

## Explanatory Memorandum

BEA Union Investment Capital Growth Fund

**BEA Union Investment Hong Kong Growth Fund**

**BEA Union Investment Greater China Growth Fund**

**BEA Union Investment Asia Strategic Growth Fund**

**BEA Union Investment Global Equity Fund**

**BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund**

**BEA Union Investment Global Bond Fund**

**BEA Union Investment Asia Pacific Investment Grade Bond Fund**

**BEA Union Investment Capital Growth Fund (the "Fund")**  
**Fifth Addendum to**  
**the Explanatory Memorandum of the Fund dated November 2014**

**Important**

This Addendum supplements and should be read together with the Explanatory Memorandum of the Fund dated November 2014, as amended by the First Addendum dated 30 April 2015, the Second Addendum dated 9 November 2015, the Third Addendum dated 30 April 2016 and the Fourth Addendum dated 31 August 2016 (the "**Explanatory Memorandum**"). This Addendum is authorised for distribution only when accompanied by the Explanatory Memorandum together with the latest available annual report and accounts of the Fund and any subsequent interim report. The Manager accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication and confirms, 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 misleading.

Words and expressions defined in the Explanatory Memorandum shall have the same meanings in this Addendum, unless otherwise expressed herein. All other provisions contained in the Explanatory Memorandum shall remain unchanged and continue to apply. If you are in any doubt about the contents of this Addendum, you should seek independent professional advice.

**The following amendments to the Explanatory Memorandum shall take effect from 30 April 2017:**

**A. Foreign Account Tax Compliance Act (FATCA)**

1. On page 15, the second paragraph in point (xvii) Foreign Account Tax Compliance Act under the section titled "**RISK FACTORS**" shall be deleted and replaced with the following:

"In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a punitive 30% withholding tax on all "withholdable payments" derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014. In addition, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments". The Department of Treasury and the IRS announced their intention to amend the regulations to extend the start date of withholding on gross proceeds from 1 January 2017 to 1 January 2019, and to extend the start date of withholding of foreign pass thru payment to provide that a participating FFI will not be required to withhold on a foreign pass thru payment before the later of 1 January 2019 or the date of publication in the Federal Register of final regulations defining "foreign pass thru payment"."

2. On page 32, the sub-section titled "**Certification for Compliance with FATCA or other Applicable Laws**" shall be deleted and replaced with the following:

**"Certification for Compliance with FATCA or other Applicable Laws**

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Investment Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund or the relevant Investment Fund receives payments and/or (B) to satisfy reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including under Automatic Exchange of Financial Account Information ("**AEOI**")), and reporting obligations that may be imposed by future legislation.

For the purposes herein, "AEOI" means:

- (a) FATCA;
  - (b) the Organization for Economic Co-operation and Development ("**OECD**") Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard (the "**CRS**") and any associated guidance;
  - (c) any intergovernmental agreement, treaty, regulation, guidance, standard or other agreement between the Hong Kong government (or any government body in Hong Kong) and any other jurisdiction (including any government bodies in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations, guidance or standards described in sub-clauses (a) and (b) above; and
  - (d) any legislation, regulations or guidance in Hong Kong that give effect to the matters outlined in the preceding sub-clauses (a) to (c) above."
3. On page 32, the sub-section titled "**Power to Disclose Information to Tax Authorities**" shall be deleted and replaced with the following:

#### **"Power to Disclose Information to Tax Authorities**

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Investment Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Fund or the relevant Investment Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA)."

#### **B. Liquidity Risk Management**

1. On page 32, the following sub-section relating to the liquidity risk management is inserted immediately after the sub-section titled "**Power to Disclose Information to Tax Authorities**":

#### **"Liquidity Risk Management**

The Manager has established a liquidity risk management policy which enables it to identify, monitor and manage the liquidity risks of the Investment Funds and to ensure that the liquidity profile of the investments of the Investment Funds will facilitate compliance with the Investment Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager's liquidity risk management policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency and the ability to enforce redemption limitations of the relevant Investment Funds.

The liquidity risk management policy involves monitoring the profile of investments held by the Investment Funds on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "**REALISATION OF UNITS**", and will facilitate compliance with the Investment Fund's obligation to meet redemption requests. Further, the liquidity risk management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Investment Funds under normal and exceptional market conditions.

The following tool(s) may be employed by the Manager to manage liquidity risks:

- the Manager may limit the number of Units redeemed on any Dealing Day to 10% of the total number of Units of the relevant Investment Funds in issue (subject to the conditions under the heading entitled "Restrictions on Realisation" in the section headed "**REALISATION OF UNITS**")."

30 April 2017

## BEA Union Investment Capital Growth Fund (the "Fund")

### Fourth Addendum to the Explanatory Memorandum of the Fund dated November 2014

#### Important

This Addendum supplements and should be read together with the Explanatory Memorandum of the Fund dated November 2014, as amended by the First Addendum dated 30 April 2015, the Second Addendum dated 9 November 2015 and the Third Addendum dated 30 April 2016 (the "**Explanatory Memorandum**"). This Addendum is authorised for distribution only when accompanied by the Explanatory Memorandum together with the latest available annual report and accounts of the Fund and any subsequent interim report. The Manager accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

Words and expressions defined in the Explanatory Memorandum shall have the same meanings in this Addendum, unless otherwise expressed herein. All other provisions contained in the Explanatory Memorandum shall remain unchanged and continue to apply. If you are in any doubt about the contents of this Addendum, you should seek independent professional advice.

**The following amendments to the Explanatory Memorandum shall take effect from 31 August 2016:**

#### **A. Charges and Expenses**

The following amendments shall be made to Class I Units of BEA Union Investment Global Equity Fund and BEA Union Investment Global Bond Fund.

1. On page 26, the table after first paragraph under the sub-section headed "**Management Fees**" shall be deleted and replaced with the following:

	<b>Class A Units</b>	<b>Class D Units</b>	<b>Class I Units</b>	<b>Class R Units</b>
BEA Union Investment Hong Kong Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.
BEA Union Investment Greater China Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.
BEA Union Investment Asia Strategic Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.
BEA Union Investment Global Equity Fund	Nil	1.75% p.a.	Nil	1.50% p.a.
BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund	Nil	1.00% p.a.	0.30% p.a.	0.75% p.a.
BEA Union Investment Global Bond Fund	Nil	1.10% p.a.	Nil	0.85% p.a.
BEA Union Investment Asia Pacific Investment Grade Bond Fund	Nil	1.25% p.a.	0.30% p.a.	1.00% p.a.

2. On page 27, the table after the first paragraph under the sub-section titled "**Trustee and Registrar Fees**" shall be deleted and replaced with the following:

	<b>Class A Units</b>	<b>Class D Units</b>	<b>Class I Units</b>	<b>Class R Units</b>
BEA Union Investment Hong Kong Growth Fund	Nil	0.125% p.a.	0.125% p.a.	0.125% p.a.
BEA Union Investment Greater China Growth Fund	Nil	0.15% p.a.	0.15% p.a.	0.15% p.a.
BEA Union Investment Asia Strategic Growth Fund	Nil	0.125% p.a.	0.125% p.a.	0.125% p.a.
BEA Union Investment Global Equity Fund	Nil	0.15% p.a.	Nil	0.15% p.a.
BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund	Nil	0.075% p.a.	0.075% p.a.	0.075% p.a.
BEA Union Investment Global Bond Fund	Nil	0.085% p.a.	Nil	0.085% p.a.
BEA Union Investment Asia Pacific Investment Grade Bond Fund	Nil	0.10% p.a.	0.10% p.a.	0.10% p.a.

3. On page 27, the penultimate paragraph under the sub-section headed “**Trustee and Registrar Fees**” shall be deleted and replaced with the following:

“The Trustee is also entitled to receive a fee for acting as Registrar, as agreed with the Manager. The range of this fee is between 0.015 per cent. and 0.05 per cent. per annum of the net asset value of each Investment Fund (except Class I Units of BEA Union Investment Global Equity Fund and BEA Union Investment Global Bond Fund), as determined by the Registrar, subject to a minimum of US\$2,000 in the case of BEA Union Investment Global Equity Fund and BEA Union Investment Asia Pacific Investment Grade Bond Fund, and HK\$3,000 in the case of the other Investment Funds. No Registrar’s Fee will be levied on Class I Units of BEA Union Investment Global Equity Fund and BEA Union Investment Global Bond Fund.”

4. On page 33, the information relating to “Management Fee”, “Trustee Fee” and “Registrar’s Fee” in the table headed “**Summary of Charges and Expenses**” shall be deleted and replaced with the following:

	Management Fee <sup>(1)</sup>				Trustee Fee <sup>(2)</sup>			
	Class A	Class D	Class I	Class R	Class A	Class D	Class I	Class R
BEA Union Investment Hong Kong Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.	Nil	0.125% p.a.	0.125% p.a.	0.125% p.a.
BEA Union Investment Greater China Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.	Nil	0.15% p.a.	0.15% p.a.	0.15% p.a.
BEA Union Investment Asia Strategic Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.	Nil	0.125% p.a.	0.125% p.a.	0.125% p.a.
BEA Union Investment Global Equity Fund	Nil	1.75% p.a.	Nil	1.50% p.a.	Nil	0.15% p.a.	Nil	0.15% p.a.
BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund	Nil	1.00% p.a.	0.30% p.a.	0.75% p.a.	Nil	0.075% p.a.	0.075% p.a.	0.075% p.a.
BEA Union Investment Global Bond Fund	Nil	1.10% p.a.	Nil	0.85% p.a.	Nil	0.085% p.a.	Nil	0.085% p.a.
BEA Union Investment Asia Pacific Investment Grade Bond Fund	Nil	1.25% p.a.	0.30% p.a.	1.00% p.a.	Nil	0.10% p.a.	0.10% p.a.	0.10% p.a.
Notes: (1) The rate of the Management Fee in respect of Class D, Class I and/or Class R Units may be increased up to or towards a maximum rate of 3% p.a. on giving not less than 3 months’ notice to affected Unitholders. (2) The rate of the Trustee Fee in respect of Class D, Class I and/or Class R Units may be increased up to or towards a maximum rate of 0.3% p.a. on giving not less than 3 months’ notice to affected Unitholders.								
Registrar’s Fee	0.015 - 0.05% p.a. of the net asset value of each Investment Fund (except Class I Units of BEA Union Investment Global Equity Fund and BEA Union Investment Global Bond Fund), as determined by the Registrar, subject to a minimum of US\$2,000 in the case of BEA Union Investment Global Equity Fund and BEA Union Investment Asia Pacific Investment Grade Bond Fund, and HK\$3,000 in the case of the other Investment Funds. No Registrar’s Fee will be levied on Class I Units of BEA Union Investment Global Equity Fund and BEA Union Investment Global Bond Fund.							

31 August 2016

## **BEA Union Investment Capital Growth Fund (the "Fund")**

### **Third Addendum to the Explanatory Memorandum of the Fund dated November 2014**

#### **Important**

This Addendum supplements and should be read together with the Explanatory Memorandum of the Fund dated November 2014, as amended by the First Addendum dated 30 April 2015 and the Second Addendum dated 9 November 2015 (the "**Explanatory Memorandum**"). This Addendum is authorised for distribution only when accompanied by the Explanatory Memorandum together with the latest available annual report and accounts of the Fund and any subsequent interim report. The Manager accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

Words and expressions defined in the Explanatory Memorandum shall have the same meanings in this Addendum, unless otherwise expressed herein. All other provisions contained in the Explanatory Memorandum shall remain unchanged and continue to apply. If you are in any doubt about the contents of this Addendum, you should seek independent professional advice.

**The following amendments to the Explanatory Memorandum shall take effect from 30 April 2016:**

#### **A. Investment Objectives and Policies**

The following amendments shall be made to improve clarity in the permissible investments and allow flexibility in investments that are consistent with the investment objectives of the respective Investment Funds.

##### **1. BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund**

On page 8, the following paragraph shall be inserted after the third paragraph under the sub-section headed "**BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund**":

"In addition, at least 30% of the assets of the BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund will be held in Hong Kong dollar currency investments as measured by effective currency exposure (determined in accordance with Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation)."

##### **2. BEA Union Investment Asia Pacific Investment Grade Bond Fund**

On page 9, the second sentence in the second paragraph under the sub-section titled "**BEA Union Investment Asia Pacific Investment Grade Bond Fund**" shall be deleted and replaced with the following:

"“Investment grade” for this purpose means a credit rating that satisfies the criteria prescribed by the Authority from time to time.”"

On page 9, the first sentence in the fourth paragraph under the sub-section titled "**BEA Union Investment Asia Pacific Investment Grade Bond Fund**" shall be deleted and replaced with the following:

"Normally no more than 30% of BEA Union Investment Asia Pacific Investment Grade Bond Fund's assets will be invested in other bonds, denominated in various major currencies (e.g. USD), (a) which are either of investment grade but not issued by Asia Pacific government or corporate entities including, but not limited to, members of the European Union (with a minimum credit rating equivalent to BBB- by Standard and Poor's), Canada, the United States, the United Kingdom, Mexico, Russia, Brazil and Qatar, or (b) which are otherwise permitted under Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation."

