



# PRULink Fund Information Booklet

May 2023

PRULink Global Innovation Equity Fund



## IMPORTANT INFORMATION

**Capitalised terms used below, unless otherwise defined, shall have the same meanings ascribed to them under the Glossary of Terms of this Fund Information Booklet.**

This Fund Information Booklet is for information only and is not a contract of assurance. Investors should refer to the Policy Document for specific policy details applicable to their PRULink investment-linked policies. **Investors should note that this Fund Information Booklet must be read together with the accompanying Product Summary and Product Highlights Sheet as one document.**

This Fund Information Booklet is published for informational purposes only, without regard to the specific investment objectives, financial situation and particular needs of any specific person and should not be construed as an advice or recommendation to invest in the Fund. Investors may wish to seek advice from their Prudential Financial Consultants before making a commitment to purchase the product. In the event an investor chooses not to seek advice from a Prudential Financial Consultant, he/she should consider whether the product in question is suitable for him/her. Investors are advised to read the Fund Information Booklet, the accompanying Product Summary and Product Highlights Sheet before deciding whether to subscribe for units in this Fund.

Investors should seek professional advice to ascertain (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange transactions or exchange control requirements which they may encounter under the laws of the countries of their citizenship, residence or domicile and which may be relevant to the subscription, holding or disposal of units in the Fund and/or Underlying Fund. Each investor will assume and be solely responsible for any and all tax of any jurisdiction or governmental or regulatory authority, including without limitation any state or local taxes or other like assessment or charges that may be applicable to any payment to him/it in respect of any Fund and/or Underlying Fund. None of the Fund and/or Underlying Fund will pay any additional amounts to investors to reimburse them for any tax, assessment or charge required to be withheld or deducted from any payments made to them.

The Fund and/or Underlying Fund has not been and will not be registered under the United States Investment Company Act of 1940 as amended. The units of the Fund and/or Underlying Fund have not been and will not be registered under the United States Securities Act of 1933 as amended (the “**Securities Act**”) or under the securities laws of any state of the United States of America and such shares may be offered, sold or otherwise transferred only in compliance with the 1933 Act and such state or other securities laws. The units of the Fund and/or Underlying Fund may not be offered or sold within the United States or to or for the account of any US Person as defined in Rule 902 of Regulation S under the Securities Act. Rule 902 of Regulation S under the Securities Act defines US Person to include inter alia any natural person resident of the United States and with regards to investors other than individuals, (i) a corporation or partnership organized or incorporated under the laws of the US or any state thereof; (ii) a trust: (a) of which any trustee is a US Person except if such trustee is a professional fiduciary and a co-trustee who is not a US Person has sole or shared investment discretion with regard to trust assets and no beneficiary of the trust (and no settlor if the trust is revocable) is a US Person or (b) where court is able to exercise primary jurisdiction over the trust and one or more US fiduciaries have the authority to control all substantial decisions of the trust and (iii) an estate (a) which is subject to US tax on its worldwide income from all sources; or (b) for which any US Person is executor or administrator except if an executor or administrator of the estate who is not a US Person has sole or shared investment discretion with regard to the assets of the estate and the estate is governed by foreign law.

The term "US Person" also means any entity organized principally for passive investment (such as a commodity pool, investment company or other similar entity) that was formed: (a) for the purpose of facilitating investment by a US Person in a commodity pool with respect to which the operator is exempt from certain requirements of Part 4 of the regulations promulgated by the United States Commodity Futures Trading Commission by virtue of its participants being non-US Persons or (b) by US Persons principally for the purpose of investing in securities not registered under the United States Securities Act of 1933, unless it is formed and owned by "accredited investors" (as defined in Rule 501 (a) under the Securities Act of 1933) who are not natural persons, estates or trusts. "United States" and "US" means the United States of America (including the States and the District of Columbia), its territories, its possessions and any other areas subject to its jurisdiction.

Prudential Singapore is an indirect subsidiary of Prudential plc of the United Kingdom. Prudential Singapore and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America.

This Fund Information Booklet does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such an offer or solicitation.

Investors should also consider the risks of investing in the Fund which are summarised in Section 4 of this Fund Information Booklet.

This Fund Information Booklet does not represent a contract.

## PRULink Global Innovation Equity Fund

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## PRULink Global Innovation Equity Fund

### 1. The Product Provider

Prudential Assurance Company Singapore (Pte) Limited (“**Prudential Singapore**”) [Company Registration No. 199002477Z], 30 Cecil Street, #30-01, Prudential Tower, Singapore 049712 Tel: 1800-333 0 333 is the product provider (“**Product Provider**” includes the correlative meanings “**we**”, “**us**” and “**our**”) in respect of the PRULink Global Innovation Equity Fund (the “**Fund**”).

### 2. The Manager and the Investment Manager

#### 2.1 The Manager

The Manager of PRULink Global Innovation Equity Fund is Prudential Assurance Company Singapore (Pte) Limited (the “**Manager**”) whose registered office is 30 Cecil Street, #30-01, Prudential Tower, Singapore 049712. The Manager is regulated by the Authority.

The Manager is one of the top life insurance companies in Singapore, serving the financial and protection needs of the country’s citizens for 90 years. The company has an AA- Financial Strength Rating from leading credit rating agency Standard & Poor’s, with S\$49.4 billion funds under management as at 31 December 2022.

*Source: Prudential Assurance Company Singapore (Pte) Limited as at 31 December 2022*

Past performance of the Manager is not necessarily indicative of its future performance.

#### 2.2 The Investment Manager and the Investment Advisers of the Underlying Fund

The underlying fund of the Fund, Wellington Global Innovation Fund (the “**Underlying Fund**”) is managed by Wellington Management Company LLP (the “**Investment Manager**”). The Underlying Fund is a fund of the Wellington Management Funds (Luxembourg) (the “**Umbrella Fund**”).

