

**PHILLIP ASIA PACIFIC GROWTH FUND**

**PROSPECTUS**

**Registered on 21 September 2018**

CHAN & GOH LLP  
ADVOCATES & SOLICITORS  
50 CRAIG ROAD  
#03-01  
SINGAPORE 089688

**PHILLIP ASIA PACIFIC GROWTH FUND**

**DIRECTORY**

**Managers**

Phillip Capital Management (S) Ltd  
(Company Registration No. 199905233W)  
250 North Bridge Road  
#06-00 Raffles City Tower  
Singapore 179101

**Directors of the Managers**

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

**Trustee**

HSBC Institutional Trust Services (Singapore) Limited  
(Company Registration No. 194900022R)  
21 Collyer Quay  
#13-02 HSBC Building  
Singapore 049320

**Custodian**

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road  
Central  
Hong Kong

**Registrar**

HSBC Institutional Trust Services (Singapore) Limited  
21 Collyer Quay  
#13-02 HSBC Building  
Singapore 049320

**Auditors**

KPMG LLP  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581

**Solicitors to the Managers**

Chan & Goh LLP  
50 Craig Road  
#03-01  
Singapore 089688

**Solicitors to the Trustee**

Allen & Gledhill LLP  
One Marina Boulevard  
#28-00  
Singapore 018989

## **IMPORTANT INFORMATION**

The managers of Phillip Asia Pacific Growth Fund (the “**Fund**”), Phillip Capital Management (S) Ltd (the “**Managers**”) accept full responsibility for the accuracy of the information set out in this prospectus 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 in this prospectus misleading.

This prospectus does not constitute an offer or solicitation for the purchase of units of the Fund (“**Units**”) to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and may be used only in connection with this offering of Units by the Managers or their approved agents or distributors.

Investors should consult the relevant provisions of the trust deed (as amended) relating to the Fund (the “**Deed**”) and obtain independent professional advice in the event of doubt or ambiguity relating thereto.

No application has been made for the Fund to be listed on any stock exchange. Investors may purchase or sell Units through the Managers or their approved agents or distributors in accordance with the provisions of this prospectus and the Deed.

Potential investors should seek independent professional advice to ascertain (i) the possible tax consequences, (ii) the legal requirements and (iii) any foreign exchange restrictions or exchange control requirements which they may encounter under the laws of the countries of their citizenship, residence or domicile, and which may be relevant to the subscription, holding or disposal of Units in the Fund, and should inform themselves of and observe all such laws and regulations in any related jurisdiction that may be applicable to them.

### Restriction on U.S. Persons on subscribing to the Fund

Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur. In particular, please note that the Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or any other applicable law of the United States. The Fund has not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended. The Units are being offered and sold outside the United States to persons that are not “U.S. persons” (as defined in Regulation S promulgated under the U.S. Securities Act) in reliance on Regulation S promulgated under the U.S. Securities Act. The Units are not being offered or made available to U.S. persons and nothing in this Prospectus is directed to or is intended for U.S. persons.

For the purposes of the U.S. Securities Act, the term “U.S. person” means: (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. person; (iv) any trust of which any trustee is a U.S. person; (v) any agency or branch of a non-United States entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and (viii) any partnership or corporation if (a) organized or incorporated under the laws of any non-United States jurisdiction and (b) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by “accredited investors” (as defined in Regulation D promulgated under the U.S. Securities Act) who are not natural persons, estates or trusts.

For the purposes of the U.S. Securities Act, the term “U.S. person” does not include: (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. person by a dealer or other professional fiduciary organized, incorporated, or (if an individual), resident in the United States; (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. person if (a) an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate and (b) the estate is governed by non-United States law; (iii) any trust of which any professional fiduciary acting as trustee

is a U.S. person, if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settler if the trust is revocable) is a U.S. person; (iv) an employee benefit plan established and administered in accordance with the law of a country other than the United States; (v) an agency or branch of a U.S. person located outside the United States if (a) the agency or branch operates for valid business reasons and (b) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and (vi) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, any other similar international organizations, and their respective agencies, affiliates and pension plans.

#### Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (“**FATCA**”) includes provisions under which the Managers as a Foreign Financial institution (“**FFI**”) may be required to report to the U.S. Internal Revenue Service (“**IRS**”) certain information about Units held by U.S. persons for the purposes of FATCA and to collect additional identification information for this purpose.

The Fund is obliged to comply with the provisions of FATCA under the terms of the inter-governmental agreement (“**IGA**”) Model 1 signed between the U.S. Government and the Singapore Government and under the terms of Singapore legislation implementing the IGA.

Distributors and investors should note that it is the existing policy of the Managers that Units are not being offered or sold for the account of U.S. Persons and that subsequent transfers of Units to such U.S. Persons are prohibited. If Units are beneficially owned by such U.S. Person, the Managers (in consultation with the Trustee) may compulsorily redeem such Units. Investors should note that under the FATCA legislation, the definition of “Specified U.S. Persons” will include a wider range of investors than the current U.S. Person definition. Investors should consult their tax advisors regarding the application of FATCA to their investment. Investors should check with the Managers or their appointed agents or distributors with regard to the documentation that may be required for the purpose of FATCA.

#### Common Reporting Standard and Automatic Exchange of Information

Following the development by the Organisation for Economic Cooperation and Development (“**OECD**”) of a common reporting standard (“**CRS**”) to achieve a comprehensive and multilateral automatic exchange of information (“**AEOI**”), the Income Tax (International Tax Compliance Agreements) (Common Reporting Standard) Regulations 2016 (the “**CRS Regulations**”) have been promulgated to allow Singapore to implement the CRS with effect from 1 January 2017.

The CRS Regulations require certain Singapore financial institutions (as defined in the CRS Regulations) to identify financial asset holders and establish if they are resident for tax purposes in countries with which Singapore has a tax information sharing agreement. Singapore financial institutions will report financial account information of the asset holder to the Singapore tax authorities, which will thereafter automatically transfer this information to certain competent foreign tax authorities on a yearly basis.

Accordingly, the Managers and/or the Trustee will require investors to provide, amongst other things, information in relation to their identities and tax residences of their accounts (and the controlling persons, if any), account details, reporting entity, account balance/value and income/sale or redemption proceeds and any additional documentation or information, which will then be reported to the Inland Revenue Authority of Singapore and the other relevant tax authorities for purposes of complying with FATCA, the CRS Regulations and any similar automatic exchange of tax information regimes.

#### Data Protection

For the purposes of, and subject to the provisions in, the Personal Data Protection Act of Singapore (“**PDPA**”) and its regulations, each investor consents and acknowledges that all personal data of the investor provided to the Fund, the Managers, the Trustee or any delegate, agent or distributor appointed by the Managers or Trustee (including but not limited to the administrator, custodian, sub-custodians, registrar and any other third party service provider which may be appointed), may be collected, used,

disclosed or otherwise processed to enable each of the aforesaid entities to carry out their respective duties and obligations, or to enforce their respective rights and remedies, in connection with any investment by the investor into the Fund or any law applicable to the respective parties.

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## PHILLIP ASIA PACIFIC GROWTH FUND

*The Fund offered in this prospectus is an authorised scheme under the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”). A copy of this prospectus has been lodged with and registered by the Monetary Authority of Singapore (the “Authority”). The Authority assumes no responsibility for the contents of this prospectus. Registration of this prospectus by the Authority does not imply that the SFA, or any other relevant legal or regulatory requirements have been complied with. The Authority has not, in any way, considered the investment merits of the Fund. The meanings of terms not defined in this prospectus can be found in the trust deed (as amended) relating to the Fund.*

### 1. BASIC INFORMATION

- 1.1 The collective investment scheme offered in this prospectus is known as Phillip Asia Pacific Growth Fund (the “**Fund**”). The Fund is a Singapore constituted stand-alone, open-ended unit trust.
- 1.2 This prospectus is registered on 21 September 2018 and will expire on 21 September 2019.
- 1.3 The trust deed and supplemental deeds
- (a) The trust deed relating to the interests being offered for purchase is dated 24 July 1995 (the “**Trust Deed**”) and has been amended by a First Supplemental Deed dated 20 December 1996, a Second Supplemental Deed dated 2 January 1998, a Third Supplemental Deed dated 30 December 1998, a Fourth Supplemental Deed dated 23 December 1999, a Fifth Supplemental Deed dated 19 December 2001, an Amended and Restated Trust Deed dated 30 June 2003, a First Supplemental Deed to the Amended and Restated Trust Deed dated 15 December 2003, a Second Amended and Restated Trust Deed dated 15 December 2004, a Third Amended and Restated Trust Deed dated 14 December 2005, a Fourth Amended and Restated Trust Deed dated 13 December 2006, a Fifth Amended and Restated Trust Deed dated 12 December 2007, a Sixth Amended and Restated Trust Deed dated 10 December 2009, a Seventh Amended and Restated Trust Deed dated 30 September 2011, an Eighth Amended and Restated Trust Deed dated 28 September 2012, a Ninth Amended and Restated Trust Deed dated 26 September 2014 and a Tenth Amended and Restated Trust Deed dated 23 September 2016. The Trust Deed as amended by the First Supplemental Deed, the Second Supplemental Deed, the Third Supplemental Deed, the Fourth Supplemental Deed, the Fifth Supplemental Deed, the Amended and Restated Trust Deed, the First Supplemental Deed to the Amended and Restated Trust Deed, the Second Amended and Restated Trust Deed, the Third Amended and Restated Trust Deed, the Fourth Amended and Restated Trust Deed, the Fifth Amended and Restated Trust Deed, the Sixth Amended and Restated Trust Deed, the Seventh Amended and Restated Trust Deed, the Eighth Amended and Restated Trust Deed, the Ninth Amended and Restated Trust Deed and the Tenth Amended and Restated Trust Deed shall hereafter be collectively referred to as the “**Deed**”.
- (b) The parties to the Deed are Phillip Capital Management (S) Ltd (the “**Managers**”) and HSBC Institutional Trust Services (Singapore) Limited (the “**Trustee**”).
- (c) The Deed is binding on the Managers, the Trustee and on each Holder (and all persons claiming through the Holder as if he and they had each been a party to the Deed).
- (d) The Deed may be inspected at the registered office of the Managers at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101 during usual business hours (subject to such reasonable restrictions as the Managers may impose) and shall be supplied by the Managers to any person upon request at a charge of SGD20 per copy of the document (or such other amount as the Trustee and the Managers may from time to time agree), such charge being payable to the Managers.

#### 1.4 Latest reports and audited financial statements

A copy of the latest semi-annual report and annual report, semi-annual accounts and annual accounts and the Auditors' report on the annual accounts of the Fund may be obtained from the Managers at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101.

#### 1.5 The Deed

Much of the information contained in this prospectus is a summary of corresponding provisions in the Deed. Investors should read the Deed for further details and for further information on the Fund which is not contained in this prospectus.

#### 1.6 Glossary

The meaning of some of the terms and abbreviations used in this prospectus can be found in the Glossary of Terms at the end of this prospectus.

## 2. THE MANAGERS

### 2.1 Name and address of the Managers

The Managers of the Fund are Phillip Capital Management (S) Ltd, whose registered office is at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101. The Managers are regulated in Singapore by the Authority.

### 2.2 Track Record of the Managers

The Managers of the Fund are Phillip Capital Management (S) Ltd, whose registered office is at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101.

The Managers hold a capital markets services licence granted by the Authority, and provide fund management and investment advisory services to both institutional and retail clients. The Managers are a member of PhillipCapital, an integrated financial services group established in 1975 ("**Group**"), providing a comprehensive range of financial services to retail and institutional customers. Today, the Group operates in the financial hubs of 17 countries and regions, including offices in Malaysia, Cambodia, Indonesia, Vietnam, Thailand, Hong Kong, China, Japan, India, Sri Lanka, Australia, United Arab Emirates, United Kingdom, France, Turkey and United States of America.

The Managers have been managing collective investment schemes and/or discretionary funds in Singapore since 2000. In November 2003, the Managers acquired the Govett Global Brands Fund and Govett Asia Pacific Growth Fund and renamed them Phillip Global Brands Fund and Phillip Asia Pacific Growth Fund respectively (Phillip Global Brands Fund was subsequently terminated). The Managers have an established track record managing funds investing in the Asia Pacific region and globally. The investment funds managed by the Managers include the following: Phillip Money Market Fund, Phillip Income Fund, Phillip US Dollar Money Market Fund, Pi-5 Global Portfolio, Pi-7 Global Portfolio, Global Opportunities Fund, Phillip Singapore Real Estate Income Fund, Phillip SGX APAC Dividend Leaders REIT ETF and Phillip Greater India Equity Fund (a restricted fund which is only offered to institutional and accredited/high net worth investors under the SFA). The Managers also act as sub-manager of Lion-Phillip S-REIT ETF.

***Investors should note that past performance of the Managers or the Fund is not necessarily indicative of the future performance of the Managers or the Fund.***

### 2.3 Directors and Key Executives of the Managers

The directors of the Managers are as follows:-

### **Lim Hua Min**

Hua Min is Chairman of PhillipCapital Group and director of Phillip Capital Management (S) Ltd. He previously held senior positions in the Stock Exchange of Singapore and the Securities Research Institute. He has served on a number of committees and sub-committees of the Stock Exchange of Singapore. In 1997, he was appointed Chairman of the Stock Exchange of Singapore (SES) Review Committee, which is responsible for devising a conceptual framework to make Singapore's capital markets more globalised, competitive and robust. Hua Min holds a Bachelor of Science Degree (Honours) in Chemical Engineering from the University of Surrey and obtained a Master's Degree in Operations Research and Management Studies from Imperial College, University of London.

### **Jeffrey Lee Chay Khiong**

Jeffrey is Managing Director and Chief Investment Officer of Phillip Capital Management (S) Ltd and has been with the PhillipCapital Group since 1992. His prior appointments include senior investment management positions at AIB Govett (Asia) Ltd, DBS Bank and Mitsubishi Corporation Group, with responsibilities for managing funds across various asset classes including fixed income, equities and venture capital. Jeffrey has more than 30 years of investment experience spanning several market cycles. His track record includes a number of award-winning funds in the Asia Pacific and Global Funds category. A Chartered Financial Analyst (CFA) since 1990, he obtained his Bachelor's (Honours) degree in Chemical Engineering from the National University of Singapore on a Public Service Commission Scholarship.

### **Linus Lim Wen Sheong**

Linus is a director and Co-Chief Investment Officer of Phillip Capital Management (S) Ltd. Linus focuses on product development as well as investment strategy. He has been with PhillipCapital Group since 2001 where he has been involved in equity research as well as corporate finance both in Singapore and the UK. Prior to PhillipCapital, he was at the Investments business of Citibank Asia Pacific. Linus is a graduate from the London School of Economics and also holds an MBA from the Anderson school of Management at UCLA.

### **Lee Ken Hoon**

Ken Hoon is director and Chief Operating Officer of Phillip Capital Management (S) Ltd. She has been with PhillipCapital Group since 2008 and has more than 20 years of experience in audit and the financial services industry. Prior to joining PhillipCapital she worked in local and foreign financial institutions and has extensive experience in finance, middle office and back office operations. Ken Hoon graduated with a degree in Accountancy from the National University of Singapore and is a Chartered Accountant of Singapore.

### **Lim Wah Sai**

Wah Sai is a non-executive director of Phillip Capital Management (S) Ltd. He joined the PhillipCapital Group in 1988 and has been managing the Group's Hong Kong operations since 1993. He is presently the Managing Director and Responsible Officer of the PhillipCapital Group of companies in Hong Kong, including Phillip Securities (HK) Ltd, Phillip Commodities (HK) Ltd and Phillip Capital Management (HK) Ltd. Phillip Capital Management (HK) manages assets for retail and institutional clients and acts as Investment Advisor to an authorized fund in Thailand which primarily invests in Hong Kong and China. Wah Sai is currently a member of Derivatives Market Consultative Panel of HKEx and has over 30 years' experience in the securities, derivatives and banking industries. He holds a Master's Degree in Management Science from Imperial College, University of London and a Bachelor of Science Degree (1st Class Honours) in Control Instrumentation and System Engineering from the City University, London.

### **Louis Wong Wai Kit**

Louis is a non-executive director of Phillip Capital Management (S) Ltd. He joined the PhillipCapital Group in 1993 and has been the Director of Phillip Securities (HK) Ltd and Phillip Capital Management (HK) Ltd since 1996 and 2002 respectively. He has over 20 years of investment experience in securities dealing and 14 years in asset management. Louis obtained his Bachelor of Arts (Honours) degree from the University of Hong Kong.

The key executive of the Managers in respect of the Fund is as follows:-

### **Tan Teck Leng**

Teck Leng is a member of the investment team covering global equity markets. He oversees the managed account portfolios and the management of the equity and balanced funds portfolios. Prior to joining PhillipCapital Group in 2008, he worked in the aerospace and defence fields with a Singapore-based engineering conglomerate, and also had project management experience in a regional construction and infrastructure engineering consultancy firm. Teck Leng obtained his Bachelor of Mechanical Engineering degree with First Class Honours from Imperial College London in 1999 and is a CFA charterholder.

## **3. THE TRUSTEE, THE CUSTODIAN AND THE ADMINISTRATOR**

### The Trustee

The Trustee of the Fund is HSBC Institutional Trust Services (Singapore) Limited whose registered office is at 21 Collyer Quay, #13-02 HSBC Building, Singapore 049320. The Trustee is regulated in Singapore by the Authority.

### The Custodian

The custodian of the Fund is The Hongkong and Shanghai Banking Corporation Limited whose registered address is at 1 Queen's Road, Central, Hong Kong. The custodian is regulated by the Hong Kong Monetary Authority and authorised as a registered institution by the Securities and Futures Commission of Hong Kong.