30 April 2016

**BEA Union Investment Capital Growth Fund (the "Fund")**  
**Second Addendum to**  
**the Explanatory Memorandum of the Fund dated November 2014**

**Important**

This Addendum supplements and should be read together with the Explanatory Memorandum of the Fund dated November 2014, as amended by the First Addendum dated 30 April 2015 (the "**Explanatory Memorandum**"). This Addendum is authorised for distribution only when accompanied by the Explanatory Memorandum together with the latest available annual report and accounts of the Fund and any subsequent interim report. The Manager accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

Words and expressions defined in the Explanatory Memorandum shall have the same meanings in this Addendum, unless otherwise expressed herein. All other provisions contained in the Explanatory Memorandum shall remain unchanged and continue to apply. If you are in any doubt about the contents of this Addendum, you should seek independent professional advice.

**The following amendments to the Explanatory Memorandum shall take effect from 9 November 2015:**

**A. Directors of the Manager**

1. On page 2, the list of Directors of the Manager shall be deleted and replaced with the following:

**"Directors of the Manager**  
Brian Li Man Bun  
Samson Li Kai Cheong  
Eleanor WAN Yuen Yung  
Hermann Alexander SCHINDLER  
Gunter Karl HAUEISEN"

**B. Investment Objectives and Policies**

The following amendments shall be made to improve clarity in the permissible investments and allow flexibility in investments that are consistent with the investment objectives of the respective Investment Funds.

**1. BEA Union Investment Hong Kong Growth Fund**

On page 5, the following sentence shall be inserted at the end of the fifth paragraph under the subsection headed "**BEA Union Investment Hong Kong Growth Fund**":

"Up to 10% of the assets of the BEA Union Investment Hong Kong Growth Fund may be invested in other securities (as permitted under Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation)."

On page 5, the following paragraph shall be inserted after the sixth paragraph under the subsection headed "**BEA Union Investment Hong Kong Growth Fund**":

"In addition, at least 30% of the assets of the BEA Union Investment Hong Kong Growth Fund will be held in Hong Kong dollar currency investments as measured by effective currency exposure (determined in accordance with Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation)."



## **2. BEA Union Investment Greater China Growth Fund**

On page 6, the second paragraph under the sub-section headed "**BEA Union Investment Greater China Growth Fund**" shall be deleted and replaced with the following:

"The investment objective of the BEA Union Investment Greater China Growth Fund is to provide investors with long term capital growth through investing in a diversified portfolio primarily consisting of securities that are either (a) listed in Greater China or (b) issued by companies that are incorporated in Greater China or companies which have significant operations in or derive a significant portion of revenue or profits from Greater China, which includes the People's Republic of China (PRC), Hong Kong, Macau and Taiwan."

## **3. BEA Union Investment Asia Strategic Growth Fund**

On page 6, the first paragraph under the sub-section headed "**BEA Union Investment Asia Strategic Growth Fund**" shall be deleted and replaced with the following:

"The investment objective of the BEA Union Investment Asia Strategic Growth Fund is to provide investors with long term capital growth in HK dollar terms through investing in a diversified portfolio primarily consisting of securities that are either (a) listed in the Asia Pacific region or (b) issued by companies that are incorporated in the Asia Pacific region or companies which have significant operations in or derive a significant portion of revenue or profits from the Asia Pacific region (including but not limited to Hong Kong, Singapore, Malaysia, Korea, Taiwan, Thailand, Indonesia, the Philippines, India and China but excluding Japan)."

On page 7, the following sentence shall be inserted at the end of the seventh paragraph under the sub-section headed "**BEA Union Investment Asia Strategic Growth Fund**":

"Up to 10% of the assets of the BEA Union Investment Asia Strategic Growth Fund may be invested in other securities (as permitted under Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation)."

## **4. BEA Union Investment Global Equity Fund**

On page 8, the following sentence shall be inserted immediately after the first sentence in the fifth paragraph under the sub-section headed "**BEA Union Investment Global Equity Fund**":

"Up to 10% of the assets of the BEA Union Investment Global Equity Fund may be invested in other securities (as permitted under Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation)."

On page 8, the penultimate paragraph under the sub-section headed "**BEA Union Investment Global Equity Fund**" shall be deleted in its entirety.

## **5. BEA Union Investment Asia Pacific Investment Grade Bond Fund**

On page 9, the first sentence in the fourth paragraph under the sub-section titled "**BEA Union Investment Asia Pacific Investment Grade Bond Fund**" shall be deleted and replaced with the following:

"Normally no more than 30% of BEA Union Investment Asia Pacific Investment Grade Bond Fund's assets will be invested in other bonds, denominated in various major currencies (e.g. USD), (a) which are either of investment grade but not issued by Asia Pacific government or corporate entities including, but not limited to, members of the European Union (with a minimum credit rating equivalent to BBB by Standard and Poor's), Canada, the United States, the United Kingdom, Mexico, Russia, Brazil and Qatar, or (b) which are otherwise permitted under Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation."

### **C. Foreign Account Tax Compliance Act (FATCA)**

1. On page 15, after the last sentence in point (xvi) under the section titled "**RISK FACTORS**", point (xvii) shall be inserted as follows:

"(xvii) Foreign Account Tax Compliance Act – Sections 1471 – 1474 (referred to as "**FATCA**") of the US Internal Revenue Code of 1986, as amended ("**IRS Code**") imposes rules with respect to certain payments to non-United States persons, such as the Fund and the Investment Funds, including interest and dividends from securities of US issuers and gross proceeds from the sale of such securities. All such payments may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service ("**IRS**") to identify United States persons (within the meaning of the IRS Code) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an "**FFI**"), such as the Fund and the Investment Funds (and, generally, other investment funds organised outside the US), generally will be required to enter into an agreement (an "**FFI Agreement**") with the US IRS under which it will agree to identify its direct or indirect owners who are United States persons and report certain information concerning such United States person owners to the US IRS.

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a punitive 30% withholding tax on all "withholdable payments" derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014. In addition, starting from 1 January 2017, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments.

Hong Kong entered into an intergovernmental agreement with the US on 13 November 2014 ("**IGA**") for the implementation of FATCA, adopting "Model 2" IGA arrangements. Under this "Model 2" IGA arrangements, FFIs in Hong Kong (such as the Fund and the Investment Funds) would be required to enter into the FFI Agreement with the US IRS, register with the US IRS and comply with the terms of FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US-sourced payments to them.

As an IGA has been signed between Hong Kong and the US, FFIs in Hong Kong (such as the Fund and the Investment Funds) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account holders is reported to the US IRS), but may be required to withhold tax on payments made to non-compliant FFIs.

The Manager has been registered as a "sponsoring FFI" (i.e. the FFI which undertakes the obligations under FATCA on behalf of the Fund and/or the Investment Funds), and the Fund and/or the Investment Funds are treated as "registered deemed-compliant FFI". If necessary, the Fund and each Investment Fund will register with the US IRS depending on further announcement from the US IRS.

The Fund and each Investment Fund will endeavour to satisfy the requirements imposed under FATCA and the FFI Agreement to avoid any withholding tax. In the event that the Fund or any Investment Fund is not able to comply with the requirements imposed by FATCA or the FFI Agreement and the Fund or such Investment Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Fund or that Investment Fund may be adversely affected and the Fund or such Investment Fund may suffer significant loss as a result.

In the event a Unitholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Fund or the relevant Investment Fund, or a risk of the Fund or the relevant Investment Fund being subject to withholding tax under FATCA, the Manager on behalf of the Fund and each of such relevant Investment Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, (i) reporting the relevant information of such Unitholder to the US IRS; (ii) withholding or deducting from such Unitholder's redemption proceeds or distributions to the extent permitted by applicable laws and regulations; and/or (iii) deeming such Unitholder to have given notice to redeem all his Units in the relevant Investment Fund. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds.

Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation."

2. On page 32, after the sub-section titled "**Anti-Money Laundering Regulations**", the following new sub-sections shall be inserted:

**"Certification for Compliance with FATCA or other Applicable Laws**

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Investment Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund or the relevant Investment Fund receives payments and/or (B) to satisfy reporting or other obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

**Power to Disclose Information to Tax Authorities**

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Investment Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, to enable the Fund or the relevant Investment Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA)."

9 November 2015

## **BEA Union Investment Capital Growth Fund (the "Fund")**

### **First Addendum to the Explanatory Memorandum of the Fund dated November 2014**

#### **Important**

This Addendum supplements and should be read together with the Explanatory Memorandum of the Fund dated November 2014 (the "**Explanatory Memorandum**"). This Addendum is authorised for distribution only when accompanied by the Explanatory Memorandum together with the latest available annual report and accounts of the Fund and any subsequent interim report. The Manager accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

Words and expressions defined in the Explanatory Memorandum shall have the same meanings in this Addendum, unless otherwise expressed herein. All other provisions contained in the Explanatory Memorandum shall remain unchanged and continue to apply. If you are in any doubt about the contents of this Addendum, you should seek independent professional advice.

**The following amendments to the Explanatory Memorandum shall take effect from 30 April 2015:**

#### **A. Publication of Prices**

On page 25, the paragraph under the heading "**Publication of Prices**" is deleted in its entirety and replaced with the following:

"The issue and realisation prices per Unit of each class available to retail investors will be published on every Dealing Day on the Manager's website: [www.bea-union-investment.com](http://www.bea-union-investment.com). Investors should note that the aforesaid website has not been reviewed or authorised by the SFC and may contain information of the funds that are not authorised by the SFC and may not be offered to the retail public in Hong Kong."

#### **B. Publication of Dealing Suspension Notice**

On page 25, the last paragraph under the heading "**Suspension of Calculation of Net Asset Value**" is deleted in its entirety and replaced with the following:

"Whenever the Manager declares such a suspension it shall notify the Authority and the Commission and shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish on the Manager's website: [www.bea-union-investment.com](http://www.bea-union-investment.com) that such declaration has been made. Investors should note that the aforesaid website has not been reviewed or authorised by the SFC."

30 April 2015

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## IMPORTANT INFORMATION FOR INVESTORS

The Manager accepts responsibility for the information contained in this explanatory memorandum ("Explanatory Memorandum") as being accurate at the date of publication. However, neither the delivery of this Explanatory Memorandum nor the offer or issue of units in the Fund shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum is correct as of any time subsequent to such date. This Explanatory Memorandum may from time to time be updated. Intending applicants for units should ask the Manager if any supplements to this Explanatory Memorandum or any later Explanatory Memorandum have been issued.

Distribution of this Explanatory Memorandum must be accompanied by a copy of the latest available annual report and accounts of the Fund and any subsequent interim report. Units are offered on the basis only of the information contained in this Explanatory Memorandum and (where applicable) the above mentioned annual reports and accounts and interim reports. Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Explanatory Memorandum should be regarded as unauthorised and accordingly must not be relied upon.

The Fund has been authorised by the Securities and Futures Commission and approved by the Mandatory Provident Fund Schemes Authority in Hong Kong. In granting such authorisation and approval, neither the Securities and Futures Commission nor the Mandatory Provident Fund Schemes Authority takes any responsibility for the financial soundness of the Fund or for the accuracy of any of the statements made or opinions expressed in this Explanatory Memorandum. Such authorisation and/or approval is not a recommendation or endorsement of the Fund nor does it guarantee the commercial merits of the Fund or its performance. It does not mean the Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

No action has been taken to permit an offering of units or the distribution of this Explanatory Memorandum in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised.

In particular:-

- (a) Units in the Fund have not been registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a US Person (as defined in Regulation S under such Act).
- (b) The Fund has not been and will not be registered under the United States Investment Company Act of 1940 as amended.

Potential applicants for units in the Fund should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding, switching or disposal of units in the Fund.

Investors may contact the complaint officer of the Manager (during normal office hours by telephone at +852 3608 0304) if they have any complaints or enquiries in respect of the Fund and its compartments. Depending on the subject matter of the complaints or enquiries, these will be dealt with either by the Manager directly, or referred to the relevant parties for further handling. The Manager will, on a best effort basis, revert and address the investor's complaints and enquiries as soon as practicable.

