Net Asset Value of the Sub-Fund, subject to a monthly minimum fee of USD5,000.</p> <p><i>*May be increased up to 1% per annum of the Net Asset Value of the Sub-Fund by giving Shareholders at least one month's prior notice</i></p>
<b>Performance Fee</b>	Nil
<b>Subscription Fee</b>	<p>Class A: Up to 5% of the total subscription amount</p> <p>Class B: Up to 5% of the total subscription amount</p> <p>Class C: Up to 5% of the total subscription amount</p>

<b>Redemption Fee</b>	<p>Nil*</p> <p><i>*A Redemption Fee of up to 2% of the Redemption Price per Share may be charged by giving Shareholders at least one month's prior notice.</i></p>
<b>Conversion Fee</b>	<p>0.25% of the total amount being converted</p> <p><i>*May be increased up to 5% of the total amount being converted by giving Shareholders at least one month's prior notice</i></p>

#### **ADDITIONAL RISKS RELATING TO THE SUB-FUND**

Investors should refer to the relevant risk factors under the section headed “**Risk Factors**” in the main body of the Explanatory Memorandum and in particular, the following risk factors as set out in the main body of the Explanatory Memorandum:

- General investment risk
- Market risk
- Concentration risk
- Custody risks
- Currency risk
- Emerging market risk
- Liquidity risk
- Conflicts of interest risk
- Valuation risk
- Changes in applicable law risk
- Government intervention and country risks
- Restricted markets risk
- Risks associated with regulatory requirements or exchanges policies
- Risk of investing in equity securities
- Risks of investing in fixed income instruments
- Credit rating risk
- Mainland China credit rating agency risk
- Risks associated with convertible bonds
- Risks associated with collateralised and/or securitised products (e.g. asset backed securities and mortgage backed securities)
- Risk of investing in other funds
- Hedging risk
- Borrowing risks
- FDI risks
- Over-the-counter markets risk
- Collateral risks

The following additional risk factors also apply to the Sub-Fund:

##### *General investment risk*

The Sub-Fund's investment portfolio may fall in value due to any of the risk factors set out below and in the “**Risk Factors**” section of this Explanatory Memorandum, and therefore, investors' investments in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

##### *Market and issuer risk*

Securities Markets are volatile and can decline significantly in response to adverse market, economic, political, regulatory or other developments, which may lower the value of securities held by the Sub-Fund, sometimes rapidly or unpredictably. Additionally, an adverse event or adverse economic



conditions may depress the value of a particular issuer's securities or may increase the risk that issuers will not generate sufficient cash flow to service their debt obligations.

#### *Market liquidity risk*

Liquidity risk exists when a particular investment is difficult to be purchased or sold. If the Sub-Fund invests in illiquid securities (including fixed income securities which are close to maturity) or the current market become illiquid, it may reduce the returns of the Sub-Fund because the Sub-Fund cannot sell the illiquid securities at an advantageous time or price. The cost of dealing may be high in such illiquid markets. A disruption in the asset allocation in the Sub-Fund is also possible if underlying securities cannot be purchased or sold. The Sub-Fund is subject to liquidity risk as continued regular trading activity and active secondary market for bonds is not guaranteed. The Sub-Fund may suffer losses in trading such instruments. The bid and offer spread of the price of bonds may be large, so the Sub-Fund may incur significant trading and realisation costs and may suffer losses accordingly.

#### *Issuer risk*

The Sub-Fund is exposed to the credit/insolvency risk of the issuers of the fixed income securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. 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. In general, debt instruments that have a lower credit rating or that are non-rated will be more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the bonds, the bonds and the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers of bonds as such issuers may be incorporated outside Hong Kong and subject to foreign laws.

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

#### *Sovereign debt risk*

The Sub-Fund may invest in sovereign debt securities which may be subject to special risks. The governmental entity (including the government or any public or local authority) that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt.

The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt. Holders of sovereign debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities.

As at the date of this Explanatory Memorandum, there is no bankruptcy proceeding by which sovereign debt on which a governmental entity has defaulted may be collected in whole or in part. The Sub-Fund's recourse against a defaulting sovereign is limited. The Sub-Fund may therefore suffer a significant or even total loss in the event of default of the sovereign issuer.

#### *Illiquidity of bonds close to maturity risk*

The fixed income securities which the Sub-Fund may invest in may become more illiquid when nearing maturity. It therefore may be more difficult for the Sub-Fund to achieve fair valuation of the relevant fixed income securities in the market.

#### *Risks relating to below investment grade or unrated securities*

Investors should note that securities that are below investment grade or are unrated would generally be subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated fixed income securities.

#### *Corporate debt obligations*

Investment in debt obligations issued by companies and other entities, is subject to the risk that a particular issuer may not fulfil its payment or other obligations in respect of such debt obligations. Additionally, an issuer may experience an adverse change in its financial condition which may in turn result in a decrease in the credit rating assigned to such issuer and its debt obligations, possibly below investment grade. Such adverse change in financial condition or decrease in credit rating(s) may result in increased volatility in the price of an issuer's debt obligations and negatively affect liquidity, making any such debt obligation more difficult to sell.