The Trustee has appointed the custodian as the global custodian to provide custodial services to the Fund globally. The custodian is entitled to appoint sub-custodians to perform any of the custodian's duties in specific jurisdictions where the Fund invests.

The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") is a global custodian with direct market access in certain jurisdictions. In respect of markets for which it uses the services of selected sub-custodians, HSBC shall act in good faith and use reasonable care in the selection and monitoring of its selected sub-custodians.

The criteria upon which a sub-custodian is appointed is pursuant to all relevant governing laws and regulations and subject to satisfying all requirements of HSBC in its capacity as global custodian. Such criteria may be subject to change from time to time and may include factors such as the financial strength, reputation in the market, systems capability, operational and technical expertise. All sub-custodians appointed shall be licensed and regulated under applicable law to carry out the relevant financial activities in the relevant jurisdiction.

### The Administrator

The administrator of the Fund is HSBC Institutional Trust Services (Singapore) Limited (the "**Administrator**"), whose registered office is at 21 Collyer Quay, #13-02 HSBC Building, Singapore 049320. The Managers have appointed the Administrator to perform accounting and valuation functions in respect of the Fund.

## 4. OTHER PARTIES

### 4.1 The Registrar

The registrar of the Fund is HSBC Institutional Trust Services (Singapore) Limited (the “**Registrar**”) and the register of Holders (the “**Register**”) can be inspected at 20 Pasir Panjang Road (East Lobby), #12-21 Mapletree Business City, Singapore 117439 during usual business hours (subject to such reasonable closure of the Register and such reasonable restrictions as the Trustee may impose but so that not less than 2 hours in each Business Day shall be allowed for inspection). The Register is conclusive evidence of the number of Units in the Fund, or Class thereof, held by each Holder and the details in the Register shall prevail in the event of any discrepancy between the entries in the Register and the details appearing in any statement of holding unless the Holder proves, to the satisfaction of the Managers and the Trustee, that the Register is incorrect.

### 4.2 The Auditors

The auditors of the Fund are KPMG LLP, whose registered office is at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 (the “**Auditors**”).

## 5. FUND STRUCTURE

The Fund is a stand-alone, open-ended unit trust established as a collective investment scheme under the laws of Singapore.

### Classes of Units

The Managers may establish Classes of Units within the Fund. Different Classes within the Fund have different features. Where a new Class is established, the Managers may at their discretion rename any existing Class as long as there is no prejudice to existing investors of such Class.

Currently, the Managers are offering 2 classes of Units (“**Class(es)**”) in the Fund denominated in Singapore Dollars (“**S\$ Class**”) and US Dollars (“**US\$ Class**”). The assets of the Fund will be valued in S\$. For the purposes of calculating the Net Asset Value of each Unit for the US\$ Class, the value will be translated from S\$ to US\$ at the prevailing foreign exchange rate to be determined by the Managers in consultation with the Trustee for the Dealing Date. Any expense, income and/or gain which is attributable to a particular Class shall be deducted from or added to (as the case may be) the value of the Fund which is attributable to that Class.

Each Class is not a separate fund from the other. Subscriptions collected by the Managers from both Classes will be pooled and invested as a single fund.

“**SGD**” or “**Singapore Dollars**” or “**S\$**” means the lawful currency of Singapore.

“**USD**” or “**US Dollars**” or “**US\$**” means the lawful currency of the United States of America.

## 6. INVESTMENT OBJECTIVE, FOCUS AND APPROACH

The investment objective of the Fund is to achieve medium to long term capital appreciation through investing the Deposited Property primarily in investments in or of companies with assets wholly or partially in, or revenues wholly or partially derived from investment in countries and territories in the Asia Pacific region (including Japan, Australia and New Zealand) selected by the Managers for the purpose of investment of the Deposited Property.

The total overall investment in equities or shares of companies in Emerging Markets (as defined in the Glossary of Terms) is capped at 50% of the Value of the Deposited Property.

The Fund is growth oriented and is authorised to invest in stocks and bonds, including but not limited to convertible bonds. The Managers seek to identify emerging trends, under-appreciated growth prospects and undervalued franchises. The Managers combine top-down and bottom-up approaches in managing the Fund; top-down approach tackles the asset and geographical allocation decisions while bottom-up approach tackles vigorous quantitative and qualitative analysis to determine the absolute and relative attractiveness of the securities.

Subject to the provisions of the Code, the Managers may also invest the Deposited Property into money market funds and collective investment schemes, including money market funds and collective investment schemes managed by the Managers during such time or times and on such terms as the Managers think fit in accordance with the investment objective and focus of the Fund. The management fees charged by the money market funds and collective investment schemes managed by the Managers will be rebated to the Fund, as may be agreed between the Managers and the Trustee.

## 7. CPF INVESTMENT SCHEME

The Fund is currently not included under the CPF Investment Scheme.

## 8. FEES AND CHARGES

- 8.1 The following are the fees and charges payable by the investors and the Fund to the Managers, the Trustee and other parties:-

<b>Fees payable by the investors</b>	
Initial Service Charge	Up to 5%, Maximum 5%
Realisation Charge	Currently nil, Maximum 1%
Switching Fee	Currently up to 1%, Maximum 1%

<b>Fees payable by the Fund</b>	
Annual Management Participation	Currently 1.25% p.a., Maximum 1.75% p.a.
Annual Trustee and Custodian fee	Currently 0.2% p.a., Maximum 0.4% p.a., subject always to a minimum of S\$25,000 p.a.

In the event that the Fund invests into underlying money market funds and/or collective investment schemes, the Fund will bear the initial service charge, realisation charge and switching fee (if any), which may be charged by the underlying money market funds and/or collective investment schemes invested into.

- 8.2 The Initial Service Charge and Realisation Charge will be retained by the Managers for their own benefit. Any commission, remuneration or other sum payable to agents in respect of the issue or sale of any Units will not be added to the price of such Units but shall be paid by the Managers. Any rounding adjustments will be retained by the Fund.
- 8.3 The Managers may at any time differentiate between investors as to the amount of the Initial Service Charge and Realisation Charge payable (subject to the maximum permitted under the Deed).
- 8.4 All marketing, promotional and advertising expenses in relation to the Fund will be borne by the Managers and not charged to the Deposited Property.
- 8.5 Investors should note that subscriptions for Units through any distributor appointed by the

Managers may incur additional fees and charges. Investors are advised to check with the relevant distributor if such additional fees and charges are imposed by the distributor. The Managers may share their fees with any distributor appointed by the Managers.

- 8.6 The Managers are entitled to charge for any additional expenses incurred where investors are resident outside Singapore and to deduct such additional amounts from the subscription monies paid by such investors or the realisation proceeds due to them, as the case may be.

## 9. RISKS

### 9.1 General risks of investing in the Fund

- (a) Investors should note that investment in the Fund will be subject to different degrees of market, derivatives, interest rate, credit, equity, foreign securities, currency and industry risks that the Fund is invested into.
- (b) Investors should be aware that the value of Units and the Income from them may rise as well as fall and there is the possible loss of the principal amount invested. Past performance figures are not necessarily a guide to future performance. Investment in the Fund is designed to produce returns over the long term and is not suitable for short term speculation.

### 9.2 Risks specific to investing in the Fund

- (a) Investment in the Fund requires consideration of normal risks involved in the investment and participation in securities. The performance of the corporations whose securities are comprised in the portfolio may be influenced by changes in the general economic and political conditions, and interest rates. However, it is intended that the Fund will be highly diversified with exposure to both the well developed and Emerging Markets of the Asia Pacific region (including Japan, Australia and New Zealand).
- (b) Investors should be aware that some Asian markets and smaller Emerging Markets are often more volatile than those in more developed countries. Investments in these markets carry a higher degree of risk and are subject to price volatility as a result of risk factors such as lower liquidity, restrictions on repatriation of invested capital, currency devaluation, higher rates of inflation, less stringent government supervision and regulation of the securities markets and political uncertainty. Some of the investments which will be made in smaller markets may therefore affect the Fund's ability to acquire or dispose of securities at the price and time it desires.
- (c) Some of the markets do not have well developed, consolidated bodies of securities law and regulatory frameworks. Disclosure and regulatory standards in these markets may be less stringent than in developed markets. Accounting, auditing and financial standards and requirements may not have been established in some respects or may differ significantly from international standards and, as a result, information on a company's accounts may not be an accurate reflection of its financial strength.
- (d) The Fund is authorised to invest in convertible bonds. Although convertible bonds are considered to be more conservative, safer and less volatile than stocks in general, the price of convertible bonds may be affected by changes in interest rates and risks of default, credit rating of the issuer of the bonds, liquidity of such bonds in the market and the price of the underlying security.
- (e) Use and risks associated with use of financial derivative instruments ("FDIs")

#### *Use of FDIs*

The Managers may use FDIs for the purpose of hedging and/or efficient portfolio management.

### *Types of FDIs*

The FDIs which may be used by the Fund include, but are not limited to futures, options, warrants, forwards, contracts for differences, extended settlement contracts, swaps or swap options.

### *Risks Associated with the Use of FDIs*

The use of FDIs involves increased risk. The Fund's ability to use such instruments successfully depends on the Managers' ability to accurately predict movements in stock prices, interest rates, currency exchange rates or other economic factors and the availability of liquid markets. If the Managers' predictions are wrong, or if the FDIs do not work as anticipated, the Fund could suffer greater losses than if the Fund had not used such FDIs.

In addition to the inherent risks of investing in FDIs, the Fund will also be exposed to credit risk on the counterparties with which it trades, particularly in relation to options, futures, contracts and other FDIs that are not traded on a recognised market. Such instruments are not afforded the same protection as may be afforded to participants trading futures or options on organised exchanges, such as the performance guarantee of an exchange clearing house. The Fund may be subject to the possibility of insolvency, bankruptcy or default of a counterparty with which the Fund trades, which could result in substantial losses to the Fund.

Investments in derivatives may require the deposit of initial margin and additional deposit of margin on short notice if the market moves against the investment positions. If no provision is made for the required margin within the prescribed time, the Fund's investments may be liquidated at a loss. Therefore, it is essential that such investments in derivatives are monitored closely.

### *Exposure to FDIs*

The Managers confirm that the global exposure of the Fund to FDIs or embedded FDIs will not exceed 100% of the net asset value of the Fund at any time. 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:

- (a) the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
- (b) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- (c) the sum of the values of cash collateral received pursuant to:
  - (i) the reduction of exposure to counterparties of OTC financial derivatives; and
  - (ii) efficient portfolio management techniques relating to securities lending and repurchase transactions,

and that are reinvested.

### *Risk Management Process and Compliance Controls*

In the event the Managers use FDIs, they are of the view that they have the necessary expertise to control and manage the use of FDIs. Investments in FDIs would normally be monitored and controlled by the Managers with regular marked-to-market valuations, careful research prior to investment and compliance monitoring.

The Managers have set up a formal risk management process, to facilitate compliance with regard to the use of FDIs. This process consists of:

- (a) an appropriate supervisory structure;
- (b) an independent framework of internal controls, varying according to the complexity and sophistication of the derivative strategies; and
- (c) a process of approving the use of new instruments and strategies.

The Managers will ensure that the risk management and compliance procedures and controls are adequate and have been or will be implemented and the Managers have the necessary expertise to control and manage the risks relating to the use of FDIs and have in place systems to monitor the derivative positions for the Fund.

#### *Netting*

The Fund intends to net its OTC financial derivative positions.

- (f) Investments by the Fund may be made in a variety of currencies, whereas the net asset value of the Fund at any time will be computed in its base currency of S\$. The net asset value per Unit of the US\$ Class is also converted from the net asset value per Unit of the S\$ Class at the prevailing foreign exchange rate.

Accordingly, the value of the Fund may be affected favourably or unfavourably by movements in currency exchange rates, although the Managers may seek to minimize exposure to currency fluctuation to the extent practicable. There may also be exchange control restrictions in the form of state regulations governing outward remittance to foreign investors of their share of net profits and dividends and repatriation of their investments in foreign currency.

The Managers may from time to time employ currency hedging techniques to manage the impact of the exchange rate fluctuations on the Fund and/or for the purposes of efficient portfolio management. The Managers reserve the discretion to determine if currency exposure should be hedged actively, passively or not at all, in the best interest of the Fund.

As the net asset value of each Unit for the US\$ Class is converted from S\$ to US\$ at the prevailing foreign exchange rate, investors subscribing to the US\$ Class will be exposed to exchange rate movements of the US\$ against the S\$.

- (g) Default Risks

The Fund may invest in debt obligations of governments and companies. The Fund will seek to limit such risks by investing in short-term, high quality securities but there can be no assurance that the Fund may not invest in securities with respect to which the governments or companies subsequently default. Adverse changes in the country or company may cause the Fund to suffer a loss of interest or principal on any of its holdings of such debt. The government entity or company that controls the servicing of debt obligations may be unwilling or unable to repay the obligations in accordance with their terms.

- (h) Settlement Risks

There may be no guarantee of the operation or performance of settlement, clearing and registration of transactions in certain countries included in the investment universe of the Fund. Where organised securities markets and banking and telecommunications systems are underdeveloped, concerns inevitably arise in relation to settlement, clearing and registration of transactions in securities where these are acquired other than as direct investments. Furthermore, due to local postal and banking systems in

these countries, there may be no guarantee that all investments by the Fund may be realised.

(i) Foreign Investment Risks

While the Fund may invest in markets which provide for the freedom of nationalisation and expropriation, such freedom may be curtailed unexpectedly upon a change of government or when such nationalisation or expropriation is deemed to be in the public interest. The Fund may seek, whenever such freedom is curtailed, to obtain adequate compensation.

### 9.3 Securities Lending and Repurchase Transactions

Subject to the provisions of the Deed and the Code, the Fund may carry out securities lending and repurchase transactions on transferable securities and money market instruments for the purpose of efficient portfolio management, subject to the following limits:

- (a) The collateral of the securities lending or repurchase transactions should exceed the value of the transferable securities or money market instruments transferred by at least 5% and 2% respectively;
- (b) The counterparty would be required to provide additional collateral to the Fund or its agent no later than the close of the next business day when the current value of the eligible collateral tendered for the securities lending or repurchase transactions falls below 105% and 102% respectively of the value of the transferable securities or money market instruments transferred;
- (c) For the purposes of securities lending and repurchase transactions, collateral may only consist of:
  - (i) cash;
  - (ii) money market instruments; or
  - (iii) bonds.

For the purpose of the above, money market instruments and bonds should be issued by, or have the benefit of a guarantee from, an entity or trust that has a minimum long-term rating of A by Fitch, A by Moody's or A by Standard and Poor's (including sub-categories or gradations therein) (collectively, "**eligible collateral**").

Notwithstanding the above, securitised debt instruments as well as money market instruments or bonds with embedded financial derivatives are not eligible as collateral;

- (d) The maturity period of a repurchase transaction should not exceed 6 months; and
- (e) The Managers may lend the securities of the Fund to its related corporations and/or any third party and such transactions will be carried out on an arm's length basis. There will be no revenue sharing arrangement between the Fund and the Managers.

#### Risks relating to securities lending or repurchase transactions

Securities lending or repurchase transactions involve counterparty risk/credit risk, liquidity risk, sufficiency of collateral risk, collateral investment risk, delivery risk and operational risk, as described below:

- (a) Counterparty Risk/Credit Risk refers to the risk when a counterparty defaults on its obligations by becoming insolvent or otherwise being unable to complete a transaction.
- (b) Liquidity risk is the risk that the counterparty cannot settle an obligation for the full value when it is due, but would be able to settle on some unspecified date thereafter. This may

affect the ability of the Fund to meet its redemption obligations and other payment commitments.

- (c) **Sufficiency of Collateral Risk.** Following a default by a counterparty, the Fund can sell its collateral in the market to raise funds to replace the lent securities. It will suffer a loss if the value of the collateral securities falls relative to the lent securities.
- (d) **Collateral Investment Risk.** The value of the securities in which the Managers invest the cash collateral may decline due to fluctuations in interest rates or other market-related events.
- (e) **Delivery Risk** occurs both when securities have been lent and collateral has not been received at the same time or prior to the loan, and when collateral is being returned but the loan return has not been received.
- (f) **Operational risk** is risk that the custodian or the lending agent did not administer the program as agreed. This includes the failure to mark to market collateralization levels, call for additional margin, or to return excess margin and to post corporate actions and income including all economic benefits of ownership.

**The above should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in the Fund. Potential investors should be aware that an investment in the Fund may be exposed to other risks of an exceptional nature from time to time.**

## 10. SUBSCRIPTION AND ISSUE OF UNITS

### 10.1 How Units may be purchased and paid for

Applications for Units of the Fund may be made on the application form which may be obtained from the Managers or through any agent or distributor appointed by the Managers or via the Internet, if applicable. Investors may subscribe for Units either in cash or Supplementary Retirement Scheme ("**SRS**") monies.

Investors wishing to use their SRS monies to purchase Units shall indicate so on the application form. The application form shall contain the investor's instructions to the SRS operator bank to withdraw the purchase monies from the investor's SRS account in respect of the Units applied for.

Investors may subscribe for S\$ Class Units either in cash or SRS monies. Presently, investors may subscribe for US\$ Class Units with cash only. Units will generally only be issued when subscription monies have been received by the Trustee on a cleared funds basis, although the Managers may at their discretion issue Units before the Trustee receives full payment in cleared funds.

For compliance with the laws and regulations on anti-money laundering and countering the financing of terrorism, the Managers or their approved distributors reserve the right to request such information and/or documents as is necessary to verify the identity of an applicant.

### 10.2 Minimum Initial Class Investment Sum and Minimum Subsequent Class Investment Sum

	<b>Minimum Initial Class Investment Sum</b>	<b>Minimum Subsequent Class Investment Sum</b>
S\$ Class	S\$1,000.00	S\$500.00
US\$ Class	US\$1,000.00	US\$500.00

(or such other amount as the Managers shall determine with prior notice to the Trustee).

