

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

**Haitong RMB Investment Fund Series (“Fund”)
Haitong Global RMB Fixed Income Fund (“Haitong Fixed Income Fund”) and Haitong China RMB
Income Fund (“Haitong RMB Income Fund”), each a “Sub-Fund”**

NOTICE TO UNITHOLDERS

28 April 2014

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

Unless otherwise indicated, all undefined capitalised terms have the same meanings in this notice as in the Explanatory Memorandum for the Fund. The Manager accepts responsibility for the accuracy, as at the date of this notice, of the information contained in it.

Dear Unitholder

We are writing to inform you of the following changes in relation to the Fund:

1. Establishment of new classes of Units and rename of existing classes of Units in respect of Haitong Fixed Income Fund, payment of redemption proceeds and dividends (if any) in the class currency of the relevant class of Units of a Sub-Fund and switching of Units between Sub-Funds

The Manager has decided to create and establish the following new classes of Units for Haitong Fixed Income Fund with effect from 30 May 2014 (the “**Effective Date**”):

<u>Class</u>	<u>Class Currency</u>	<u>Minimum Subscription Amount / Minimum Redemption Amount / Minimum Holding Amount</u>
Class A (HKD)	HK Dollar	HKD10,000
Class I (HKD)	HK Dollar	HKD10,000,000
Class I (USD)	US Dollar	USD2,000,000

The Explanatory Memorandum will be revised to reflect the details regarding the procedures applicable to subscriptions of the above new classes of Units. As a result of the above, the existing Class A and Class I Units of Haitong Fixed Income Fund you hold will be re-named as Class A (RMB) and Class I (RMB) Units, the class currency for which is designated as RMB.

As a result of the establishment of new classes of Units, subscription monies may be accepted in the class currency of the relevant class of Units of a Sub-Fund. In case of redemption, proceeds will normally be paid to investors in the class currency of the relevant class of Units of a Sub-Fund. Payment of dividends (if any) will be in the class currency of the relevant class of Units of a Sub-Fund.

Units of a class of any Sub-Fund are allowed to be switched into Units of the same class and of the same class currency of another Sub-Fund, provided that such class of the Sub-Fund is open for new subscription and available for switching, subject to such limitations as the Manager after consulting with the Trustee may impose from time to time.

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

2. Change in distribution policy of Haitong Fixed Income Fund

With effect from the Effective Date, subject to the Manager's discretion, dividends (if any) may be distributed from income or capital of Haitong Fixed Income Fund. Haitong Fixed Income Fund may (a) pay dividends out of capital; or (b) pay dividends out of gross income while charging or paying all or part of the fees and expenses to, or out of, the capital of Haitong Fixed Income Fund, resulting in an increase in distributable income for the payment of dividends and Haitong Fixed Income Fund may therefore effectively pay dividends out of capital. If dividends are distributed from or effectively out of capital, you should note that:

- (i) such payment of distributions out of capital represents a return or withdrawal of part of the amount the investor had originally invested or from any capital gain attributable to the amount the investor had originally invested;
- (ii) distributions in general, in particular distributions involving payment of dividends out of capital, or payment effectively out of capital, may result in an immediate decrease in the Net Asset Value of the relevant Units.

The compositions of dividends of the Fund (i.e. the relative dividends paid out of net distributable income and capital) for the last 12 months are available from the Manager on request and also on the website of the Manager at <http://www.htisec.com/asm>¹.

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. There is no guarantee of regular distribution and if distribution is made the amount being distributed. The Manager may amend the policy of distribution subject to SFC's prior approval on giving not less than one month's prior notice to Unitholders.

3. Updates to the investment objective and policy of Haitong Fixed Income Fund

With effect from the Effective Date, the investment objective and policy of Haitong Fixed Income Fund will be changed to the effect that it may invest up to 10% of its Net Asset Value in other RMB denominated collective investment schemes which primarily invest in RMB denominated debt or deposits instruments which may be settled in RMB or other currencies.

You should note that investment in other collective investment schemes is subject to the risk that the value of the shares or units of the underlying schemes will take into account the fees and expenses charged by the managers and other service providers of the underlying schemes, and additional charges may be incurred in the subscription or redemption of shares in the underlying schemes. The Manager will consider various factors in selecting the underlying schemes, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of an underlying scheme will be successfully achieved. The Explanatory Memorandum will be updated to include the relevant risk factors in detail.