## DIRECTORY OF PARTIES

### Manager

BEA Union Investment Management Limited  
5th Floor, The Bank of East Asia Building  
10 Des Voeux Road Central  
Hong Kong

### Trustee and Registrar

Bank of East Asia (Trustees) Limited  
32nd Floor, BEA Tower  
Millennium City 5  
418 Kwun Tong Road  
Kwun Tong, Kowloon  
Hong Kong

### Directors of the Manager

Brian LI Man Bun  
Samson LI Kai Cheong  
Eleanor WAN Yuen Yung  
Alexander SCHINDLER  
Jens WILHELM

### Auditors

KPMG  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

### Legal Advisers

Deacons  
5th Floor, Alexandra House  
18 Chater Road  
Central  
Hong Kong

## DEFINITIONS

<b>“Approved Pooled Investment Fund”</b>	a collective investment scheme approved by the Authority pursuant to the MPF Ordinance for investment by provident fund schemes registered under the MPF Ordinance
<b>“Authorised Distributor”</b>	any person appointed by the Manager to distribute some or all of the Investment Funds to potential investors
<b>“Authority”</b>	the Mandatory Provident Fund Schemes Authority of Hong Kong
<b>“Business Day”</b>	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a Number 8 Typhoon Signal or higher or a black rainstorm warning or other similar event, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, such day shall not be a Business Day when the Manager and the Trustee deem it operationally infeasible
<b>“Commission”</b>	the Securities and Futures Commission of Hong Kong
<b>“Dealing Day”</b>	every Business Day or such other day or days as the Manager may from time to time prescribe, either generally or for a particular Investment Fund or Investment Funds
<b>“Fund”</b>	BEA Union Investment Capital Growth Fund
<b>“HK\$” and “HK dollars”</b>	the currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Investment Fund”</b>	a separate pool of assets of the Fund, which is invested and administered separately from other assets of the Fund
<b>“Manager”</b>	BEA Union Investment Management Limited in its capacity as the manager of the Fund
<b>“MPF Ordinance”</b>	the Mandatory Provident Fund Schemes Ordinance (Chapter 485) of the Laws of Hong Kong
<b>“Registrar”</b>	Bank of East Asia (Trustees) Limited in its capacity as the registrar of the Fund
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
<b>“Trust Deed”</b>	the trust deed dated 22 September 2000 establishing the Fund, as amended from time to time
<b>“Trustee”</b>	Bank of East Asia (Trustees) Limited in its capacity as the trustee of the Fund



**“Unit”**

where there is only one class of Units in issue in relation to a particular Investment Fund, one undivided share in the Investment Fund to which it relates. Where more than one class of Units is in issue in relation to an Investment Fund, the number of undivided shares of that Investment Fund represented by a Unit of a particular class is adjusted to take account of the different terms of issue of the different classes of Units. A fraction of a Unit of the same class shall represent the corresponding fraction of an undivided share in the relevant Investment Fund or part of the relevant Investment Fund

**“Unitholder”**

a registered holder of Unit(s)

**“US\$” and “US dollars”**

the currency of the United States of America

BEA Union Investment Capital Growth Fund is a unit trust established by a trust deed dated 22 September 2000, as amended, between BEA Union Investment Management Limited (previously known as East Asia Asset Management Company Limited) as manager and Bank of East Asia (Trustees) Limited as trustee. It is established under and governed by the laws of Hong Kong.

The Fund is an umbrella fund and currently offers 7 investment choices – BEA Union Investment Hong Kong Growth Fund, BEA Union Investment Greater China Growth Fund, BEA Union Investment Asia Strategic Growth Fund, BEA Union Investment Global Equity Fund, BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund, BEA Union Investment Global Bond Fund and BEA Union Investment Asia Pacific Investment Grade Bond Fund. Class A Units, Class D Units, Class I Units and Class R Units are available for issue in relation to each Investment Fund. The Manager may in future request the Trustee to create further Investment Funds or determine to issue additional classes of Units in relation to each Investment Fund.

## **INVESTMENT OBJECTIVES AND POLICIES**

Each Investment Fund has a separate and distinct investment objective and policy, as described below.

Investors should note that the statements of expected return for each of the Investment Funds set out below represent the Manager's (or its delegate's) expectations based on its past experience. However, there is no guarantee that such returns will be achieved. In addition, the return of an Investment Fund over the short term may be greater than or less than the return of an Investment Fund over the long term, due to market fluctuations and other factors.

### **BEA Union Investment Hong Kong Growth Fund**

The investment objective of the BEA Union Investment Hong Kong Growth Fund is to provide investors with long term capital growth in HK dollar terms through investing in a diversified portfolio consisting primarily of securities of companies, either listed in or with operations or interests principally, in Hong Kong.

Although the BEA Union Investment Hong Kong Growth Fund's portfolio will consist primarily of listed securities in Hong Kong, the Manager will also consider subscription for an offer of securities prior to the initial public offering of such securities where those securities are to be listed.

In addition to equities, the BEA Union Investment Hong Kong Growth Fund's portfolio may from time to time include cash, deposits, fixed interest securities, instruments with floating interest rates and short-term paper such as Treasury Bills, certificates of deposit, bankers' acceptances and short-term commercial paper. If the Manager considers that conditions so require and it is in the interests of Unitholders to do so, a substantial portion of the portfolio may be held in cash or such instruments.

Investments will be selected on the basis of the Manager's view of the investments' ability to enable the Manager to achieve long term capital growth; the production of income from investments will not be an important factor in making investment decisions. Although it is likely that the portfolio will comprise investments from most sectors of the market, the weighting of the portfolio between sectors is likely to change in different economic circumstances.

At any one time, up to 100% of the assets of the BEA Union Investment Hong Kong Growth Fund may be invested in equity securities.

Subject to the restrictions imposed by the MPF Ordinance, the Manager may acquire financial futures and options contracts for the BEA Union Investment Hong Kong Growth Fund for hedging purposes to protect and enhance asset value, consistent with the investment objective of the BEA Union Investment Hong Kong Growth Fund.

The BEA Union Investment Hong Kong Growth Fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors. The Manager expects the return of the BEA Union Investment Hong Kong Growth Fund over the long term to reflect movements in the Hong Kong stock market.

The Manager currently intends to adopt a “top-down” approach under which the Manager will first determine the portion of the BEA Union Investment Hong Kong Growth Fund’s portfolio which is to be allocated to each sector and then select suitable investments within each sector. Fundamental analysis will be applied in selecting suitable investments for the portfolio. Allocation of the portfolio between sectors will vary from time to time according to the Manager’s perception of prevailing and anticipated market conditions in Hong Kong and will be decided on the basis of the Manager’s macro-economic analysis of the Hong Kong markets and economic growth, inflation and interest rate trends. In selecting particular stocks, the BEA Union Investment Hong Kong Growth Fund will seek to invest in those growth stocks only when they can be purchased at, in the opinion of the Manager, a reasonable price.

#### **BEA Union Investment Greater China Growth Fund**

The BEA Union Investment Greater China Growth Fund is a direct investment fund which invests its assets directly in the securities markets.

The investment objective of the BEA Union Investment Greater China Growth Fund is to provide investors with long-term capital growth through investing in a portfolio primarily consisting of listed securities of companies that conduct a significant portion of their business activities in, or derive or are expected to derive a significant portion of their revenues from Greater China, which includes the People’s Republic of China (PRC), Hong Kong, Macau and Taiwan.

Normally not less than 70% of the assets of the BEA Union Investment Greater China Growth Fund will be invested directly in equities. Up to 10% of the assets of the BEA Union Investment Greater China Growth Fund may be invested in other securities (as permitted under Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation), including other collective investment schemes, China A-shares and China B-shares. Any remaining assets may be held in cash or cash equivalents. In times of extreme volatility of the markets or during severe adverse market conditions, the BEA Union Investment Greater China Growth Fund may hold a substantial portion of its assets in cash or cash equivalents, or invest in short-term money market instruments to safeguard the investment portfolio of the BEA Union Investment Greater China Growth Fund. In addition, at least 30% of the assets of the BEA Union Investment Greater China Growth Fund will be held in Hong Kong dollar currency investments as measured by effective currency exposure (determined in accordance with Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation).

Subject to the restrictions imposed by the MPF Ordinance, the Manager may enter into financial futures and options contracts for the BEA Union Investment Greater China Growth Fund for hedging purposes to reduce risk and protect or enhance asset value, consistent with the investment objective of the BEA Union Investment Greater China Growth Fund.

The BEA Union Investment Greater China Growth Fund due to its high exposure to equities, has a high risk profile in terms of fluctuations in the value of its assets. Investors should therefore regard the BEA Union Investment Greater China Growth Fund as a high risk investment.

#### **BEA Union Investment Asia Strategic Growth Fund**

The investment objective of the BEA Union Investment Asia Strategic Growth Fund is to provide investors with long term capital growth in HK dollar terms through investing in a diversified portfolio consisting primarily of listed securities of companies that conduct a significant portion of their business activities in, or derive or are expected to derive a significant portion of their revenues from the Asia Pacific region (including but not limited to Hong Kong, Singapore, Malaysia, Korea, Taiwan, Thailand, Indonesia, the Philippines, India and China but excluding Japan).

The Manager currently intends to adopt a “top-down” approach under which the Manager will first determine the portion of the BEA Union Investment Asia Strategic Growth Fund’s portfolio which is to be allocated to each country in the region and then select suitable investments within each country. Fundamental analysis will be applied in selecting suitable investments for the portfolio within each country.

Allocation of the portfolio between countries will vary from time to time according to the Manager's perception of prevailing and anticipated market conditions within Asia and will be decided on the basis of the Manager's macro-economic analysis of the Asian markets and economic growth, inflation and interest rate trends. The Manager anticipates that at any one time the maximum exposure of the BEA Union Investment Asia Strategic Growth Fund to any one of the Singapore, Malaysia, Korea or Taiwan or China markets will not exceed 50% of the BEA Union Investment Asia Strategic Growth Fund's assets and the maximum exposure of the BEA Union Investment Asia Strategic Growth Fund to any one of the Thailand, Indonesia, the Philippines and India markets will not exceed 30% of the BEA Union Investment Asia Strategic Growth Fund's assets. Corporate earnings growth and funds flow analysis will also be an integral part of the investment decision-making process.

Once a country asset allocation strategy has been formulated, the Manager will seek to identify within each market those sectors which are, in its opinion, likely to provide the best performance. In selecting particular stocks, the Manager currently intends to focus on companies which the Manager believes will provide above-average growth compared with other companies in the same sector or compared with the market as a whole. However, the BEA Union Investment Asia Strategic Growth Fund will seek to invest in those growth stocks only when they can be purchased at what, in the opinion of the Manager, is a reasonable price.

Although the BEA Union Investment Asia Strategic Growth Fund will focus primarily on listed securities, it may also subscribe for an offer of securities prior to the initial public offering of such securities where those securities are to be listed.

In addition to equities, the BEA Union Investment Asia Strategic Growth Fund may from time to time include cash, deposits, fixed interest securities, instruments with floating interest rates and short-term paper such as Treasury Bills, certificates of deposit, bankers' acceptances and short-term commercial paper. If the Manager considers that conditions so require and it is in the interests of Unitholders to do so, a substantial portion of the portfolio may be held in cash or such instruments. Currency forward contracts may be used for the purposes of hedging into HK dollars.

It is intended that, at any one time, at least 60% of the assets of the BEA Union Investment Asia Strategic Growth Fund other than cash or deposits will be invested in equity securities.

Subject to the restrictions imposed by the MPF Ordinance, financial futures and options contracts may be entered into for the BEA Union Investment Asia Strategic Growth Fund for hedging purposes to protect and enhance asset value, consistent with the investment objective of the BEA Union Investment Asia Strategic Growth Fund.

The BEA Union Investment Asia Strategic Growth Fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors. The Manager expects the return of the BEA Union Investment Asia Strategic Growth Fund over the long term to reflect movements in the stock markets of the Asian region.

#### **BEA Union Investment Global Equity Fund**

The investment objective of the BEA Union Investment Global Equity Fund is to provide investors with long term capital growth through investing in a diversified global portfolio.

BEA Union Investment Global Equity Fund's portfolio will primarily consist of global equity securities, including but not limited to common stocks, preferred stocks, American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs"), International Depositary Receipts ("IDRs"), approved Exchange Traded Funds ("ETFs"), warrants, or debt securities convertible into common or preferred stocks, or ADRs, GDRs or IDRs, to the extent permitted under Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation.

In managing the asset allocation of the portfolio, the Manager will from time to time make reference to the geographic allocation by one or more global stock market indices. As an indication, the geographic allocation of the BEA Union Investment Global Equity Fund is expected to be:

United States	-	0%-65%
Europe	-	0%-40%
Others	-	0%-50%

Please note that the above figures are for indicative purposes only. The actual allocation of the BEA Union Investment Global Equity Fund's portfolio between countries and regions may vary from time to time and may be different from that as shown above according to the Manager's perception of prevailing and anticipated global market conditions and will be decided on the basis of the Manager's macro-economic analysis of the global markets and economic growth, inflation and interest rate trends.

Normally not less than 70% of BEA Union Investment Global Equity Fund's assets will be invested in equities. Any remaining assets may be held in money market instruments, cash or cash equivalents. In times of extreme volatility of the markets or during severe adverse market conditions, the BEA Union Investment Global Equity Fund may hold a substantial portion of its assets in money market instruments, cash or cash equivalents to safeguard the investment portfolio of the BEA Union Investment Global Equity Fund.

Subject to the restrictions imposed by the MPF Ordinance, the Manager may enter into financial futures, options and currency forward contracts for the BEA Union Investment Global Equity Fund for hedging purposes to reduce risk and protect asset value, consistent with the investment objective of the BEA Union Investment Global Equity Fund.

In addition, at least 30% of the assets of the BEA Union Investment Global Equity Fund will be held in Hong Kong dollar currency investments as measured by effective currency exposure (determined in accordance with Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation).