10.3 Pricing and Dealing Deadline

As Units are issued on a forward pricing basis, the issue price of Units is not known at the time of application. If an investor's application for subscription is received before 3.30 p.m. Singapore time on a Dealing Date, Units will be issued at the issue price for that Dealing Date. If the application is received after 3.30 p.m. Singapore time on a Dealing Date or on a day which is not a Dealing Date, Units will be issued at the issue price for the next Dealing Date.

The issue price per Unit of each Class of the Fund on each Dealing Date shall be an amount equal to the net asset value per Unit of such Class of the Fund as provided for in Clause 8.3 of the Deed as at the Valuation Point in relation to such Dealing Date.

The net asset value of each Class of the Fund shall be calculated by valuing the assets of each Class of the Fund in accordance with the valuation provisions as provided in paragraph 21.2 of this Prospectus. The resultant sum shall be divided by the number of Units of such Class of the Fund in issue or deemed to be in issue immediately prior to the Dealing Date, and the resultant amount (calculated downwards to 3 decimal places) or such other number of decimal places or by such other truncation or rounding method as the Managers may from time to time determine with the prior approval of the Trustee) shall be the net asset value of a Unit of the Class of the Fund on such Dealing Date.

No change to the method of determining the issue price shall be made without the prior approval of the Trustee, who shall determine whether investors should be informed of the change.

10.4 How the number of Units are allotted to an investor

The number of Units allotted to an investor will be calculated once the issue price has been ascertained.

The number of Units you receive with an investment of SGD1,000<sup>^</sup>, based on a notional issue price of SGD1.000<sup>^</sup>, will be calculated as follows:-

e.g	SGD1,000 <sup>^</sup>	-	SGD50 <sup>^</sup>	=	SGD950 <sup>^</sup>	÷	SGD1.000 <sup>^</sup>	=	950 Units
	<i>Your Investment</i>		<i>Initial Service Charge (5%)</i>		<i>Your Net Investment</i>		<i>Issue price</i>		<i>No. of Units you will receive</i>

<sup>^</sup> Or in US\$ for US\$ Class Units.

*The above example is not an indication of the future or likely performance or issue price of the Fund. The Value of Units and the resultant income from them may go down as well as up. Investors should read this Prospectus carefully and consult their professional advisers if necessary before investing.*

The Managers may from time to time give a discount or discounts on the amount payable by prospective investors in accordance with the provisions of the Deed. Such discounts would be deducted from the amount of the Initial Service Charge payable. The Managers reserve the right to differentiate between applicants as to the quantum of discount or discounts given to them.

10.5 Confirmation of purchase

A confirmation note detailing the investment amount and the number of Units in the Fund allocated to the investor will be sent to the investor within 7 Business Days from the date of issue of Units for cash applications, and within 14 Business Days for SRS applications.

## 10.6 Distribution Reinvestment Mandate

An investor may at any time make a request in writing to the Managers in a form and manner determined by the Managers (a “**Distribution Reinvestment Mandate**”) to elect for the automatic reinvestment of all but not part of the net amount of distributions to be received by him in the purchase of further Units subject to the discretion of Managers to pay out such distributions in cash in any particular case. A Distribution Reinvestment Mandate once made shall apply to all of the Units then held by the same investor at any particular time and such Distribution Reinvestment Mandate may only be withdrawn by the investor giving the Managers not less than 30 days’ prior notice in writing. If an investor has withdrawn the Distribution Reinvestment Mandate, the distribution to be paid to such investor shall be the relevant amount in cash available for distribution in respect of such investor’s holding of Units.

## 10.7 Issue of Units

- (a) The Managers have the exclusive right to effect the creation and issuance of Units and the acceptance or non-acceptance of applications for purchase of Units are at the absolute discretion of the Managers acting in consultation with the Trustee and in the best interests of the Fund.
- (b) The Managers may in accordance with the Deed, from time to time make an offer or invitation to apply for Units at a fixed price in accordance with Clause 11.4 of the Deed.

## 10.8 Cancellation of Initial Subscription

Subject to Clause 14A of the Deed and to the terms and conditions for cancellation of subscription in the cancellation form to be provided together with the application form for Units, every investor shall have the right by notice in writing delivered to the Managers or their approved distributors to cancel his subscription for Units within 7 calendar days (or such other period as may be prescribed by the Authority or such longer period as may be agreed between the Managers and the Trustee) from the date of his initial subscription. Investors should refer to the terms and conditions for cancellation of subscription attached to the cancellation form before purchasing Units.

## 11. REGULAR SAVINGS PLAN

- 11.1 An investor may apply for Units via a regular savings plan (“**RSP**”) with a minimum monthly contribution of S\$100, in the case of S\$ Class Units or US\$100, in the case of US\$ Class Units or such amount as the Managers and the Trustee may agree from time to time for cash subscriptions, upon satisfying the Minimum Initial Class Investment Sum of S\$1,000 (for S\$ Class Units) or US\$1,000 (for US\$ Class Units) (or such other amount as may from time to time be determined by the Managers). The Managers are currently offering the RSP to investors of the S\$ Class Units and will offer an RSP for the US\$ Class Units, when it is launched.
- 11.2 The monthly contribution for the RSP will be deducted from the investor’s relevant bank account as authorised in the DDA. The debit date will be on the 4<sup>th</sup> Business Day of each month (or the next Business Day if that day is not a Business Day) and the investment will be made on the 6<sup>th</sup> Business Day (or the next Business Day if that day is not a Business Day) of each month and Units will be allocated to the investors on the same day.
- 11.3 An investor may cease his participation in the RSP without penalty by giving not less than 30 days’ prior notice in writing to the Managers.
- 11.4 The Managers reserve the right to terminate or suspend the RSP at any time in its absolute discretion by giving prior notice to the affected investors. The Managers shall not assume any liability for any losses attributable pursuant to the termination or suspension of the RSP.
- 11.5 Investors should additionally comply with the RSP procedures imposed by the relevant distributor through whom they subscribed for Units.

## 12. REALISATION OF UNITS

### 12.1 How Units may be realised

Investors may realise their Units at the prevailing Realisation Price in full or partially by submitting a duly signed written instruction or by completing a realisation form (specifying the number of Units of the relevant Class to be realised) to the Managers or their approved distributors. An investor may also make an electronic online application for the realisation of Units on or through the website of an approved distributor. In the case of partial redemptions, the Minimum Class Holding requirement must be satisfied.

With a view to protecting the interests of all investors, the Managers may, with the approval of the Trustee and in accordance with Clause 15.6 of the Deed, limit the total number of Units which investors may realise to 10% of the total number of Units of the relevant Class then in issue, such limitation to be applied *pro rata* to all investors who have validly requested realisations on the relevant Dealing Date.

### 12.2 Minimum Class Holding

An investor may not realise only part of his holding of Units in the Fund or Class of the Fund without the approval of the Managers and the Trustee if due to such realisation, his holding would be reduced to less than the Minimum Class Holding.

The Minimum Class Holding is 1,000 Units of the relevant Class or such other number of Units as the Managers may from time to time prescribe and subject to the Managers' sole discretion upon giving prior notice to the Trustee.

Subject to the Minimum Class Holding requirement, there is no minimum realisation amount.

### 12.3 Pricing and Dealing Deadline

As Units are priced on a forward pricing basis, the Realisation Price of Units will not be available at the time of submission of the realisation form. If an investor's realisation form is received before 3.30 p.m. Singapore time on a Dealing Date, the Realisation Price for that Dealing Date will apply. If the realisation form is received after 3.30 p.m. Singapore time on a Dealing Date or on a day which is not a Dealing Date, the Realisation Price for the next Dealing Date will apply.

The Realisation Price per Unit of each Class of the Fund on each Dealing Date shall be an amount equal to the net asset value per Unit of such Class of the Fund (as provided for in Clause 8.3 of the Deed) as at the Valuation Point in relation to such Dealing Date, such amount to be calculated downwards to 3 decimal places (or such other number of decimal places as the Managers may from time to time determine with the prior approval of the Trustee). The amount due to an investor on the realisation of such a Unit shall be the Realisation Price per Unit (less any Realisation Charge and Transactions Adjustment and any rounding in respect thereof).

No change to the method of determining the Realisation Price shall be made without the prior approval of the Trustee, who shall determine whether investors should be informed of the change.

### 12.4 How the realisation proceeds are calculated

The realisation proceeds which would be payable to an investor will be calculated once the Realisation Price of the Units has been ascertained.

Numerical example of how the amount paid to an investor is calculated based on the sale of 1,000 Units and based on a notional Realisation Price of SGD1.050<sup>^</sup>

e.g.	1,000 Units	x	SGD1.050 <sup>^</sup>	=	SGD1,050 <sup>^</sup>	-	SGD 0 <sup>^</sup>	=	SGD1,050 <sup>^</sup>
	Your realisation request		Realisation Price		Your Realisation Proceeds		Realisation Charge (which is currently nil)		Your realisation proceeds

*No Realisation Charge is currently imposed.  
^ Or in US\$ for US\$ Class Units.*

*This is for illustration purposes only and is not an indication of the future or likely performance of the Fund. The actual realisation price will fluctuate according to the net asset value of the Fund.*

The Managers may on any day differentiate between investors as to the amount of the Realisation Charge to be imposed (if any) in accordance with Clause 15.9 of the Deed. The bases on which the Managers may differentiate between investors as to the amount of Realisation Charge imposed shall be set out in a schedule to be maintained by the Managers. Currently, there is no realisation charge.

#### 12.5 Payment of realisation proceeds

- (a) Any amount payable to an investor in respect of any realisation of Units pursuant to the Deed shall be payable within 7 Business Days of receipt and acceptance of the realisation form by the Managers unless the realisation of Units has been suspended in accordance with paragraph 15 of this prospectus.
- (b) In the case of an investor who has purchased Units with monies from his SRS Account, any monies payable to such investor in respect of such Units shall be paid by transferring the monies to the relevant bank for credit of the investor's SRS Account or otherwise in accordance with the provisions of any applicable law, regulations or guidelines. In the event that the SRS Account has been closed, the monies shall be paid to the investor in accordance with paragraph 12.5(c) or otherwise in accordance with any applicable law, regulations or guidelines.
- (c) In the case of an investor who has purchased Units with cash, any monies payable to such investor in respect of such Units will be paid by cheque sent through the post to his registered address or by telegraphic transfer to a nominated bank account.
- (d) The realisation proceeds will be paid in S\$ (for S\$ Class Units) and US\$ (for US\$ Class Units).

#### 12.6 Compulsory Realisation

The Managers have the right (in consultation with the Trustee) to realise compulsorily any holdings of Units in the Fund held by:-

- (a) any investor:
  - (i) whose subscription for or holding of Units, in the opinion of the Managers, is or may be in breach of any applicable law or regulation in any jurisdiction; or
  - (ii) where such realisation is, in the opinion of the Managers, necessary or desirable for the compliance of the Managers or the Fund with any applicable law or regulation in any jurisdiction (including any regulatory exemption conditions); or
- (b) any investor whose holdings, in the opinion of the Managers:

- (i) may cause the Fund to lose its authorised or registered status with any regulatory authority in any jurisdiction; or
  - (ii) may cause the offer of the Units of the Fund, the Fund, this Prospectus, the Deed, the Managers or the Trustee to become subject to any authorisation, recognition, approval or registration requirements under any law or regulation in any other jurisdiction; or
- (c) any investor whose holdings, in the opinion of the Managers:
- (i) may cause a detrimental effect on the tax status of the Fund in any jurisdiction or on the tax status of the investors of the Fund; or
  - (i) may result in the Fund or other investors of the Fund suffering any other legal or pecuniary or administrative disadvantage which the Fund or investors might not otherwise have incurred or suffered; or
- (d) any investor who fails any anti-money laundering, anti-terrorist financing or know-your-client checks, or who is unable or unwilling to provide information and/or documentary evidence requested by the Managers for the purposes of any anti-money laundering, anti-terrorist financing or know-your-client checks.

Any compulsory realisation under this paragraph may be carried out by the Managers on any Dealing Date, without prior notice to investors, and shall be carried out in accordance with, and at the realisation price determined under, Clause 15.4 of the Deed on realisations.

### 13. SWITCHING OF UNITS

#### Switching between the Fund and other funds

Investors may switch their Units in the Fund to units in other collective investment schemes managed by the Managers in accordance with the provisions of the Deed. Applications for switching of Units may be made by submitting the relevant form to the Managers or through any agent or distributor appointed by the Managers or through any other applicable sales channel.

Any partial switching shall be subject to the investor maintaining a Minimum Class Holding of 1,000 Units of a relevant Class or such other number of Units in the Fund or amount as may from time to time be determined by the Managers upon giving prior notice to the Trustee. The minimum holding of units of the collective investment scheme being switched into may also need to be complied with in the event of a switch.

The Managers may at their discretion reject any application by investors to switch their Units for units of such other collective investment schemes managed by the Managers.

#### Switching between Classes of the Fund

S\$ Class Units may not be switched into US\$ Class Units of the Fund and US\$ Class Units may not be switched into S\$ Class Units of the Fund unless otherwise permitted by the Managers at their absolute discretion and subject to payment of such fee as may be determined by the Managers. The switching fee shall be borne by the relevant investor and shall accrue to the benefit of the Managers.

#### 14. OBTAINING PRICES OF UNITS

The indicative issue and realisation prices of Units will be calculated on each Business Day and published in The Business Times, Bloomberg, Reuters, websites of the appointed distributors or such other sources as the Managers may decide upon. The actual unit prices are normally published 2 Business Days after the relevant Dealing Date.

*Investors should note that the frequency of the publication of the prices is dependent on the publication policies of the publisher concerned. Save for publications of the Managers, the Managers do not accept any responsibility for any errors on the part of the publisher concerned in the prices published in the newspapers or such other publication or for any non-publication or late publication of prices by such publisher and shall incur no liability in respect of any action taken or loss suffered by investors in reliance upon such publication.*

#### 15. SUSPENSION OF VALUATION/DEALINGS

15.1 The Managers may at any time, subject to the provisions of the Code and with approval of the Trustee, suspend the calculation of the Value of the Deposited Property, the issue of Units, or the right of Holders of the Fund or Class (as the case may be) to require the realisation of Units of the Fund or Class (as the case may be):-

- (a) during any period when any market for any material proportion of the Investments for the time being constituting the Deposited Property are listed or dealt in is closed otherwise than for ordinary holidays;
- (b) during any period when dealings on any such market are restricted or suspended;
- (c) during the existence of any state of affairs which, in the opinion of the Managers might seriously prejudice the interests of the Holders as a whole;
- (d) during any period when, in the opinion of the Managers and the Trustee, there exists any state of affairs as a result of which withdrawal of deposits held for the account of the Fund or Class (as the case may be) or the realisation of any material proportion of the Investments for the time being constituting the Deposited Property cannot be effected normally or without seriously prejudicing the interests of Holders as a whole;
- (e) during any period during which there is, in the opinion of the Managers and the Trustee, any breakdown in the means of communication normally employed in determining the Value of any of the Investments or the amount of any cash for the time being comprised in the Deposited Property, or the amount of any liability of the Trustee for the account of the Fund or Class (as the case may be) or when for any other reason the Value of any such Investment or the amount of any such cash or liability cannot be promptly and accurately ascertained;
- (f) during any period when, in the opinion of the Managers and the Trustee, the transfer of funds which will or may be involved in the realisation of any material proportion of the Investments for the time being constituting the Deposited Property cannot be effected promptly at normal rates of exchange;
- (g) for any 48 hour period (or such longer period as the Managers and the Trustee may agree) prior to the date of any meeting of Holders (or any adjourned meeting thereof) convened in accordance with Schedule 1 of the Deed;
- (h) for any period pursuant to an order or direction of the Authority;
- (i) during any period when the Managers or the Trustee, in relation to the operation of the Fund, is unable to conduct its business activities or its ability to conduct its business activities is substantially impaired, as a direct or indirect result of local or foreign government restrictions, the imposition of emergency procedures, civil disorder, acts

or threatened acts of terrorism, war, strikes, pestilence, natural disaster or other acts of God; or

(j) during any period as may be required under the provisions of the Code.

For the purposes of this paragraph, “**material proportion**” of the Investments means such proportion of the Investments which when sold would in the opinion of the Managers in consultation with the Trustee cause the net asset value of the Deposited Property to be significantly reduced.

15.2 Any payment for any Units realised before the commencement of any suspension under paragraph 15.1 but for which payment has not been made before the commencement thereof may, if the Managers and the Trustee so agree, be deferred until immediately after the end of such suspension. Subject to the provisions of the Code, such suspension will take effect immediately upon the declaration in writing thereof to the Trustee and the Authority by the Managers and shall terminate on the day following the 1<sup>st</sup> Business Day on which the condition giving rise to the suspension ceases to exist (and such cessation having been confirmed by the Managers). The Managers shall as soon as practicable after their declaration of any temporary suspension of realisation of Units and of the termination of such suspension cause to be published in the major local newspapers in Singapore which published the daily issue and realisation pricing of Units a notice to such effect.

## 16. PERFORMANCE OF THE FUND

### 16.1 Past Performance

The following table shows the past performance of the Fund and its benchmark as at 31 July 2018:

#### S\$ Class Units

	1 year	3 years	5 years	10 years	Since inception*
	<--- average annual compounded returns---->				
S\$ Class Units <sup>1</sup>	-10.08%	-2.28%	-0.18%	0.27%	3.34%
MSCI AC Asia Pacific Index <sup>2</sup>	4.46%	5.28%	6.15%	2.30%	1.42%

\*Inception on 23 November 1995 (for S\$ Class Units)

As the US\$ Class Units have not yet been launched as at the date of this Prospectus, a track record of at least one year is not available.

