

# **Phillip Asia Pacific Growth Fund**

## **Semi-Annual Report**

Period ended 31 December 2016

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**MANAGER**

Phillip Capital Management (S) Ltd  
250 North Bridge Road  
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Singapore 179101  
(Company Registration Number: 199905233W)

**DIRECTORS OF THE MANAGER**

Lim Hua Min  
Jeffrey Lee Chay Khiong  
Linus Lim Wen Sheong  
Lee Ken Hoon  
Lim Wai Sai  
Louis Wong Wai Kit

**TRUSTEE**

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#10-02 HSBC Building  
Singapore 049320  
( Company Registration Number: 194900022R)

**CUSTODIAN**

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1 Queen's Road  
Central  
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**REGISTRAR**

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**AUDITORS**

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**SOLICITORS TO THE MANAGER**

Chan & Goh LLP  
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**SOLICITORS TO THE TRUSTEE**

Allen & Glenhill LLP  
One Marina Boulevard #28-00  
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### **Manager's Investment Report**

The Fund rebounded 10.7% for the half year ending 31 December 2016, compared to its benchmark (MSCI AC Asia Pacific Index) which rose 12.4% on a SGD adjusted basis.

The half-year was marked by two “black swan” political events around the start and the end of the period. Around end-June, an unexpected “Brexit” majority vote transpired at the referendum in the United Kingdom on whether to leave the European Union. And in early November, there was the surprising election of Donald Trump as President of the United States. Despite this, markets were steady and after initial blips, progressed higher through the half-year.

Strong performances during the period came from the Japan, Hong Kong and Taiwan stock markets, while the Philippines, Singapore and India were laggards. Among the major sectors, the materials and energy sectors outperformed, while more stable sectors such as telecommunications, consumer staples and healthcare sectors lagged.

Going forward into the new year, we note that the two-month old “Trump rally” has been continuing, as optimism about the incoming US President’s likely expansionary fiscal policy, in the form of tax cuts and infrastructure spending, continued to drive the market. The US Federal Reserve took the chance to raise rates in December 2016, and has guided for another probable three hikes in 2017. The markets were not shaken, nonetheless.

We are inclined to be cautious about the sustainability of the “Trump rally”. Events worth watching would be Trump’s first hundred days in office (to see how his foreign and trade policies, in particular, will be framed) and the Federal Reserve’s rate hike moves (it has guided for three hikes in 2017). Europe is set for several key elections (for example, France and Germany) which might see the trend of populism extend itself, while we also have to monitor how the UK’s Brexit process is handled. In Asia, China is a central axis around which most concerns revolve, and the success (or failure) of its reforms would likely be a key factor determining how the markets perform in the coming year.

These are exciting times we all live in. The emergence into prominence of the world’s largest market --- China --- has happened in our lifetime, and we believe the China story is far from over. There are two themes we find compelling for China. The first is the liberalisation of its capital markets, an inevitable long-term trend due to its commitment to subject its state-owned enterprises to market discipline as part of their reform process. The other is the outbound expansion of state investments through infrastructure construction across the Asia-Pacific and Eurasian continents, which has been sold as the “One Belt One Road” initiative. We have also seen the accelerating emergence of “disrupting” business models in recent years, which have primarily been made possible by technology. A good example would be e-commerce which is displacing traditional brick-and-mortar retail malls. Another is the so-called Automobile 2.0 revolution, where we are seeing rapid adoption of electric vehicles, with the next frontier being driverless cars (which will disrupt many traditional frameworks such as in public transport and urban planning). All these form the context in which we seek to position our portfolios for positive outcomes for the investors in our Fund.

Report to unitholders<sup>1</sup>

a) I Investments classified by geography

	Fair Value at 31/12/2016 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2016 %
<b>By Geography (Summary)</b>		
Australia	1,525,479	7.29
China	1,663,193	7.94
Hong Kong	2,016,754	9.63
India	1,843,345	8.81
Indonesia	835,908	3.99
Japan	5,414,403	25.86
Philippines	622,804	2.98
Singapore	2,908,230	13.89
South Korea	1,201,859	5.74
Sri Lanka	196,828	0.94
Thailand	558,299	2.67
Vietnam	465,081	2.22
	<hr/>	
<b>Portfolio of investments</b>	19,252,183	91.96
<b>Other net assets</b>	1,682,913	8.04
	<hr/>	
<b>Net assets attributable to unitholders</b>	<u>20,935,096</u>	<u>100.00</u>