It is not intended that the assets of the BEA Union Investment Global Equity Fund will have any exposure in China A-shares or China B-shares.

The BEA Union Investment Global Equity Fund due to its high exposure to equities, has a high risk profile in terms of fluctuation in the value of its assets. Investors should therefore regard the BEA Union Investment Global Equity Fund as a high risk investment.

### **BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund**

The investment objective of the BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund is to provide investors with long term capital growth in HK dollar terms through investing in a portfolio consisting primarily of HK dollar denominated interest bearing securities. If the Manager considers that conditions so require and it is in the interests of Unitholders to do so, a substantial portion of the portfolio may be held in cash.

The Manager anticipates a majority of the portfolio will be invested in bonds issued by governments, quasi-governmental organisations, multilateral international agencies and blue chip corporations. Investments in corporate bonds and debentures must meet the minimum required credit ratings as determined by the Authority from time to time.

The value of the portfolio's holding of Hong Kong dollar denominated securities shall not be less than 70% of the net asset value of the BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund. Subject to the restrictions imposed by the MPF Ordinance, the Manager may acquire financial futures contracts for the BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund for hedging purposes to protect and enhance asset value, consistent with the investment objective of the BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund.

Investors should regard the BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund as a low risk investment. The Manager expects the return of the BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund over the long term to exceed the Hong Kong inflation rate.

## **BEA Union Investment Global Bond Fund**

The investment objective of the BEA Union Investment Global Bond Fund is to provide investors with total investment return over the medium to long term through investing into a diversified range of global bonds denominated in various major currencies (including but not limited to, US dollars, Euro, Pounds Sterling, Japanese Yen and Hong Kong dollars).

The BEA Union Investment Global Bond Fund's assets will normally be invested between 20% to 100% in short to long term government bonds and 0% to 80% in short to long term corporate bonds. Investments will be made mainly in the United States, Europe and Asia, but may include other markets. However, the actual allocation may vary as market and other conditions change.

Subject to the restrictions imposed by the MPF Ordinance, the Manager and its delegates may acquire financial futures contracts for the BEA Union Investment Global Bond Fund for hedging purposes to reduce risk and enhance asset value, consistent with the investment objective of the BEA Union Investment Global Bond Fund.

Compared to funds investing in equity securities, investors may regard the BEA Union Investment Global Bond Fund as a low risk investment. The Manager expects the return of the BEA Union Investment Global Bond Fund over the long term to reflect movements in the global bond market.

## **BEA Union Investment Asia Pacific Investment Grade Bond Fund**

The investment objective of the BEA Union Investment Asia Pacific Investment Grade Bond Fund is to provide total investment return over the medium to long term through investing in Asia Pacific investment grade bonds.

BEA Union Investment Asia Pacific Investment Grade Bond Fund's portfolio will primarily consist of bonds, denominated in various Asian or major global currencies (e.g. USD), which are of investment grade and issued by Asia Pacific government or corporate entities. "Investment grade" for this purpose means a credit rating that satisfies the criteria prescribed by the Authority from time to time, i.e. a minimum credit rating (equivalent to BBB by Standard and Poor's, as of the date of this document) set by the Authority, based on the credit rating of the security as determined by a credit rating agency approved by the Authority. The investments of the BEA Union Investment Asia Pacific Investment Grade Bond Fund may include (but are not limited to): fixed and floating rate bonds, zero coupon and discount bonds and commercial paper.

The Asia Pacific countries or regions which the BEA Union Investment Asia Pacific Investment Grade Bond Fund may invest in include, but are not limited to, Australia, Hong Kong, China, Korea, Malaysia, New Zealand, Singapore and Thailand. The BEA Union Investment Asia Pacific Investment Grade Bond Fund may obtain exposure to the China bond markets through investment in offshore Renminbi denominated debt securities or other securities issued or distributed outside mainland China, e.g. offshore RMB bonds issued in Hong Kong. It does not invest in debt securities or other securities issued or distributed within mainland China.

No more than 30% of BEA Union Investment Asia Pacific Investment Grade Bond Fund's assets will be invested in bonds, denominated in various major currencies (e.g. USD), which are of investment grade but not issued by Asia Pacific government or corporate entities including, but not limited to, members of the European Union (with a minimum credit rating equivalent to BBB by Standard and Poor's), Canada, the United States, the United Kingdom, Mexico, Russia, Brazil and Qatar. Investments in bonds issued by non-Asia Pacific issuers may be made to (i) manage downside risks (e.g. during times of volatility of the Asian bond market) or (ii) achieve additional investment returns by allocating assets into such bonds where the Manager considers they are attractive on a risk/return basis or (iii) benefit from diversification of the portfolio of investments.

BEA Union Investment Asia Pacific Investment Grade Bond Fund may also invest no more than 30% of its assets in money market instruments, cash or cash equivalents. In times of extreme volatility of the markets or during severe adverse market conditions, the BEA Union Investment Asia Pacific Investment Grade Bond Fund may hold a substantial portion of its assets in money market instruments, cash or cash equivalents to safeguard the investment portfolio of the BEA Union Investment Asia Pacific Investment Grade Bond Fund.

The target asset allocation is as follows (which may be varied within the ranges according to changing market conditions):

	Minimum (% of net asset value)	Maximum (% of net asset value)
By asset type		
– debt securities	70%	100%
– money market instruments/cash and cash equivalents	0%	30%
By geographical allocation		
– Asia Pacific	70%	100%
– Non-Asia Pacific	0%	30%

Subject to the restrictions imposed by the MPF Ordinance, the Manager may enter into financial futures, options and currency forward contracts for the BEA Union Investment Asia Pacific Investment Grade Bond Fund for hedging purposes to reduce risk and protect asset value, consistent with the investment objective of the BEA Union Investment Asia Pacific Investment Grade Bond Fund.

In addition, at least 30% of the assets of the BEA Union Investment Asia Pacific Investment Grade Bond Fund will be held in Hong Kong dollar currency investments as measured by effective currency exposure (determined in accordance with Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation).

The BEA Union Investment Asia Pacific Investment Grade Bond Fund will not invest in any structured deposits or products, and will not enter into any securities lending, repurchase transactions or other similar transactions.

Compared to funds investing in equity securities, investors may regard the BEA Union Investment Asia Pacific Investment Grade Bond Fund as a relatively low risk investment. The Manager expects the return of the BEA Union Investment Asia Pacific Investment Grade Bond Fund to reflect the movements in the Asia Pacific investment grade bond market.

#### **Change in Investment Objectives and Policies**

Unless otherwise agreed with the Commission, the Manager will give not less than three months' notice of any change in the investment objectives and policies of an Investment Fund to affected Unitholders. Any such change is subject to the prior approval of the Authority.

#### **Securities Lending**

The Manager has power to arrange for the loan of securities of any Investment Fund and may do so from time to time, as and when considered appropriate in the interests of Unitholders and in accordance with applicable regulations and market practice. In connection with any securities lending:–

- All income arising as a result of the securities lending, net of fees and expenses, will be credited to the relevant Investment Fund;
- The Trustee must be satisfied as to the financial standing of the relevant counterparty which has minimum credit rating of Single A by Moody's and/or Standard and Poor's or equivalent;
- Collateral for the securities lent must be in the form of cash or such other form as permitted by the MPF Authority and must exceed the value of the securities lent;
- The value of the securities lent must not exceed 10 per cent. of the net asset value of the relevant Investment Fund.

## Currency of Denomination

The Investment Funds are denominated in HK dollars.

The currency of denomination of Units is the currency of denomination of the relevant Investment Fund, except for Class R Units of the BEA Union Investment Asia Strategic Growth Fund and the BEA Union Investment Global Bond Fund, the currency of denomination for which is US dollars.

## RISK FACTORS

Each Investment Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Investment Fund and the income from them may go down as well as up.

Investors' attention is drawn to the following risk factors:

The performance of the Investment Funds is subject to a number of risk factors, including those set out below.

- (i) Political, economic and social risks – All financial markets may at times be adversely affected by changes in political, economic and social conditions.
- (ii) Emerging markets – Various countries in which the BEA Union Investment Asia Strategic Growth Fund, the BEA Union Investment Greater China Growth Fund, the BEA Union Investment Global Equity Fund and the BEA Union Investment Asia Pacific Investment Grade Bond Fund will invest are considered as emerging markets. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk. The securities markets of some of the emerging countries in which the assets of the BEA Union Investment Asia Strategic Growth Fund, the BEA Union Investment Greater China Growth Fund, the BEA Union Investment Global Equity Fund and/or the BEA Union Investment Asia Pacific Investment Grade Bond Fund may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. The assets of the BEA Union Investment Asia Strategic Growth Fund, the BEA Union Investment Greater China Growth Fund, the BEA Union Investment Global Equity Fund and the BEA Union Investment Asia Pacific Investment Grade Bond Fund may be invested in securities with exposure in the PRC, of which the value may be affected by political, legal, economic and fiscal uncertainties in China. Existing laws and regulations may not be consistently applied in China. Since 1978, the Chinese government has been reforming the economic and political systems of China, and these reforms are expected to continue. Many of the reforms are unprecedented or experimental and are expected to be refined or changed. Other political, economic and social factors could also lead to further readjustments to the reform measures. The operations and financial results of the securities in which the BEA Union Investment Asia Strategic Growth Fund, the BEA Union Investment Greater China Growth Fund, the BEA Union Investment Global Equity Fund and the BEA Union Investment Asia Pacific Investment Grade Bond Fund invest in could be adversely affected by adjustments in Chinese state plans, political, economic and social conditions, changes in the policies of the Chinese government such as changes in laws and regulations (or the interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions. The transformation from a centrally planned, socialist economy to a more market-oriented economy has resulted in many economic and social disruptions and distortions. Moreover, there can be no assurance that the economic and political initiatives necessary to achieve and sustain such a transformation will continue or, if such initiatives continue and are sustained, that they will be successful. In the past the Chinese government has applied nationalization, expropriation, confiscatory levels of taxation and currency blockage.



Accounting, auditing and financial reporting standards in some of the emerging markets in which the assets of the BEA Union Investment Asia Strategic Growth Fund, the BEA Union Investment Greater China Growth Fund, the BEA Union Investment Global Equity Fund and the BEA Union Investment Asia Pacific Investment Grade Bond Fund may be invested may be less vigorous than international standards. As a result, certain material disclosures may not be made by some companies. In many cases, governments of emerging markets retain a high degree of direct control over the economy and may take actions having sudden and widespread effects such as suspension of trade and moratorium which may affect valuation of assets. Investments in emerging markets may also become illiquid which may constrain the Manager's ability to realise some or all of the portfolio and thus affect the repatriation of capital.

- (iii) Currency risk – The BEA Union Investment Greater China Growth Fund, the BEA Union Investment Asia Strategic Growth Fund, the BEA Union Investment Global Equity Fund, the BEA Union Investment Global Bond Fund and the BEA Union Investment Asia Pacific Investment Grade Bond Fund are denominated in HK dollars, although these Investment Funds may be invested in whole or in part in assets quoted in other currencies. The performance of the BEA Union Investment Greater China Growth Fund, the BEA Union Investment Asia Strategic Growth Fund, the BEA Union Investment Global Equity Fund, the BEA Union Investment Global Bond Fund and the BEA Union Investment Asia Pacific Investment Grade Bond Fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and their respective base currencies (i.e., the HK dollar). Since the Manager aims to maximise returns in HK dollar terms for the BEA Union Investment Greater China Growth Fund, the BEA Union Investment Asia Strategic Growth Fund, the BEA Union Investment Global Equity Fund, the BEA Union Investment Global Bond Fund and the BEA Union Investment Asia Pacific Investment Grade Bond Fund, investors in these Investment Funds may be exposed to additional currency risk. Where the currency of denomination of a class of Units is different from the base currency of the Investment Fund, Unitholders of such class of Units are also subject to exchange rate risks between the two currencies.
- (iv) Interest rates – Interest rates may be subject to fluctuation. Any fluctuation in interest rates may have a direct effect on the income received by BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund, BEA Union Investment Global Bond Fund and BEA Union Investment Asia Pacific Investment Grade Bond Fund and their respective capital value.
- (v) Credit risk – If the issuer of any of the securities in which the assets of the BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund, the BEA Union Investment Global Bond Fund and/or the BEA Union Investment Asia Pacific Investment Grade Bond Fund are invested defaults, the performance of such Investment Funds will be negatively affected. In addition, the value of each Investment Fund may be adversely affected if any of the institutions with which cash is invested or deposited suffers insolvency or other financial difficulties. This risk is minimised to the extent that the exposure to any institution is limited to the maximum level of 10 per cent. of the total net asset value of each Investment Fund as permitted under Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation (except in case of an "exempt authority" set out in the following paragraph).

