

Phillip Asia Pacific Growth Fund

Semi-Annual Report

Period ended 31 December 2015

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MANAGER

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Lee Ken Hoon

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SOLICITORS TO THE TRUSTEE

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Manager's Investment Report

The Fund dropped by 7.7% for the half year ending 31 December 2015, compared with its benchmark (MSCI AC Asia Pacific Index) which dropped 5.1% on a SGD adjusted basis. Since its inception on 23 November 1995, the Fund is up by 114%, as compared to the benchmark which is up just 13%.

Asian markets had a volatile half-year from July till December 2015. While early 2015 saw strong gains for Asian markets, with a generally benign macro environment and optimism over lower oil prices and accommodative monetary policies in many countries (outside the US), a variety of concerns led to a broad market correction across most markets starting in August. An unexpected devaluation of the renminbi and continued weakness in manufacturing data for China sparked widespread concern about the China economy, while uncertainty around the timing, the pace and the global impact of a US rate hike continued to spook markets. In mid-December 2015, the US Federal Reserve finally raised the Fed funds target rate range by 25bp to 0.25%-0.50%, the first increase since June 2006. This rate decision was clearly anticipated by the market as recent speeches and guidance by the US Federal Reserve governors had clearly signalled the intention, hence the market impact following the rate hike announcement was more muted than feared.

Generally, the half-year saw the weakest performances from the China (including Hong Kong) and ASEAN markets, while Japan was an outperformer. As our Fund's major country allocation is in Japan, its performance was hence cushioned by the relatively stronger performance of Japan.

Going into 2016, with the US Federal Reserve rate hike finally in motion, there continues to be general macro uncertainty, with the US seen to be a growth leader, Japan mustering political will to pull itself out of a two-decade stagnation, but difficult growth transitions and/or perceived victims of US rate hikes in other major economies (Europe, China, ASEAN). At time of writing, the markets have corrected sharply in the first few weeks of 2016.

Although the US rate hike cycle is seen as a key risk to Asia, especially those reliant on foreign capital inflows, we don't expect this to be as great an overhang as feared, as markets have adjusted for this three years in the making, while the US Federal Reserve should conceivably be more cautious in considering subsequent hikes. A dramatic China slowdown (a "hard landing" scenario) accompanied by currency devaluation may be a bigger threat as China has been a key growth driver for the global economy since the early 2000s. There is concern over potential mismanagement of the Chinese economy, given its centrally-planned nature and the fact that it is going through a transition away from its traditional fixed-asset investment focus.

Within Asia, medium-term trends that we have highlighted previously continue on track, and that may be a catalyst for a market rebound. Japan continues to pull itself out of a multi-year slump through Abenomics, with some signs that business and consumer confidence are recovering. China continues to open up, with its currency now officially an IMF reserve currency, and a Shenzhen-Hong Kong through-train program set to follow after the 2014 implementation of the Shanghai-Hong Kong through-train program. And in ASEAN, the ASEAN Economic Community officially came into effect on 1 January 2016. The combined 2014 GDP of ASEAN countries makes it the 7th largest economy in the world worth \$2.6 trillion. There are expected to be opportunities in manufacturing and financial integration, as well as building of infrastructure linkages.

We continue to be focused on companies in the Asia-Pacific with growth momentum that can do well in a rising rates environment. Ideally, such companies are riding on secular trends, whether it is online retail, rising tourism in Asia or construction of much-needed infrastructure linkages. In view of weak markets, this is a good time to buy such companies at discounted valuations. Conversely, we think it is equally important in such a volatile environment to avoid certain types of companies, namely over-leveraged companies, especially if they are borrowing in foreign currencies (such as the US dollar).

Report to unitholders¹

a) I Investments classified by geography

By Geography (Summary)	Fair Value at 31/12/2015 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2015 %
Australia	854,191	3.21
China	3,427,440	12.88
Hong Kong	2,781,325	10.45
India	1,280,685	4.81
Indonesia	982,713	3.69
Japan	10,824,400	40.69
Philippines	608,825	2.29
Singapore	868,283	3.27
South Korea	1,000,485	3.76
Sri Lanka	457,608	1.72
Taiwan	568,203	2.14
Thailand	720,396	2.71
Vietnam	290,632	1.09
Portfolio of investments	24,665,186	92.71
Other net assets	1,938,475	7.29
Net assets attributable to unitholders	26,603,661	100.00