¹ This website has not been reviewed by the SFC.

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

Further, the Explanatory Memorandum will be updated to clarify the investment objective and policy of Haitong Fixed Income Fund and the key updates are as follows:

- (i) Haitong Fixed Income Fund will be permitted to invest in debt instruments which are available in the primary and secondary markets and which may be offered on a private placement basis and settled in non-RMB currencies, subject to applicable investment restrictions. It is expected that, Haitong Fixed Income Fund will:
 - (a) invest at least 70% of its Net Asset Value in investments that are denominated and settled in RMB;
 - (b) limit any investments that are settled in non-RMB currencies that are not hedged back to RMB to be up to 10% of its Net Asset Value; and
 - (c) invest the remaining portion of its Net Asset Value in investments that are settled in non-RMB currencies that are hedged back to RMB (including debt or deposits instruments or collective investment schemes denominated in RMB but settled in other currencies such as USD or HKD);
- (ii) the indicative investment allocation will be revised to provide that the Net Asset Value of Haitong Fixed Income Fund that may be invested in government securities and quasi-government organisation securities will increase from 90% to 100% and debts issued by authorised financial institutions and corporate entities will increase from 70% to 100%;
- (iii) for investments that are settled in other currencies, the Manager may dynamically perform currency hedging to hedge the non-RMB currency exposure back to RMB, subject to the allocation of investments of Haitong Fixed Income Fund. The Manager may also actively hedge against interest rate risks for any investments. For the purpose of currency and interest rate hedging, the Manager will make use of derivative instruments such as swaps, futures and deliverable and non-deliverable currency forwards. Haitong Fixed Income Fund will not invest in derivative instruments for investment purposes; and
- (iv) the Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions or similar over-the-counter transactions in respect of Haitong Fixed Income Fund. Prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

The amendments that will be made to the investment objective and policy of Haitong Fixed Income Fund are set out in Appendix I to this document.

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

4. Updates to the investment objective and policy of Haitong RMB Income Fund

The following key changes will be made to the investment objective and policy of Haitong RMB Income Fund with effect from the Effective Date:

- (i) Haitong RMB Income Fund will invest not less than 80% of its Net Asset Value in (a) RMB denominated and settled debt instruments issued or listed in the PRC (including but not limited to bonds, convertible bonds and commercial papers) issued or distributed by Chinese governments (including state, municipal and local governments), Chinese quasi-government organisations or multinational organisations, financial institutions and other corporations, and (b) subject to sub-paragraph (iii) below, collective investment schemes which primarily invest in fixed income securities and are authorised by the China Securities Regulatory Commission (“**CSRC**”) for offer to the retail public in the PRC;
- (ii) Haitong RMB Income Fund may also invest up to 20% of its Net Asset Value in (a) equity securities issued or listed in the PRC including China A-Shares and exchange traded funds that are listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange and (b) subject to sub-paragraph (iii) below, other collective investment schemes which primarily invest in equity securities and are authorised by the CSRC for offer to the retail public in the PRC; and
- (iii) investment in exchange traded funds and collective investment schemes which are authorised by the CSRC for offer to the retail public in the PRC will not in aggregate exceed 10% of the Net Asset Value of the Sub-Fund.

You should note that investment in other collective investment schemes is subject to the risk that the value of the shares or units of the underlying schemes will take into account the fees and expenses charged by the managers and other service providers of the underlying schemes, and additional charges may be incurred in the subscription or redemption of shares in the underlying schemes. The Manager will consider various factors in selecting the underlying schemes, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of an underlying scheme will be successfully achieved.

Further, investment in exchange traded funds is subject to additional risks including tracking error risks. In addition, the trading prices of units/shares in an exchange traded fund may be at a discount or premium to the net asset value of such units/shares due to various factors such as supply and demand forces in the secondary trading market.

The Explanatory Memorandum will be updated to include the relevant risk factors in detail.