The Investment Manager Wellington Management Company LLP, registered office is at 251 Little Falls Drive Wilmington, Delaware 19808, USA is a limited liability partnership organised in 2014 under the laws of the State of Delaware, U.S.A., which is registered as an investment adviser with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended, has been appointed Investment Manager of the Underlying Fund. The Umbrella Fund is an open-ended investment fund organised initially under Part I of the Luxembourg 1988 Law as an unincorporated mutual investment fund (*fonds commun de placement*) and is now authorised under Part I of the 2010 Law and is managed by Wellington Luxembourg S.à r.l. (the “**Management Company**”) acts as the Management Company of the Umbrella Fund, pursuant to Management Regulations approved by the Management Company, an entity which was incorporated under the laws of Luxembourg on 30 August 1991 under the form of a société en commandite par actions (S.C.A.), which was then converted to a société anonyme (S.A.) on 31 October 2006, and subsequently converted into a société à responsabilité limitée (S.à r.l.) on 5 December 2014. The Umbrella Fund qualifies as UCITS under Article 1. paragraph 2) points a) and b) of the Directive, and may therefore be offered for sale in EU Member States (subject to registration in countries other than Luxembourg). In addition, applications to register the Umbrella Fund may be made in other countries.

<b>Fund</b>	<b>PRULink Global Innovation Equity Fund</b>
<b>Fund Manager</b>	Prudential Assurance Company Singapore (Pte) Limited
<b>Underlying Fund</b>	Wellington Global Innovation Fund
<b>Investment Manager of the Underlying Fund</b>	Wellington Management Company LLP
<b>Investment Adviser of the Underlying Fund</b>	Wellington Management Company LLP

Source: *Prospectus of WELLINGTON MANAGEMENT FUNDS (LUXEMBOURG) dated 1 January 2023*

Past performance of the Investment Manager is not necessarily indicative of its future performance.

### 3. The Auditor

The auditor of the accounts for the Fund is Ernst & Young LLP (the “**Auditor**”) whose registered office is at One Raffles Quay North Tower, Level 18 Singapore 048583.

### 4. Risks

The risks set out in this section are in relation to the Fund and the Underlying Fund. Given that the Fund feeds into the Underlying Fund, it is acknowledged that the risks inherent in the Underlying Fund will also impact the Fund. As such investors should carefully consider the risks set out in this section before investing into the Fund.

#### 4.1 General Risks

##### Cash Flows

Each fund accepts subscriptions on a regular basis and fulfills redemption requests in accordance with the Fund Information Booklet. As a result, a fund may experience significant expected and actual inflows and outflows of cash at any particular time. While each fund seeks to manage its investment portfolio in order to minimise the impact of cash flows, depending on amounts, timing or other factors, cash flows could have a material adverse effect on a fund's performance. A fund may experience significant subscriptions at a time when cash may not be easily invested, resulting in higher than desired cash amounts. In addition, a fund may be required to sell securities at disadvantageous times in order to fulfil redemption requests.

##### Central Clearing Risk

A central clearing counterparty (CCP) stands between over-the-counter (OTC) derivatives counterparties, insulating them from each other's default. Effective clearing seeks to mitigate systemic risk by lowering the risk that defaults propagate from counterparty to counterparty. However, the extent to which CCPs mitigate the likelihood and severity of knock-on defaults that propagate from the failure of a large counterparty is unclear.

##### Common Reporting Standard

The Umbrella Fund may be subject to the Standard for Automatic Exchange of Financial Account Information in Tax Matters and its Common Reporting Standard (“CRS”) as set out in the Luxembourg law on the Common Reporting Standard (the “CRS Law”).

Under the terms of the CRS Law, the Umbrella Fund is likely to be treated as a Luxembourg Reporting Financial Institution. As such, as of 30 June 2017 and without prejudice to other applicable data protection provisions as set out in the Umbrella Fund documentation, the Umbrella Fund will be required to annually report to the Luxembourg tax authorities personal and financial information related, inter alia, to the identification of, holdings by and payments made to (i) investors that are reportable persons under the CRS Law, and (ii) Controlling Persons (as defined

below) of certain non-financial entities which are themselves reportable persons. This information, as exhaustively set out in the CRS Law, will include personal data related to the reportable persons (the “CRS Information”).

The Umbrella Fund’s ability to satisfy its reporting obligations under the CRS Law will depend on each investor providing the Umbrella Fund with the required CRS Information, as explained above, along with the required supporting documentary evidence. In this context, the investors are hereby informed that, as data controller, the Umbrella Fund will process such CRS Information for the purposes as set out in the CRS Law. The investors undertake to inform their controlling persons, if applicable, of the processing of their CRS Information by the Umbrella Fund.

For the purposes of this section, “Controlling Person” means the natural persons who exercise control over an entity. In the case of a trust, the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or class(es) of beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust, and in the case of a legal arrangement other than a trust, such term means persons in equivalent or similar positions. The term “Controlling Persons” must be interpreted in a manner consistent with the Financial Action Task Force Recommendations.

Investors are further informed that the CRS Information related to reportable persons within the meaning of the CRS Law will be disclosed to the Luxembourg tax authorities annually for the purposes set out in the CRS Law. In particular, reportable persons are informed that certain operations performed by them will be reported to them through the issuance of statements, and that part of this information will serve as a basis for the annual disclosure to the Luxembourg tax authorities. Similarly, investors undertake to inform the Umbrella Fund within thirty (30) days of receipt of these statements should any personal data not be accurate. The investors further undertake to immediately inform the Umbrella Fund of and provide the Umbrella Fund with all supporting documentary evidence of any changes related to the CRS Information after occurrence of such changes. Any investor that fails to comply with the Umbrella Fund’s CRS Information or documentation requests may be held liable for penalties imposed on the Umbrella Fund and attributable to such investor’s failure to provide the Information or subject to disclosure of the CRS Information by the Umbrella Fund to the Luxembourg tax authorities.

### **Concentration Risk**

Concentration of investments in a relatively small number of securities, certain sectors or specific regions or countries will make a fund susceptible to higher volatility since the value of the Underlying Fund will vary more in response to changes in the market value of these securities, sectors, regions or countries.

### **Convertible Securities**

The funds may invest in convertible securities generally offering fixed interest or dividend yields which may be converted either at a stated price or stated rate for common or preferred stock. Although to a lesser extent than with fixed income securities generally, the market value of convertible securities tends to decline as interest rates rise. Because of the conversion feature, the market value of convertible securities also tends to vary with fluctuations in the market value of the underlying common or preferred stock.

Due to contingent write-down, write-off and conversion features of contingent capital and contingent convertible securities, such high-yielding instruments may have substantially greater risk than other forms of securities in times of credit stress. This means that, if a trigger level is breached, depending on the terms, the security may be automatically written-down, written-off or converted. This action could have an adverse effect on a fund’s ability to achieve its investment objective because a conversion may occur before the Underlying Fund otherwise prefer. The Underlying Fund may even suffer a complete loss with no chance of recovery even if the issuer remains in existence. Further details of risks associated with CoCos are set out below.