There is no certainty as to the credit worthiness of issuers of debt securities. Unstable market conditions may mean there are increased instances of default amongst issuers. This risk is minimised to the extent that investment in debt securities issued by any institution is limited to 10 per cent. of the total net asset value of such Investment Fund as required under Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation (except in the case where the debt securities are issued by an exempt authority (as defined in Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation) or the repayment of principal or payment of interest are guaranteed by an exempt authority, then (i) the investment of an Investment Fund in debt securities of the same issue shall be limited to 30 per cent. of its net asset value or (ii) the Investment Fund may invest all its net asset value in debt securities of the same issuer so long as they comprise at least 6 different issues).

- (vi) Diversification risk – The BEA Union Investment Hong Kong Growth Fund and the BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund invest in Hong Kong only. Although each Investment Fund’s portfolio will be well diversified in terms of the number of holdings, investors should be aware that such Investment Funds are likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from adverse conditions in Hong Kong.
- (vii) Hedging – The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market risks. There is no guarantee that hedging techniques will achieve their desired result.
- (viii) Securities markets – an Investment Fund which invests directly in equities are subject to the risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the Investment Fund to losses.
- (ix) Liquidity Risk – In extreme market conditions it may be difficult for an Investment Fund to realise an investment at short notice without suffering a discount to market value. In such circumstances Unitholders may suffer a delay in realising their investment or may incur a dilution adjustment.

Further, if an issuer suffers an adverse change in its financial condition that could lower the credit quality of securities it issues. This may in turn lower the security’s liquidity, making it more difficult to sell the security. Debt securities are sold in the primary market directly from issuers when they are first issued. For many debt securities, there may not be an active secondary trading market. Therefore, an Investment Fund may need to hold such securities until their maturity date or dispose of the securities at a discounted price.

- (x) Market Risk – Weak financial and credit conditions may have a negative impact on the equities market resulting in increased volatility. Unitholders should note that an Investment Fund will be subject to market risk. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time and can be influenced by movements of large funds as a result of short term factors, counter-speculative measures or other reasons. Market volatility of a large enough magnitude can sometimes weaken what is deemed to be a sound fundamental basis for investing in a particular market or stock. Investment expectations may therefore fail to be realised in such instances. This risk is minimised to the extent that investment in equities and other securities is subject to the diversification requirements of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation, under which investment by an Investment Fund is limited to 10 per cent. of shares of a particular class issued by any issuer and shall not represent more than 10 per cent. of the net asset value of such Investment Fund.
- (xi) Risk in relation to futures, options and forward contracts – Some of the Investment Funds may use futures, options and/or forward contracts for hedging purposes. Such hedging may not achieve the intended purpose. Futures, options and forward contracts may be subject to various types of risks, including market risk, the risk of lack of correlation or leverage effect, liquidity risk and the risk of non-performance by the counterparty (including risks relating to the financial soundness and creditworthiness of the counterparty). In an adverse situation, an Investment Fund’s use of futures, options and forward contracts may become ineffective in achieving hedging and the Investment Fund may suffer significant losses.

- (xii) Risk in relation to investment in authorised unit trusts and mutual funds of a kind approved by the Authority – Where an Investment Fund invests in other collective investment schemes, its performance will be affected by the performance of its underlying collective investment schemes and will be subject to all risks associated with such schemes' investments and cash exposure, including, among others, market, interest rate, currency, exchange rate, economic, credit, liquidity, counterparty and political risks. These risks are minimised to the extent that investment in authorised unit trusts and mutual funds of a kind approved by the Authority, aggregated with other specified permissible investments, is limited to 10 per cent. of the total net asset value of such Investment Fund as required under Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation.

Investors will bear the recurring expenses of the Investment Fund as well as the expenses of the underlying collective investment schemes. Therefore, the returns, if any, that investors may obtain may not reflect the returns that they may obtain by investing directly in the underlying collective investment schemes.

- (xiii) Risk of termination – The Fund/an Investment Fund may be terminated in certain circumstances which are summarised under the sections "Termination of the Fund" and "Termination of an Investment Fund". In the event of the termination of the Fund/an Investment Fund, the Fund/such Investment Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Fund/the Investment Fund. It is possible that at the time of such sale or distribution, certain investments held by the Fund/the relevant Investment Fund might be worth less than the initial cost of such investments, resulting in a loss to the Unitholders. Moreover, any organisational expenses with regard to the Fund/the relevant Investment Fund that had not yet been fully amortized would be debited against the Fund's/the Investment Fund's capital at that time.
- (xiv) Risk of concentration of investment in the United States – The BEA Union Investment Global Equity Fund may invest significantly in securities of the United States ("US"). If the Investment Fund's investment becomes concentrated in US securities, the Investment Fund may be more susceptible to adverse effects from any single economic, political or regulatory event in the US, than a fund that invests a lower portion of its assets in US securities. Without prejudice to the foregoing, it is the Manager's intention to maintain a globally diversified portfolio in respect of the BEA Union Investment Global Equity Fund.
- (xv) Risk of investment in Europe – The BEA Union Investment Global Equity Fund will invest in global equity securities which may include a substantial investment in European securities. The current economic and financial difficulties in Europe may continue to get worse and may spread within and outside Europe. It is possible that measures taken by the governments of the European countries, central banks and other authorities to address the economic and financial problems, such as austerity measures and reforms, may not work and such failure may result in adverse consequences. The impact of any adverse economic or financial events in Europe may be significant and may adversely affect the value of the Investment Fund's investment in European securities. In addition, the Investment Fund's investments in European securities may be subject to increased risks of volatility, liquidity, credit and currency fluctuations as a result of concerns over the fiscal conditions and sovereign credit risks that may be faced by one or more European countries. Without prejudice to the foregoing, it is the Manager's intention to maintain a globally diversified portfolio in respect of the BEA Union Investment Global Equity Fund.
- (xvi) Credit rating/downgrading risks – The BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund, the BEA Union Investment Global Bond Fund and/or the BEA Union Investment Asia Pacific Investment Grade Bond Fund are subject to credit rating and downgrading risks.

The credit ratings of debt securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

Investment grade securities may be subject to the risk of being downgraded. In the event of downgrading in the credit ratings of debt securities or their issuers, the value of such securities may decline rapidly. Further, as debt securities that may be held by the Investment Funds are subject to requirements under Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation, the Manager may be required to dispose of the securities in case of downgrading (which may be done at an undesirable price).

In view of the above, investment in the Investment Funds should be regarded as long term in nature. The Investment Funds are, therefore, only suitable for investors who can afford the risks involved.

The BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund, the BEA Union Investment Global Bond Fund and the BEA Union Investment Asia Pacific Investment Grade Bond Fund may be regarded as low risk relative to the BEA Union Investment Hong Kong Growth Fund, the BEA Union Investment Greater China Growth Fund, the BEA Union Investment Asia Strategic Growth Fund and the BEA Union Investment Global Equity Fund, whose relative risk levels may be regarded as high. However, in times of extreme volatility of the markets or during severe adverse market conditions, Investment Funds which are normally considered low risk may also experience high volatility and substantial losses.

The relative level of risk for each Investment Fund is assigned by the Manager according to the asset types of the respective Investment Fund. The risk level information is only a relative indicator among the Investment Funds under the Fund and is for reference only. Investors should carefully assess the particular risks associated with each Investment Fund before making any investment decision.

## **INVESTMENT AND BORROWING RESTRICTIONS**

### **Investment Restrictions**

Each of the Investment Funds invests directly in securities.

Each of the Investment Funds is subject to the investment restrictions applicable (i) to Approved Pooled Investment Funds pursuant to the MPF Ordinance (as set out in Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation) and the Authority's Code on MPF Investment Funds and (ii) to unit trusts authorised pursuant to the Commission's Code on Unit Trusts and Mutual Funds.

The investment restrictions applicable to each Investment Fund include but are not limited to the investment restrictions which are summarised below.

#### **1. General restrictions – spread of investments**

- (a) The total amount invested in securities and other permissible investments (excluding deposits) issued by any one person must not exceed 10 per cent. (or such greater percentage as the Authority and the Commission may approve) of the latest available net asset value of the relevant Investment Fund.
- (b) Not more than 10 per cent. (or such greater percentage as the Authority and the Commission may approve), when aggregated with the total collective investment of all other Investment Funds, of the shares of a particular class or the total amount of debt securities issued by one person may be acquired for the purposes of an Investment Fund.

#### **2. Restrictions on borrowing and lending securities**

Securities must not be borrowed for the purposes of an Investment Fund and securities held by an Investment Fund may only be lent in limited circumstances.

3. Restrictions on acquiring securities that carry unlimited liability

An Investment Fund is prohibited from acquiring any investment which would involve it in unlimited liability and must not incur liability in excess of its net asset value.

4. Permissible investments: debt securities

An Investment Fund may invest, subject to various limits, in debt securities issued or guaranteed by governments, international organisations and similar bodies as permitted pursuant to the MPF Ordinance (“unrestricted debt securities”). Notwithstanding 1(a) above, up to 30 per cent. of the latest available net asset value of an Investment Fund may be invested in unrestricted debt securities of the same issue and if all of the assets of an Investment Fund are invested in such unrestricted debt securities of the same issuer then they must comprise of at least six different issues.

5. Permissible investments: equities and other securities

An Investment Fund may invest in (i) fully paid up shares listed on an approved stock exchange other than the shares of a company which is a collective investment scheme; (ii) index-tracking collective investment schemes approved by the Authority; or (iii) securities listed on an approved stock exchange that are approved, or are of a kind approved by the Authority.

An Investment Fund may invest up to 10 per cent. of its latest available net asset value in aggregate in (i) fully paid up shares listed on a stock exchange which is not an approved stock exchange, other than the shares of a company that is a collective investment scheme; (ii) securities that are approved, or are of a kind approved by the Authority, other than shares listed on an approved stock exchange; and (iii) authorised unit trusts and mutual funds of a kind approved by the Authority.

6. Permissible investments: convertible debt securities

The funds of an Investment Fund may be invested in certain convertible debt securities.

7. Permissible investments: warrants

No more than 5 per cent. of the latest available net asset value of an Investment Fund may be invested in warrants.

8. Permissible investments: deposits

Except where the Authority and the Commission have approved a greater percentage, no more than 10 per cent. of the latest available net asset value of an Investment Fund (or 25 per cent. where the net asset value of the Investment Fund is less than HK\$8,000,000) may be placed on deposit with a single authorised financial institution or a single eligible overseas bank, subject to certain restrictions.

9. Permissible investments: securities to be listed

The funds of an Investment Fund may in certain circumstances be applied for acquiring securities that are to be listed on an approved stock exchange or an approved futures exchange.

10. Futures and option contracts

The Manager may acquire futures and options contracts for the account of an Investment Fund for hedging purposes. The Manager shall not write any uncovered options or call options on behalf of an Investment Fund.

11. Currency forward contracts

The Manager may only acquire forward currency contracts for hedging purposes or for the purpose of settling a transaction relating to the acquisition of securities for the account of an Investment Fund.

12. Short selling

Short selling of securities is not permissible.

13. Real estate investments

An Investment Fund may not invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies).

14. Making of loans

The Manager shall not on behalf of an Investment Fund: (i) make a loan out of any Investment Fund without the prior written consent of the Trustee except to the extent that the acquisition of an Investment or the making of a deposit might constitute a loan; or (ii) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in respect of borrowed money without the prior written consent of the Trustee.

15. Securities in which directors/officers have interests

The Manager shall not on behalf of an Investment Fund invest in a security of any class in any company or body if directors and officers of the Manager individually own more than 0.5 per cent. of the total nominal amount of all the issued securities of that class or collectively own more than 5 per cent. of those securities.

### **Borrowing Restrictions**

The Trustee may borrow for the account of each Investment Fund, subject to the borrowing restrictions applicable (i) to Approved Pooled Investment Funds pursuant to the MPF Ordinance (as set out in Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation) and the Authority's Code on MPF Investment Funds; and (ii) to unit trusts authorised pursuant to the Commission's Code on Unit Trusts and Mutual Funds.

The assets of the relevant Investment Fund may be charged or pledged as security for any such borrowings as permitted pursuant to the MPF Ordinance.

### **General**

If any of the investment or borrowing restrictions applicable to an Investment Fund are breached, the Manager shall as a priority objective take all steps necessary to remedy the situation as soon as practicable, having due regard to the interests of Unitholders. The Manager is not immediately required to sell applicable investments if any of the investment restrictions are exceeded as a result of changes in the value of an Investment Fund's investments, reconstructions or amalgamations, payments out of the assets of the Investment Fund or redemptions of Units but for so long as such limits are exceeded the Manager will not acquire any further investments subject to the relevant restriction and will as a priority objective take all steps necessary to restore the position as soon as practicable so that the limits are no longer exceeded having due regard to the interests of Unitholders.

# MANAGEMENT AND ADMINISTRATION

## Manager

The Manager of the Fund is BEA Union Investment Union Investment Management Limited.

The Manager of the Fund was incorporated in Hong Kong on 12th April 1988 and was previously known as East Asia Asset Management Company Limited. The Manager is jointly owned by The Bank of East Asia, Limited (the "Bank") and Union Asset Management Holding AG, and is licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 5 (Advising on Futures Contracts) and Type 9 (Asset Management) regulated activities under Part V of the SFO.