***Past performance of the Fund is not necessarily indicative of its future performance.***

### 16.2 Expense Ratio

The expense ratio of the Fund (calculated in accordance with the Investment Management Association of Singapore’s guidelines on the disclosure of expense ratios (the “**IMAS Guidelines**”) and based on the Fund’s latest audited accounts) for the financial year ended 30 June 2018 is 1.67% (for S\$ Class Units).

<sup>1</sup> Source: Bloomberg, Performance is calculated in S\$, on a NAV-NAV basis as of 31 July 2018. Performance is calculated taking into account the Initial Service Charge of up to 5% and Realisation Charge (if any) with net dividends or distributions reinvested, if any. Investors should note that the Initial Service Charge may vary between distributors.

<sup>2</sup> Source: Bloomberg / MSCI, Performance is calculated in S\$ as of 31 July 2018.

The following expenses, as set out in the IMAS Guidelines (as may be updated from time to time), are excluded from the calculation of the expense ratio:

- (a) brokerage and other transaction costs associated with the purchase and sales of investments (such as registrar charges and remittance fees);
- (b) interest expense;
- (c) foreign exchange gains and losses of the Fund (whether realised or unrealised);
- (d) front-end or back-end loads and other costs arising on the purchase or sale of a foreign unit trust or mutual fund;
- (e) tax deducted at source or arising on Income received (including withholding tax); and
- (f) dividends and other distributions paid to investors.

### 16.3 Turnover Ratio

The turnover ratio of the Fund, calculated in accordance with the Code (based on the lesser of purchases or sales of underlying investments expressed as a percentage over average net asset value, i.e., average daily net asset value over the same period used for calculating the expense ratio) for the financial year ended 30 June 2018 is 113.13% (for S\$ Class Units).

## 17. SOFT DOLLAR COMMISSIONS OR ARRANGEMENTS

- 17.1 The Managers may receive and/or enter into soft-dollar commissions or arrangements in respect of the Fund. The Managers will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions or arrangements include specific advice as to the advisability of dealing in, or as to the value of any investments, custody services relating to the investments belonging to or managed for their customers, 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 in relation to the investments managed for clients.
- 17.2 Soft-dollar commissions or arrangements shall not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employees' salaries or direct money payment.
- 17.3 The Managers will not accept or enter into soft-dollar commissions or arrangements unless such soft-dollar commissions or arrangements would, in the opinion of the Managers, be reasonably expected to assist the Managers in their management of the Fund, provided that the Managers shall ensure at all times that transactions are executed on a "best execution" basis 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.
- 17.4 The Managers shall not retain for their own account, cash or commission rebates arising out of transactions for the Fund executed in or outside Singapore.

## 18. CONFLICTS OF INTEREST

- 18.1 Although the Managers, their directors, employees, associates and connected persons may have interests in the Fund and other unit trusts managed by the Managers from time to time, the Managers are of the view that there is no conflict of interest in holding the aforesaid interests in the Fund and such other unit trusts.

- 18.2 The Managers may from time to time have to deal with competing or conflicting interests of the Fund with other unit trusts managed by the Managers. For example, the Managers may make a purchase or sale decision on behalf of some or all of the other unit trusts managed by them without making the same decision on behalf of the Fund, as a decision on whether or not to make the same investment or sale for the Fund depends on factors such as the cash availability and portfolio balance of the Fund (as the case may be). However, the Managers will use reasonable endeavours at all times to act fairly and in the interests of the Fund (as the case may be). In particular, after taking into account the availability of cash and relevant investment guidelines of the other unit trusts managed by the Managers, the Managers will endeavour to ensure that securities bought and sold will be allocated proportionately as far as possible among the Fund and the other unit trusts managed by the Managers.
- 18.3 As each unit trust has its own distinct investment objectives and restrictions, investment decisions in respect of each unit trust are made independently and in accordance with the individual risk return requirements, investment mandate and other characteristics of each unit trust as well as the availability of funds. The Managers' fair allocation policy ensures that the investors of all unit trusts are treated fairly.
- 18.4 The Managers, the Trustee or their respective affiliates are or may be involved in other financial, investment and professional activities which may on occasion cause conflict of interest with the management of the Fund. The Managers, the Trustee or their respective affiliates will ensure that the performance of their respective duties will not be impaired by any such involvement. In the event a conflict of interest does arise, the Managers, the Trustee or their respective affiliates will endeavour to ensure that it is resolved fairly and in the interest of the investors.
- 18.5 In addition, the Managers or the Trustee may own, hold, dispose or otherwise deal with Units as though they were not a party to the Deed. In the event of any conflict of interest arising as a result of such dealing, the Managers and the Trustee, following consultation, will resolve such conflict in a just and equitable manner as they deem fit.
- 18.6 The Managers may also trade with and lend securities to its related corporations and/or any third party. To mitigate any potential conflict of interest, the Managers will conduct the transactions on an arm's length basis.
- 18.7 Associates of the Trustee may be engaged to provide financial, banking and brokerage services to the Fund, or buy, hold and deal in any investments, enter into contracts or other arrangements with the Trustee and make profits from these activities. Such services, where provided, will be on an arm's length basis.
- 18.8 The Managers and the Trustee will conduct all transactions for the Fund on an arm's length basis.

## **19. REPORTS**

The financial year-end of the Fund is 30 June. The annual report, the annual accounts and the Auditors' report on the annual accounts of the Fund shall be prepared in accordance with the provisions of the Code and sent or made available to the investors (whether by post or such electronic means as may be permitted under the Code) within 3 months of the financial year-end. The semi-annual reports and the semi-annual accounts of the Fund shall be prepared in accordance with the provisions of the Code and sent or made available to the investors (whether by post or such electronic means as may be permitted under the Code) within 2 months of the financial half-year end. In cases where the accounts and reports are available in electronic form (either on CD-ROM or if posted on a designated website), investors will receive a hardcopy letter or an email (where email addresses have been provided for correspondence purposes) informing them that the accounts and reports are available and how they may be accessed. Investors may also request for hardcopies of the accounts and reports within 1 month (or such other period as may be permitted by the Authority) from the notification of the availability of the accounts and reports. The Trustee will also make available, or cause to be made available,

hardcopies of the accounts and reports to any investor who requests for them within 2 weeks of any request from such investor (or such other period as may be permitted by the Authority). Investors may also at any time opt for hardcopies for all future reports and accounts at no cost to them.

## 20. QUERIES AND COMPLAINTS

For all enquiries and any complaints about the Fund, please contact the Managers at:

Address	Phillip Capital Management (S) Ltd. 250 North Bridge Road #06-00 Raffles City Tower Singapore 179101
Tel No	(65) 6230 8133
Email	pcm@phillip.com.sg

## 21. OTHER MATERIAL INFORMATION

The following are summaries of corresponding provisions in the Deed.

### 21.1 Authorised Investments of the Fund

The Fund is authorised to invest in any of the following:

- (a) any Investment in or of companies with either assets wholly or partially in, or revenues wholly or partially derived from investment in countries and territories in the Asia Pacific region (including Japan, Australia and New Zealand) selected by the Managers for the purpose of investment of the Deposited Property; or
- (b) any Investment which is of a kind in which trustees are for the time being authorised by any written law for the time being in force to invest trust funds; or
- (c) any Quoted Investment which is selected by the Managers for the purpose of investment of the Deposited Property; or
- (d) any Investment which is a unit in any unit trust scheme or a participation in a mutual fund; or
- (e) any Unquoted Investment which is selected by the Managers for the purpose of investment of the Deposited Property; or
- (f) subject to all applicable laws, regulations and the Code, the currency of any country or any contract for the spot purchase or sale of any such currency or for hedging purposes, any forward contract of such currency; or
- (g) any Investment which is not covered by paragraphs (a) to (f) above but selected by the Managers for the purpose of investment of the Deposited Property and approved in writing by the Trustee or the Authority,

provided that each of such Authorised Investments shall be a Permissible Investment under the Code.

### 21.2 Valuation

- 21.2.1 Save as otherwise expressly provided in the Deed and as set out in the Code, for the purpose of determining the Value of the Deposited Property or any part thereof or any Class within the

Fund or any Authorised Investment comprised or to be comprised therein by the Managers or other agents on behalf of the Managers:-

- (a) the Value shall be determined as at each Valuation Point;
- (b) the Value of any Unquoted Investment shall be the initial value thereof ascertained as hereinafter provided or the value thereof as assessed on the latest revaluation thereof made in accordance with the following provisions:-
  - (i) the initial value of such an Unquoted Investment shall be the amount expended out of the Deposited Property in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other expenses incurred in the acquisition thereof and the vesting thereof in the Trustee for the purposes of the Fund); and
  - (ii) the Managers may at any time with the approval of the Trustee and shall at such times or at such intervals as the Trustee may request cause a revaluation to be made of any Unquoted Investment by an Approved Valuer;
- (c) the Value of any Quoted Investment shall be calculated by reference to the price appearing to the Managers to be the official closing price or the last known transacted price on the Recognised Market or if there is no such transacted price, the price quoted by any approved broker for that Investment, or other appropriate closing prices determined by the Managers in consultation with the Trustee in relation to that Investment. Where there is no Recognised Market or commodity exchange, all calculations based on the value of Investments quoted by any person, firm or institution making a market in that Investment (and if there shall be more than one such market maker then such particular market maker as the Manager may designate) shall be by reference to the price quoted therein;
- (d) any cash, deposits and similar property shall be valued at their face value (together with accrued interest) unless in the opinion of the Managers (after consultation with the Trustee), any adjustment should be made to reflect the value thereof;
- (e) a unit or share in a unit trust or mutual fund or collective investment scheme shall be valued at the latest published or available net asset value per unit or share, or if no net asset value per unit or share is published or available, then at their latest available realisation price; and
- (f) an Investment other than as described above, shall be valued in such manner and at such time as the Managers with the prior approval of the Trustee shall from time to time determine.

Provided That if the quotations referred to in (a), (b), (c), (d) or (e) are not available, or if the value of the Authorised Investment determined in the manner described in (a), (b), (c), (d), (e) or (f) above, in the opinion of the Managers, do not represent a fair value of such Authorised Investment, then the value shall be such value as the Managers with the consent of the Trustee may consider in the circumstances to be fair. For the purposes of this proviso, the "fair value" shall be determined by the Managers in consultation with a stockbroker or an Approved Valuer and with the approval of the Trustee. The method of calculation of the value of any Authorised Investment may be changed with the Trustee's prior approval and in the event of any change in the said method of calculation, notice of such change may be given by the Managers to the investors if required by the Trustee.

- 21.2.2 The Managers shall not incur any liability by reason of the fact that a price reasonably believed by them to be the official closing price or the last known transacted price may be found not to be such provided that such liability shall not have arisen out of the gross negligence or wilful acts or omissions of the Managers, and the Trustee shall not assume any liability in accepting the opinion of the Managers in any case.

21.2.3 In calculating the Value of the Deposited Property or any part thereof or any Class within the Fund, subject always to the provisions of the Code:-

- (a) subject to Clause 9.5 of the Deed, every Unit agreed to be issued by the Managers before the relevant Valuation Point shall be deemed to be in issue and the Deposited Property shall be deemed to include not only property in the possession of the Trustee but also the value of any cash or other property to be received by the Trustee in respect of Units so agreed to be issued after deducting therefrom or providing thereout the Initial Service Charge and the amount of any adjustments authorised by the Deed and (in the case of Units issued against the transfer of Authorised Investments) any amounts payable pursuant to Clause 9.4 of the Deed provided that the Deposited Property shall not include the issue price of Units to be issued on the date as at which the valuation is made;
- (b) where Authorised Investments have been agreed to be sold or purchased but such sale or purchase has not been completed, such Authorised Investments shall be excluded or included and the net sale or gross purchase consideration included or excluded (as the case may require) as if such sale or purchase had been duly completed;
- (c) where in consequence of any notice or request in writing given pursuant to Clauses 14, 14A or 15 of the Deed a reduction of the Fund by the cancellation of Units is to be effected but such reduction has not been completed those Units shall be deemed not to be in issue and any amount payable in cash and the Value of any Investments to be transferred out of the Deposited Property pursuant to such reduction shall be deducted from the Value of the Deposited Property;
- (d) there shall be deducted any amounts not provided for above which are payable out of the Deposited Property including the aggregate amount for the time being outstanding of any borrowings effected pursuant to Clause 19.1 of the Deed together with the amount of any interest and expenses thereon accrued pursuant to Clause 19.6 of the Deed remaining unpaid and the amount of any Management Participation (which shall be deducted in accordance with Clause 8.5 of the Deed if the Management Participation differs between the Classes within the Fund) accrued pursuant to Clause 33 of the Deed or any fees payable to the Trustee accrued pursuant to Clause 34 of the Deed, in each case remaining unpaid;
- (e) there shall be deducted such amount as the Managers estimate will become payable or reclaimed in respect of taxation related to Income up to the Valuation Point;
- (f) where the current price of an Authorised Investment is quoted "ex" any dividend (including stock dividend), interest or other rights to which the Fund is entitled but such dividend, interest or property or cash to which such rights relates has not been received and is not otherwise taken into account, the amount of such dividend, interest, property or cash shall be included;
- (g) an amount equal to the expenses incurred by the Managers and the Trustee in establishing the Fund and referred to in Clause 5.3(r) of the Deed less the amount thereof which has previously been or is then to be written off shall be included; and
- (h) subject to Clause 19.3 of the Deed, any Value (whether of an Authorised Investment or cash) otherwise than in Singapore Dollars and any amounts to be deducted otherwise than in Singapore Dollars shall be translated into Singapore Dollars at the rate (whether official or otherwise) which the Managers, after consulting the Trustee or in accordance with a method approved by the Trustee, deem appropriate in all the circumstances having regard, inter alia, to any premium or discount which may be relevant and to the costs of exchange.

21.2.4 If on any Dealing Date, in the opinion of the Managers, the Value of the Deposited Property as at the Dealing Date differs by not more than 2.5% from the Value of the Deposited Property as

at the last Valuation Point prior to that Dealing Date, the Value of the Deposited Property as at that Dealing Date may, at the absolute discretion of the Managers, be determined on the basis of the Value of the Deposited Property as at that Valuation Point.

21.2.5 In respect of paragraph 21.2.3 above, where the Fund which has more than one Class, the Value of the proportion of the Deposited Property attributable to each Class shall be calculated by apportioning the value of the Deposited Property (obtained in accordance with paragraphs 21.2.1 and 21.2.3 above provided that no deduction or addition shall be made in respect of expenses, charges or other amounts which are not common to all the Classes) between the Classes and then deducting from or adding to the value of the portion of the Deposited Property for each Class any expense, charge or amount attributable to such Class (including, but not limited to, the Management Participation if it differs between Classes within the Fund). For the avoidance of doubt, where any expense, charge or amount payable out of or payable into the Deposited Property of the Fund pursuant to the Deed is attributable only to a particular Class within the Fund, such amount shall only be deducted from or added to the portion of the Value of the Deposited Property which is attributable to that Class and shall not affect the calculation of the Value of the portion or portions of the Deposited Property attributable to other Classes within the Fund.

### 21.3 Investment restrictions

21.3.1 The Managers will ensure compliance with the investment and borrowing restrictions in the Investment and Borrowing Guidelines as set out in Appendix 1.

21.3.2 The Managers may engage in securities lending transactions and invest in derivatives and accordingly, are subject to the provisions on securities lending and derivatives as set out in the Investment and Borrowing Guidelines.

### 21.4 Borrowing Powers

21.4.1 Subject to the provisions of the Deed, the Trustee shall at any time as the Managers may from time to time request, make and vary arrangements for the borrowing for the account of the Fund provided that the investment guidelines and limits on borrowings as set out in the Investment and Borrowing Guidelines are complied with. Any currency raised by borrowing for the account of the Fund shall constitute part of the Deposited Property of the Fund.

21.4.2 Any such borrowing may be effected from:-

- (a) banks licensed under the Banking Act;
- (b) finance companies licensed under the Finance Companies Act;
- (c) merchant banks approved as financial institutions under the Monetary Authority of Singapore Act; or
- (d) any other deposit-taking institution licensed under an equivalent law in a foreign jurisdiction.

21.4.3 The principal amount of all such borrowings at any given time outstanding shall at no time exceed an amount equivalent to 10% of the Net Asset Value as at the last Valuation Point (such borrowing limit being applicable at the time the borrowing is incurred for the account of the Fund); and for the purposes of this paragraph 21.4.3 the amount of borrowings in currencies other than Singapore Dollars may be converted, at the Managers' option, at the relevant rate either on the date on which the borrowings were effected or on the date as at which the calculation for the purpose of this paragraph 21.4.3 is made.

Provided that it shall not be necessary for the Managers to effect a reduction in the borrowings immediately if the borrowing limit is exceeded as a result of:

- (a) the appreciation or depreciation of the value of Investments (including appreciation or depreciation caused by fluctuations in exchange rates);
- (b) the receipt by the Trustee or its nominees of any rights, Investments made pursuant to such rights, bonuses or benefits in the nature of capital;
- (c) any scheme or arrangement for amalgamation, reconstruction, conversion or exchange; or
- (d) any realisation of Units or payments made from the Fund.

Provided further that in the event the limit is exceeded, the Managers must not incur any further borrowing and shall within 3 months from the date when the borrowing limit is exceeded, repay so much of such borrowings as may be necessary to result in the limit being no longer exceeded.

21.4.4 Any such borrowing shall be subject to provisions whereby:-

- (a) such borrowing shall become repayable in the event of the termination of the Fund; and
- (b) such part of such borrowing as may be necessary to enable compliance with paragraph 21.4.3 may be repaid on not more than 30 days' notice from the Trustee.

