Liquidity Risk Management of Haitong International

Haitong International Asset Management (HK) Limited and Haitong International Investment Managers Limited (collectively referred to as "HTIIM") has established and implemented a Liquidity Risk Management Policy to effectively identify and manage the liquidity risks of the investment funds under its management, as well as to safeguard the interests and fair treatment of fund investors, and maintain the robustness of funds and market integrity. Such policy is reviewed periodically and as needed by HTIIM.

Liquidity risks, in the asset management universe, refer to the risks that arise as a result of the mismatch between the liquidity profiles of the assets and the liabilities of the investment funds. Failure in properly managing a fund's liquidity risks may not only lead to inability to meet redemption requests from fund shareholders / unitholders, but may also result in adverse consequences for the funds and its shareholders / unitholders.

Liquidity Risk Management Policy

Pursuant to the Liquidity Risk Management Policy of HTIIM, when managing liquidity risks for the funds under its management, HTIIM will:

(a) establish and regularly monitor measures of liquidity mismatches between the funds' redemption and their underlying investments;

(b) regularly monitor investor liquidity profiling and also take into account position settlement period;

(c) set and apply concentration limits taking into account the respective liquidity profile; and

(d) establish appropriate arrears and default procedures to alert relevant staff responsible for liquidity management of potential problems and allow adequate time to take appropriate action to minimize the impact of fund counterparty liquidity problems.

Furthermore, to effectively monitor liquidity risks, HTIIM has developed historical and hypothetical scenarios testing, considering the funds' characteristics and the latest regulatory requirements, such as the "Circular to management companies of SFC-authorized funds on liquidity risk management" issued by the SFC dated on 4 July 2016.

Liquidity Risk Management Tools

The liquidity risk management tools for managing liquidity risks of funds under the Liquidity Risk Management Policy include the following:

- Lock-up period – a predetermined time frame during which the investors are not allowed to redeem and sell the investments.
- Notice Period – a timeframe investors must notify a fund manager before withdrawing their investment from a fund.
- Redemption Gate - the gate provision refer to a statement in the fund documents to restrict the redemption of fund units.

- Deferred Redemption - when a fund experiences significant redemptions that exceed the threshold / limit disclosed in the fund's documents.
- Meeting part of the redemption requests in-kind, by transferring underlying assets of equivalent value to investors
- Suspension of Redemption- in certain exceptional circumstances whereby the investors are unable to withdraw, or redeem the capital from the investment fund.
- In case of termination, redeeming investors may also bear their proportionate share of the termination costs

The aforementioned liquidity risk management tools are subject to ongoing review, taking into account the results of the liquidity risk assessment and stress testing conducted by HTIIM, as well as the changing market conditions.

Investors should note that the above liquidity risk management tools are not able to entirely reduce the liquidity risk.

Please refer to the relevant prospectus or explanatory memorandum of the funds for details.