Incorporated in Hong Kong in 1918, the Bank is one of the oldest banks based in Hong Kong. The Bank is a licensed bank in Hong Kong registered under Part IV of the Banking Ordinance. It provides full banking and financial services through its network of branch offices and remote banking channels such as the Internet. It also offers retail, corporate, investment and private banking, and asset management services. The Bank operates worldwide and has over 12,000 employees. As at 31 December 2013, the consolidated total assets of the Bank were in excess of HK\$700 billion and the paid-up share capital of the Bank amounted to approximately HK\$5,724 million.

Union Investment Management Holding AG is the management holding company of Union Investment Group. Established in 1956, Union Investment Group is based in Frankfurt, Main and majority-owned by DZ BANK AG of Germany. Union Investment Group is currently one of the top three German fund management companies, with about 130 investment professionals. Partnering with about 1,200 local cooperative banks (a total of 15,000 branches) to distribute retail collective funds, Union Investment Group has built up a comprehensive range of over 700 mutual, private label, and specialized funds. As of 31 December 2013, Union Investment Group's overall assets under management are approximately US\$285 billion, including US\$154 billion in institutional assets and US\$131 billion in Unit Trusts.

## Trustee and Registrar

The Trustee, Bank of East Asia (Trustees) Limited, is a registered trust company incorporated with limited liability under the laws of Hong Kong and is a wholly-owned subsidiary of the Bank. It has been approved by the Authority as an approved trustee for MPF purposes.<sup>1</sup>

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Fund and supervising the compliance by the Manager with the requirements of the Trust Deed. The Trustee may, however, appoint any person or persons to act as the custodian of the assets of the Fund.

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<sup>1</sup> Such approval does not imply recommendation by the Authority.

## ISSUE OF UNITS

Units are available for issue on each Dealing Day, being each Business Day following the launch date of the relevant Investment Fund. Currently, Class A, Class D, Class I and Class R Units are available for issue in respect of each Investment Fund. Although the assets attributable to each class of Units of an Investment Fund will form one single pool, each class of Units will have a different charging structure with the result that the net asset value attributable to each class of Units of an Investment Fund may differ slightly. The classes of Units offered for the Investment Funds are:-

- Class A – Available to collective investment schemes, pension plans, segregated portfolios or other types of investment vehicles where both the Manager and the Trustee of this Fund, or associate parties of the Manager and the Trustee, act as both the manager and, where relevant, the trustee of such scheme, plan, portfolio or vehicle.
- Class D – Available to investment-linked assurance schemes authorised by the Commission and Authorised Distributors as determined by the Manager from time to time.
- Class I – Available to institutional investors as determined by the Manager from time to time.
- Class R – Available to (i) collective investment schemes, pension plans, segregated portfolios or other types of investment vehicles where the requirements of Class A, Class D and Class I are not met for either the Manager or, where relevant, the Trustee, and no pension administration function is required and (ii) direct investors (not being those entities mentioned in (i)) who invest at least the minimum subscription for the relevant class of the relevant Investment Fund.

Applications for Units should be made in the manner set out below under "Application Procedure". Applications received by the Authorised Distributor (with or without cleared funds received by or on behalf of the Trustee) prior to 4:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day, provided that cleared funds must be paid within 3 Business Days (or such other time as agreed by the Manager). Where applications (with or without cleared funds) are received after such time or on a day which is not a Dealing Day, they will be carried forward and dealt with on the next Dealing Day.

The initial issue prices of Class A and Class R Units in respect of BEA Union Investment Asia Pacific Investment Grade Bond Fund are as follows (or such other amount as the Manager and the Trustee may agree), exclusive of the preliminary charge (if any):

	Class A	Class R
BEA Union Investment Asia Pacific Investment Grade Bond Fund	HK\$100	HK\$100

The initial issue prices of Class D and Class I Units in respect of an Investment Fund will be HK\$100 (or such other amount as the Manager may determine), exclusive of the preliminary charge (if any).

The issue price of Units of a class relating to an Investment Fund on a Dealing Day will be calculated by reference to the net asset value per Unit of that class as at the close of business in the last relevant market to close on that Dealing Day (for further details, see "Calculation of Issue and Realisation Prices" on page 24 below).



## Preliminary Charge

The Manager may levy a preliminary charge of up to 5 per cent. of the issue price per Class D, Class I or Class R Unit issued. No preliminary charge will be levied on the issue of Class A Units.

## Minimum Subscription and Subsequent Holding

For Class A Units, there is no minimum amount for investment or subsequent holding in any Investment Fund.

The minimum amounts for investment and subsequent holding for Class D, Class I and Class R Units in each of the Investment Funds are as follows:

Investment Fund	Class	Minimum Initial Subs.*	Minimum Additional Subs.*	Minimum Holding*
BEA Union Investment Hong Kong Growth Fund	Class D and Class R	HK\$10,000	HK\$5,000	HK\$10,000
	Class I	HK\$10,000,000	HK\$5,000,000	HK\$10,000,000
BEA Union Investment Greater China Growth Fund	Class D and Class R	HK\$10,000	HK\$5,000	HK\$10,000
	Class I	HK\$10,000,000	HK\$5,000,000	HK\$10,000,000
BEA Union Investment Asia Strategic Growth Fund	Class D	HK\$10,000	HK\$5,000	HK\$10,000
	Class R	US\$2,000	US\$1,000	US\$2,000
	Class I	HK\$10,000,000	HK\$5,000,000	HK\$10,000,000
BEA Union Investment Global Equity Fund	Class D and Class R	HK\$10,000	HK\$5,000	HK\$10,000
	Class I	HK\$10,000,000	HK\$5,000,000	HK\$10,000,000
BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund	Class D and Class R	HK\$10,000	HK\$5,000	HK\$10,000
	Class I	HK\$10,000,000	HK\$5,000,000	HK\$10,000,000
BEA Union Investment Global Bond Fund	Class D	HK\$10,000	HK\$5,000	HK\$10,000
	Class R	US\$5,000	US\$2,500	US\$5,000
	Class I	HK\$10,000,000	HK\$5,000,000	HK\$10,000,000
BEA Union Investment Asia Pacific Investment Grade Bond Fund	Class D and Class R	HK\$10,000	HK\$5,000	HK\$10,000
	Class I	HK\$10,000,000	HK\$5,000,000	HK\$10,000,000

\* (i) inclusive of the preliminary charge

(ii) the minimum amounts for investment and subsequent holding are waived for investments by mandatory provident fund registered schemes

The Manager may in its discretion agree to accept applications for investment in the relevant class of Units of smaller amounts.

## Application Procedure

Applications for Units should be made by completing the relevant application form (available from the Manager and/or the Authorised Distributor) (the "Application Form") and sending it to the Authorised Distributor or in such other manner as the Manager and the Trustee may agree with the applicant.

## **Payment Procedure**

Application monies and the preliminary charge must be paid within 3 Business Days (or such other time as agreed by the Manager) of receipt of the application orders by or on behalf of the Trustee. Units may be issued upon the receipt of application orders prior to the receipt of the application monies (or such other time at the discretion of the Manager). The Manager may, at its discretion, make investments prior to the receipt of the application monies. Payments should be made in one of the ways set out in the Application Form, in the currency in which the relevant class of Units is denominated. Payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the currency in which the relevant class is denominated, they will be converted into the relevant currency and the proceeds of conversion (after deducting the costs of such conversion) will be applied in the subscription of Units in the relevant Investment Fund. Conversion of currencies may involve some delay.

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 (Dealing in Securities) regulated activity under Part V of the SFO.

## **General**

Units issued by the Fund will be held for investors in registered form. Certificates will not be issued. A confirmation of acceptance will be issued upon acceptance of an investor's application and will be forwarded by ordinary post (at the risk of the person entitled thereto).

Fractions of not less than one-thousandth of a Unit may be issued. Application moneys representing smaller fractions of a Unit will be retained by the relevant Investment Fund.

The Manager has an absolute discretion to accept or reject in whole or in part any application for Units. However, a properly completed application made for or on behalf of a mandatory provident fund registered scheme will be accepted. In the event that an application is rejected, application moneys will be returned without interest by cheque through the post at the risk of the person(s) entitled thereto. No Units of an Investment Fund will be issued where the determination of the net asset value of that Investment Fund is suspended (for further details see "Suspension of Calculation of Net Asset Value" on page 25 below).

## **REALISATION OF UNITS**

Subject as mentioned below, any Unitholder may realise his Units on any Dealing Day in whole or in part. If a partial realisation of Units would result in the Unitholder holding less than the minimum holding of Units of the relevant class, the Manager may treat the request as a request to realise all the Unitholder's holding of Units of the relevant class.

### **Realisation Charge**

The Manager has the power to levy a realisation charge of up to 4 per cent. of the realisation price of each Unit realised.

No realisation charge will be levied on the realisation of Class A or Class I Units.

Currently, in relation to Class D and Class R Units, the Manager may impose a realisation charge of up to 0.5 per cent. of the realisation price of each Class D or Class R Units realised. No realisation charge is currently levied on the realisation of Class D or Class R Units.

A realisation request may be given to the Authorised Distributor in writing or by facsimile or in such other manner as the Manager may agree and must specify:–

- (a) the name of the relevant Investment Fund;
- (b) the number or value and class of Units to be realised;

- (c) the name(s) of the registered holder(s); and
- (d) payment instructions for the realisation proceeds.

The original of any realisation request given by facsimile should be forwarded to the Authorised Distributor. Neither the Manager nor the Trustee shall be responsible to a Unitholder for any loss resulting from non-receipt of any realisation request or any amendment to a realisation request prior to receipt.

Realisation requests received by the Authorised Distributor prior to 4:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day. Realisation requests received by the Authorised Distributor after such time or on a day which is not a Dealing Day will be carried forward and dealt with on the next Dealing Day.

Units realised on a Dealing Day will be realised at a price calculated by reference to the net asset value per Unit of the relevant class as at the close of business in the last relevant market to close on that Dealing Day (for further details, see "Calculation of Issue and Realisation Prices" on page 24 below). **If at any time during the period from the time as at which the realisation price is calculated and the time at which realisation proceeds are converted out of any other currency into the currency of denomination of the relevant class there is an officially announced devaluation or depreciation of that currency, the amount payable to any relevant realising Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.**

#### **Payment of Realisation Proceeds**

Realisation proceeds will not be paid to any realising Unitholder until (a) the written original of the realisation request duly signed by the Unitholder have been received by or on behalf of the Trustee and (b) where the Trustee so requires, the signature of the Unitholder on the realisation request (or each joint Unitholder) has been verified to the satisfaction of the Trustee.

Subject as mentioned above realisation proceeds will be paid to the realising Unitholder (or to the first-named of joint Unitholders) at the Unitholder's risk by cheque (or in such other manner as may be agreed with the Manager) in the currency of denomination of the relevant class of Units, normally within 5 Business Days after the relevant Dealing Day and in any event not later than four weeks after receipt of a properly documented request for redemption of Units (unless payment of realisation proceeds has been suspended – see "Restrictions on Realisation" below). Bank charges (if any) incurred in making payment will be borne by the realising Unitholder and accordingly will be deducted from the realisation proceeds.

#### **Payment of Realisation Proceeds by Distribution in Specie**

The Manager has a discretion to effect a realisation payment to any or all realising Unitholders in specie or in kind rather than in cash under exceptional circumstances including, without prejudice to the generality of the foregoing, a situation where substantial realisation requests are received by the relevant Investment Fund which will make it impracticable to realise the underlying securities in order to fund the realisation payments. In making realisation payments in specie or in kind, the Manager will use the same valuation procedures used in determining the net asset value of the Fund (for further details, see "Calculation of Net Asset Value" on page 24 below) when determining the value to be attributed to the relevant securities to be transferred or assigned or otherwise made available to the realising Unitholders. Realising Unitholders will receive securities of a value equal to the realisation payment to which they would otherwise be entitled. Realising Unitholders receiving the realisation payment in specie or in kind will be responsible for all custody and other costs involved in changing the ownership of the relevant securities from the Investment Fund to the realising Unitholder and for all ongoing custody costs in respect of such securities. The Manager will exercise its discretion to effect a realisation payment by redemption in specie in good faith on a basis which will not prejudice the interests of continuing investors in the relevant Investment Fund.

## Restrictions on Realisation

The Manager may suspend the realisation of Units or delay the payment of realisation proceeds during any periods in which the determination of the net asset value of the relevant Investment Fund is suspended (for further details see "Suspension of Calculation of Net Asset Value" on page 25 below).

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of any Investment Fund realised on any Dealing Day to 10 per cent. of the total value of Units in that Investment Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders wishing to realise Units in that Investment Fund on that Dealing Day will realise the same proportion by value of such Units, and Units not realised (but which would otherwise have been realised) will be carried forward for realisation, subject to the same limitation, on the next Dealing Day. If requests for realisation are so carried forward, the Manager will inform the Unitholders concerned.