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<sup>1</sup> As required by the Code on Collective Investment Schemes

a) **II Investments classified by industry**

	Fair Value at 31/12/2016 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2016 %
<b>By Industry (Summary)</b>		
Airlines	255,783	1.22
Automotive	1,187,638	5.67
Autos & Trucks	188,722	0.90
Bank	333,905	1.59
Buildings/construction material	1,035,279	4.95
Diversified resource	810,371	3.87
Electrical and electronic	1,491,747	7.13
Engineering	1,075,137	5.13
Finance	3,022,465	14.45
Food & Beverage	1,355,688	6.48
Machine tools	831,878	3.97
Mining	280,481	1.34
Mutual Fund/REIT	1,423,896	6.80
Oil & Gas	396,656	1.89
Pharmaceutical	615,450	2.94
Real estate	935,330	4.47
Software	437,359	2.09
Telecom service	1,380,042	6.59
Textiles	690,610	3.30
Transport	1,503,746	7.18
	<hr/>	
<b>Portfolio of investments</b>	19,252,183	91.96
<b>Other net assets</b>	1,682,913	8.04
	<hr/>	
<b>Net assets attributable to unitholders</b>	20,935,096	100.00
	<hr/>	

\* Denotes less than 0.01%

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

	Fair Value at 31/12/2016	Percentage of Net Assets Attributable to Unitholders at 31/12/2016
	S\$	%
Equities	19,252,183	91.96
Cash & cash equivalents	1,754,084	8.38
Other net current liabilities	(71,171)	(0.34)
<b>Net assets attributable to unitholders</b>	<b>20,935,096</b>	<b>100.00</b>

b) **Top Ten Holdings**

<b><u>10 Largest Holdings at 31 December 2016</u></b>	Fair Value at 31/12/2016	Percentage of Net Assets Attributable to Unitholders at 31/12/2016
	S\$	%
Phillip SGX Apac Dividend Leaders REIT ETF	1,423,896	6.80
Carsales.com Limited	906,400	4.33
Kawasaki Heavy Industries Limited	831,878	3.97
Mitsubishi Heavy Industries Limited	810,371	3.87
Kerry Logistics Network Limited	808,625	3.86
SK Telecom Co Limited	760,843	3.63
Seibu Holdings Inc	695,121	3.32
Toray Industries Inc	690,610	3.30
Hong Kong Exchanges And Clearing Limited	679,326	3.24
Panasonic Corporation	678,084	3.24

<b><u>10 Largest Holdings at 31 December 2015</u></b>	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



c) (i) Exposure to Derivatives as at 31 December 2016.

Nil

c) (ii) Net gains on derivative contracts realised for the period from 1 July 2016 to 31 December 2016  
S\$29,359

c) (iii) Net losses on outstanding derivative contracts marked to market as at 31 December 2016  
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 2016.

Nil

f) Amount and percentage of borrowings of total fund size as at 31 December 2016.

Nil

g) Amount of redemptions and subscriptions for the period from 1 July 2016 to 31 December 2016.

Total amount of redemptions S\$4,876,014

Total amount of subscriptions S\$14,333

h) Amount of related party transactions for the period from 1 July 2016 to 31 December 2016

Brokerage fees paid to a related party of the Manager S\$6,137

Interest income received from a related party of the Trustee S\$33

Bank balances held with related parties of the Trustee S\$1,293,149

Amounts held with related parties of the Manager S\$460,935

**i) Performance of the Fund as at 31 December 2016**

	3 months	6 months	1 year	3 Years*	5 Years*	10 Years*	Since Inception 23 Nov 1995
<b>Cumulative returns*</b>							
The Fund	1.72%	10.66%	-0.64%	4.57%	13.21%	-9.85%	112.22%
Benchmark	2.56%	12.35%	4.48%	9.49%	32.38%	-9.39%	18.50%
<b>Annualised returns*</b>							
The Fund	-	-	-0.64%	1.50%	2.51%	-1.03%	3.63%
Benchmark	-	-	4.48%	3.07%	5.77%	-0.98%	0.81%

\* 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**

		<b>2016</b>	<b>2015</b>
Total operating expenses	S\$	403,046	522,071
Average daily net asset value	S\$	22,667,819	29,210,838
Expense ratio	%	1.78	1.79

The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). 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.

**k) Turnover Ratio**

		<b>2016</b>	<b>2015(Restated)</b>
Lower of total value of purchases or sales	S\$	9,576,294	11,712,370
Average daily net asset value	S\$	21,539,901	27,324,715
Turnover ratio	%	44.46	42.86

The portfolio turnover ratio is calculated based on the lower of purchases or sales of the underlying investments of a scheme expressed as a percentage of average daily net asset value for the preceding 6 months at the close of the semi-annual financial statements. Total value of purchases (or sales) does not include brokerage and other transaction costs.

- 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 2016

Not applicable.

- (ii) Expense ratios for the period ended 31 December 2016. 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 2016

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.