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

The Sub-Fund may invest in collateralised and/or securitised products, such as asset-backed securities, mortgage-backed securities, loan-backed securities and securitised notes, which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

#### *Risks of investing in urban investment bonds*

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

#### *Risks associated with bank deposits*

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

#### *Risks associated with CIBM via Bond Connect*

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

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

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

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

By investing in the Mainland inter-bank bond market, the Sub-Fund may be at risk of being subject to taxes in the Mainland China. There is a possibility that the current tax laws, rules, regulations and practice in the Mainland China and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Sub-Fund could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Sub-Fund.

#### *Mainland China market risk*

The assets of the relevant Sub-Fund may be invested in offshore securities issued by issuers which have their main operations in, or have a majority of their income derived from Mainland China and additional risks may be encountered. Since 1978, Mainland China government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of Chinese economy, 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. Any significant change in Mainland China's political, social or economic policies may have a negative impact on investments in Mainland China market.

#### *Mainland China sovereign debt risk*

The Sub-Fund's investments may include sovereign debt securities and such investments involve special risks. The Chinese governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A Chinese governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the Chinese governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Chinese governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt.

The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a Chinese governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the Chinese governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt. Holders of Mainland China sovereign debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities.

In addition, a lowering of the credit rating of the Chinese government may also affect the liquidity of its sovereign debt securities, making it more difficult to sell. In general, debt instruments that have a lower credit rating or that are non-rated will be more susceptible to the credit risk of the issuers. In the event of a credit rating downgrade of the Chinese government, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

#### *Mainland China tax risk*

Investments in the Sub-Fund may be subject to risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of the Sub-Fund's investments in Mainland China (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund. Based on professional and independent tax advice, the Sub-Fund will not make any provision on the gross unrealised and realised capital gains derived from the trading of Mainland China debt securities. For further details, please refer to the section headed "**Taxation**" above.

#### *RMB currency risk and conversion risk*

The Sub-Fund offers RMB-denominated Classes.

The RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against investors' base currencies (e.g. HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions and/or dividend payment (if applicable) in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. These factors may have an adverse impact on the value of the Sub-Fund.

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

#### *Risks of investing in other collective investment schemes/funds*

The underlying funds in which the Sub-Fund may invest may or may not be regulated by the SFC. There will be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made. There can also be no assurance that an underlying Sub-Fund's investment strategy will be successful or that its investment objective will be achieved.

Conflicts of interests may arise in a situation where the Sub-Fund invests in other funds managed by the Manager or its Connected Persons (despite that all subscription fees and redemption fees of the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly. For further details, please refer to the section headed "**Conflicts of interest**" in the main body of this Explanatory Memorandum.

#### *Risks of investing in REITs*

The Sub-Fund may invest in REITs which invest primarily in real estate and may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property. Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business,

financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

#### *Risks of investing in FDIs*

The Sub-Fund may use FDIs for hedging and investment purposes. In adverse situations, its use of FDIs may become ineffective and/or cause the Sub-Fund to suffer significant loss. Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

The Sub-Fund's investments in FDIs for hedging and investment purposes are subject to the investment restrictions applicable to the Sub-Fund as set out in the section headed "**Investment Objective, Strategy and Restrictions**". These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "FDI risks" under the section headed "**Risk Factors**" in the main body of this Explanatory Memorandum.

#### *Operational and settlement risks*

The Sub-Fund is subject to operational risks that may arise from any breaches by the Manager's investment management staff of operational policies or technical failures of the Manager's communication and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee events beyond the Manager's control (such as unauthorised trading, trading errors or system errors) will not occur. The occurrence of any such events may adversely affect the value of the Sub-Fund.

As the Sub-Fund may invest in the Mainland China market, it may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the Sub-Fund's portfolio and adversely affect the Sub-Fund.

#### *RMB share class risk*

The Sub-Fund offer share classes designated in RMB. When calculating the value of RMB denominated class(es), CNH will be used. The value of the RMB denominated class(es) thus calculated will be subject to fluctuation. Non-RMB based (e.g. Hong Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB denominated class(es). Subsequently, investors may also have to convert the RMB redemption proceeds and RMB distributions received (if any) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses if RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds and/or RMB distributions (if any). Furthermore, where RMB appreciates against the currencies of non-RMB denominated underlying investments and/or base currency of the Sub-Fund (e.g. USD), and the value of non-RMB denominated underlying investments decreased, the value of investors' investments in RMB denominated class(es) may suffer additional losses.

#### *Dividend risk*

There is no assurance that the Sub-Fund will declare to pay dividends or distributions. The ability of the Sub-Fund to pay distributions also depends on the coupons declared and paid by issuers of the securities which the Sub-Fund has invested and the level of fees and expenses payable by the Sub-Fund. The ability of issuers of securities to make coupon payments are based on numerous factors, including their current financial condition and general economic conditions. There can be no assurance that such companies will be able to honour payment obligations or make other distributions.

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

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

The distribution amount and Net Asset Value of Class I RMB Hedged (DIST), Class S RMB Hedged (DIST) and Class S RMB Hedged (ACC) may be adversely affected by differences in the interest rates of the reference currency of these Classes and the Sub-Fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged Classes.

Please refer to the "**Risk Factors**" section of this Explanatory Memorandum for further information.

#### **ADDITIONAL INFORMATION**

Investors may obtain further information on the Sub-Fund from the website at <https://ramgroup.com.hk/> or by calling +852 3727 0900. The aforementioned website has not been reviewed by the SFC.

If you are in doubt, you should seek professional advice.