CoCos terms may vary from issuer to issuer and bond to bond and may expose investors to:

- a) **Trigger Risk:** Under the terms of the CoCos, the instruments become loss absorbing upon certain triggering events, including events under the control of the management of the CoCos issuer which could cause the permanent write-down to zero of principal investment and/or accrued interest, or a conversion to equity. These triggering events may include (i) a deduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio (or other capital ratios) below a pre-set limit, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", e.g. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or otherwise carry on its business and requiring or causing the conversion of the CoCos into equity in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital. Furthermore, the trigger event calculations may also be affected by changes in applicable accounting rules, the accounting policies of the issuer or its group and the application of these policies. Any such changes, including changes over which the issuer or its group has a discretion, may have a material adverse impact on its reported financial position and accordingly may give rise to the occurrence of a trigger event in circumstances where such a trigger event may not otherwise have occurred, notwithstanding the adverse impact this will have on the position of holders of the CoCos. Upon such occurrence, there is a risk of a partial or total loss in nominal value or conversion into the common stock of the issuer which may cause a fund as a CoCo bondholder to suffer losses (i) before both equity investors and other debt holders which may rank pari passu or junior to CoCo investors and (ii) in circumstances where the bank remains a going concern.
- b) **Extension Risk:** There may be no incentive, in the form of a coupon step-up, for the issuer to redeem the securities issued. This would cause the securities' duration to lengthen and to expose investors to higher Interest Rate risk.
- c) **Unknown Risk:** Unitholders should be aware that the structure of CoCos is yet to be tested and there is some uncertainty as to how they may perform in a stressed environment. Depending on how the market views certain triggering events, as outlined above, there is the potential for price contagion and volatility across the entire asset class. Furthermore, this risk may be increased depending on the level of underlying instrument arbitrage and in an illiquid market, price formation may be increasingly difficult.
- d) **Yield/Valuation Risk:** It is possible in certain circumstances, e.g. issuer discretion not to pay and/or insufficient distributable profits to pay interest in full or in part, for interest payments on certain CoCos to be cancelled in full or in part by the issuer, without prior notice to bondholders. Therefore, there can be no assurances that investors will receive payments of interest in respect of CoCos. Unpaid interest may not be cumulative or payable at any time thereafter, and bondholders shall accordingly have no right, whether in a liquidation, dissolution or winding-up or otherwise, to claim the payment of any foregone interest which may impact the value of the Fund.  
  
Notwithstanding that interest not being paid or being paid only in part in respect of CoCos or that the principal value of such instruments may be written down to zero, there may be no restriction on the issuer paying dividends on its ordinary shares or making pecuniary or other distributions to the holders of its ordinary shares or making payments on securities ranking pari passu with the CoCos resulting in other securities by the same issuer potentially performing better than CoCos.
- e) **Capital Structure Inversion Risk:** CoCos generally rank senior to common stock in an issuer's capital structure and are consequently higher quality and entail less risk than the issuer's common stock; however, the risk involved in such securities is correlated to the solvency and/or the access of the issuer to liquidity of the issuing financial institution.

- f) **Conversion Risk/Write-Down Risk:** The value of such instrument may be impacted by the mechanism through which the instruments are converted into equity or written-down, which may vary across different securities having varying structures and terms. CoCo structures may be complex and terms may vary from issuer to issuer and bond to bond.

In equity convertible CoCos, the conversion share price is important as this determines the economic loss that a fund, as a holder of such instruments, will suffer upon conversion and may not be pre-determined. For principal write-down CoCos, write-down can be immediate and in many cases there may be a full loss with no expectation of any return of principal. Only some CoCos may be written-back up to par and even then would do so over a potentially long period of time; however even if this is possible, the issuer may be able to call such investment prior to such write-up to par resulting in a loss to the bondholder.

CoCos are valued relative to other debt securities in the issuer's capital structure, as well as equity, with an additional premium for the risk of conversion or write-down. The relative riskiness of different CoCos will depend on the distance between the current capital ratio and the effective trigger level, which once reached would result in the CoCo being automatically written-down or converted into equity. There are a number of factors which could increase the likelihood of a trigger event occurring, some of which may be outside an issuer's control. CoCos may trade differently to other subordinated debt of an issuer which does not include a write-down or equity conversion feature which may result in a decline in value or liquidity in certain scenarios. At present, the CoCo market is volatile which may impact the value of the asset.

- g) **Coupon Payment Risk:** Coupon payments may be indefinitely deferred or cancelled with no interest accumulation and potentially no restriction on the issuer to pay dividends to equity holders or coupons to bond holders which rank *pari passu* or junior to the CoCo bond holders. Coupon cancellation may be at the option of the issuer or its regulator but may also be mandatory under the European Capital Requirements Directive (CRD IV) and related applicable laws and regulation. This mandatory deferral may be at the same time that equity dividends and bonuses may also be restricted, but some CoCo structures allow the bank at least in theory to keep on paying dividends whilst not paying CoCo holders. Mandatory deferral is dependent on the amount of required capital buffers a bank is asked to hold by regulators.
- h) **Liquidity Risk:** CoCos tend to have higher price volatility and greater liquidity risk than other securities which do not expose investors to the aforementioned risks.
- i) **Industry Concentration Risk:** Concentration in investments at certain times in large positions and in a relatively limited number of securities, sectors or regions will make the Underlying Fund more subject to the risks associated with such concentration. The Underlying Fund could be subject to significant losses if it holds a relatively large position in a single strategy, issuer, industry, market or a particular type of securities that declines in value and the losses could increase even further if the investments cannot be liquidated without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances.

### **Correlation Risk**

Some funds may employ an investment approach that is based on selective investment in themes or differentiated thematic research insights. The funds could encounter higher volatility and therefore losses if themes or differentiated research insights in the Underlying Fund move in the same direction at the same time and in an unfavourable way.

### **Counterparty and Settlement Risk**

To the extent a fund invests in swaps, derivative or synthetic instruments, repurchase agreements, other over-the-counter transactions or engages in securities lending, in certain circumstances, a fund may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organisation guarantees, daily marking-to-

market and settlement, and segregation and minimum capital requirements applicable to intermediaries.

Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of a fund and hence a fund should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this and there may be practical or time problems associated with enforcing a fund's rights to its assets in the case of an insolvency of any such party.