Further, the Explanatory Memorandum will be updated to clarify the investment objective and policy of Haitong RMB Income Fund and the key updates are as follows:

- (i) Haitong RMB Income Fund may invest up to 70% of its Net Asset Value in Urban Investment Bonds (城投債), which are debt instruments issued by local government financing vehicles (“**LGVFs**”) in the PRC listed bond markets and interbank bond market. These LGVFs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects in the PRC;

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

- (ii) Haitong RMB Income Fund may invest in unrated debt instruments. Haitong RMB Income Fund may invest up to 20% of its Net Asset Value in debt instruments which are below investment grade or which are unrated by a local credit rating agency recognised by the relevant authorities in the PRC. For the purpose of Haitong RMB Income Fund, “Investment grade” is defined as a credit rating of at least BBB- or equivalent as rated by a local credit rating agency recognised by the relevant authorities in the PRC. The Manager will firstly consider the crediting rating of the debt instrument and if it is not rated by a PRC local credit rating agency but its issuer has a credit rating, the issuer’s credit rating will be adopted as the debt instrument’s implied rating. If neither the debt instrument nor its issuer has a credit rating, the debt instrument is classified as “unrated”; and
- (iii) prior approval will be sought from the SFC and at least one month’s prior notice will be given to Unitholders if the Sub-Fund and/or the Manager intends to invest in derivative instruments, structured products, structured deposit or asset-back securities (including asset-backed commercial papers) for hedging or non-hedging purposes.

You should note that although these Urban Investment Bonds (城投債) which are issued by LGFVs may appear to be connected with PRC local government bodies, they are typically not guaranteed by such local government bodies or the central government of the PRC. As such, local government bodies or the central government of the PRC are not obliged to support any LGFVs if it defaults on its obligations under the Urban Investment Bonds. In the event that the LGFVs default on payment of principal or interest of the Urban Investment Bonds, the Haitong RMB Income Fund may suffer very significant losses and its Net Asset Value may be adversely affected.

Further, investment in RMB denominated debt instruments which are below investment grade or which are unrated by a local credit rating agency recognised by the relevant authorities in the PRC, are subject to uncertainties and exposure to adverse business, financial or market conditions which could lead to the issuer’s inability to make timely interest and principal payments. The market values of these debt instruments tend to be more volatile and sensitive to individual corporate developments and general economic conditions than those of higher rated securities. Such debt instruments are generally subject to a higher degree of counterparty risk and credit risk and a lower degree of liquidity, which may result in greater fluctuations in value than higher rated securities. The value of these debt instruments may also be more difficult to ascertain and thus the Net Asset Value of Haitong RMB Income Fund may be more volatile.

The amendments that will be made to the investment objective and policy of Haitong RMB Income Fund are set out in Appendix II to this document and the Explanatory Memorandum will be updated to include the relevant risk factors in detail.

5. Clarification of investment strategy of Haitong RMB Income Fund

The Manager will continue to seek to achieve investment returns for Haitong RMB Income Fund through dynamic asset allocation among debt instruments, equity securities and cash holding. With effect from the Effective Date, the Manager will actively manage the major risks associated with RMB denominated debt instruments: duration, asset allocation and active credit selection.

Pursuant to the change of investment objective to invest in exchange traded funds and collective investment schemes for Haitong RMB Income Fund (see paragraph 4 above for details), with effect

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

from the Effective Date, the Manager will examine the management capabilities, track records and risk management practices of various collective investment schemes, including exchange traded funds.

The amendments that will be made to the investment strategy of Haitong RMB Income Fund are set out in Appendix III to this document.

6. Amendment to Trustee Fee payable by the Sub-Funds

In respect of both Haitong Fixed Income Fund and Haitong RMB Income Fund, the Explanatory Memorandum and its respective Product Key Facts Statement provide that a Trustee Fee of 0.175% p.a. of the Net Asset Value of a Sub-Fund (subject to a minimum monthly fee of RMB40,000 for the Sub-Fund) is payable by the relevant Sub-Fund. With effect from 1 April 2014, Trustee Fee of up to 0.15% p.a. of the Net Asset Value of the Sub-Fund (subject to a minimum monthly fee of RMB40,000 for the Sub-Fund) would be payable by each Sub-Fund.

7. Reports and accounts

With effect from the Effective Date, that is, starting from the Fund's annual report and audited accounts for the year ended 31 December 2013, the Manager will no longer distribute printed copies of the Fund's annual report and audited accounts and unaudited semi-annual reports to Unitholders. Alternatively, notice will be given to Unitholders to notify them where such financial reports (in printed and electronic forms) can be obtained (in the case of annual report and audited accounts) within four months after the end of the financial year and (in the case of unaudited semi-annual reports) two months after 30 June in each year. In any event, the financial reports will be available on the website of the Manager at <http://www.htisec.com/asm>¹ and printed copies of the financial reports will be provided to Unitholders upon their request and will be available at the offices of the Manager.