## SWITCHING BETWEEN INVESTMENT FUNDS

Unitholders have the right (subject to any suspension in the determination of the net asset value of any relevant Investment Fund) to switch all or part of their Units of any class relating to an Investment Fund into Units relating to another Investment Fund by giving notice in writing or by facsimile to the Authorised Distributor. A switching request will not be effected if as a result the relevant Unitholder would hold less than the minimum holding of Units of the relevant class. Unless the Manager otherwise agrees, Units of a class can only be switched into Units of the same class type relating to another Investment Fund.

Switching requests received by the Authorised Distributor prior to 4:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day. Switching requests received after such time or on a day which is not a Dealing Day will be carried forward and dealt with on the next Dealing Day. Neither the Manager nor the Trustee shall be responsible to any Unitholder for any loss resulting from the non-receipt of a switching request or any amendment to a switching request prior to receipt.

The rate at which the whole or any part of a holding of Units relating to an Investment Fund (the "Existing Units") will be switched on any Dealing Day into Units relating to another Investment Fund (the "New Units") will be determined by reference to their relative Unit prices on the relevant Dealing Day.

### Charges on Switching Between Investment Funds

For Class A and Class I Units, no charge will be levied on a switch from one Investment Fund to another. For Class D and Class R Units, it is the Manager's present intention that the aggregate of the realisation charge and preliminary charge payable on each switch of Class D or Class R Units will not exceed 3 per cent. of the issue price of the New Units. Unless otherwise agreed with the Commission, the Manager will give not less than 3 months' notice to affected Unitholders of any change in such intention.

Any fraction smaller than one-thousandth of a New Unit arising as the result of a switch will be ignored and moneys representing any such fraction will be retained as part of the Investment Fund to which the New Units relate.

If there is, at any time during the period from the time as at which the realisation price per Existing Unit is calculated and the time at which any necessary transfer of funds from the Investment Fund to which the Existing Units relate (the "Original Investment Fund") to the Investment Fund to which the New Units relate takes place, an officially announced devaluation or depreciation of any currency in which any investment of the Original Investment Fund is denominated or normally traded, the realisation price per Existing Unit shall be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation and the number of New Units which will arise from that switching shall be recalculated as if that reduced realisation price had been the realisation price ruling for realisation of Existing Units on the relevant Dealing Day.

# CALCULATION OF NET ASSET VALUE AND ISSUE AND REALISATION PRICES

## Calculation of Net Asset Value

The Trustee will value each Investment Fund and calculate the net asset value per Unit of each class in accordance with the Trust Deed as at the close of business in the last relevant market to close on each Dealing Day. The Trust Deed provides (inter alia) that:-

- (i) except in the case of any interest in a collective investment scheme to which paragraph (ii) applies and subject as provided in paragraph (vi) below, all calculations based on the value of investments quoted, listed, traded or dealt in or any securities market shall be made by reference to the last traded price or (if no last traded price is available) midway between the latest available market dealing offered price and the latest available market dealing bid price on the principal stock exchange for such investments and in determining such prices the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as it may from time to time determine;
- (ii) subject as provided in paragraphs (iii) and (vi) below, the value of each interest in any collective investment scheme shall be the latest available net asset value per unit or share in such collective investment scheme (where available) or (if the same is not available) the latest available bid price for such unit or share;
- (iii) if no net asset value, bid and offer prices or price quotations are available as provided in paragraph (ii) above, the value of the relevant investment shall be determined from time to time in such manner as the Manager shall determine with the approval of the Trustee;
- (iv) the value of any investment which is not listed or ordinarily dealt in on a market shall be the initial value thereof equal to the amount expended out of the relevant Investment Fund in the acquisition of such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager shall on a regular basis and at such other times at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investments;
- (v) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof;
- (vi) notwithstanding the foregoing, the Manager may with the consent of the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment or use of such other method is required to reflect the fair value of the investment; and
- (vii) the value of any investment (whether of a security or cash) otherwise than in the currency of the relevant Investment Fund shall be converted into the currency of such Investment Fund at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

## Calculation of Issue and Realisation Prices

The issue price of a Unit of a class relating to an Investment Fund on a Dealing Day is the net asset value per Unit of such class provided that the Manager may add an allowance (for the benefit of the relevant Investment Fund) for fiscal and purchase charges which might be payable to buy investments for the account of the relevant Investment Fund, the resultant amount being rounded up to the nearest integral minimum unit of the currency of the relevant class of Units.

The realisation price of a Unit of a class relating to an Investment Fund on a Dealing Day is the net asset value per Unit of such class provided that the Manager may deduct an allowance (for the benefit of the relevant Investment Fund) for fiscal and sale charges which might be payable to sell investments for the account of the relevant Investment Fund, the resultant amount being rounded down to the nearest integral minimum unit of the currency of the relevant class of Units.

The net asset value per Unit of a class relating to an Investment Fund is calculated by valuing the assets of that Investment Fund, determining the proportion of such amount which is attributable to Units of the relevant class (before the addition of assets or deduction of liabilities attributable specifically to the relevant class), adding the assets attributable specifically to the relevant class, deducting the liabilities attributable specifically to the relevant class and dividing the resultant sum by the number of Units of the relevant class in issue.

### **Publication of Prices**

The issue and realisation prices per Unit of each class available to retail investors will be published daily in the South China Morning Post and the Hong Kong Economic Times, and on the website: [www.bea-unioninvestment.com](http://www.bea-unioninvestment.com). Investors should note that the website has not been reviewed or authorised by the SFC and may contain information of funds that are not authorised by the SFC and may not be offered to the retail public in Hong Kong.

### **Suspension of Calculation of Net Asset Value**

The Manager may, with the consent of the Trustee, declare a suspension of the determination of the net asset value of any Investment Fund for the whole or any part of any period during which:-

- (a) otherwise than for ordinary holidays, there is a restriction of trading on any securities market on which a substantial part of the investments of that Investment Fund is normally traded or a breakdown in any of the means normally employed in ascertaining the prices of investments or the price of Units; or
- (b) for any other reason the prices of investments of that Investment Fund cannot reasonably, promptly, accurately and fairly be ascertained; or
- (c) it is not reasonably practicable to realise any investments of that Investment Fund or it is not reasonably practicable to do so without seriously prejudicing the interests of Unitholders in such Investment Fund; or
- (d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the investments of that Investment Fund or the subscription or realisation of Units is delayed or cannot be effected at normal prices or carried out promptly at normal rates of exchange.

Whenever the Manager declares such a suspension it shall notify the Authority and the Commission and shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice in the South China Morning Post and the Hong Kong Economic Times and/or cause a notice to be given to Unitholders and to all those (whether Unitholders or not) whose applications to subscribe for or realise Units shall have been affected by such suspension stating that such declaration has been made.

## **DISTRIBUTION POLICY**

The Manager has discretion as to whether or not to make any distribution and the frequency and amount of distributions. However, it is the current intention of the Manager that only the net income (the income net of expenses) of BEA Union Investment Global Bond Fund and BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund may be distributed while income earned by BEA Union Investment Asia Strategic Growth Fund, BEA Union Investment Hong Kong Growth

Fund, BEA Union Investment Greater China Growth Fund, BEA Union Investment Global Equity Fund and BEA Union Investment Asia Pacific Investment Grade Bond Fund will be reinvested in the respective Investment Funds and reflected in the value of Units of the respective Investment Funds. Payment of distributions will be made in the currency of denomination of the relevant class of Units of the Investment Fund by cheque at the risk of the Unitholders (or in such other manner as may be agreed with the Manager). Any distributions which is not claimed for six years will be forfeited and become part of the asset of the relevant class of units of the relevant Investment Fund. It is the current intention of the Manager that distribution entitlement of less than HK\$400 for HK dollars denominated classes of Units or US\$50 or its equivalent amount for other currencies other than HK dollars denominated classes of Units (if any) will not be paid to Unitholders but will be reinvested in further Units of the same class of the relevant Investment Fund.

Unitholders may, either when applying for units or subsequently, direct the Manager in writing to reinvest distributions to which they are entitled in the subscription of further units. Such further units will be issued on the date of distribution or, if that is not a Dealing Day, on the next following Dealing Day. Fractions of less than one-thousandth of a unit will not be issued but will be forfeited for the benefit of the Fund. Every such request by a Unitholder will remain effective until countermanded in writing or, if earlier, until such holder ceases to be a Unitholder.

## CHARGES AND EXPENSES

The charges and expenses payable out of the Investment Funds are described below and are summarised in the Appendix to this Explanatory Memorandum.

### Management Fees

The Manager is entitled to receive a management fee in respect of each class of Units calculated as a percentage of the net asset value of that part of the relevant Investment Fund relating to the relevant class of Units as follows:-

	Class A Units	Class D Units	Class I Units	Class R Units
BEA Union Investment Hong Kong Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.
BEA Union Investment Greater China Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.
BEA Union Investment Asia Strategic Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.
BEA Union Investment Global Equity Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.
BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund	Nil	1.00% p.a.	0.30% p.a.	0.75% p.a.
BEA Union Investment Global Bond Fund	Nil	1.10% p.a.	0.30% p.a.	0.85% p.a.
BEA Union Investment Asia Pacific Investment Grade Bond Fund	Nil	1.25% p.a.	0.30% p.a.	1.00% p.a.

This fee is calculated and accrues on each Dealing Day and is paid monthly in arrears.

The Manager may increase the rate of management fee payable in respect of Class D, Class I and/or Class R Units of any Investment Fund (up to or towards the maximum rate of 3 per cent. per annum set out in the Trust Deed) on giving not less than 3 months' notice to affected Unitholders.

The Manager is entitled to receive a preliminary charge on the issue (including as a result of a switch) and a realisation charge on the realisation (including as a result of a switch) of the relevant classes of Units. The current rates of such charges are set out under the sections "Issue of Units", "Realisation of Units" and "Switching between Investment Funds".

Where an Investment Fund invests in a fund managed by the Manager or any of its associates no preliminary charge will be payable by the Investment Fund in respect of such investment and no realisation charge will be levied on such Investment Fund in respect of any realisation of such investment.

The Manager may share any fees it receives with Authorised Distributors or agents procuring subscriptions to the Fund. The Manager and its associates may with the consent of the Trustee deal with any Investment Fund, both as principal and agent, and, subject as provided below under "Cash Rebates and Soft Commissions", may retain any benefit which they receive as a result.

### Trustee and Registrar Fees

The Trustee is entitled to receive a trustee fee in respect of each class of Units calculated as a percentage of the net asset value of that part of the relevant Investment Fund relating to the relevant class of Units as follows:-

	Class A Units	Class D Units	Class I Units	Class R Units
BEA Union Investment Hong Kong Growth Fund	Nil	0.125% p.a.	0.125% p.a.	0.125% p.a.
BEA Union Investment Greater China Growth Fund	Nil	0.15% p.a.	0.15% p.a.	0.15% p.a.
BEA Union Investment Asia Strategic Growth Fund	Nil	0.125% p.a.	0.125% p.a.	0.125% p.a.
BEA Union Investment Global Equity Fund	Nil	0.15% p.a.	0.15% p.a.	0.15% p.a.
BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund	Nil	0.075% p.a.	0.075% p.a.	0.075% p.a.
BEA Union Investment Global Bond Fund	Nil	0.085% p.a.	0.085% p.a.	0.085% p.a.
BEA Union Investment Asia Pacific Investment Grade Bond Fund	Nil	0.10% p.a.	0.10% p.a.	0.10% p.a.

This fee is calculated and accrues on each Dealing Day and is paid monthly in arrears.

The Trustee may, after consulting the Manager, increase the rate of trustee fee payable in respect of Class D, Class I and/or Class R Units of any Investment Fund (up to or towards the maximum rate of 0.3 per cent. per annum set out in the Trust Deed) on giving not less than 3 months' notice to affected Unitholders.

The Trustee is also entitled to receive a fee for acting as Registrar, as agreed with the Manager. The range of this fee is between 0.015 per cent. and 0.05 per cent. per annum of the net asset value of each Investment Fund, as determined by the Registrar, subject to a minimum of US\$2,000 in the case of BEA Union Investment Global Equity Fund and BEA Union Investment Asia Pacific Investment Grade Bond Fund, and HK\$3,000 in the case of the other Investment Funds.

The Trustee is also entitled to receive various transaction and processing fees in accordance with its normal scale of charges.

### Other Charges and Expenses

Each Investment Fund will bear the costs set out in the Trust Deed which are directly attributable to it. Where such costs are not directly attributable to an Investment Fund, each Investment Fund will bear such costs in proportion to its respective net asset value or in such other manner as the Manager with the approval of the Trustee shall consider fair. Such costs include but are not limited to the costs of investing and realising the investments of the Investment Funds, the fees and expenses of custodians and sub-custodians of the assets of the Fund, the fees and expenses of the auditors, the costs of obtaining insurance, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs of holding meetings of Unitholders and the costs incurred in the preparation and printing of any explanatory memorandum.



No advertising or promotional expenses will be charged to the Investment Funds.

The establishment costs and payments incurred in the establishment of BEA Union Investment Asia Pacific Investment Grade Bond Fund were approximately HK\$250,000 and will be borne by BEA Union Investment Asia Pacific Investment Grade Bond Fund in the first year following its launch.