¹ As required by the Code on Collective Investment Schemes

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a) **II Investments classified by industry**

	Fair Value at 31/12/2015 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2015 %
By Industry (Summary)		
Automotive	1,755,915	6.60
Autos & Trucks	140,477	0.53
Banks	2,623,813	9.87
Buildings/construction material	72,750	0.27
Chemical	114,328	0.43
Communications	541,456	2.04
Diversified resource	1,839,699	6.92
Electrical and electronic	1,622,495	6.09
Engineering	1,072,213	4.03
Entertainment	128,786	0.48
Finance	1,781,259	6.69
Food & beverage	1,390,327	5.22
Insurance	627,811	2.36
Machine tools	1,856,221	6.98
Mining	521,498	1.96
Real estate	1,877,011	7.06
Retail	516,083	1.94
Semiconductor	568,203	2.14
Telecom service	124	*
Transport	5,614,717	21.10
Portfolio of investments	24,665,186	92.71
Other net assets	1,938,475	7.29
Net assets attributable to unitholders	26,603,661	100.00

* Denotes less than 0.01%

a) **III Investments classified by asset class**

	Fair Value at 31/12/2015	Percentage of Net Assets Attributable to Unitholders at 31/12/2015
	S\$	%
Equities	24,665,186	92.71
Cash & cash equivalents	2,034,920	7.65
Other net current liabilities	(96,445)	(0.36)
Net assets attributable to unitholders	26,603,661	100.00

b) **Top Ten Holdings**

<u>10 Largest Holdings at 31 December 2015</u>	Fair Value at 31/12/2015	Percentage of Net Assets Attributable to Unitholders at 31/12/2015
	S\$	%
Mitsubishi UFJ Financial Group Inc	1,895,531	7.13
Kawasaki Heavy Industries Limited	1,856,221	6.98
Mitsubishi Heavy Industries Limited	1,590,883	5.98
Mitsui O.S.K Lines Limited	1,053,736	3.96
Seibu Holdings Inc	935,900	3.52
Kerry Logistics Network Limited	922,526	3.47
Mazda Motor Corporation	901,724	3.39
Orient Overseas International Limited	889,820	3.34
Carsales.com Limited	854,191	3.21
Korea Electric Power Corporation	817,882	3.07

<u>10 Largest Holdings at 31 December 2014</u>	Fair Value at 31/12/2014	Percentage of Net Assets Attributable to Unitholders at 31/12/2014
	S\$	%
Mitsubishi Heavy Industries Limited	2,190,885	7.60
Kawasaki Heavy Industries Limited	2,133,036	7.40
Daiwa House Industry Co Limited	2,085,243	7.23
AIA Group Limited	2,020,582	7.01
Mitsubishi UFJ Financial Group Inc	1,828,055	6.34
Japan Exchange Group Inc	1,594,282	5.53
Bridgestone Corporation	1,299,116	4.50
Graincorp Limited	1,186,942	4.12
Ciputra Property Tbk PT	1,148,760	3.98
China Merchants Holdings International Co Limited	1,130,620	3.92

c) (i) Exposure to Derivatives as at 31 December 2015.

Nil

c) (ii) Net gains on derivative contracts realised for the period from 1 July 2015 to 31 December 2015
S\$239,263.

c) (iii) Net losses on outstanding derivative contracts marked to market as at 31 December 2015

Nil

d) Description of the method used to calculate the global exposure of financial derivatives

The global exposure relating to derivative instruments is calculated using the commitment approach. The global exposure of the fund is calculated as the sum of

(i) the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;

(ii) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and

(iii) the sum of the values of cash collateral received pursuant to:

(a) the reduction of exposure to counterparties of OTC financial derivatives; and

(b) efficient portfolio management techniques relating to securities lending and repurchase transactions,

and that are reinvested.

e) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 31 December 2015.

Nil

f) Amount and percentage of borrowings of total fund size as at 31 December 2015.

Nil

g) Amount of redemptions and subscriptions for the period from 1 July 2015 to 31 December 2015.