Further as noted under "Derivatives Generally" below, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and the European Markets and Infrastructure Regulation ("EMIR") include provisions that require increased regulation of derivatives markets. Notably in relation to swaps the Dodd-Frank Act has introduced mandatory execution and clearing of certain swaps, as well as new record keeping and reporting requirements. This increased regulation, as well as the obligations of counterparties imposed by EMIR, may increase the costs of entering into certain transactions.

### **Credit Derivatives**

A fund has the ability to buy or sell credit derivatives, examples of which include credit default swap agreements and credit-linked notes. Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments may include one or more debtors. Payments under credit derivatives may be made during the exercise period of the contracts. Payments under many credit derivatives are triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default or acceleration, etc. Such payments may be for notional amounts, actual losses or amounts determined by formula.

A credit default swap agreement is structured as a swap agreement. The "buyer" in a credit default swap agreement is obligated to pay the "seller" a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay, obligation acceleration or modified restructuring. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the "par value" (full notional value) of the reference obligation.

The contingent payment may be a cash settlement or, where permissible, by a physical delivery of the reference obligation in return for payment of the face amount of the obligation. A fund may be either the buyer or seller in the transaction. If a fund is a buyer and no credit event occurs, that fund may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, a fund receives a fixed rate of income throughout the term of the contract, which typically is between one month and several years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation. A credit-linked note is a security that is structured by embedding a credit default swap agreement in a funded asset to form an investment that has credit risk and cash flow characteristics resembling a bond or a loan.

The market for credit derivatives may be illiquid and there are considerable risks that it may be difficult to either buy or sell the instruments as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument.

In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk.

The value of a credit derivative instrument depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to trading derivatives related to such asset.

### **Cross Liability Risk**

The Umbrella Fund is structured with segregated liability between its funds. As a matter of Luxembourg law, the assets of one fund will not be available to meet the liabilities of another. However, the Umbrella Fund is a single entity that may operate or have assets held on its behalf or be subject to claims in other jurisdictions that may not necessarily recognise such segregation of liability.

### **Currency Risk**

Because each fund may invest in securities and hold active currency positions that are denominated in currencies other than its Dealing Currency, each fund may be exposed to currency exchange risk. For example, changes in exchange rates between currencies or the conversion from one currency to another may cause the value of a fund's investments to diminish or increase. Currency exchange rates may fluctuate over short periods of time. They generally are determined by supply and demand in the currency exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates can be affected unpredictably by intervention (or the failure to intervene) by government or central banks, or by currency controls or political developments.

The Investment Manager may employ hedging strategies in accordance with the investment style of the Underlying Fund. This may include hedging the Dealing Currency against the Base Currency of the Underlying Fund or against the other currencies in which the assets of the relevant fund may be denominated (based on either actual exposure or benchmark weights). There can be no assurance that the strategy chosen by the Investment Manager will be successful.

### **Custodial risk**

Local custody services remain underdeveloped in many emerging market countries and there is a transaction and custody risk involved in dealing in such markets. In certain circumstances a fund may not be able to recover or may encounter delays in the recovery of some of its assets. Such circumstances may include uncertainty relating to, or the retroactive application of, legislation, the imposition of exchange controls or improper registration of title. In some emerging market countries evidence of title to shares is maintained in "book-entry" form by an independent registrar who may not be subject to effective government supervision, which increases the risk of the registration of a fund's holdings of shares in such markets being lost through fraud, negligence or mere oversight on the part of such independent registrars. The costs borne by a fund in investing and holding investments in such markets will generally be higher than in organised securities markets.

### **Cyber Security Risk**

The Umbrella Fund and its service providers are susceptible to operational and information security and related risks of cyber security incidents. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g. through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber attacks also may be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (e.g. efforts to make services unavailable to intended users). Cyber security incidents affecting the Umbrella Fund, Management Company, Administration Agent, Depositary or other service providers such as financial intermediaries have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, including by interference with the ability to calculate the net asset value of the funds; impediments to trading for the funds' portfolios; the inability of Unitholders to transact business with the Umbrella Fund; violations of applicable privacy, data security or other laws; regulatory fines and penalties; reputational damage; reimbursement or other compensation or remediation costs; legal fees; or additional compliance

costs. Similar adverse consequences could result from cyber security incidents affecting issuers of securities in which the funds invest, counterparties with which the funds engage in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties. While information risk management systems and business continuity plans have been developed which are designed to reduce the risks associated with cyber security, there are inherent limitations in any cyber security risk management systems or business continuity plans, including the possibility that certain risks cannot be and/or have not been identified.

### **Derivatives Generally**

There has been an international effort to increase the stability of the over-the-counter derivatives market in response to the financial crisis. In the United States, the Dodd-Frank Act includes provisions that comprehensively regulate the over-the-counter derivatives markets. In Europe, the European Parliament has adopted EMIR, a regulation on over-the-counter derivatives, central counterparties and trade repositories, which also comprehensively regulates the over-the-counter derivatives markets. These regulations will impose compliance costs on the relevant funds. They will also increase the dealers' costs, which are expected to be passed through to other market participants in the form of higher fees and less favourable dealer marks. They may also render certain strategies in which the relevant funds might otherwise engage impossible or so costly that they will no longer be economical to implement. The overall impact of these regulations on the relevant funds is unclear especially on how the over-the-counter derivatives markets will adapt to the clearing obligations, the exchange of collateral obligations and other risk mitigation techniques.

### **Duration Risk**

Duration is a measure of the expected life of a debt obligation on a present value basis. Duration takes the length of the time intervals between the present time and the time that the interest and principal payments are scheduled or, in the case of a callable bond, the time the principal payments are expected to be received, and weights them by the present values of the cash to be received at each future point in time. For debt obligations with interest payments occurring prior to the payment of principal, duration will usually be less than maturity. In general, all else being equal, the lower the stated or coupon rate of the interest of a fixed income security, the longer the duration of the security; conversely, the higher the stated or coupon rate of a fixed income security, the shorter the duration of the security. Holding long futures or call option positions will lengthen the duration of a fund's portfolio. Holding short futures or put options will shorten the duration of a fund's portfolio.

A swap agreement on an asset or group of assets may affect the duration of the Underlying Fund depending on the attributes of the swap. For example, if the swap agreement provides a fund with a floating rate of return in exchange for a fixed rate of return, the duration of the Underlying Fund would be modified to reflect the duration attributes of a similar security that the Underlying Fund is permitted to buy.