8. Increment in the RQFII quota available for Haitong RMB Income Fund

Haitong International Holdings Limited, being the holding company of the Manager and the RQFII Holder, has been granted on behalf of Haitong RMB Income Fund, an additional RQFII quota of RMB 1 billion on 26 July 2013 and on 25 February 2014 respectively with immediate effect. As a result, the total RQFII quota available for Haitong RMB Income Fund is RMB 2.9 billion as at 25 February 2014. The Explanatory Memorandum of the Fund will be revised to reflect the increment in the RQFII quota.

9. Revised offering documents

The Explanatory Memorandum of the Fund will be revised to reflect the above changes and will be available in due course at the office of the Manager at 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong during normal office hours (Monday to Friday (excluding public holidays), from 9:00a.m. to 6:00p.m.) or online at <http://www.htisec.com/asm>¹.

10. Documents available for inspection

Copies of the Explanatory Memorandum, Trust Deed and other material agreements as disclosed in the Explanatory Memorandum of the Fund will be available for inspection at the Manager's place of business in Hong Kong during normal business hours free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee.

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

11. Further information

Should you have any queries relating to the above, please do not hesitate to contact our Customer Services Hotline at (852) 3588 7699 during our office (Monday to Friday (excluding public holidays), from 9:00am to 6:00pm) or email us at htiam@htisec.com.

Yours faithfully,

For and on behalf of

Hai Tong Asset Management (HK) Limited, as Manager of the Haitong Global RMB Fixed Income Fund and Haitong China RMB Income Fund

A handwritten signature in black ink, appearing to be 'Zhang Yibin', written in a cursive style.

Zhang Yibin

Managing Director

Appendix I

Amendments to the investment objective and policy of Haitong Fixed Income Fund

“Haitong Global RMB Fixed Income Fund seeks long term capital growth in RMB terms through investment in a portfolio consisting of: (i) primarily RMB denominated fixed rate or floating rate debt instruments; (ii) RMB denominated deposits instruments issued outside mainland China; and (iii) RMB denominated collective investment schemes that primarily invest in RMB denominated debt or deposits instruments, all of which will generate a steady flow of income for the Sub-Fund.

The Sub-Fund seeks to invest primarily in RMB denominated debt instruments issued or distributed outside mainland China by:

- Governments, quasi-government organisations; or
- ~~multinational~~ Multinational organisations, financial institutions and other corporations.

The Sub-Fund may also invest in RMB denominated deposits instruments issued outside mainland China, such as bank certificates of deposit, bank deposits and negotiated term deposits with authorised financial institutions, and the following instruments (also issued outside mainland China):

- convertible bonds;
- commercial papers;
- short-term bills and notes, etc.

The above instruments are collectively referred to as “RMB Income Instruments” which may be settled in RMB or in other currencies such as USD or HKD (i.e. payments due under such instrument are made in a currency other than RMB at the time of settlement at the prevailing exchange rate). The Sub-Fund may invest in RMB Income Instruments available in the primary and secondary markets. Some of these RMB Income Instruments may be offered on a private placement basis. The issuers of RMB Income Instruments may or may not be established or incorporated in mainland China.

For the avoidance of doubt, the Sub-Fund may also invest up to 10% of its Net Asset Value in RMB denominated collective investment schemes that invest primarily in RMB denominated debt or deposits instruments which may be settled in RMB or in other currencies.

The Sub-Fund currently may only invest in RMB denominated fixed rate or floating rate debt instruments issued or distributed outside mainland China. When regulations in the mainland China allow the Sub-Fund to directly invest in RMB denominated fixed rate or floating rate debt instruments issued within mainland China, the Sub-Fund may in future make such investment. Not less than one month’s prior notice will be given to investors if the Manager intends to make such investment.

Notwithstanding the above, the Sub-Fund will:-

- (a) invest at least 70% of its Net Asset Value in RMB Income Instruments that are denominated and settled in RMB;
- (b) limit any RMB Income Instruments that are settled in non-RMB currencies that are not hedged back to RMB to be up to 10% of its Net Asset Value; and
- (c) invest the remaining portion of its Net Asset Value in RMB Income Instruments that are settled in non-RMB currencies that are hedged back to RMB (including debt or deposits instruments or collective investment schemes denominated in RMB but settled in other currencies such as USD or HKD).