21.4.5 For the purposes of securing any such borrowing and any interest and expenses in respect thereof the Trustee may mortgage, charge or pledge in any manner, all or any part of the Deposited Property and where any part of the Deposited Property or any document of title thereto is for the time being under the custody or control of some person other than the Trustee in consequence of any such mortgage, charge or pledge the provisions of the Deed as to the custody and control of the Deposited Property or documents of title thereto (including registration of Investments) shall be deemed not to have been infringed thereby but the Trustee shall be liable for the neglect or default of any such person in relation to the custody or control of such part of the Deposited Property or documents of title as if the same were the neglect or default of the Trustee. Any such mortgage, charge or pledge shall be made upon the terms that the lender or its nominee shall not pledge or obligate any part thereof to any other person or use any part thereof to margin, guarantee, secure, discharge or settle any indebtedness, trades or contracts, or dispose of any part thereof, or treat the same as if any person other than the Trustee (as trustee of the Fund) and the lender had any interest therein, and that no step shall be taken to enforce the security constituted by such mortgage, charge or pledge until 30 days after notice in writing has been given to the Trustee demanding repayment of the moneys thereby secured. If such a notice is given the Trustee shall promptly advise the Managers who shall promptly effect such sales of Investments as may be necessary to enable such repayment to be effected in due time.

21.4.6 Any interest on any such borrowing and any expenses incurred in negotiating, entering into, varying and carrying into effect, with or without variation, and terminating such borrowings shall be payable out of the Deposited Property.

21.4.7 Neither the Managers nor the Trustee shall incur any liability by reason of any loss which an investor may suffer by reason of any depletion in the Value of the Deposited Property which may result from any borrowings made pursuant to this paragraph 21.4 by reason of fluctuations in the rates of exchange or increases in interest rates and/or expenses charged in connection with such borrowings provided that such liability shall not have arisen out of the gross negligence or wilful acts or omissions of the Trustee and the Managers and (save as otherwise expressly provided herein) the Trustee shall be entitled to be indemnified out of and have recourse to the Deposited Property in respect of any liabilities, costs, claims or demands which it may suffer arising directly or indirectly from the operation of this paragraph 21.4 and the arrangement referred to herein.

21.4.8 If any arrangements for borrowing pursuant to this paragraph 21.4 are made with the Managers or the Trustee, the Managers or the Trustee (as the case may be) may retain any benefits arising therefrom provided that any such arrangements shall have been conducted on an arm's length basis.

21.4.9 The Trustee may, but is not obliged to, at the request of the Managers, from time to time enter into any transaction for the lending of securities and/or the sale of Authorised Investments and the simultaneous repurchase for settlement at an agreed future date of equivalent property, provided that the same is carried out for the purposes of efficient portfolio management in accordance with applicable law and the Investment and Borrowing Guidelines and PROVIDED FURTHER THAT (a) any such stocklending transaction is restricted to Authorised Investments issued by issuers outside Singapore, (b) the agreement under which in return the equivalent property is to be reacquired by the Trustee is in a form acceptable to the Trustee, and (c) the collateral obtained (i) is in the form of cash, money market instruments or bonds. Money market instruments and bonds should be issued by, or have the benefit of a guarantee from an entity or trust that has the relevant minimum long-term rating prescribed in the Code, (ii) is delivered and transferred to the Trustee or its agents before or at the time of the transfer of the Authorised Investments by the Trustee, (iii) is marked-to-market daily, (iv) is liquid (as defined in the Code) and adequate (as defined below), (v) exceeds the value of the transferable securities or money market instruments transferred (provided that the value of collateral shall at all times be at least 102% of the current market value of the transferable securities or money market instruments transferred), (vi) is taken into account, on a portfolio basis, for the purposes of the requirements on spread of investments in the Code, (vii) is not issued by the counterparty or its Related Corporations, (viii) is held by a custodian or agent which is: (1) a financial institution subject to prudential supervision by a financial supervisory authority in its home jurisdiction; and (2) independent of the counterparty, (ix) is legally secured from the consequences of the failure of the custodian, counterparty or agent and their Related Corporations, (x) can be fully enforced by the Trustee at any time, (xi) is free from all prior encumbrances, (xii) cannot be sold or given as security interests, and (xiii) meets such other requirements as may be prescribed in the Code. For the purposes of this paragraph 21.4.9, the collateral is adequate only if (a) it is transferred to the Trustee or its agents before, or simultaneously with, the transfer of Authorised Investments by the Trustee, (b) it exceeds in value, at the time of the transfer to the Trustee or its agents, the value of the Authorised Investments transferred by the Trustee, (c) it is the subject of an agreement for transfer of the collateral or assets equivalent to the collateral, by the Trustee as soon as the need for it has disappeared and in any case, upon termination of the securities lending or repurchase transaction, after or simultaneously with the restitution of the Authorised Investments lent, and (d) it is in the form of cash, or such other form acceptable to the Trustee. The fees and other profits earned in respect of any such stocklending transaction shall be treated as part of the Deposited Property and any costs in relation to or losses from such stocklending transaction shall be borne by the Fund and deducted from the Deposited Property. The Trustee shall not incur any liability for any loss which an investor may suffer by the reason of any depletion in the value of the Deposited Property which may result from any transaction effected hereunder and shall be indemnified out of and have recourse to the Deposited Property in respect thereof.

## 21.5 Meetings of Holders

21.5.1 A meeting of Holders of the Fund or the relevant Class duly convened and held in accordance with the provisions of Schedule 1 to the Deed shall be competent by Extraordinary Resolution to sanction any modification, alteration or addition to the provisions of the Deed which shall be agreed by the Trustee and the Managers, to terminate the Fund or the relevant Class when authorised by the Deed so to do or, in the case of a meeting of Holders of the Fund, to remove the Auditors, Managers, or Trustee, or to sanction such other matters as may be proposed by the Managers or the Trustee, and shall be competent to consent to the exercise of the rights of voting as provided in Clause 20 of the Deed, but shall not have any further or other powers.

## 21.6 Distribution of Income

21.6.1 All Income shall as and when received by the Trustee be paid into the Income Account and all net capital gains realised on the sale of investments shall as and when received by the Trustee

be paid into the Capital Account and shall be held therein pending capitalisation or distribution in accordance with the provisions of the Deed.

- 21.6.2 The Managers shall have the absolute discretion to determine whether a distribution is to be made and in the event of a distribution being made, an appropriate amount shall be transferred out of the Income Account and/or Capital Account and if the Managers deem fit, paid into the Distribution Account and the amount standing to the credit of the Distribution Account shall not for any of the purpose of the Deed be treated as part of the Deposited Property but shall be held by the Trustee upon trust to distribute the same as provided in the Deed.
- 21.6.3 As and when the Managers shall decide a Distribution Date, the Managers may by notice in writing direct the Trustee to distribute on that Distribution Date among the investors (including the Managers in respect of Units to which they are entitled) all or part of the Income of the Fund in the Distribution Account to the investors (and the Managers) in respect of such period (not exceeding 12 months) in accordance with such method of calculation as the Managers shall in their absolute discretion decide having regard to the provisions of the Deed. The Managers shall also have the discretion to distribute any capital gains.
- 21.6.4 The proceeds of sales of rights and all other receipts deemed by the Managers to be in the nature of capital accruing from investments shall not be regarded as Income but shall be retained as part of the Deposited Property. The Income available for distribution in respect of any Accounting Period shall be assessed by the Managers by calculating the Income receivable by the Trustee in respect of that Accounting Period and making all the deductions, additions and adjustments under the provisions of the Deed.
- 21.6.5 The Managers may from time to time and with the approval of the Trustee, distribute among the investors in accordance with Clause 21 of the Deed an amount which represents part of the capital of the Deposited Property.
- 21.7 Indemnities and exclusion of liabilities
- (a) Neither the Managers nor the Trustee shall incur any liability in respect of any action taken or thing suffered by them in reliance upon any notice, resolution, direction, consent, certificate, affidavit, statement, certificate of stock, plan or reorganisation or other paper or document believed to be genuine and to have been passed, sealed or signed by the proper parties.
- (b) Neither the Managers nor the Trustee shall incur any liability to the investors for doing or (as the case may be) failing to do any act or thing which by reason of any provision of any present or future law or regulation made pursuant thereto, or of any decree, order or judgment of any court of competent jurisdiction, or by reason of any request, announcement or similar action (whether of binding legal effect or not) which may be taken or made by any person or body acting with or purporting to exercise the authority of any government (whether legally or otherwise) either they or either of them shall be directed or requested to do or perform or to forbear from doing or performing. If for any reason it becomes impossible or impracticable to carry out any of the provisions of the Deed, neither the Managers nor the Trustee shall be under any liability therefor or thereby.
- (c) Neither the Managers nor the Trustee shall be responsible for the authenticity of any signature or any seal affixed to any instrument of transfer or form of application, endorsement or other document (whether sent by mail, facsimile, electronic means or otherwise) affecting the title to or transmission of Units or be in any way liable for any forged or unauthorised signature on or any seal affixed to such endorsement, instrument of transfer or other document or for acting or giving effect to any such forged or unauthorised signature or seal. The Managers and the Trustee respectively may nevertheless require that the signature of any person to any document required to be signed under or in connection with the Deed shall be verified to their reasonable satisfaction.

- (d) Neither the Managers nor the Trustee shall incur any liability for the consequences of acting upon any resolution purported to have been passed at any meeting of Holders duly convened and held in accordance with the provisions contained in Schedule 1 of the Deed in respect whereof minutes have been made and signed even though it may be subsequently found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not binding on the Holders.
- (e) In the absence of fraud or negligence or wilful default by the Managers, the Managers shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by them in good faith under the Deed.
- (f) The Managers shall not be under any liability except such liability as may arise by operation of law or as may be expressly assumed by them under the Deed nor shall the Managers (save as otherwise expressly provided herein) be liable for any act or omission of the Trustee.
- (g) Any indemnity expressly given to the Managers or the Trustee in the Deed is in addition to and without prejudice to any indemnity allowed by law provided that no provision in the Deed shall in any case where the Trustee or the Managers have failed to show the degree of care and diligence required of them as trustee and managers exempt them or indemnify them against any liability for breach of trust.
- (h) Nothing herein contained shall be construed so as to prevent the Managers and the Trustee in conjunction or the Managers or the Trustee separately from acting as managers or trustee of trusts separate and distinct from the Fund.

## 21.8 Duration and termination of Fund

21.8.1 The Fund is of indeterminate duration and may be terminated in accordance with the Deed subject to Section 295 of the SFA.

21.8.2 The Managers shall give written notice of the termination of the Fund to the Authority at least 7 days before termination (or within such period as may be necessary to comply with any applicable laws, regulations or guidelines).

21.8.3 Either the Managers or the Trustee may in their absolute discretion terminate the Fund by not less than 3 months' notice to the other given so as to expire at the end of the Accounting Period current at the end of the 20<sup>th</sup> year after the date of the Trust Deed or any year thereafter. If the Fund is to be terminated in the manner provided under this paragraph, the Managers shall give notice thereof in writing to the investors not less than 3 months in advance of such termination.

21.8.4 The Fund may be terminated by the Trustee if:-

- (a) any law is passed or any direction is given or any authorisation granted to the Fund is revoked by the relevant authority which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund;
- (b) within the period of 3 months after the date on which the Trustee gave notice in writing to the Managers that it wishes to retire pursuant to Clause 37.2 of the Deed, a new Trustee has not been appointed in accordance with that Clause; or
- (c) within the period of 3 months after the date on which the Trustee gave notice in writing to the Managers pursuant to Clause 36.1 of the Deed, new managers have not been appointed in accordance with Clause 36.3 of the Deed.

21.8.4 The termination of the Fund by the Trustee pursuant to paragraph 21.8.4 shall be final and binding upon the Managers and the investors but the Trustee shall be under no liability on account of any failure to terminate the Fund pursuant to paragraph 21.8.4 or otherwise.

- 21.8.6 (i) The Fund may be terminated by the Managers:-
- (a) on the second anniversary of the date of the Trust Deed or on any date thereafter if on such date the Value of the Deposited Property is less than S\$10 million;
  - (b) if the Trustee is no longer an approved trustee pursuant to Clause 37.3 of the Deed; or
  - (c) if any law is passed or any direction is given or any authorisation granted to the Fund is revoked by the relevant authority which renders it illegal or in the opinion of the Managers impracticable or inadvisable to continue the Fund.
- (ii) Any Class of the Fund may be terminated by the Managers:-
- (a) on the second anniversary from the date of commencement of the Class or on any date thereafter if on such date the Value of the proportion of the Deposited Property attributable to that Class is less than S\$5 million;
  - (b) if the Managers, with the approval of the Trustee, are of the view that it is not in the best interest of investors of Units in that Class to continue the Class; or
  - (c) if any law is passed or any direction is given or any authorisation granted to that Class is revoked by the relevant authority which renders it illegal or in the opinion of the Managers impracticable or inadvisable to continue that Class.

21.8.7 The Managers may (with the consent of the Trustee, such consent not to be unreasonably withheld) terminate the Fund on a date to be agreed between the Trustee and the Managers if at any time the Value of the Deposited Property shall be less than S\$10 million.

21.8.8 The party terminating the Fund or Class in accordance with this paragraph 21.8 shall give notice in writing of such termination to the investors and by such notice fix the date at which such termination is to take effect which date shall not be less than 6 months after the giving of such notice (or such earlier date as may be necessary to comply with any law or as the Managers and the Trustee deem fit).

21.8.9 Where the Fund is terminated in accordance with the provisions in this paragraph 21.8, all the Classes within the Fund shall be similarly terminated on the date the Fund is terminated.

21.8.10 If the Managers go into liquidation or, in the opinion of the Trustee, the Managers have ceased to carry on business or have, to the prejudice of the Holders, failed to comply with any provision of the Deed, the Trustee shall convene a meeting of Holders in accordance with Section 295 of the SFA at which the Holders may resolve to terminate the Fund in accordance with that section.

21.8.11 Without prejudice to paragraph 21.8.10, the Fund may at any time be terminated by the Holders by Extraordinary Resolution and such termination shall take effect on the date on which the Extraordinary Resolution is passed or on such later date (if any) as the Extraordinary Resolution may provide.

21.8.12 A Class may be terminated by the Holders of that Class by Extraordinary Resolution and such termination shall take effect on the date on which the Extraordinary Resolution is passed or on such later date (if any) as the Extraordinary Resolution may provide.

## 21.9 Use of credit rating agencies

In the event that the Managers rely on ratings issued by credit rating agencies in any of their investments, the Managers would have established a set of internal credit assessment standards and would have in place a credit assessment process to ensure that their investments are in line with these standards. Information on the Managers' credit assessment process will be made available to investors upon request.

**GLOSSARY OF TERMS**

Accounting Date	30 June 1996 and each subsequent 30 June or (in the case of the final Accounting Date) the date on which the Fund is terminated, provided that the Managers may, with the prior written consent of the Trustee, change the Accounting Date to any other date approved by the Trustee upon giving not less than 21 days' notice to the Trustee and the Holders
Accounting Period	the period ending on and including an Accounting Date and commencing (in the case of the first Accounting Period) from the date of the Trust Deed or (in the case of subsequent Accounting Periods) from the end of the preceding Accounting Period (as the case may require)
Accounts	in respect of each Accounting Period, the accounts of the Fund for that period
Approved Valuer	a person for the time being approved by the Trustee as qualified to value any particular Authorised Investment constituting part of the Deposited Property and appointed by the Managers for such purpose
Business Day	any day (other than Saturday, Sunday or a gazetted public holiday) on which banks and other financial institutions in Singapore are generally open for business
Capital Account	the account referred to in Clause 21.1 of the Deed
Catalist	means the sponsor-supervised market on SGX-ST
Catalist Investment	means any investment which is for the time being quoted on Catalist and which in the opinion of the Managers is regularly dealt in on Catalist
Class	a class of Units in the Fund as may be established by the Managers, but each class of Units shall not constitute a separate trust from the Fund within which it is established nor from other Classes within the Fund
Code	the Code on Collective Investment Schemes issued by the Authority pursuant to the Securities and Futures Act as the same may be modified, amended or supplemented from time to time
Companies Act	the Companies Act, Chapter 50 of Singapore
Corporation	the meaning ascribed thereto in the Companies Act
Dealing Date	every Business Day after the date on which the initial offer of Units pursuant to Clause 11.1 of the Deed closes provided that the Managers may with the prior written consent of the Trustee decide as they deem appropriate any particular Business Day not to be a Dealing Date upon giving reasonable notice to the Trustee

Dealing Deadline	in relation to any particular place and any particular Dealing Date, 3.30 p.m. in that place or such other time of day as the Managers may after consultation with the Trustee from time to time determine and so that nothing in the Deed shall prevent the Managers from determining that that time of day shall in relation to any Dealing Date be a time of day on any day selected by the Managers which precedes that Dealing Date
Deposited Property	all cash and other property for the time being held or deemed to be held upon the trusts of the Deed other than any amount for the time being standing to the credit of the Distribution Account
Distribution Account	the bank account referred to in Clause 21.2 of the Deed
Distribution Date	a date determined in accordance with Clause 22.3 of the Deed
Duties and Charges	<p>all stamp and other duties, taxes, governmental charges, brokerage, commissions, bank charges, transfer fees, registration fees and other duties, taxes, charges and fees whether in connection with:-</p> <ul style="list-style-type: none"> <li>(a) the constitution of the Deposited Property; or</li> <li>(b) the increase or decrease of the Deposited Property; or</li> <li>(c) the issue, sale, purchase or exchange of Units; or</li> <li>(d) the sale or purchase of Investments,</li> </ul> <p>or otherwise, which may have become or may be payable in respect of, prior to or upon the occasion of the transaction or dealing in respect of which the same are payable, but does not include any commission payable to agents on a sale or purchase of Units</p>
Emerging Markets	refers to developing countries, which include many of the countries in Asia, Latin America, Europe, Africa and the Middle East (i.e. a country which is considered middle income or low income by the World Bank, and which may or may not be of sub-investment grade)
Extraordinary Resolution	a resolution passed at a meeting of Holders of the Fund or the relevant Class duly convened and held in accordance with the provisions contained in Schedule 1 of the Deed and carried by a majority consisting of not less than three-quarters of the Holders of the Fund or the relevant Class voting thereat upon a show of hands or, if a poll is duly demanded and taken, by a majority consisting of not less than three-quarters in number of the votes given on such poll