Total amount of redemptions S\$234,488

Total amount of subscriptions S\$538,388

h) Amount of related party transactions for the period from 1 July 2015 to 31 December 2015

Brokerage fees paid to a related party of the Manager S\$3,500

Interest income received from a related party of the Trustee S\$120

Bank balances held with related parties of the Trustee S\$1,529,842

Amounts held with related parties of the Manager S\$505,078

i) Performance of the Fund as at 31 December 2015

	3 months	6 months	1 year	3 Years*	5 Years*	10 Years*	Since Inception 23 Nov 1995
Cumulative returns*							
The Fund	3.95%	-7.70%	1.15%	7.42%	-1.27%	-2.45%	113.59%
Benchmark	6.05%	-5.14%	2.38%	18.15%	5.64%	-8.50%	13.24%
Annualised returns*							
The Fund	-	-	1.15%	2.41%	-0.25%	-0.25%	3.84%
Benchmark	-	-	2.38%	5.72%	1.10%	1.64%	0.62%

* Cumulative returns are in Singapore dollars calculated on a bid-to-bid basis, with net dividends reinvested.

Source: Bloomberg

Benchmark: MSCI AC Asia Pacific Index (SGD Basis)

j) Expense Ratio	31 December 2015	31 December 2014
	1.79%	1.73%

The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 31 December 2015 was based on total operating expenses of \$522,071 (2014: \$504,543) divided by the average net asset value of \$29,210,838 (2014: \$29,138,061) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

k) Turnover Ratio	31 December 2015	31 December 2014
	83.15%	82.26%

The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being sales of \$24,289,667 (2014: sales of \$23,968,600) divided by the average daily net asset value of \$29,210,838 (2014: \$29,138,061).

- l) Any material information that will adversely impact the valuation of the scheme such as contingent liabilities of open contracts.
Nil.
- m) For schemes which invest more than 30% of their deposited property in another scheme, the following key information on the second-mentioned scheme ("the underlying scheme") should be disclosed as well.
- (i) Top 10 holdings at market value and as percentage of NAV as at 31 December 2015
Not applicable.

- (ii) Expense ratios for the period ended 31 December 2015. A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received.

Not applicable.

- (iii) Turnover ratios for the period ended 31 December 2015

Not applicable.

n) Soft dollar arrangements

The Manager is entitled to and intends to receive or enter into soft-dollar commissions or arrangements. The Manager will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions which the Manager may receive include research and advisory services, economic and political analyses, portfolio analyses including valuation and performance measurements, market analyses, data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis and custodial service in relation to the investments managed for clients. The soft dollar credits utilised are not allocated on a specific client basis. The brokers also execute trades for other funds managed by the Manager.

The Manager will not accept or enter into soft dollar commissions or arrangements unless such soft-dollar commissions or arrangements would, in the opinion of the Manager, assist the Manager in its management of clients' funds, provided that the Manager shall ensure at all times that transactions are executed on the best available terms taking into account the relevant market at the time for transactions of the kind and size concerned, and that no unnecessary trades are entered into in order to qualify for such soft-dollar commissions or arrangements.

The Manager does not, and is not entitled to, retain cash rebates for its own account in respect of rebates earned when transacting in securities for account of clients' funds.

During the period, soft dollar services received from each broker were investment research and publications, data and quotation services. Soft dollar services were received from the Manager's panel of brokers which executed transactions for the Fund and other funds managed by the Manager.

Statement of Total Return

Period ended 31 December 2015

	31/12/2015 S\$	31/12/2014 S\$
Income		
Dividends	215,967	302,453
Interest	120	298
	<u>216,087</u>	<u>302,751</u>
Less:		
Expenses		
Management fees	(172,267)	(179,218)
Trustee fees	(27,563)	(28,675)
Custody fees	(4,812)	(5,868)
Registration fees	(7,682)	(7,680)
Audit fees	(8,571)	(8,571)
Transaction costs	(60,846)	(56,731)
Other expenses	(45,184)	(25,750)
	<u>(326,925)</u>	<u>(312,493)</u>
Net expense	<u>(110,838)</u>	<u>(9,742)</u>
Net gains or losses on value of investments and financial derivatives		
Net (losses)/gains on investments	(2,333,717)	135,746
Net gains/(losses) on financial derivatives	239,263	(6,602)
Net foreign exchange gains/(losses)	12,136	(995)
	<u>(2,082,318)</u>	<u>128,149</u>
Total (deficit)/return for the period before income tax	(2,193,156)	118,407
Less: Income tax	(19,919)	(32,012)
Total (deficit)/return for the period after income tax before distribution	<u>(2,213,075)</u>	<u>86,395</u>