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

For RMB Income Instruments that are settled in other currencies, the Manager may dynamically perform currency hedging to hedge the non-RMB currency exposure back to RMB, subject to the allocation of investments above. The Manager may also actively hedge against interest rate risks for any RMB Income Instruments. For the purpose of currency and interest rate hedging, the Manager will make use of derivative instruments such as swaps, futures and deliverable and non-deliverable currency forwards. The Sub-Fund will not invest in derivative instruments for investment purposes. The Sub-Fund will not invest in any structured deposits or products for any purposes.

The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions or similar over-the-counter transactions in respect of the Sub-Fund. Prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

The following is an indicative investment allocation of the Sub-Fund. Investors should note that the Manager may at any time adjust the allocation having regard to prevailing market conditions in future.

<i>Type of instrument</i>	<i>Indicative percentage (of Sub-Fund's value <u>Net Asset Value</u>)</i>
Government securities and quasi-government organisation securities	Up to 90 <u>100</u> %
Debts issued by authorised financial institutions and corporate entities	Up to 70 <u>100</u> %

In the absence of available RMB Income Instruments, the Sub-Fund may invest a significant portion of its portfolio in RMB negotiated deposits with authorised financial institutions.”

Appendix II

Amendments to the investment objective and policy of Haitong RMB Income Fund

"Haitong China RMB Income Fund seeks capital growth and income in RMB terms through investing in a diversified portfolio consisting primarily of RMB denominated and settled debt instruments ~~and equity securities~~. ~~The Sub-Fund will primarily invest in debt instruments~~ (including but not limited to bonds, convertible bonds and commercial papers) issued or distributed by:

- Chinese governments (including state, municipal and local governments), Chinese quasi-government organisations; or
- ~~multinational~~ Multinational organisations, financial institutions and other corporations.

~~These above debt~~ instruments will be issued or listed in the PRC. Some of these instruments may be listed or traded on the Shenzhen Stock Exchange or the Shanghai Stock Exchange or traded in the mainland interbank bond market.

The Sub-Fund will also invest in equity securities issued or listed in the PRC.

Investment in equity securities and debt instruments issued or listed within mainland China will be made through the RQFII quota of the RQFII Holder, which is the holding company of the Manager. The RQFII Holder has authorised the Manager to exclusively use the RQFII quota for the purposes of investments in equity securities and RMB denominated and settled debt instruments issued or listed within mainland China for the Sub-Fund. The Sub-Fund will not invest in any debt instruments or equity securities issued outside mainland China.

~~Investment~~ The Sub-Fund will invest not less than 80% of its Net Asset Value in (i) debt instruments; and the abovementioned (ii) collective investment schemes which primarily invest in fixed income securities and are authorised by the China Securities Regulatory Commission ("CSRC") for offer to the retail public in the PRC ("Bond Fund") will be no less than 80% of the Sub-Fund's Net Asset Value. The Sub-Fund may invest up to 70% of its Net Asset Value in Urban Investment Bonds (城投债).

The Sub-Fund does not have explicit restrictions on the minimum credit ratings of the debt instruments it holds and may invest in unrated debt instruments. The Sub-Fund may invest up to 20% of its Net Asset Value in debt instruments which are below investment grade or which are unrated by a local credit rating agency recognised by the relevant authorities in the PRC. For the purpose of the Sub-Fund, "Investment grade" is defined as a credit rating of at least BBB- or equivalent as rated by a local credit rating agency recognised by the relevant authorities in the PRC. The Manager will firstly consider the crediting rating of the debt instrument and if it is not rated by a PRC local credit rating agency but its issuer has a credit rating, the issuer's credit rating will be adopted as the debt instrument's implied rating. If neither the debt instrument nor its issuer has a credit rating, the debt instrument is classified as "unrated".

The Sub-Fund ~~will~~ may also invest up to 20% of its Net Asset Value in (i) equity securities issued or listed in the PRC including China A-Shares and exchange traded funds that are listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange; and (ii) other collective investment schemes which

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

primarily invest in equity securities and are authorised by the CSRC for offer to the retail public in the PRC (“Equity Fund”). Investment in stocks will be no more than 20% of the Sub-Fund’s Net Asset Value.

Notwithstanding the above, the Sub-Fund’s investment in exchange traded funds, Bond Funds and Equity Funds which are authorised by the CSRC for offer to the retail public in the PRC will be subject to the applicable investment restrictions will not in aggregate exceed 10% of the Net Asset Value of the Sub-Fund.