There are some situations where even the standard duration calculation does not properly reflect the interest rate exposure of a security. For example, floating- and variable-rate securities often have final maturities of ten or more years; however, their interest rate exposure corresponds to the frequency of the coupon reset. Another example where the interest rate exposure is not properly captured by maturity is mortgage pass through securities. The stated final maturity of such securities is generally 30 years but current prepayment rates are more critical in determining the securities' interest rate exposure. Finally, the duration of the debt obligation may vary over time in response to changes in interest rates and other market factors.

### **Emerging Markets**

In the case of companies located in or deriving substantial revenue from emerging markets, fluctuations in value due to market, economic, political and other factors may be substantial and may be greater than would occur in similar market conditions for the equity shares of companies domiciled in OECD countries. Securities traded in certain emerging market countries may be subject to additional risks due to the inexperience of financial intermediaries, the lack of modern

technology, less developed legal systems, less governmental supervision and regulation, and differences in standards for transparency of fiscal reporting and trading clearance and settlement procedures.

The small size and less developed nature of the securities markets in certain countries and the limited volume of trading in securities may make a fund's investments illiquid and more volatile than investments in more established markets and a fund may be required to establish special custodial or other arrangements before making certain investments. There may be little financial or accounting information available with respect to local issuers and it may be difficult as a result to assess the value or prospects of an investment.

In addition, the settlement systems may be less developed than in more established markets, which could impede a fund's ability to effect portfolio transactions and may result in the Underlying Fund investments being settled through a more limited range of counterparties with an accompanying enhanced credit risk. Moreover, the payment of redemptions proceeds in funds that invest in emerging markets may be delayed.

In addition, in certain markets, local regulations may limit investment into local securities to certain qualifying foreign institutions and investors through licensing requirements and may also limit investment through quotas granted by local authorities. Potential investors should note that there is no guarantee that the Underlying Fund will benefit from quotas granted to such qualifying institutions and investors nor that, if it does, that it will always be available to the Underlying Fund. Withdrawal or failure to obtain a renewal of any such quota may have material adverse consequences to the Underlying Fund. A further consequence of investing via such quota may be that there is a limit on the amount that the Underlying Fund, and/or foreign investors as a whole, can own of the equity capital of a particular company. The actions of other foreign investors independent of the Underlying Fund can therefore impact the position of the Underlying Fund. Use of quotas often requires the transmission of funds through government designated service providers and accounts. Mandatory use of such providers may not provide a fund with terms as advantageous as those which would be available if the selections were made on an open market basis.

Taxation of dividends and capital gains varies among countries and, in some cases, can be comparatively high. Emerging markets typically have less well-defined tax laws and procedures and such laws may permit retroactive taxation, so that a fund could in the future become subject to local tax liability that had not been reasonably anticipated when an investment was made

### **Equity Securities**

Equity shares of companies will fluctuate in value due to market, economic, political and other factors. Such fluctuations may be substantial, and the fluctuation of small and mid-cap companies may be greater than would occur in similar market conditions for the equity shares of larger capitalisation companies. There is frequently less market liquidity for the shares of small and mid-cap companies than for larger capitalisation companies. In the case of securities of unseasoned early stage companies with little or no operating history, the ability to realise value is largely dependent upon successful completion of an initial public offering or the sale of the early stage company to another company, which may not occur for a period of several years after the date of such investment, or may not occur at all. The greater a fund's exposure to small and mid-cap companies the greater the above risks may be.

### **Environmental, Social and Governance and Sustainable Investment**

The application of environmental, social and governance ("ESG") or sustainability considerations in a fund's investment policy may affect the type and number of securities in which the Underlying Fund may invest, and as a result, at times, those funds may produce different returns or more modest gains than funds that are not subject to such considerations. For example, a fund may forgo opportunities to gain exposure to certain companies, industries, sectors or countries and it may choose to sell a security when it might otherwise be disadvantageous to do so. ESG considerations may cause a fund's industry allocation to deviate from that of funds without these considerations and of benchmarks which are relevant for the funds. Furthermore, ESG

considerations are subjective and it is therefore possible that an investment may not perform in a way that an investor considers to be sustainable or responsible, even though it has been selected in accordance with the ESG criteria applied in the portfolio construction process for the relevant fund.

## **Sustainability Risks**

Sustainability Risks may arise in respect of a company or sovereign issuer itself, its affiliates or in its supply chain and/or apply to a particular economic sector, geographical or political region. Environmental Sustainability Risks, including risks arising from climate change, are associated with events or conditions affecting the natural environment. Social risks may be internal or external to a business or sovereign issuer and are associated with employees, local communities, customers or populations of companies or countries and regions. Governance risks are associated with the quality, effectiveness and process for the oversight of day to day management of companies. Examples of Sustainability Risks are given in further detail below. Assessment of Sustainability Risks is complex and requires subjective judgements, which may be based on data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that the Investment Manager will correctly assess the impact of Sustainability Risks on the Underlying Fund's investments.

Loss of investment value following a Sustainability Risk may occur in numerous ways. For investments in a corporate issuer, losses may result from damage to its reputation with a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. Laws, regulations and industry norms play a significant role in controlling the impact on ESG factors of many industries, particularly in respect of environmental and social factors. Any changes in such measures, such as increasingly stringent environmental or health and safety laws, can have a material impact on the operations, costs and profitability of businesses. A corporate may also suffer the impact of fines and other regulatory sanctions. The time and resources of the corporate's management team may be diverted from furthering its business and be absorbed seeking to deal with the Sustainability Risk, including changes to business practices and dealing with investigations and litigation. Sustainability Risks may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by businesses to which a fund is exposed may also be adversely impacted by a Sustainability Risk. Further, certain industries face considerable scrutiny from regulatory authorities, non-governmental organisations and special interest groups in respect of their impact on ESG factors which may cause affected industries to make material changes to their business practices which can increase costs and result in a material negative impact on the profitability of businesses. Such scrutiny may also materially impact the consumer demand for a business's products and services which may result in a material loss in value of an investment linked to such businesses.

Sustainability Risks are relevant as both standalone risks, and also as cross-cutting risks which manifest through many other risk types which are relevant to the assets of the Underlying Fund. For example, the occurrence of a Sustainability Risk can give rise to financial and business risk, including though a negative impact on the credit worthiness of other businesses. The following is a non-exhaustive list of examples of Sustainability Risks which may have an impact on a fund.