Statement of Financial Position

As at 31 December 2015

	31/12/2015	30/06/2015
	S\$	S\$
Assets		
Portfolio of investments	24,665,186	26,998,010
Sales awaiting settlement	-	1,793,873
Receivables	3,092	51,636
Cash and cash equivalents	2,034,920	2,286,836
Financial derivatives, at fair value	-	123
Total assets	<u>26,703,198</u>	<u>31,130,478</u>
Liabilities		
Payables	99,537	2,575,291
Purchases awaiting settlement	-	41,517
Financial derivatives, at fair value	-	834
Total liabilities	<u>99,537</u>	<u>2,617,642</u>
Equity		
Net assets attributable to unitholders	<u>26,603,661</u>	<u>28,512,836</u>

Statement of Movement in Unitholders' Funds

Period ended 31 December 2015

	31/12/2015	30/06/2015
	S\$	S\$
Net assets attributable to unitholders at the beginning of financial period/year	28,512,836	28,443,355
Operations		
Change in net assets attributable to unitholders resulting from operations	(2,213,075)	2,911,494
Unitholders' Contributions/(withdrawals)		
Creation of units	538,388	1,270,887
Cancellation of units	(234,488)	(4,112,900)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	303,900	(2,842,013)
Total (decrease)/increase in net assets attributable to unitholders	(1,909,175)	69,481
Net assets attributable to unitholders at the end of financial period/year	26,603,661	28,512,836
Units in issue	13,147,869	13,012,475
Net asset value per unit – S\$	2.023	2.191

Statement of Portfolio

As at 31 December 2015

	Holdings as at 31/12/2015	Fair value as at 31/12/2015 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2015 %
By Geography (Primary)			
Quoted			
Australia			
Carsales.com Limited	71,038	854,191	3.21
China			
China Communications Construction Company Limited	522,000	756,765	2.84
China Communications Services Corporation Limited	1,020,000	541,456	2.04
China Mengniu Dairy Company limited	72,000	166,588	0.63
China Merchants Holdings International Company Limited	178,366	801,546	3.01
China Overseas Land & Investment Limited	100,000	496,060	1.86
Citic Securities Company Limited	200,500	665,025	2.50
		<u>3,427,440</u>	<u>12.88</u>
Hong Kong			
AIA Group Limited	73,600	627,811	2.36
China Overseas Property Holding Company	33,333	7,688	0.03
Chow Sang Sang Holdings International Limited	143,000	333,480	1.25
Kerry Logistics Network Limited	446,000	922,526	3.47
Orient Overseas International Limited	130,500	889,820	3.34
		<u>2,781,325</u>	<u>10.45</u>
India			
Coal India Limited	74,291	521,498	1.96
Container Corporation of India Limited	5,335	150,212	0.56
Eros International Media Limited	24,951	128,786	0.48
Gateway Distripark	21,496	149,005	0.56
State Bank of India Limited	68,809	331,184	1.25
		<u>1,280,685</u>	<u>4.81</u>

	Holdings as at 31/12/2015	Fair value as at 31/12/2015 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2015 %
By Geography (Primary)			
Quoted			
Indonesia			
Astra Otoparts Tbk PT	858,500	140,477	0.53
Bank Negara Indonesia Tbk PT	368,100	188,842	0.71
Ciputra Property Tbk PT	10,552,837	444,182	1.67
Indocement Tunggal Prakarsa Tbk PT	31,700	72,750	0.27
Surya Semesta Internusa Tbk PT	1,867,600	136,462	0.51
		<u>982,713</u>	<u>3.69</u>
Japan			
Asahi Group Holdings Limited	12,900	577,793	2.17
Kawasaki Heavy Industries Limited	349,000	1,856,221	6.98
Keisei Electric Railway Company Limited	39,000	711,972	2.68
Mazda Motor Corporation	30,300	901,724	3.39
Mitsubishi Heavy Industries Limited	253,000	1,590,883	5.98
Mitsubishi UFJ Financial Group Inc	212,300	1,895,531	7.13
Mitsui O.S.K Lines Limited	292,000	1,053,736	3.96
Nomura Holdings Inc	62,000	496,027	1.86
Panasonic Corporation	55,000	804,613	3.02
Seibu Holdings Inc	32,000	935,900	3.52
		<u>10,824,400</u>	<u>40.69</u>
Philippines			
Del Monte Pacific Limited	421,200	162,162	0.61
Pepsi-Cola Products Philippines Inc	796,600	88,381	0.33
Philippine Stock Exchange Inc	45,220	358,282	1.35
		<u>608,825</u>	<u>2.29</u>
Singapore			
QAF Limited	177,000	186,735	0.70
Singapore Technologies Engineering Limited	104,800	315,448	1.19
Wing Tai Holdings Limited	209,200	366,100	1.38
		<u>868,283</u>	<u>3.27</u>