The Sub-Fund may also invest in RMB denominated deposits issued within and/or outside the mainland China such as bank certificates of deposit, bank deposits and negotiated term deposits with banks. The Sub-Fund may also keep cash for ancillary purposes such as meeting redemption requests. ~~Investment in securities and instruments issued within mainland China will be made through the RQFII quota of the RQFII Holder, which is the holding company of the Manager. The Sub-Fund will not invest in any debt instruments or equity securities issued outside mainland China.~~

The Sub-Fund currently will not invest in derivative instruments, structured products, structured deposit or asset-back securities (including asset-backed commercial papers) for hedging or non-hedging purposes. Prior approval will be sought from the SFC and at least one month’s prior notice will be given to Unitholders if the Sub-Fund and/or the Manager intend(s) to make such investment in the future.

The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions or similar over-the-counter transactions in respect of the Sub-Fund. Prior approval will be sought from the SFC and at least one month’s prior notice will be given to Unitholders should there be a change in such intention.”

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

Appendix III

Amendments to the investment strategy of Haitong RMB Income Fund

“The Manager seeks to achieve investment returns through dynamic asset allocation among debt instruments, equity securities and cash holdings.

Debt instruments

The Manager will actively manage the major risks associated with RMB denominated debt instruments: duration, ~~term structure, sector~~ asset allocation and ~~product~~ active credit selection.

Duration strategy

The Sub-Fund will adjust the duration risk of the investment portfolio based on expectations of global and China’s macroeconomic cycle and monetary policy. If RMB interest rate is expected to fall, the Sub-Fund will increase the average duration of the investment portfolio to better benefit from the capital gains from lower yield, and vice versa. The Sub Fund may adopt bullet type, barbell type, ladder type or other strategy based on expected changes in the shape of the RMB bond yield curve. The Sub Fund will then adjust the allocation of duration accordingly.

~~Term structure strategy~~

~~The Sub-Fund may adopt bullet type, barbell type or ladder type strategy based on the expected changes in the shape of the RMB yield curve term structure. The Sub-Fund will then adjust the allocation of short-term, medium-term and long-term securities accordingly.~~

Asset ~~Sector~~ allocation strategy

The Sub-Fund will adjust the allocation of investment among risk free asset, credit, and alternative investment instruments that bear ~~government debts, quasi-government debts and debts that bear higher credit-risk~~ to seek better tax-adjusted and risk-adjusted returns among various investment instruments.

Active Credit strategy ~~Product selection strategy~~

Through extensive research on the fundamentals of different issuers among different industries, the Sub-Fund seeks to invest in issues that offer excess return with reference to credit risk ~~credit ratings~~ and fundamentals of the issuers or the issues among different industries. The Sub-Fund, however, does not have explicit restrictions on the minimum credit ratings of the instruments it holds.

Equity securities

The Manager will construct the equity portion of portfolio based on thorough fundamental research. The strategy uses fundamental and quantitative analysis, which involves assessment of a company including its financial strength, earnings growth potential and outlook, profit generating capability, corporate strategy, management credibility, industry position and valuations.

Stock selection strategies

The equity portion of portfolio will be actively managed and each stock is selected based on its individual merits and in all market capitalisation ranges. Analysts who specialise in Chinese stocks will carry out rigorous fundamental research and analysis, including on-site visits, management interviews

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

and external research report. The research output will be summarised with key financial forecasts of each stock for the portfolio managers' consideration in the portfolio construction process.

Sector allocation strategy

The Manager will identify investment opportunities that may drive performance in different sectors that may include sectors such as the consumer sector, the financial services sector and the infrastructure sector. The Manager may move into the prevailing investment and sectoral themes in the market from time to time without being constrained by any specific theme. The Manager will actively monitor the sector allocation of the investment portfolio on a continuous basis and make adjustments as and when the Manager deems necessary.

Collective Investment Schemes

The Manager will examine the management capabilities, track records and risk management practices of various collective investment schemes, including exchange traded funds.

The Sub-Fund will aim to generate return without reference to any predefined benchmark and there will be no fixed sector weightings or stock weightings.

The Manager intends to receive subscription moneys and effect payments for redemption in Renminbi only. Further, investments of the Sub-Fund will be purchased and liquidated in Renminbi and accordingly there is no conversion into other currencies normally.”