### 1. Environmental

#### *Transition Risks from Climate Change*

Many economic sectors, regions and/or jurisdictions, including those in which a fund may invest, are currently and/or in the future may be, subject to a general transition to a greener, lower carbon and less polluting economic model. Drivers of this transition include governmental and/or regulatory intervention, evolving consumer preferences and/or the influence of non-governmental organisations and special interest groups.

Market mechanisms could also threaten the business models and cost structures of carbon-intensive industries and the financial firms that back them. For example, companies with higher

risk of reduced earnings and business disruption from a low-carbon transition may be unable to meet their loan obligations, and the value the company/its collateral could decrease. These companies could also be denied insurance coverage on secured assets. On the investment side, as the market appreciates tightening regulation and accounts for higher carbon prices, repricing of carbon-intensive sectors occurs, reducing the value of these securities. A growing subset of investors willing to implement divestment could also reduce liquidity for certain high-carbon companies. As carbon pricing continues to be a mechanism through which various policymakers seek to mitigate climate change, companies may be impacted in different ways based on their sectors and region of operations. Further, businesses which are in compliance with current measures may suffer claims, penalties and other liabilities in respect of alleged prior failings. Any of the foregoing may result in a material loss in value of an investment linked to such businesses. As regulators increasingly focus on climate-related financial risks, climate change scenarios could become part of regular stress testing. If this happens banks with greater exposure to fossil fuel companies could end up shorter on capital under these scenarios, credit spreads could widen as a result. Litigation risks are also growing for carbon extractors, high-emitting companies, and those resisting the low-carbon transition. The same is true for companies that may have misled consumers and investors.

Sectors, regions, businesses and technologies which are carbon-intensive, higher polluting or otherwise cause a material adverse impact on ESG factors may suffer from a significant fall in demand and/or obsolescence, resulting in stranded assets the value of which is significantly reduced or entirely lost ahead of their anticipated useful life. Attempts by sectors, regions, businesses and technologies to adapt so as to reduce their impact on ESG factors may not be successful, may result in significant costs being incurred, and future ongoing profitability may be materially reduced. In addition, significant technological innovation is required to achieve a low-carbon economy, and this necessitates significant capital investments by companies that must transition their business models. For example, energy and utilities companies may need to embrace the energy transition to lower their cost of capital, maintain their license to operate, and/or align their production with shifting demand for lower-carbon sources of energy. The evolution of emerging and low-carbon technologies may also be disruptive to certain incumbent industries.

#### *Physical Risks from Climate Change*

Certain funds might also have exposure to potential physical risks resulting from climate change for example the tail risk of significant damage due to increasing erratic and potentially catastrophic weather phenomena such as droughts, wildfires, flooding and heavy precipitations, heat/cold waves, landslides or storms. As the frequency of extreme weather events increases, a fund's assets exposure to these events increases too.

Alongside to these acute physical risks, funds might also be exposed to the chronic physical risks stemming from climate change, including, amongst others coastal flooding, coastal erosion, soil degradation and erosion, water stress, changing temperatures or changing wind or precipitation patterns.

Such risks may arise in respect of a company itself, its affiliates or in its supply chain and/or apply to a particular economic sector, geographical or political region.

#### *Other Environmental risks include:*

- Natural resources: the relationship between businesses and natural resources is becoming increasingly important due to the scarcity of fresh water, loss of biodiversity and risks arising from land use. Water is critical to agricultural, industrial, domestic, energy generation, recreational and environmental activities. Reduced supply or allocation of water and/or increased cost in supply and controls over its use may adversely impact the operations, revenue and expenses of certain industries in which the Underlying Fund may invest. Biodiversity underpins ecosystem services such as food, clean water, genetic resources, flood protection, nutrient cycling and climate regulation. A continued loss of biodiversity may adversely affect the operations, revenue and expenses of certain industries in which the Underlying Fund may invest, such as land users and marine industries, agriculture, the extractives industries (cement and

aggregates, oil, gas and mining) forestry and tourism. Land use and land use management practices have a major impact on natural resources.

- Pollution and waste: pollution adversely affects the environment and may for example, result in negative impact on human health, damage to ecosystems and biodiversity and reduced crop harvests. Measures introduced by governments or regulators to reduce pollution and control and reduce waste may adversely impact the operations, revenue and expenses of industries in which the Underlying Fund may invest.

## 2. Social

*Social risks include:*

- Internal social factors: human capital considerations such as human rights violations, lack of access to clean water, food and sanitary living environment, human trafficking, modern slavery / forced labour, inadequate health and safety, discrimination, breaches of employee rights and use of child labour which may, in particular, give rise to negative consumer sentiment, fines and other regulatory sanctions and/or investigations and litigation. The profitability of a business reliant on adverse treatment of human capital may appear materially higher than if appropriate practices were followed.
- External social factors: for example, restrictions on or abuse of the rights of consumers including consumer personal data, management of product safety, quality and liability, relationships with and infringements of rights of local communities and indigenous populations may, in particular, give rise to negative consumer sentiment, fines and other regulatory sanctions and/or investigations and litigation.
- Social “megatrends”: trends such as globalisation, automation and the use of artificial intelligence in manufacturing and service sectors, inequality and wealth creation, digital disruption and social media, changes to work, leisure time and education, changes to family structures and individual rights and responsibilities of family members, changing demographics including though health and longevity and urbanisation are all examples of social trends that can have a material impact on businesses, sectors, geographical regions and the vulnerability and inability to adapt or take advantage of such trends may result in a material negative impact on the Underlying Fund’s investments.

## 3. Governance

*Governance risks include:*

- Lack of diversity at board or governing body level: the absence of a diverse and relevant skillset within a board or governing body may result in less well informed decisions being made without appropriate debate and an increased risk of “group think”. Further, the absence of an independent chairperson of the board, particularly where such role is combined with the role of chief executive officer, may lead to a concentration of powers and hamper the board’s ability to exercise its oversight responsibilities, challenge and discuss strategic planning and performance, input on issues such as succession planning and executive remuneration and otherwise set the board’s agenda.
- Inadequate external or internal audit: ineffective or otherwise inadequate internal and external audit functions may increase the likelihood that fraud and other issues within a company are not detected and/or that material information used as part of a company’s valuation and/or the Investment Manager’s investment decision making is inaccurate.
- Infringement or curtailment of rights of (minority) shareholders: the extent to which rights of shareholders, and in particular minority shareholders (which may include the Underlying Fund) are appropriately respected within an company’s formal decision making process may have an impact on the extent to which the company is managed in the best interest of its shareholders as a whole (rather than, for example, a small number of dominant shareholders) and therefore the value of an investment in it.