Foreign Quoted Investment	any Investment which is for the time being quoted, listed or dealt in on a Recognised Market outside Singapore
Gross Investment Sum	the aggregate amount comprising the Investment Sum paid or to be paid by, or received or to be received from, an applicant for the subscription or purchase of Units of any Class and the Initial Service Charge or the switching fee, as the case may be, any applicable Transactions Adjustment and any rounding payable in respect thereof
Holder	in relation to any Unit and subject to Clause 7.4 of the Deed, the person for the time being entered in the Register as the holder of any Unit and includes persons so entered as Joint Holders
Income	all dividends, interest and other receipts (including taxation repayments) considered by the Managers to be in the nature of income
Income Account	the account referred to in Clause 21.1 of the Deed
Initial Service Charge	a charge upon the issue of a Unit of such amount as the Managers may from time to time determine generally or in relation to any specific transaction or class of transactions or in relation to Units in different Classes PROVIDED THAT it shall not exceed 5% (or such other percentage as the Managers and the Trustee may from time to time agree) of the Gross Investment Sum. Such expression in the context of a given date shall refer to the charge or charges determined by the Managers pursuant to the Deed and applicable on that date
Investment	any Permissible Investment, including any share, stock, bond, note, debenture, debenture stock, warrant, options, securities, futures, participation, unit or sub-unit in a unit trust scheme, mutual fund or similar scheme, loan convertible into security, money market instrument, loan stock, certificate of deposits, treasury bills, fixed and floating rate instruments, bankers' acceptance, derivative instruments including index futures and forward currency exchange contracts, swaps, caps, collars, floors, sale and repurchase transactions or other derivatives or financial transactions or instruments or any other security which may be selected by the Managers subject to the approval of the Trustee for the purpose of investment of the Deposited Property or which may for the time being form part thereof
Investment and Borrowing Guidelines	means the investment and borrowing guidelines of the Code issued by the Authority, including but not limited to Appendix 1 and Annexes 1A and 1B herein, as the same may be modified, amended, re-enacted or reconstituted from time to time by the Authority

Investment Sum	the amount paid or to be paid to the Managers by an applicant for the subscription or purchase of any Units, net of the Initial Service Charge or the switching fee, as the case may be, any applicable Transactions Adjustment and any rounding payable in respect thereof included in the Gross Investment Sum
Joint Holders	persons not exceeding two in number for the time being entered in the Register as joint holders of a Unit and for the avoidance of doubt the Managers shall be entitled to rely on the mandate and instruction from the person first named on the Register
Management Participation	any amount to which the Managers may become entitled pursuant to Clause 33 of the Deed
Minimum Class Holding	in relation to each Class, such number of Units in the relevant Class having an aggregate value at the prevailing issue price at the time of the initial purchase or subscription of Units of such Class or such number of Units in the relevant Class as the Managers may from time to time determine with prior notice to the Trustee and as permitted by the relevant authorities either generally, for one Class, more than one Class or in respect of a particular case
Minimum Initial Class Investment Sum	in relation to each Class, an initial application for such number of Units or such amount as the Managers may from time to time determine with prior notice to the Trustee and as permitted by the relevant authorities
Minimum Subsequent Class Investment Sum	in relation to each Class, such amount or such number of Units as the Managers may from time to time determine with prior notice to the Trustee and as permitted by the relevant authorities
Permissible Investment	means such investment as may be permitted to be made by the Fund under the Code
Quoted Investment	any SGX-ST Investment, Catalist Investment or Foreign Quoted Investment
Realisation Charge	a charge upon the realisation of a Unit of such amount as may from time to time be fixed by the Managers generally or in relation to any specific transaction or class of transaction or in relation to Units in different Classes Provided That it shall not exceed 1% (or such other percentage as the Managers and the Trustee may agree) in respect of any Class which comprises Units already issued at the time the Class is established or designated and shall not exceed 4% (or such other percentage as the Managers and the Trustee may agree) for other Classes of Units
Realisation Price	the realisation price calculated in accordance with Clause 15.4 of the Deed
Recognised Market	SGX-ST, Catalist or any other exchange or market in any part of the world from time to time selected by the Managers and agreed upon by the Trustee

Register	the register of Holders of the Fund kept and maintained pursuant to Clause 13.1 of the Deed
SFA	the Securities and Futures Act, Cap. 289 of Singapore and any regulations issued thereunder
SGX-ST	Singapore Exchange Securities Trading Limited
Singapore Dollars or S\$	the lawful currency of the Republic of Singapore
SRS	the Supplementary Retirement Scheme administered by the Ministry of Finance
SRS Account	the account referred to by the Ministry of Finance and the Inland Revenue Authority of Singapore as the Supplementary Retirement Scheme account from which moneys may be withdrawn for the purpose of investments under the SRS
SRS Operator	any bank designated as an SRS operator for the purpose of the SRS by the Ministry of Finance
Transactions Adjustment	in relation to the issue of a Unit of the Fund or a Class (as the case may be), an adjustment of up to such amount (if any) as the Managers determine represents the Duties and Charges which would have been payable in purchasing the Investments constituting the Deposited Property for the account of the Fund as at the last Valuation Point divided by the number of Units of the Fund or Class (as the case may be) issued and deemed to be in issue as at that time Provided That it shall not exceed such percentage as the Managers and the Trustee may from time to time agree; and in relation to the cancellation and realisation of a Unit of the Fund or Class (as the case may be), an adjustment of up to such amount (if any) as the Managers determine represents the Duties and Charges which would have been payable in selling the Investments constituting the Deposited Property for the account of the Fund as at the last Valuation Point divided by the number of Units of the Fund or Class (as the case may be) in issue and deemed to be in issue as at that time Provided That it shall not exceed such percentage as the Managers and the Trustee may from time to time agree. Such expression in the context of a given date shall refer to the amount or amounts so determined by the Managers and applicable on that date
Unit	<p>an undivided share in the Deposited Property or the portion of the Deposited Property attributable to the relevant Class (as the case may be) and includes a fraction of a Unit. Fractions of Units shall be dealt with as follows:</p> <p>(a) fractions of Units less than half of a Unit shall be rounded down to the nearest whole Unit; and</p>

- (b) fractions of Units including and exceeding half of a Unit shall be rounded up to the nearest whole Unit

United States Dollars or US\$

the lawful currency of the United States of America

Unquoted Investment

any Investment which is not quoted, listed or dealt in on any Recognised Market

Valuation Point

the close of the relevant markets on a Dealing Date or such other day to be fixed by the Managers with the prior written consent of the Trustee for the purposes of which the Value of the Deposited Property or any part thereof or any Investment comprised or to be comprised therein is to be determined (including the final Accounting Date) and in the event of any change in the Valuation Point, notice of such change shall be given by the Managers to the Holders if required by the Trustee

Value

with reference to either the Deposited Property or any part thereof or any Investment comprised or to be comprised therein, the value thereof as determined in accordance with Clause 8 of the Deed

## Appendix 1 - Investment and Borrowing Guidelines

### 1 Permissible Investments

1.1 The scheme's underlying investments may only consist of the following permissible investments:

- a) transferable securities;
- b) money market instruments;
- c) eligible deposits;
- d) units in other schemes;
- e) financial derivatives; and
- f) shares or securities equivalent to shares that are not listed for quotation or quoted and have not been approved for listing for quotation or quotation on an organised exchange.

1.2 For the purpose of paragraph 1.1,

a) "transferable securities" refer to:

- i) shares or securities equivalent to shares; and
- ii) bonds or other securitised debt instruments,

that meet the requirements of paragraph 1.3 but do not include:

- A) money market instruments; or
- B) any security the title to which cannot be transferred or can be transferred only with the consent of a third party.

b) "eligible deposits" refer to deposits with banks licensed under the Banking Act (Cap. 19), finance companies licensed under the Finance Companies Act (Cap. 108), merchant banks approved as financial institutions under section 28 of the Monetary Authority of Singapore Act (Cap. 186) or any other deposit-taking institution licensed under an equivalent law in a foreign jurisdiction.

#### Requirements of transferable securities

1.3 Transferable securities should meet the following requirements:

- a) the maximum potential loss which may be incurred as a result of the investment is limited to the amount paid for it;
- b) the investment is liquid;
- c) the investment is subject to reliable and verifiable valuation on a daily basis; and
- d) there is appropriate information available to the market on the investment or, where relevant, on the portfolio.

#### *Guidance*

*In determining whether information on a transferable security is appropriate, the manager should consider if the information available on the market is regular and accurate, as well as sufficient to analyse the investment. For example, reliance on annual or financial reports is acceptable if the manager is of the view that it is appropriate.*

#### Requirements on investments in other schemes

1.4 A scheme may invest in other schemes only if the underlying scheme is:

- a) an authorised or recognised scheme;

Guidance

*Notwithstanding paragraph 1.4(a), the scheme should not invest in an underlying scheme which is a hedge fund or fund-of-hedge funds even if the underlying scheme complies with Appendix 3 of the Code.*

- b) a scheme which:
  - i) is constituted and regulated in a jurisdiction where the laws and practices afford to participants in Singapore protection at least equivalent to that afforded to participants of schemes which are wholly managed in Singapore;
  - ii) adheres to investment and borrowing guidelines which are substantially similar to those set out in the relevant Appendices of the Code; and
  - iii) has a manager that is reputable and supervised by an acceptable financial supervisory authority;
- c) a scheme which is invested in permissible investments, commodities or real estate, meets the requirements set out in paragraph 1.3(a) to (d) and, for the purposes of this paragraph, the units in the scheme are listed for quotation and traded on an organised exchange.

Guidance

*Restricted schemes may be acceptable as underlying investments if they can meet the conditions in paragraph 1.4(b) or (c).*

- 1.5 A scheme may feed substantially into an underlying fund-of-funds but the underlying fund-of-funds should invest in other schemes directly and not through another fund-of-funds.

Requirements of financial derivatives

- 1.6 Financial derivatives should meet the following requirements:
- a) the underlying consists of instruments referred to in paragraph 1.1, commodities, indices which meets the requirements in Appendix 5: Index Funds, interest rates, foreign exchange rates or currencies. In the case of financial derivatives on commodities, such transactions should be settled in cash at all times. The manager should also undertake in the trust deed to settle such transactions in cash and disclose the fact in the prospectus;
  - b) the financial derivatives are liquid;
  - c) the financial derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value; and
  - d) the financial derivatives should not result in the delivery of investments other than those described in paragraph 1.1(a) to (f).

OTC financial derivatives

- 1.7 In the case of OTC financial derivatives, reliable and verifiable valuation stated in paragraph 1.6(c) of this Appendix refers to:
- a) a valuation made by the manager based on a current market value; or
  - b) where such value is not available, a fair value based on an appropriate valuation model which is checked at an appropriate frequency by an independent party.

The valuation by the manager should not be based solely on a valuation provided by the counterparty to the transaction.

Guidance

The party who carries out the verification should be independent of the counterparty as well as the

manager's fund management function.

## 2 Spread of Investments

### Single entity limit and group limit

2.1 A scheme should comply with the following limits:

a) Investments in:

- i) transferable securities; or
- ii) money market instruments

issued by a single entity should not exceed 10% of the scheme's NAV ("single entity limit").

b) Aggregate investments in, or exposures to, a group of entities through:

- i) transferable securities;
- ii) money market instruments;
- iii) eligible deposits; and
- iv) counterparty risk exposures arising from the use of OTC financial derivatives

should not exceed 20% of the scheme's NAV ("group limit"). For the purposes of this paragraph, a group of entities refers to an entity, its subsidiaries, fellow subsidiaries and its holding company.

#### Guidance 1

*Investments in transferable securities and money market instruments issued by a trust should be included in the single entity limit and group limit.*

#### Guidance 2

*The group of entities referred to in the group limit also applies to aggregate investments in, or exposures to, special purpose vehicles (SPVs) where the substance of the relationship between a sponsor and its SPV, determined in accordance with the Interpretation of Financial Reporting Standard 12, indicates that the SPV is controlled by that sponsor.*

### Short-term deposits

2.2 The group limit does not apply to placements of eligible deposits arising from:

- a) subscription monies received at any point in time pending the commencement of investment by the scheme; or
- b) liquidation of investments prior to the termination or maturity of a scheme, where the placing of these monies with various institutions would not be in the interests of participants.

### Benchmark limit

2.3 Where the scheme and its reference benchmark comply with sections 4 and 5 of Appendix 5: Index Funds, the scheme may invest in a transferable security that is a constituent of the reference benchmark, up to a single entity limit as specified in paragraph 2.1(a) of this Appendix or two percentage points above the benchmark weight, whichever is higher. Where the foregoing single entity limit is in excess of the limit in paragraph 2.1(a) of this Appendix, the group limit of 20% may be raised to 25% of the scheme's NAV.

Government and other public debt securities

- 2.4 The single entity limit of 10% may be raised to 35% of the scheme's NAV where:
- a) the issuing entity or trust is, or the issue is guaranteed by, either a government, government agency or supranational, that has a minimum long-term rating of BBB by Fitch, Baa by Moody's or BBB by Standard and Poor's (including such sub-categories or gradations therein); and
  - b) except for schemes with a fixed maturity, not more than 20% of the scheme's NAV may be invested in any single issue of transferable securities or money market instruments by the same entity or trust.
- 2.5 If there is a downgrade in rating to that below the minimum rating as stated in paragraph 2.4(a), or if the rating agencies no longer rate the entity or the guarantor, the single entity limit should revert to 10%.
- 2.6 The single entity limit of 10% does not apply where:
- a) the issuing entity or trust is, or the issue is guaranteed by, either a government, government agency or supranational, that has a minimum long-term rating of AA by Fitch, Aa by Moody's or AA by Standard and Poor's (including such sub-categories or gradations therein); and
  - b) except for schemes with a fixed maturity, not more than 20% of the scheme's NAV may be invested in any single issue of transferable securities or money market instruments by the same entity or trust.
- 2.7 If there is a downgrade in rating to that below the minimum rating as stated in paragraph 2.6(a) of this Appendix, or if the rating agencies no longer rate the entity or the guarantor, the single entity limit as specified in paragraph 2.1(a) or 2.4 of this Appendix, as the case may be, should apply accordingly.

Unrated and non-investment grade corporate debt securities

- 2.8 The single entity limit of 10% in paragraph 2.1(a) for bonds and other securitised debt instruments is lowered to 5% of the scheme's NAV if the issuing entity or trust:
- a) is not rated; or
  - b) has a long-term rating below that of BBB by Fitch, Baa by Moody's or BBB by Standard and Poor's (including such sub-categories or gradations therein).
- 2.9 Notwithstanding paragraph 2.8(a), the manager may rely on:
- a) the rating of an unrated issuer's parent company provided that an explicit guarantee by the parent company for the issuer is in place; or
  - b) its internal rating of an unrated issuer if the manager has satisfied the trustee that its internal rating is comparable to a rating issued by Fitch, Moody's or Standard & Poor's.

Guidance

*For the purpose of paragraph 2.9(b), the trustee may consider the manager's internal rating methodology.*

Commodity-backed debt securities

- 2.10 A scheme may invest in debt securities that are undated, secured by physical commodities, listed for quotation and traded on an organised exchange, subject to the limit in paragraph 2.13.

Investment in other schemes

2.11 A scheme may invest up to 100% of its NAV in another scheme only if the underlying scheme satisfies paragraph 1.4(a) or (b).

2.12 Investments in an underlying scheme which does not satisfy paragraph 1.4(a) or (b) but satisfies:

- a) paragraph 1.4(c) and is invested in permissible investments or real estate should not exceed 10% of the scheme's NAV; or

Guidance

*For example, investments in a real estate investment trust which do not satisfy paragraph 1.4(a) or (b) but satisfy the requirements in paragraph 1.3(a) to (d) should not exceed 10% of the scheme's NAV.*

- b) paragraph 1.4(c) and is invested directly in commodities is subject to the limit in paragraph 2.13.

Guidance

*Investments in a commodity-backed exchange-traded fund which satisfies the requirements in paragraph 1.3(a) to (d) will be subject to the limit in paragraph 2.13.*

Alternative exposure limit

2.13 Investments in:

- a) shares or securities equivalent to shares that are not listed for quotation or quoted, and have not been approved for listing for quotation or quotation, on an organised exchange;
- b) debt securities which are undated, secured by physical commodities, listed for quotation and traded on an organised exchange; and
- c) underlying schemes which do not satisfy paragraph 1.4(a) or (b) but satisfy paragraph 1.4(c) and are invested directly in commodities,

are subject to an aggregate limit of 10% of a scheme's NAV.

Concentration limit

2.14 A scheme should not invest in more than:

- a) 10% of the total outstanding shares, or securities equivalent to shares, of any single entity or trust;
- b) 10% of each individual issuance of debt securities of any single issuing entity or trust, where such issuance is not part of a debt issuance programme; or where debt securities are issued under a debt issuance programme, 20% of each tranche, subject to a limit of 10% of the overall programme size; and
- c) 10% of the money market instruments of a single issuing entity or trust.

**3 Global Exposure**

3.1 The global exposure of a scheme to financial derivatives or embedded financial derivatives should not exceed 100% of the scheme's NAV at all times.