#### **Cash Rebates and Soft Commissions**

Neither the Manager nor any of its connected persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them. The Manager may not retain any rebates of brokerage or commission which it may derive from or in connection with any purchase or sale of investments for the account of an Investment Fund, including any rebate on the fees or charges levied by an underlying collective investment scheme or its management company.

Although it does not presently do so, the Manager and any of its connected or associated persons may effect transactions by or through the agency of another person with whom the Manager or any of its connected persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its connected persons, goods, services or other benefits, such as research and advisory services, computer hardware associated with specialised software or research services and performance measures etc., the nature of which is such that their provision can reasonably be expected to benefit the Fund as a whole and may contribute to an improvement in the Fund's performance and that of the Manager or any of its connected persons in providing services to the Fund and for which no direct payment is made but instead the Manager or any of its connected persons undertake to place business with that party. For the avoidance of doubt such goods and services do not include travel accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be disclosed in the Fund's accounts.

## **TAXATION**

*The following statements regarding taxation are based on advice received by the Fund regarding the law and practice in force in Hong Kong at the date of this document.*

### **Hong Kong**

The Fund is not expected to be subject to Hong Kong tax in respect of any of its authorised activities.

No tax will be payable by Unitholders in Hong Kong in respect of income distributions of the Fund or in respect of any capital gains arising on a sale, redemption or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong and stamp duty may be payable on a transfer of Units.

### **General**

Investors should consult their professional advisers on the consequences to them of acquiring, holding, realising, transferring or selling Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances.

## GENERAL INFORMATION

### Accounts and Reports

The Fund's year end is 31 December in each year. Audited accounts (in English) are prepared in accordance with applicable accounting standards and will be made available to Unitholders within four months of the end of each financial year. The Manager will also make available to Unitholders half-yearly unaudited interim reports (in English) within two months of the end of the period which they cover. Such reports will contain a statement of the value of the net assets of each Investment Fund and the investments comprising its portfolio.

Unitholders may obtain a copy of the audited accounts (in English) and unaudited interim reports (in English) within four months and two months, respectively, after the relevant financial period at the following website: [www.bea-union-investment.com](http://www.bea-union-investment.com), or upon request to the Manager. Investors should note that the website has not been reviewed or authorised by the SFC and may contain information of funds that are not authorised by the SFC and may not be offered to the retail public in Hong Kong.

### Termination of the Fund

The Fund shall continue until it is terminated in one of the ways set out below.

1. The Trustee may with the Authority's prior approval terminate the Fund if:–
  - (a) the Manager goes into liquidation or if a receiver is appointed over any of the Manager's assets and not discharged within 60 days; or
  - (b) in the opinion of the Trustee, the Manager is incapable of performing its duties properly; or
  - (c) the Fund ceases to be authorised or otherwise officially approved pursuant to the MPF Ordinance or the SFO or if any law is passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund; or
  - (d) the Manager ceases to manage the Fund and the Trustee fails to appoint a successor manager within a period of 30 days; or
  - (e) if the Trustee shall have notified the Manager of its desire to retire as trustee and the Manager shall be unable to find a suitably qualified corporation to act as a successor trustee.
2. The Manager may with the Authority's prior approval terminate the Fund if:–
  - (a) the net asset value of the Fund falls below HK\$50,000,000; or
  - (b) the Fund ceases to be authorised or otherwise officially approved pursuant to the MPF Ordinance or the SFO or if any law is passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Fund.
3. Unitholders may at any time with the approval of the Authority terminate the Fund by extraordinary resolution.

Where the Fund is terminated as provided in paragraph 1 or paragraph 2 above, the party terminating the Fund must give at least three months' notice of termination to Unitholders.

### **Termination of an Investment Fund**

1. The Manager may with the Authority's prior approval terminate any Investment Fund if:-
  - (a) the net asset value of that Investment Fund falls below HK\$25,000,000;
  - (b) the Investment Fund ceases to be authorised or otherwise officially approved pursuant to the MPF Ordinance or the SFO or if any law is passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Investment Fund.

The Manager shall give at least three months' notice of termination to Unitholders of the Investment Fund.
2. Unitholders of the relevant class or classes may at any time with the approval of the Authority terminate an Investment Fund by extraordinary resolution.

### **Merger of an Investment Fund**

The Manager may propose a scheme of amalgamation under which an Investment Fund is merged with another collective investment scheme (including another Investment Fund). Such scheme of amalgamation will only take effect if approved by the Authority and by an extraordinary resolution of affected Unitholders. If so approved the scheme of amalgamation will be binding on all Unitholders of the relevant class or classes and will take effect from the date specified in such extraordinary resolution.

### **Merger of a Class**

The Manager may with the Authority's and/or the Commission's prior approval from time to time determined, merge any class of Units with another class within the same Investment Fund if the Manager considers such merger to be in the interests of the Unitholders of the relevant class of Units (including without limitation, in a situation where it is no longer economically viable to operate the class).

The Manager shall give at least one month's prior notice of such merger to Unitholders of the class being merged.

### **Trust Deed**

The Fund was established under Hong Kong law by a trust deed dated 22 September 2000, as amended, made between the Manager and the Trustee. All holders of Units are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

### **Modification of Trust Deed**

The Trustee and the Manager may, with the prior approval of the Authority, agree to modify the Trust Deed by supplemental deed provided that (a) in the opinion of the Trustee such modification (i) is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent the Trustee, the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs of preparing and executing the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Fund or (ii) is necessary in order to comply with any fiscal, statutory or official requirement including, but not limited to, the MPF Ordinance and/or any subsidiary legislation or official requirements relating thereto or (iii) is made to correct a manifest error or (b) such modification is made at the request of the Manager and with the approval of the Trustee to give effect to any amendment (including any relaxation of any requirement) to the MPF Ordinance and/or any subsidiary legislation or official requirements relating thereto. In all other cases modifications require the sanction of an extraordinary resolution of the Unitholders affected.

Any modifications to the Trust Deed, unless they are sanctioned by an extraordinary resolution of the Unitholders affected are made to give effect to any amendment to the MPF Ordinance or in the opinion of the Trustee are not of material significance or are made to correct a manifest error, will be notified to the Unitholders as soon as practicable after they are made.

### **Meetings of Unitholders**

The Trust Deed provides for meetings of Unitholders to be convened by the Trustee or the Manager upon at least 21 days' notice. Notices of meetings of Unitholders will be posted to Unitholders.

Proxies may be appointed. The quorum at Unitholders' meetings is Unitholders present in person or by proxy holding not less than 10 per cent. (or, in relation to a resolution proposed as an extraordinary resolution, 25 per cent.) of the Units in issue. If a quorum is not present, the meeting will be adjourned for not less than 15 days. Separate notice of any adjourned meeting will be given, and at an adjourned meeting Unitholders whatever their number or the number of Units held by them will form a quorum.

An extraordinary resolution is required under the Trust Deed for certain purposes and is a resolution proposed as such and passed by a majority of 75 per cent. of the total number of votes cast.

The Trust Deed contains provisions for the holding of separate meetings of Unitholders holding different classes of Units where only the interests of Unitholders of a particular class are affected.

The Trust Deed provides that at any meeting of Unitholders, on a show of hands, every Unitholder who (being an individual) is present in person or (being a partnership or corporation) is present by an authorised representative shall have one vote and, on a poll, every Unitholder who is present as aforesaid or by proxy shall have one vote for every Unit of which he is the holder.

### **Transfer of Units**

Subject as provided below, Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the Register of Unitholders in respect of such Units.

Each instrument of transfer must relate to a single class of Units only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the minimum holding of the relevant class (if any).

### **Compulsory Realisation or Transfer of Units**

The Manager may require a Unitholder to transfer the Unitholder's Units or, failing such transfer, may realise such Units in accordance with the Trust Deed if it shall come to the notice of the Manager that the Unitholder holds such Units (a) in breach of the law or requirements of any country, any governmental authority or any stock exchange on which such Units are listed or (b) in circumstances (whether directly or indirectly affecting such Unitholder and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager, might result in the Fund or any Investment Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund or any Investment Fund might not otherwise have incurred or suffered.

### **Documents Available For Inspection**

Copies of the Trust Deed and the latest annual and semi-annual reports (if any) are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager, 5th Floor, The Bank of East Asia Building, 10 Des Voeux Road Central, Hong Kong. Copies of the Trust Deed can be purchased from the Manager on payment of a reasonable fee (initially HK\$100).

### **Anti-Money Laundering Regulations**

As part of the Trustee's and the Manager's responsibility for the prevention of money laundering, they may require a detailed verification of an investor's identity and the source of the payment of application moneys. Depending on the circumstances of each application, a detailed verification might not be required where:

- (i) the applicant makes the payment from an account held in the applicant's name at a recognised financial institution; or
- (ii) the application is made through a recognised intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised as having sufficient anti-money laundering regulations.

The Trustee and the Manager reserve the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Trustee and/or the Manager may refuse to accept the application and the application moneys relating thereto.

## APPENDIX SUMMARY OF CHARGES AND EXPENSES

	Management Fee <sup>(1)</sup>				Trustee Fee <sup>(2)</sup>			
	Class A	Class D	Class I	Class R	Class A	Class D	Class I	Class R
BEA Union Investment Hong Kong Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.	Nil	0.125% p.a.	0.125% p.a.	0.125% p.a.
BEA Union Investment Greater China Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.	Nil	0.15% p.a.	0.15% p.a.	0.15% p.a.
BEA Union Investment Asia Strategic Growth Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.	Nil	0.125% p.a.	0.125% p.a.	0.125% p.a.
BEA Union Investment Global Equity Fund	Nil	1.75% p.a.	0.40% p.a.	1.50% p.a.	Nil	0.15% p.a.	0.15% p.a.	0.15% p.a.
BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund	Nil	1.00% p.a.	0.30% p.a.	0.75% p.a.	Nil	0.075% p.a.	0.075% p.a.	0.075% p.a.
BEA Union Investment Global Bond Fund	Nil	1.10% p.a.	0.30% p.a.	0.85% p.a.	Nil	0.085% p.a.	0.085% p.a.	0.085% p.a.
BEA Union Investment Asia Pacific Investment Grade Bond Fund	Nil	1.25% p.a.	0.30% p.a.	1.00% p.a.	Nil	0.10% p.a.	0.10% p.a.	0.10% p.a.
Notes:	<p>(1) The rate of the Management Fee in respect of Class D, Class I and/or Class R Units may be increased up to or towards a maximum rate of 3% p.a. on giving not less than 3 months' notice to affected Unitholders.</p> <p>(2) The rate of the Trustee Fee in respect of Class D, Class I and/or Class R Units may be increased up to or towards a maximum rate of 0.3% p.a. on giving not less than 3 months' notice to affected Unitholders.</p>							
Registrar's Fee	0.015 – 0.05% p.a. of the net asset value of each Investment Fund, as determined by the Registrar, subject to a minimum of US\$2,000 in the case of BEA Union Investment Global Equity Fund and BEA Union Investment Asia Pacific Investment Grade Bond Fund, and HK\$3,000 in the case of the other Investment Funds.							
Preliminary Charge	<p>For Class A Units – Nil</p> <p>For Class D Units – up to 5% of the issue price of such Units</p> <p>For Class I Units – up to 5% of the issue price of such Units</p> <p>For Class R Units – up to 5% of the issue price of such Units</p>							
Realisation Charge	<p>For Class A Units – Nil</p> <p>For Class D Units – up to 0.5% of the realisation price of such Units (it is the Manager's current intention that no realisation charge will be levied on the realisation of Class D Units)</p> <p>For Class I Units – Nil</p> <p>For Class R Units – up to 0.5% of the realisation price of such Units (it is the Manager's current intention that no realisation charge will be levied on the realisation of Class R Units)</p>							
Charges on switching between Investment Funds	<p>For Class A Units – Nil</p> <p>For Class D Units – currently, the aggregate of the realisation charge and preliminary charge payable on a switch from one Investment Fund to another Investment Fund will not exceed 3% of the issue price of the new Units.</p> <p>For Class I Units – Nil</p> <p>For Class R Units – currently, the aggregate of the realisation charge and preliminary charge payable on a switch from one Investment Fund to another Investment Fund will not exceed 3% of the issue price of the new Units.</p>							
Operating Expenses	The Investment Funds will bear the operating expenses of the Fund in proportion to their respective net asset values or in such other manner as the Manager with the approval of the Trustee shall consider fair. Such expenses are summarised on page 27 under "Other Charges and Expenses" and include audit and legal fees and regulatory fees.							
Establishment Costs	<p>Each Investment Fund will bear the costs and expenses incurred by the Manager and Trustee in its establishment.</p> <p>There is no unamortised establishment cost for the Investment Funds except for the BEA Union Investment Asia Pacific Investment Grade Bond Fund.</p> <p>The establishment cost of the BEA Union Investment Asia Pacific Investment Grade Bond Fund is HK\$250,000 and such amount will be deducted in the first 12 months following the inception of the Investment Fund.</p>							