	Holdings as at 31/12/2015	Fair value as at 31/12/2015 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2015 %
By Geography (Primary)			
Quoted			
South Korea			
Hotel Shilla Company Limited	1,955	182,603	0.69
Korea Electric Power Corporation	13,520	817,882	3.07
		1,000,485	3.76
Sri Lanka			
Dialog Axiata Limited	1,200	124	*
Distilleries Company of Sri Lanka Limited	86,426	208,668	0.78
John Keells Holdings PLC	142,857	248,816	0.94
		457,608	1.72
Taiwan			
Taiwan Semiconductor Manufacturing Company Limited	92,000	568,203	2.14
Thailand			
Amata Corporation Public Company Limited	459,400	222,766	0.84
Amata VN Public Company Limited	18,376	6,484	0.03
Kasikornbank Public Company Limited	35,100	208,256	0.78
PTT Global Chemical Public Company Limited	58,000	114,328	0.43
Quality Houses Public Company Limited	1,875,300	168,562	0.63
		720,396	2.71
Vietnam			
Saigon Secs Inc	187,000	261,925	0.98
Vingroup JSC	10,000	28,707	0.11
		290,632	1.09
Unquoted			
Singapore			
Japan Land Limited	1,482,900	-	-
Portfolio of investments		24,665,186	92.71
Other net assets		1,938,475	7.29
Net assets attributable to unitholders		26,603,661	100.00

* denotes less than 0.01%

	Fair value as at 31/12/2015 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2015 %	Percentage of total net assets attributable to unitholders as at 30/06/2015 %
By Geography (Summary)			
Quoted			
Australia	854,191	3.21	3.77
China	3,427,440	12.88	8.37
Hong Kong	2,781,325	10.45	14.75
India	1,280,685	4.81	1.07
Indonesia	982,713	3.69	3.71
Japan	10,824,400	40.69	45.71
Malaysia	-	-	1.01
Philippines	608,825	2.29	2.72
Singapore	868,283	3.27	4.41
South Korea	1,000,485	3.76	6.19
Sri Lanka	457,608	1.72	0.45
Taiwan	568,203	2.14	-
Thailand	720,396	2.71	2.53
Vietnam	290,632	1.09	-
Portfolio of investments	24,665,186	92.71	94.69
Other net assets	1,938,475	7.29	5.31
Net assets attributable to unitholders	26,603,661	100.00	100.00

* denotes less than 0.01%

	Fair value as at 31/12/2015 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2015 %	Percentage of total net assets attributable to unitholders as at 30/06/2015 %
By Industry (Secondary)			
Automotive	1,755,915	6.60	4.58
Autos & Trucks	140,477	0.53	0.71
Banks	2,623,813	9.87	11.01
Buildings/construction material	72,750	0.27	6.56
Chemical	114,328	0.43	-
Communications	541,456	2.04	1.71
Diversified resource	1,839,699	6.92	10.02
Electrical and electronic	1,622,495	6.09	-
Engineering	1,072,213	4.03	2.12
Entertainment	128,786	0.48	-
Finance	1,781,259	6.69	9.11
Food & beverage	1,390,327	5.22	3.74
Insurance	627,811	2.36	4.72
Machine tools	1,856,221	6.98	7.68
Mining	521,498	1.96	-
Real estate	1,877,011	7.06	13.09
Retail	516,083	1.94	1.54
Semiconductor	568,203	2.14	-
Telecom service	124	*	3.57
Tire & rubber	-	-	2.41
Transport	5,614,717	21.10	12.12
Portfolio of investments	24,665,186	92.71	94.69
Other net assets	1,938,475	7.29	5.31
Net assets attributable to unitholders	26,603,661	100.00	100.00

* denotes less than 0.01%

Important Information

Phillip Asia Pacific Growth Fund (the “Fund”) is an open ended umbrella unit trust authorised under the Securities and Futures Act, Chapter 289, by the Monetary Authority of Singapore

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