3.2 The manager should calculate the global exposure of a scheme based on the:

- a) Commitment Approach; or
- b) Value at Risk (VaR) Approach (including any other variants of the VaR Approach), subject to prior consultation with the Authority.

### Commitment Approach

- 3.3 The global exposure of a scheme is calculated as the sum of:
- a) the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
  - b) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
  - c) the sum of the values of cash collateral received pursuant to:
    - i) the reduction of exposure to counterparties of OTC financial derivatives; and
    - ii) EPM techniques relating to securities lending and repurchase transactions,

and that are reinvested.

#### *Netting arrangements*

- 3.4 Netting arrangements may be taken into account to reduce a scheme's exposure to financial derivatives.

- 3.5 A scheme may net positions between:

- a) financial derivatives on the same underlying assets, even if the maturity dates are different; or
- b) financial derivatives and the same corresponding underlying asset, if those underlying assets are transferable securities, money market instruments or units in other schemes.

#### *Hedging arrangements*

- 3.6 Hedging arrangements may be taken into account to reduce a schemes' exposure to financial derivatives.

- 3.7 The marked-to-market value of transferable securities, money market instruments or units in schemes involved in hedging arrangements may be taken into account to reduce a scheme's exposure to financial derivatives.

- 3.8 For the purposes of paragraphs 3.6 and 3.7 of this Appendix, the hedging arrangement should:

- a) not be aimed at generating a return;
- b) result in an overall verifiable reduction of the risk of the scheme;
- c) offset the general and specific risks linked to the underlying being hedged;
- d) relate to the same asset class being hedged; and
- e) be able to meet its hedging objective in all market conditions.

#### Guidance

*Strategies which seek to offset the beta (market risk) but do not aim to offset the specific risks linked to the underlying investment and keep the alpha would not comply with the requirements in paragraph 3.8. Such strategies would include market neutral or long/short strategies.*

- 3.9 Notwithstanding paragraph 3.8, financial derivatives used for the purposes of hedging currency exposure may be netted when calculating the global exposure.

*Exposure arising from reinvestment of cash collateral*

- 3.10 A scheme which reinvests cash collateral received from counterparties of OTC financial derivatives, securities lending or repurchase transactions to generate a return in excess of high quality 3-month government bonds should include in its global exposure calculations the cash amount reinvested.

VaR Approach or its variants

- 3.11 The manager may apply to the Authority to use the VaR Approach or its variants to calculate the global exposure of a scheme instead of the Commitment Approach.
- 3.12 The global exposure of the scheme should also take into account exposures arising from the reinvestment of cash collateral.
- 3.13 The manager should comply with guidelines in Annex 1B in lieu of paragraphs 4.9 to 4.14 of this Appendix.

*Risk management process*

- 3.14 In its submission, the manager should provide the Authority with the following information in the risk management process document:
- a) details of all financial derivatives to be used in the scheme, the purpose of the use and the risks the financial derivatives might pose to the scheme;
  - b) description of the valuation and pricing methodology for financial derivatives;
  - c) description of the risk management processes and systems used in relation to financial derivatives;
  - d) description of the VaR methodology (including whether the model has been verified by an independent party such as a financial supervisory authority) and any other risk measures used;
  - e) details of the entities, units and personnel responsible for risk management;
  - f) description of systems and technology used, including description of stress testing and back-testing methodologies;
  - g) details of the manager's policies on expertise required to trade financial derivatives as well as manage their related risks including how they are monitored and validated; and
  - h) description of how the relevant guidelines in the Code are adhered to.

**4 Use of Financial Derivatives**Spread of underlying assets

- 4.1 The exposure of a scheme to the underlying assets of financial derivatives should be sufficiently diversified on a portfolio basis.
- 4.2 In the case where the underlying assets are:
- a) transferable securities, money market instruments, eligible deposits or units in other schemes, the limits in section 2 of this Appendix, except for the concentration limits, apply;
  - b) commodities, the limits in section 4 of Appendix 5: Index Funds apply; and

Guidance

*In determining whether the underlying assets of financial derivatives are sufficiently diversified, exposures to commodities through investments referred to in paragraph 2.10 and paragraph 2.12(b) of this Appendix should also be included.*

- c) indices, paragraphs 4.2(a) and (b) of this Appendix apply to each constituent of the index, where applicable,

on a portfolio basis.

Embedded financial derivatives

- 4.3 Where a transferable security or money market instrument embeds a financial derivative, the requirements in sections 3 and 4 apply to the embedded financial derivative.
- 4.4 Where the counterparty risk of the embedded derivative is or may be transferred to the scheme, the requirements in section 5 also apply to the embedded financial derivative.
- 4.5 A transferable security or money market instrument is considered to be embedding a financial derivative if it contains a component which fulfils the following criteria:
  - a) the component results in some or all of the cash flows that otherwise would be required by the transferable security or money market instrument which functions as host contract to be modified according to a variable including but not limited to a specified interest rate, price of a financial instrument, foreign exchange rate, index of prices or rates, credit rating or credit index, and therefore vary in a way similar to a stand-alone financial derivative;
  - b) the component's economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - c) the component has a significant impact on the risk profile and pricing of the transferable security or money market instrument.
- 4.6 A transferable security or a money market instrument should not be regarded as embedding a financial derivative where it contains a component which is contractually transferable independently of the transferable security or the money market instrument. Such a component should be deemed to be a separate financial instrument.
- 4.7 Where an instrument is structured as an alternative to an OTC financial derivative or tailor-made to meet the specific needs of a scheme, the instrument should be deemed as embedding a financial derivative.

Cover

- 4.8 A transaction in financial derivatives which gives rise, or may give rise, to a future commitment on behalf of a scheme should be covered as follows:
  - a) in the case of financial derivatives which will, or may at the option of the scheme, be cash settled, the scheme should hold, at all times, liquid assets sufficient to cover the exposure;

Guidance 1

*The term "exposure" refers to any transaction in financial derivatives that may give rise to a future commitment by the scheme to make contractually required payments. As such, exposure would include, among others, any cash settlement of contracts, margin calls and interest payments.*

Guidance 2

*Liquid assets refer to cash or permissible investments that can satisfy the requirements in chapter 1.2(i) of the Code. The quantity of such liquid assets held as cover should however be determined after the application of appropriate safeguards such as haircuts.*

- b) in the case of financial derivatives which will, or may at the option of the counterparty,

require physical delivery of the underlying assets, the scheme should hold the underlying assets in sufficient quantities to meet the delivery obligation at all times. If the manager deems the underlying assets to be sufficiently liquid, the scheme may hold as coverage other liquid assets in sufficient quantities, provided that such alternative assets may be readily converted into the underlying asset at any time to meet the delivery obligation.

#### Exposure to financial derivatives – Commitment Approach

- 4.9 The exposure of the scheme to financial derivatives under the Commitment Approach in paragraph 3.3 of this Appendix is described below. Exposure is determined by converting the positions in financial derivatives into equivalent positions in the underlying assets.

##### *Calculation methods*

- 4.10 Table 1 below sets out the methods for calculating the exposure of various financial derivatives under the Commitment Approach.
- 4.11 The exposure to financial derivatives under the Commitment Approach should be converted into the base currency of the scheme by using the spot rate.
- 4.12 Where a currency financial derivative has two legs that are not in the base currency of the scheme, the exposure to both legs should be accounted for under the Commitment Approach.
- 4.13 For financial derivatives not covered in Table 1 below or where the methods do not provide an adequate and accurate assessment of the risks relating to the financial derivatives, the manager should inform and justify to the Authority of the alternative method applied.
- 4.14 The calculation methodology of the alternative method referred to in paragraph 4.13 should be based on the market value of the equivalent position in the underlying asset, although the notional value or price of the financial derivative may be used if it is more conservative. Where a more conservative calculation is used, hedging and netting arrangements, as set out in paragraphs 3.4 to 3.9, should not be taken into account to reduce the exposure to the financial derivative involved if it results in an underestimation of the global exposure.

##### Guidance

*Financial derivatives which do not qualify for the standard conversion method are, for instance, digital options, barrier options, or more complex options with a highly volatile delta.*

<b>Types of financial derivatives</b>	<b>Method for calculating exposure</b>
<b>Plain Vanilla Options (Include bought/sold puts and calls)</b>	
Bond option	No. of contracts x face value x underlying price x delta
Currency option	Contract's notional value (of currency leg) x delta
Equity option	No. of contracts x no. of equity shares x underlying price x delta
Index option	No. of contracts x contract's notional value x index level x delta
Interest rate option	Contract's notional value x delta
Warrant and Rights	No. of shares/bonds x market value of underlying referenced asset x Delta
<b>Futures</b>	
Bond future	No. of contracts x contract's notional value x market value of the future; or No. of contracts x contract's notional value x market price of the cheapest bond to deliver, adjusted by the conversion factor

<b>Types of financial derivatives</b>	<b>Method for calculating exposure</b>
Currency future	No. of contracts x contract's notional value
Equity future	No. of contracts x contract's notional value x market price of underlying equity share
Index future	No. of contracts x value of 1 point x index level
Interest rate future	No. of contracts x contract's notional value
Commodity future	No. of contracts x contract's notional value
<b>Swaps</b>	
Contract for differences	No. of shares/bonds x market value of underlying referenced instrument
Credit default swap	Protection buyer: market value of the underlying reference asset Protection seller: the higher of the market value of the underlying reference asset or the notional value of the credit default swap
Currency swap	Notional value of currency leg(s)
Interest rate swap	Market value of underlying; or Notional value of the fixed leg
Total return swap	Underlying market value of reference asset(s)
<b>Forwards</b>	
Forward rate agreement	Notional value
FX forward	Notional value of currency leg(s)

**Table 1: Calculation Methods**

## **5 Counterparty of Financial Derivatives**

### OTC financial derivatives

- 5.1 The counterparty of an OTC financial derivative should be subject to prudential supervision by a financial supervisory authority in its home jurisdiction.
- 5.2 Subject to the group limit in paragraph 2.1, the maximum exposure of a scheme to the counterparty of an OTC financial derivative may not exceed:
- in the case of an eligible financial institution described in paragraph 5.3, 10% of the scheme's NAV; or
  - in any other case, 5% of the scheme's NAV
- ("counterparty limits").
- 5.3 For purposes of paragraph 5.2 of this Appendix, an eligible financial institution should have a minimum long-term rating of A by Fitch, A by Moody's or A by Standard and Poor's (including sub-categories or gradations therein). Alternatively, where the financial institution is not rated, the scheme should have the benefit of a guarantee by an entity which has a long-term rating of A (including sub-categories or gradations therein).
- 5.4 The exposure to a counterparty of an OTC financial derivative should be measured based on the maximum potential loss that may be incurred by the scheme if the counterparty defaults and not on the basis of the notional value of the OTC financial derivative.

### Calculation method

5.5 The exposure to a counterparty of an OTC financial derivative should be calculated as follows:

- a) Stage 1: Determine the current replacement cost of each OTC financial derivative by carrying out a valuation at market price.
- b) Stage 2: Derive the “add-on factor” by multiplying the notional principal amount or the market value of the underlying asset of the OTC financial derivative, whichever is more conservative, by the percentages in Table 2 to reflect the potential credit risk:

<b>Residual Term</b>	<b>Interest rate contracts</b>	<b>Exchange rate contracts</b>	<b>Equity derivative contracts</b>	<b>Other contracts</b>
1 year or less	0%	1%	6%	10%
> 1 year and < 5 years	0.5%	5%	8%	12%
> 5 years	1.5%	7.5%	10%	15%

**Table 2: Add-on Factors**

- i) For total return swaps and credit default swaps, the relevant percentage is 10% regardless of the residual term.
- ii) In the case of credit default swaps where the scheme acts as protection seller, the relevant percentage may be set at 0% unless the credit default swap contract incorporates a provision on closeout upon insolvency. In the latter case, the amount to be taken into account for the add-on factor will be limited to the premium or interest to be received (i.e. unpaid premium at the time of the calculation).
- c) The counterparty exposure arising from an OTC financial derivative contract is the sum of the positive replacement cost computed in Stage 1 and the add-on factor computed in Stage 2.
- d) The total exposure to a single counterparty, or group of counterparties, is calculated by summing the exposures arising from all OTC financial derivative transactions entered into with the same counterparty or group.

### Recognition of collateral

5.6 The exposure to a counterparty may be construed as being lower if collateral is tendered to the scheme. The collateral should meet the following requirements:

- a) it is marked-to-market daily;
- b) it is liquid;
- c) it is taken into account, on a portfolio basis, for the purposes of the requirements on spread of investments in section 2 of this Appendix;
- d) it is not issued by the counterparty or its related corporations;
- e) it is held by a custodian which is:
  - i) a financial institution subject to prudential supervision by a financial supervisory authority in its home jurisdiction; and
  - ii) independent of the counterparty;

- f) it is legally secured from the consequences of the failure of the custodian, counterparty and their related corporations;
- g) it can be fully enforced by the trustee at any time;
- h) it is free from all prior encumbrances; and
- i) it cannot be sold or given as security interests.

Guidance

Security interests include, among others, charges, pledges or hypothecations.

5.7 Collateral may only consist of:

- a) cash;
- b) money market instruments; or
- c) bonds.

5.8 For the purpose of paragraph 5.7 of this Appendix, money market instruments and bonds should be issued by, or have the benefit of a guarantee from, a government, government agency or supranational, that has a long-term rating of AAA by Fitch, Aaa by Moody's or AAA by Standard and Poor's (including sub-categories or gradations therein).

5.9 Notwithstanding paragraph 5.7 of this Appendix, securitised debt instruments as well as money market instruments or bonds with embedded financial derivatives are not eligible as collateral.

5.10 The manager should ensure that it has the appropriate legal expertise to put in place proper collateral arrangements, as well as appropriate systems and operational capabilities for proper collateral management.

5.11 Additional collateral should be provided to the scheme no later than the close of the next business day if the current value of the collateral tendered is insufficient to satisfy the counterparty limits in paragraph 5.2.

Guidance

A marked-to-market shortfall on day T should be rectified by the receipt of additional collateral by T+1 business days. For the purpose of this guidance, business days should be based on those of the counterparty's.

Reinvestment of collateral

5.12 Collateral obtained in the form of cash by the scheme may be reinvested subject to the following requirements:

- a) it is invested in financial instruments consistent with paragraphs 5.7 and 5.8 of this Appendix;
- b) the investments are taken into account, on a portfolio basis, for the purposes of the requirements on spread of investments in section 2 of this Appendix;
- c) the investments are held by a custodian which is:
  - i) a financial institution subject to prudential supervision by a financial supervisory authority in its home jurisdiction; and
  - ii) independent of the counterparty;
- d) the investments are legally secured from the consequences of the failure of the custodian, counterparty and their related corporations;

- e) the investments cannot be sold or given as security interests; and
- f) the manager is reasonably satisfied that any investment of cash collateral by the scheme will enable the scheme to meet its redemption obligations and other payment commitments.

5.13 Notwithstanding paragraph 5.12 of this Appendix, the cash collateral obtained should not be invested in transferable securities issued by, or placed on deposit with, the counterparty or its related corporations.

5.14 Non-cash collateral obtained by the scheme may not be reinvested.

#### Recognition of netting

5.15 For the purpose of paragraph 5.12 of this Appendix, a scheme may net its OTC financial derivative positions with the same counterparty through bilateral contracts for novation or other bilateral agreements between the scheme and its counterparty provided that such netting arrangements satisfy the following conditions:

- a) in the case of a bilateral contract for novation, mutual claims and obligations are automatically amalgamated in such a way that this novation fixes one single net amount each time novation applies and thus creates a legally binding, single new contract extinguishing former contracts;
- b) the scheme has a netting arrangement with its counterparty which creates a single legal obligation, covering all included transactions, such that, in the event of the counterparty's failure to perform owing to default, bankruptcy, liquidation or any other similar circumstance, the scheme would have a claim to receive or an obligation to pay only the net sum of the positive and negative mark-to-market values of the individual included transactions;
- c) the manager obtains written and reasoned legal opinions to the effect that, the netting arrangement is legally enforceable by the scheme against its counterparty, and in particular, in the event of a legal challenge, the relevant courts and administrative authorities would find that the scheme's claims and obligations would be limited to the net sum, as described in paragraph 5.15(b), under:
  - i) the law of the jurisdiction in which the counterparty is incorporated and, if a foreign branch of an entity is involved, also under the law of the jurisdiction in which the branch is located;
  - ii) the law that governs the individual included transactions; and
  - iii) the law that governs the netting agreement;
- d) the manager has procedures in place to ensure that the legal validity of the netting arrangement is kept under review in the light of possible changes in the relevant laws; and
- e) the manager is reasonably satisfied that the netting arrangement is legally valid under the law of each of the relevant jurisdictions.

#### Exchange-traded financial derivatives

5.16 Financial derivatives which:

- a) are transacted on an exchange where the clearing house performs a central counterparty role; and
- b) have trades which are characterised by a daily marked-to-market valuation of the financial

derivative positions and subject to at least daily margining,  
would not be subject to the counterparty limits in paragraph 5.2.

### Margins

- 5.17 Any exposure arising from initial margin posted and the variation margin receivable from a counterparty relating to OTC or exchange-traded financial derivatives, which is not protected against insolvency of the counterparty, is to be included in the counterparty limit.

#### Guidance

*The exposures from margins held with brokers need not be included if the margins are maintained in trust accounts.*

## **6 Efficient Portfolio Management Techniques**

### Securities lending and repurchase transactions

- 6.1 A scheme may carry out the following activities for the sole purpose of EPM:
- a) securities lending; and
  - b) repurchase transactions.
- 6.2 The scheme may lend transferable securities and money market instruments:
- a) directly;
  - b) through a standardised lending system facilitated by a clearing house which performs a central counterparty role; or
  - c) through securities lending agents, who are recognised as specialists in securities lending.
- 6.3 Securities lending and repurchase transactions should be effected in accordance with good market practice.