- Bribery and corruption: the effectiveness of a company's controls to detect and prevent bribery and corruption both within the company and its governing body and also its suppliers, contractors and sub-contractors may have an impact on the extent to which a company is operated in furtherance of its business objectives.
- Lack of scrutiny of executive pay: failure to align levels of executive pay with performance and long-term corporate strategy in order to protect and create value may result in executives failing to act in the long-term interest of the company.
- Poor safeguards on personal data / IT security (of employees and/or customers): the effectiveness of measures taken to protect personal data of employees and customers and, more broadly, IT and cyber security will affect a company's susceptibility to inadvertent data breaches and its resilience to "hacking".
- The absence of appropriate and effective safeguards for employment related risks: discriminatory employment practices, workplace harassment, discrimination and bullying, respect for rights of collective bargaining or trade unions, the health and safety of the workforce, protection for whistle-blowers and non-compliance with minimum wage or (where appropriate) living wage requirements may ultimately reduce the talent pool available to the company, the wellbeing, productivity and overall quality of its workforce and may lead to increased employment and other business costs.

For more information on Wellington Management's framework for evaluating governance practices of the companies it invests, including additional information about available research, in please see the following [www.wellingtonfunds.com/sfdr](http://www.wellingtonfunds.com/sfdr).

### **Exchange Traded Funds**

A fund may invest in ETFs specialised in different asset classes and sectors. Shares or units in ETFs represent interests in (i) fixed portfolios of equity shares or debt securities designed to track the price and dividend yield performance of broad-based securities indices (such as the S&P 500 or NASDAQ 100); (ii) "baskets" of industry-specific securities; or (iii) commodities. Shares or units in ETFs are traded on an exchange like equity shares in companies, and the value of such shares or units fluctuate in relation to changes in the value of the underlying asset of the ETF. However, the market price of shares or units in ETFs may not be equivalent to the pro rata value of the underlying asset of the ETF. Shares and units of ETFs are subject to the risks of an investment in a broad-based portfolio of equity shares or to the risks of a concentrated, industry-specific investment in equity shares. Furthermore, certain ETFs in which the funds may invest may leverage their assets, thereby significantly increasing the potential volatility of such ETFs.

### **Financial Derivative Instruments**

Each fund may invest in financial derivatives instruments such as options, futures, forward contracts or swaps to hedge its other investments, to equitise its available cash, or for investment purposes. The performance and value of derivative instruments depend on the performance and value of the underlying asset. Derivative instruments involve cost, may be volatile and may involve a small investment relative to the risk assumed. Their successful use may depend on the Investment Manager's ability to predict market movements. Risks include delivery failure, default by other party or the inability to close out a position because the trading market becomes illiquid. Some derivative instruments are particularly sensitive to changes in interest rates or other referents.

Derivatives can be volatile and involve various degrees of risk, depending upon the characteristics of the particular derivative and a fund as a whole. Derivatives may permit a fund to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as the Underlying Fund can increase or decrease the level of risk, or change the character of the risk, of its portfolio by making investments in specific securities. Other risks that derivative instruments in general have include imperfect correlation between the value of such

instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments.

Furthermore, the ability to successfully use derivative instruments may be more dependent on the Investment Manager's ability to predict pertinent market movements than other investments. Thus, the use of derivative instruments may result in losses greater than if they had not been used, may require a fund to sell or purchase portfolio investments at inopportune times or for prices other than current market values, may limit the amount of appreciation a fund can realise on an investment, or may cause a fund to hold a security or other investment that it might otherwise sell. Additionally, amounts paid by a fund as premiums and cash or other assets held in margin accounts with respect to derivative instruments are not otherwise available to a fund for investment purposes.

Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency which is the issuer or counterparty to such derivatives. This guarantee is usually supported by a daily payment system (e.g. margin requirements) operated by the clearing agency in order to reduce overall credit risk. As a result, unless the clearing agency defaults, there is relatively little counterparty credit risk associated with derivatives purchased on an exchange. By contrast, no clearing agency guarantees over-the-counter derivatives.

Therefore, each party to an over-the-counter derivative bears the risk that the counterparty will default. Over-the-counter derivatives may be less liquid than exchange-traded derivatives since the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it.

A fund's investments in derivatives may subject that fund to greater volatility than investments in traditional securities or other investments. The value of derivative instruments may be affected by changes in overall market movements, index volatility, changes in interest rates, or factors affecting a particular industry or region, such as embargoes, tariffs and economic, political and regulatory developments.

### **Fixed Income Securities**

A fund may invest in fixed income securities and other debt securities. Fixed income securities are subject to the general market, political, economic and regulatory risks affecting all investments. Certain of these securities may be unrated by a recognised credit-rating agency or below investment grade, which are subject to greater risk of loss of principal and interest than higher-rated debt securities. Fixed Income Funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured by substantially all of that issuer's assets. Fixed Income Funds may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Fixed Income Funds will therefore be subject to credit and liquidity risks. In addition, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. Investment in a debt instrument will normally involve the assumption of interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Conversely, as interest rates fall, the market value of debt securities tends to increase. This risk will be greater for long-term securities than for short-term securities.

### **Forward Trading**

A fund may engage in forward trading. Forward contracts and options thereon are not traded on exchanges and are not standardised; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or securities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or securities or

have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Market illiquidity or disruption could result in major losses to a fund.

### **Futures Contracts**

A fund may invest in futures contracts. The low margin or premiums normally required in such trading may provide a large amount of leverage (or greater-than-margin market exposure), and a relatively small change in the price of a security can produce disproportionately larger profit or loss. Futures positions (including financial futures) may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”.

Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Investment Manager from promptly liquidating unfavourable positions and subject a fund to substantial losses.

In addition, the Investment Manager may not be able to execute futures contract trades at favourable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the U.S. Commodity Futures Trading Commission may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Under the U.S. Commodity Exchange Act, as amended, futures commission merchants are required to maintain customers’ assets in a segregated account. To the extent that a fund engages in futures and options contract trading and the futures commission merchants with whom that fund maintains accounts fail to segregate such assets, the Underlying Fund will be subject to a risk of loss in the event of the bankruptcy of one of these futures commission merchants.