**PHILLIP ASIA PACIFIC GROWTH FUND****Statement of Total Return**

Period ended 31 December 2016

	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>S\$</b>	<b>S\$</b>
<b>Income</b>		
Dividends	216,388	215,967
Interest	33	120
	<u>216,421</u>	<u>216,087</u>
Less:		
<b>Expenses</b>		
Management fees	(135,845)	(172,267)
Trustee fees	(21,735)	(27,563)
Custody fees	(4,514)	(4,812)
Registration fees	(7,650)	(7,682)
Audit fees	(8,849)	(8,571)
Transaction costs	(66,456)	(60,846)
Other expenses	(27,035)	(45,184)
	<u>(272,084)</u>	<u>(326,925)</u>
<b>Net expense</b>	<u>(55,663)</u>	<u>(110,838)</u>
<b>Net gains or losses on value of investments and financial derivatives</b>		
Net gains/(losses) on investments	2,243,030	(2,333,717)
Net gains/(losses) on financial derivatives	29,359	239,263
Net foreign exchange gains/(losses)	74,322	12,136
	<u>2,346,711</u>	<u>(2,082,318)</u>
<b>Total return/(deficit) for the period before income tax</b>	2,291,048	(2,193,156)
Less: Income tax	(15,450)	(19,919)
<b>Total return/(deficit) for the period after income tax before distribution</b>	<u>2,275,598</u>	<u>(2,213,075)</u>

**Statement of Financial Position**

As at 31 December 2016

	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>S\$</b>	<b>S\$</b>
<b>Assets</b>		
Portfolio of investments	19,252,183	21,593,714
Receivables	1,331	75,736
Cash and cash equivalents	1,754,084	2,211,090
<b>Total assets</b>	<u>21,007,598</u>	<u>23,880,540</u>
<b>Liabilities</b>		
Payables	72,502	112,658
Purchases awaiting settlement	-	229,158
Financial derivatives, at fair value	-	17,545
<b>Total liabilities</b>	<u>72,502</u>	<u>359,361</u>
<b>Equity</b>		
Net assets attributable to unitholders	<u>20,935,096</u>	<u>23,521,179</u>

**Statement of Movement in Unitholders' Funds**

Period ended 31 December 2016

	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>S\$</b>	<b>S\$</b>
<b>Net assets attributable to unitholders at the beginning of financial period/year</b>	23,521,179	28,512,836
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	2,275,598	(4,926,980)
<b>Unitholders' Contributions/(withdrawals)</b>		
Creation of units	14,333	561,739
Cancellation of units	(4,876,014)	(626,416)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(4,861,681)	(64,677)
Total decrease in net assets attributable to unitholders	(2,586,083)	(4,991,657)
<b>Net assets attributable to unitholders at the end of financial period/year</b>	<b>20,935,096</b>	<b>23,521,179</b>
Units in issue	10,435,079	12,943,874
Net asset value per unit – S\$	2.006	1.817

**Statement of Portfolio**

As at 31 December 2016

	<b>Holdings as at 31/12/2016</b>	<b>Fair value as at 31/12/2016 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 31/12/2016 %</b>
<b>By Geography (Primary)</b>			
<b>Quoted</b>			
<b>Australia</b>			
Carsales.com Limited	76,474	906,400	4.33
Seek Limited	39,986	619,079	2.96
		1,525,479	7.29
<b>China</b>			
China Communications Construction Company Limited	407,000	674,969	3.22
Citic Securities Company Limited	200,500	588,056	2.81
CRCC High Tech Equipment Corporation	695,000	400,168	1.91
		1,663,193	7.94
<b>Hong Kong</b>			
Hong Kong Exchanges and Clearing Limited	19,900	679,326	3.24
Hong Kong Land Holdings Limited	58,100	528,803	2.53
Kerry Logistics Network Limited	446,000	808,625	3.86
		2,016,754	9.63
<b>India</b>			
Coal India Limited	43,922	280,481	1.34
Credit Analysis & Research Limited	15,105	418,953	2.01
ICICI Bank Limited	61,443	333,905	1.59
Infosys Limited	20,331	437,359	2.09
Power Grid Corporation of India Limited	95,403	372,647	1.78
		1,843,345	8.81