### Counterparty

- 6.4 The counterparty to a securities lending agreement or repurchase transactions should:
- a) be a financial institution subject to prudential supervision by a financial supervisory authority in its home jurisdiction; and
  - b) have a minimum long-term rating of A by Moody's, A by Standard and Poor's or A by Fitch (including sub-categories or gradations therein). Alternatively, where the counterparty is not rated, it is acceptable if an entity which has and maintains a rating as stated above indemnifies the scheme against losses suffered as a result of the counterparty's failure.
- 6.5 Where the manager engages in securities lending and repurchase transactions with any of its related corporations, the manager should have effective arrangements in place to manage potential conflicts of interest.
- 6.6 The agreement between the scheme and the counterparty, either directly or through its agent, should require the counterparty to provide additional collateral to the scheme or its agent no later than the close of the next business day if the current value of the eligible collateral tendered is insufficient.

#### Guidance

*A marked-to-market shortfall on day T should be rectified by the receipt of additional collateral by T+1 business days. For the purpose of this guidance, business days should be based on those of the counterparty's.*

### Recognition of collateral

6.7 The collateral should meet the following requirements:

- a) it is marked-to-market daily;
- b) it is liquid;
- c) it exceeds the value of the transferable securities or money market instruments transferred;

#### Guidance

*Eligible collateral provided should take into consideration exchange rate or market risks inherent to the eligible collateral.*

- d) it is taken into account, on a portfolio basis, for the purposes of the requirements on spread of investments in section 2 of this Appendix;
  - e) it is not issued by the counterparty or its related corporations;
  - f) it is held by a custodian or agent which is:
    - i) a financial institution subject to prudential supervision by a financial supervisory authority in its home jurisdiction; and
    - ii) independent of the counterparty;
  - g) it is legally secured from the consequences of the failure of the custodian, counterparty or agent and their related corporations;
  - h) it can be fully enforced by the trustee at any time;
  - i) it is free from all prior encumbrances; and
  - j) it cannot be sold or given as security interests.
- 6.8 For the purposes of securities lending and repurchase transactions, collateral may only consist of:
- a) cash;
  - b) money market instruments; or
  - c) bonds.

6.9 For the purpose of paragraph 6.8, money market instruments and bonds should be issued by, or have the benefit of a guarantee from, an entity or trust that has a minimum long-term rating of A by Fitch, A by Moody's or A by Standard and Poor's (including sub-categories or gradations therein) (collectively, "eligible collateral").

6.10 Notwithstanding paragraph 6.8, securitised debt instruments as well as money market instruments or bonds with embedded financial derivatives are not eligible as collateral.

### Settlement

6.11 The scheme or its agent should receive eligible collateral before, or simultaneously with, the transfer of ownership of the transferable securities lent.

6.12 Upon termination of the securities lending or repurchase transaction, the eligible collateral may be remitted by the scheme or its agent after, or simultaneously with the restitution of the transferable securities lent.

### Reinvestment of collateral

- 6.13 Collateral obtained in the form of cash by the scheme or its agent may be reinvested subject to the following requirements:
- a) it is invested in financial instruments consistent with paragraphs 6.8 and 6.9;
  - b) the investments are taken into account, on a portfolio basis, for the purposes of the requirements on spread of investments in section 2 of this Appendix;
  - c) the investments are held by a custodian which is:
    - i) a financial institution subject to prudential supervision by a financial supervisory authority in its home jurisdiction; and
    - ii) independent of the counterparty;
  - d) the investments are legally secured from the consequences of the failure of the custodian, counterparty or agent and their related corporations;
  - e) the investments cannot be sold or given as security interests; and
  - f) the manager is reasonably satisfied that any investment of cash collateral by the scheme or its agent, will enable the scheme to meet its redemption obligations and other payment commitments.
- 6.14 Notwithstanding paragraph 6.13, the cash collateral obtained should not be invested in transferable securities issued by, or placed on deposit with, the counterparty or its related corporations.
- 6.15 Non-cash collateral obtained by the scheme or its agent may not be reinvested.

### Liquidity

- 6.16 The manager should ensure that:
- a) the volume of securities lending or repurchase transactions is kept at an appropriate level; and
  - b) the scheme or its agent is entitled to terminate the securities lending or repurchase transaction and request the immediate return of its transferable securities lent without penalty, in a manner which enables the scheme to meet its redemption obligations and other payment commitments.

## **7 Borrowings**

- 7.1 The scheme may borrow, on a temporary basis, for the purposes of meeting redemptions and bridging requirements.
- 7.2 The scheme may only borrow from banks licensed under the Banking Act (Cap. 19), finance companies licensed under the Finance Companies Act (Cap. 108), merchant banks approved as financial institutions under section 28 of the Monetary Authority of Singapore Act (Cap. 186) or any other deposit-taking institution licensed under an equivalent law in a foreign jurisdiction.
- 7.3 The borrowing period should not exceed one month.
- 7.4 Aggregate borrowings for the purposes of paragraph 7.1 should not exceed 10% of the scheme's NAV at the time the borrowing is incurred.

Guidance

*Credit balances (e.g. cash) may not be offset against borrowings when determining the percentage of borrowings outstanding.*

**8 Disclosure Requirements**

- 8.1 The use of back-testing or simulated past performance data for disclosure of performance figures in the prospectus, reports and marketing materials is prohibited.
- 8.2 Where the scheme's NAV is likely to have a high volatility due to its investment policies or portfolio management techniques, a prominent statement drawing attention to this possibility should be included in the marketing material of the scheme.

Use of financial derivatives*Prospectus*

- 8.3 Where a scheme intends to use or invest in financial derivatives, the prospectus should include the following:
- a) whether financial derivatives employed in the scheme are used for the purposes of hedging, EPM, optimising returns or a combination of all three objectives;
  - b) the method used to determine the scheme's exposure to financial derivatives (i.e. commitment approach, relative VaR or absolute VaR), a description of the method and:
    - i) if the VaR Approach is used, the expected level of leverage, based on the sum of the notional of the derivatives used, and the possibility of higher leverage levels should be included;
    - ii) if the relative VaR Approach is used, the reference portfolio (or benchmark) and the rationale for using the reference portfolio (or benchmark) should be included; and
    - iii) if the absolute VaR Approach is used, the absolute VaR limit and the rationale for the absolute VaR limit should be included; and
  - c) a statement that the manager will ensure that the risk management and compliance procedures are adequate and has been or will be implemented and that it has the necessary expertise to manage the risk relating to the use of financial derivatives.

*Semi-annual and annual report*

- 8.4 Where a scheme uses or invests in financial derivatives, the semi-annual and annual reports should include the following:
- a) the method and a description of the method used to calculate the global exposure;

Guidance

*The description of the VaR Approach should include at least the lowest, highest and average utilisation of the VaR limit calculated during the relevant period, as well as the model and inputs used for calculation.*

- b) information on the reference portfolio (or benchmark) where the relative VaR Approach is used; and
- c) the level of leverage employed, based on the sum of the notional value of the derivatives used, during the relevant period where the VaR Approach is used.

*Marketing material*

- 8.5 Where a scheme intends to use or invest in financial derivatives, a prominent statement drawing attention to this intention should be included in the marketing material of the scheme.

### Counterparty of financial derivatives

#### *Prospectus*

- 8.6 Where the scheme nets its OTC financial derivative positions, the prospectus should include a statement that the manager has obtained the legal opinions as stipulated in paragraph 5.15.

#### *Semi-annual and annual report*

- 8.7 Where collateral is used to mitigate the scheme's exposure to the counterparty of OTC financial derivatives, the scheme's semi-annual and annual reports should provide a description of the collateral holdings, including the:

- a) nature of the collateral;
- b) identity of the counterparty providing the collateral;
- c) marked-to-market value of the non-cash collateral with a breakdown by asset class and credit rating (if applicable); and
- d) value and types of investments made with the cash collateral with a breakdown by asset class and credit rating (if applicable).

### EPM techniques

#### *Prospectus*

- 8.8 Where the scheme intends to carry out securities lending or repurchase transactions, the prospectus should contain disclosures on:

- a) all the securities lending or repurchase transactions that the scheme may participate in;
- b) the purpose of the securities lending or repurchase transactions, as well as the conditions and limits within which they are conducted;
- c) any conflicts of interest and how they are mitigated, as well as whether the manager intends to lend the securities of the scheme to its related corporations;
- d) the inherent risks of the securities lending or repurchase transactions; and
- e) the revenue sharing arrangement between the scheme and the manager if any of the income from securities lending also accrues to the manager.

#### *Semi-annual and annual report*

- 8.9 Where the scheme carries out securities lending or repurchase transactions, the scheme's semi-annual and annual report should contain disclosures on the:

- a) total value of the transferable securities lent;
- b) description and nature of the collateral holdings;
- c) marked-to-market value of non-cash collateral with a breakdown by asset class and credit rating (if applicable);
- d) value and types of investments made with the cash collateral with a breakdown by asset class and credit rating (if applicable);
- e) identity of the counterparty providing the collateral; and

- f) revenue earned by the scheme and the manager arising from securities lending for the scheme's financial year (if applicable).

Commodity exposures

*Prospectus*

- 8.10 Where the scheme will have exposures to commodities through financial derivatives or investments referred to in paragraph 2.10 or 2.12(b) of this Appendix, the prospectus should include a description of the commodities which would be highly correlated and therefore treated as giving exposure to the same commodity when applying the limits in section 4 of Appendix 5: Index Funds, and how such correlation is determined.

**ANNEX 1A****ILLUSTRATION ON AGGREGATE BENCHMARK LIMIT**

For the purpose of paragraph 2.3 of this Appendix, suppose companies A and B are both subsidiaries of Company X (X and its subsidiaries to be collectively known as a “Group”) and the scheme as well as the reference benchmark complies with sections 4 and 5 of Appendix 5.

Example 1: Assume that both A and B are not included in the reference benchmark

A scheme may invest up to 10% of its NAV in transferable securities issued by A and another 10% of its NAV in transferable securities issued by B. The scheme may invest up to 20% of its NAV in transferable securities issued by companies in this Group.

Example 2: Assume that A and B are included in the reference benchmark with weights of 2% and 5% respectively

A scheme may invest up to 10% of its NAV in transferable securities issued by A and another 10% of its NAV in transferable securities issued by B. The scheme may invest up to 20% of its NAV in transferable securities issued by this Group.

Example 3: Assume that A is included in the reference benchmark with weight of 20% and B is a deposit-taking institution with which the scheme has placed deposits

A scheme may invest up to 22% [20+2] of its NAV in transferable securities issued by A and another 3% [25-22] in deposits with B.

**Illustration 5: Illustration on Aggregate Benchmark Limit**

**ANNEX 1B****ALTERNATIVE APPROACH FOR  
CALCULATING GLOBAL EXPOSURE – VAR APPROACH****1 Scope**

- 1.1 These guidelines apply to a scheme which elects to use the VaR Approach for calculating the scheme's exposure to financial derivatives arising from all the positions of the scheme's portfolio. For the avoidance of doubt, all EPM exposures as a result of reinvestment of cash collateral are to be included in the calculation of VaR.
- 1.2 Where an internal VaR model is used by the manager, there should be verification by an operationally independent party of its VaR model at an appropriate frequency.
- 1.3 The manager should consult the Authority on any material changes to the risk management process document referred to in paragraph 3.14 of Appendix 1 at least one month in advance.

**2 Calculation Methodology**

- 2.1 The exposure of a scheme to financial derivatives may be determined using the VaR Approach described below. The exposure of the scheme should be limited as follows:
- a) where a reference portfolio (or benchmark for the scheme) can be determined, the scheme should use a relative VaR calculation where the VaR of the scheme should not be more than 1.5 times the VaR of the reference portfolio. The manager should explain the rationale for the reference portfolio (or benchmark) used in the risk management process document submitted to the Authority.
  - b) where there is no reference portfolio (or benchmark for the scheme), an absolute VaR limit should be used. The global exposure of a scheme based on the absolute VaR Approach should generally not exceed 20% of its NAV. The choice of the absolute VaR limit should be commensurate with the investment objective, approach and investment universe of the scheme. The manager should explain the rationale for the absolute VaR limit used in the risk management process document submitted to the Authority.
- 2.2 Under the VaR Approach, the following parameters should be used:
- One-tailed confidence level: 99%
  - Holding period: one month (20 business days)
  - Observation period: one year (250 business days), unless a shorter period is justified by a significant increase in volatility
  - Update of the data: quarterly
  - Calculation frequency: daily

A different confidence interval or holding period may be used with prior approval of the Authority provided a conversion is made to bring the VaR to an equivalent value.

**3 Stress Tests**

- 3.1 The manager should perform a rigorous program of stress tests on the scheme at a frequency which is in line with the scheme's risk profile, but at a minimum, monthly.

- 3.2 The program should:
- a) cover all the risk factors having a non-negligible influence on the scheme's NAV; and
  - b) take into account correlation changes between risk factors.

#### **4 Back-Testing of Model**

4.1 The manager should back-test its VaR model, with a frequency which is in line with the scheme's risk profile, but at a minimum, monthly.

4.2 Back-testing is the comparison of daily profit or loss ("trading outcomes") with model-generated risk measures. The back-testing policy should conform to the following standards:

- a) the back-tests to be applied should compare whether the observed percentage of outcomes covered by the risk measure is consistent with a 99th percentile, one-tailed confidence interval calibrated to a one-day holding period;
- b) trading outcomes used for back-testing should be based on the hypothetical changes in the scheme's NAV which would occur if end-of-day positions were to remain unchanged over the one-day holding period. This hypothetical profit and loss does not account for other factors such as fees, commissions, bid-ask spreads, net interest income and intra-day trading;
- c) computation of VaR for the purpose of back-testing should be performed on a daily basis using at least 250 business days of observed results. On a quarterly basis, the manager should analyse the back-testing exceptions and submit a report to senior management;
- d) the results of back-testing and any follow-up action taken should be clearly documented. All back-testing exceptions, i.e. where trading outcomes are not covered by the risk measure, should be investigated and accounted for on a timely basis;
- e) back-testing exceptions generated should be classified as follows:
  - i) basic integrity of the model;
  - ii) model accuracy can be improved;
  - iii) market moved in a fashion unanticipated by the model;
- f) back-testing exceptions relating to the basic integrity of the risk measurement model should be reported to the manager's board of directors and senior management immediately and rectified as soon as practicable; and
- g) a back-testing report should be prepared for the manager's board of directors and senior management on a quarterly basis, incorporating an analysis of the back-testing results and exceptions and any implications for the scheme.

4.3 The manager should perform back-tests using actual trading outcomes. If there are significant back-testing exceptions using actual trading outcomes, the manager should implement additional risk measures to monitor its intra-day trading risk in line with sound risk management practices.

4.4 The following are some examples which may be classified under the three exception categories described in paragraph 4.2 (e):

- a) Basic integrity of the model:

- i) the systems of the scheme are not capturing the market risk of the positions;  
or
  - ii) model volatilities or correlations are calculated incorrectly.
- b) Model accuracy can be improved: the risk measurement model is not assessing the risk of some instruments with sufficient precision (e.g. too few maturity buckets or an omitted spread); and
- c) Market moved in a manner unanticipated by the model:
- i) random chance (i.e. a very low probability event);
  - ii) markets moved by more than the model predicted was likely (i.e. volatility was significantly higher than expected); or
  - iii) market did not move together as expected (i.e. correlations were significantly different than what was assumed by the model).

4.5 The manager should classify its back-testing outcomes into three zones depending on the number of exceptions arising from back-testing.

Zone	Number of exceptions	Cumulative probability
Green Zone	0	8.1%
	1	28.58%
	2	54.32%
	3	75.81%
	4	89.22%
Yellow Zone	5	95.88%
	6	98.63%
	7	99.60%
	8	99.89%
	9	99.97%
Red Zone	10 or more	99.99%

The table defines the Green, Yellow and Red Zones used to assess back-testing results of the scheme. The boundaries shown in the table are based on a sample of 250 observations. For other sample sizes, the Yellow Zone begins at the point where the cumulative probability equals or exceeds 95%, and the Red Zone begins at the point where the cumulative probability equals or exceeds 99.99%. The cumulative probability is the probability of obtaining equal or less than a given number of exceptions in a sample of 250 observations when the true coverage level is 99%. For example, the cumulative probability shown for four exceptions is the probability of obtaining between zero and four exceptions.

4.6 The manager should notify the Authority within three business days whenever exceptions arise. In the event that the scheme enters the:

- a) Green Zone [4 or less exceptions]: the manager need not make any changes to its VaR model;
- b) Yellow Zone [5 - 9 exceptions]: the manager is to investigate and propose to the Authority the remedial actions; or
- c) Red Zone [10 or more exceptions]: the manager should stop adding new positions and wind down existing positions in order to reduce market risks.

Where the scheme enters the Red Zone, the Authority may require the scheme to revert to the Commitment Approach.

Guidance

*Although results within the Green Zone are preferred, a market risk measurement model which constantly yields little or no back-testing exceptions may suggest that the model is too conservative. If the model shows no exceptions for long periods of time, the manager should reassess its model to determine if it overstates risk.*

- 4.7 Where the market risk measurement model is found to be inadequate for modeling the risks involved, the manager may continue investing in such financial instruments only if the manager is reasonably satisfied that it is prudent to do so. If the problem with the model is significant, the manager should cease trading in those financial instruments immediately.

PHILLIP ASIA PACIFIC GROWTH FUND

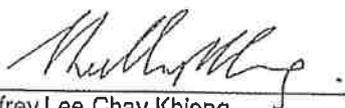
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