	Holdings as at 31/12/2016	Fair value as at 31/12/2016 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2016 %
<b>By Geography (Primary)</b>			
<b>Quoted</b>			
<b>Indonesia</b>			
Astra Otoparts Tbk PT	858,500	188,722	0.90
Perusahaan Gas Negara Tbk PT	1,370,000	396,656	1.89
Surya Semesta Internusa Tbk PT	5,383,200	250,530	1.20
		<u>835,908</u>	<u>3.99</u>
<b>Japan</b>			
Asahi Group Holdings Limited	4,700	214,819	1.03
Daiwa House Industry Co Limited	15,100	596,832	2.85
Kawasaki Heavy Industries Limited	184,000	831,878	3.97
Mazda Motor Corporation	11,900	281,238	1.34
Mitsubishi Heavy Industries Limited	123,000	810,371	3.87
Panasonic Corporation	46,100	678,084	3.24
Seibu Holdings Inc	26,800	695,121	3.32
Takeda Pharmaceutical Company Limited	10,300	615,450	2.94
Toray Industries Inc	59,000	690,610	3.30
		<u>5,414,403</u>	<u>25.86</u>
<b>Philippines</b>			
Del Monte Pacific Limited	924,700	309,775	1.48
Philippine Stock Exchange Inc	45,220	313,029	1.50
		<u>622,804</u>	<u>2.98</u>
<b>Singapore</b>			
Phillip SGX APAC Dividend Leaders REIT ETF	1,120,000	1,423,896	6.80
QAF Limited	459,700	634,386	3.03
SIA Engineering Co Limited	75,900	255,783	1.22
Singapore Exchange Limited	83,100	594,165	2.84
		<u>2,908,230</u>	<u>13.89</u>



**PHILLIP ASIA PACIFIC GROWTH FUND**

	<b>Holdings as at 31/12/2016</b>	<b>Fair value as at 31/12/2016 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 31/12/2016 %</b>
<b>By Geography (Primary)</b>			
<b>Quoted</b>			
<b>South Korea</b>			
Korea Electric Power Corporation	8,370	441,016	2.11
SK Telecom Co Limited	2,846	760,843	3.63
		1,201,859	5.74
<b>Sri Lanka</b>			
Dialog Axiata Limited	1,200	120	*
Melsta Corporation	345,704	196,708	0.94
		196,828	0.94
<b>Thailand</b>			
Amata Corporation Public Company Limited	260,600	119,852	0.57
Siam Cement Public Company Limited	22,000	438,447	2.10
		558,299	2.67
<b>Vietnam</b>			
Saigon Securities Inc	345,820	428,936	2.05
Vingroup JSC	13,597	36,145	0.17
		465,081	2.22
<b>Portfolio of investments</b>		19,252,183	91.96
<b>Other net assets</b>		1,682,913	8.04
<b>Net assets attributable to unitholders</b>		20,935,096	100.00

\* denotes less than 0.01%

	Fair value as at 31/12/2016 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2016 %	Percentage of total net assets attributable to unitholders as at 30/06/2016 %
<b>By Geography (Summary)</b>			
<b>Quoted</b>			
Australia	1,525,479	7.29	9.49
China	1,663,193	7.94	11.78
Hong Kong	2,016,754	9.63	7.27
India	1,843,345	8.81	6.18
Indonesia	835,908	3.99	3.39
Japan	5,414,403	25.86	26.53
Philippines	622,804	2.98	2.05
Singapore	2,908,230	13.89	7.35
South Korea	1,201,859	5.74	7.07
Sri Lanka	196,828	0.94	1.56
Taiwan	-	-	2.64
Thailand	558,299	2.67	5.37
Vietnam	465,081	2.22	1.13
<b>Portfolio of investments</b>	19,252,183	91.96	91.81
<b>Other net assets</b>	1,682,913	8.04	8.19
<b>Net assets attributable to unitholders</b>	20,935,096	100.00	100.00

\* denotes less than 0.01%

	Fair value as at 31/12/2016 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2016 %	Percentage of total net assets attributable to unitholders as at 30/06/2016 %
<b>By Industry (Secondary)</b>			
Airlines	255,783	1.22	5.39
Automotive	1,187,638	5.67	5.18
Autos & Trucks	188,722	0.90	0.69
Bank	333,905	1.59	6.37
Buildings/construction material	1,035,279	4.95	3.40
Diversified resource	810,371	3.87	6.61
Electrical and electronic	1,491,747	7.13	11.38
Engineering	1,075,137	5.13	4.58
Finance	3,022,465	14.45	12.19
Food & Beverage	1,355,688	6.48	4.79
Insurance	-	-	2.97
Machine tools	831,878	3.97	4.15
Mining	280,481	1.34	2.49
Mutual Fund/REIT	1,423,896	6.80	-
Oil & Gas	396,656	1.89	-
Pharmaceutical	615,450	2.94	-
Real estate	935,330	4.47	4.60
Software	437,359	2.09	-
Semiconductor	-	-	2.64
Telecom service	1,380,042	6.59	7.13
Textiles	690,610	3.30	-
Transport	1,503,746	7.18	7.25
<b>Portfolio of investments</b>	19,252,183	91.96	91.81
<b>Other net assets</b>	1,682,913	8.04	8.19
<b>Net assets attributable to unitholders</b>	20,935,096	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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