### **General tax considerations – PRC Stock Connect and Bond Connect tax risks**

Various tax reform policies have been implemented by the government of the People’s Republic of China (“PRC”) in recent years, and existing tax law and regulations may be revised or amended in the future. The tax treatment of investments in PRC set out below under “Tax Factors relevant to Stock Connect” and “PRC tax risks in relation to Bond Connect Securities” which reflect current tax law, regulations and practice in the PRC may be changed with retrospective effect and any such change may have a significant impact on the net asset value of the Umbrella Fund. There is no assurance that the tax incentives currently offered to foreign investors, if any, will not be abolished and the existing tax law and regulations will not be revised or amended in future. The PRC tax rules and practices are not entirely certain. There is a possibility that the PRC tax authorities may change their view and interpretation of the provisions of the tax law and regulations. Any changes in tax policies or practices may also reduce the after-tax profits of the companies the Umbrella Fund invests in, thereby reducing the income from, and/or value of the relevant fund.

### **High Turnover**

The investment strategy of a fund may involve the taking of frequent trading positions, as well as investment positions. As a result, portfolio turnover and brokerage commissions expenses of that fund may significantly exceed those of other funds of comparable size that trade less frequently.

### **High Yield Securities**

Investment in higher yielding securities may be considered more speculative as it generally entails increased credit and market risk; such securities are subject to the risk of an issuer’s inability to meet principal and interest payments on its obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity.

### **Interest Rate Risk**

If a fund may invest in debt securities, it will be subject to interest rate risk. Generally, the value of debt securities will change inversely with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Conversely, as interest rates fall, the market value of debt securities tends to increase. This risk will be greater for long-term securities than for short-term securities.

### **Investment in Other Collective Investment Schemes**

A fund may invest in other collective investment schemes. By investing in the relevant collective investment scheme, an investor will indirectly bear fees and expenses charged by the underlying collective investment schemes in addition to the Underlying Fund's direct fees and expenses. Investments in other collective investment schemes shall be valued at the latest available net asset value per unit as published by the scheme; the latest bid prices as published by the scheme or if the scheme is listed on a Regulated Market or Other Regulated Market, the latest market prices as described in the section entitled "Issue and Redemption Prices/Calculation of Net Asset Value/Valuation of Assets". The funds investing in other collective investment schemes may be subject to the risk that (i) the valuations of the Underlying Fund may not reflect the true value of the underlying collective investment schemes at a specific time which could result in significant losses or inaccurate pricing for the Underlying Fund and/or (ii) the valuation may not be available as at the relevant Valuation Point for the Underlying Fund.

### **Leverage Risk**

Leverage may be employed as part of an investment strategy through the use of derivatives. Derivatives may contain a leverage component and consequently any adverse changes in the value or level of the underlying asset can result in a loss greater than the amount invested in the derivative itself.

### **LIBOR Transition and Associated Risk**

The Underlying Fund may invest in debt securities, derivatives or other financial instruments that utilize the London Interbank Offered Rate, or "LIBOR," as a "benchmark" or "reference rate" for various interest rate calculations. The United Kingdom Financial Conduct Authority, which regulates LIBOR, has announced that certain LIBOR benchmarks would cease to be published at the end of 2021. Although widely used LIBOR rates are intended to be published until June 2023, banks were strongly encouraged to cease entering into agreements with counterparties referencing LIBOR by the end of 2021. Although financial regulators and industry working groups have suggested alternative reference rates, such as the European Interbank Offer Rate, the Sterling Overnight Interbank Average Rate and the Secured Overnight Financing Rate, global consensus on alternative rates is lacking and the process for amending existing contracts or instruments to transition away from LIBOR is underway but remains incomplete. The elimination of LIBOR or changes to other reference rates or any other changes or reforms to the determination or supervision of reference rates could have an adverse impact on the market for, or value of, any securities or payments linked to those reference rates, which may adversely affect the Underlying Fund's performance and/or NAV. Uncertainty and risk also remain regarding the willingness and ability of issuers and lenders to include revised provisions in new and existing contracts or instruments. Consequently, the transition away from LIBOR to other reference rates may lead to increased volatility and illiquidity in markets that are tied to LIBOR, fluctuations in values of LIBOR-related investments or investments in issuers that utilize LIBOR, increased difficulty in borrowing or refinancing and diminished effectiveness of hedging strategies, potentially adversely affecting the Underlying Fund's performance. Furthermore, the risks associated with the expected discontinuation of LIBOR and transition may be exacerbated if the work necessary to effect an orderly transition to an alternative reference rate is not completed in a timely manner.

### **Liquidity**

Liquidity is an indicator of how easily an investment may be converted into cash. An investment may be less liquid if it is not widely traded or if there are restrictions imposed by the exchange where the trading takes place, or by the issuer. Adverse market conditions resulting from Force

Majeure Events (as defined in this Prospectus) may also affect the liquidity of an investment due to increased market volatility, exchange trading suspensions and closures as well as other disruptions to markets and market operations which may impact the Underlying Fund's ability to sell certain securities and/or complete redemptions. A fund may, at any given time, have a portion of its assets in securities or other financial instruments or obligations which, post initial purchase when liquid, are thinly-traded or for which no liquid market exists. The sale of any thinly traded or illiquid investments may be possible only at substantial discounts or at discounts to the values at which a fund is carrying them. If a fund is forced to sell thinly traded or illiquid securities in order to meet redemption requests and/or its ongoing objective, such sales may result in a reduction in the Underlying Fund's net asset value.

### **Long-Short Strategy**

Some funds may employ long-short strategies. Long-short strategies generally seek to generate capital appreciation through the establishment of both long and short positions (through the use of financial derivative instruments) by purchasing perceived undervalued securities and selling perceived overvalued securities to generate returns and to reduce a portion of general market risk. If the analysis is incorrect or based on inaccurate information, these investments may result in significant losses to a fund when the long and short sides of the portfolio both result in losses.

### **Market**

The success of any investment activity is affected by general economic, social, political and regulatory conditions which affect the level and volatility of prices as well as the liquidity of the markets. The prices of many securities and derivative instruments are highly volatile. The prices of investments and the income from them, and therefore the value of, and income from, Units can fall as well as rise. The price movements of the instruments which a fund will acquire or sell are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events.

The profitability of a fund's investment program depends to a great extent upon the Investment Manager's ability to correctly assess and combine the performance characteristics of a fund's various underlying investment approaches. There can be no assurance that the Investment Manager will be able to predict accurately performance characteristics. At times, various markets experience great volatility and unpredictability. With respect to the investment strategy utilised by a fund, there is always some, and occasionally a significant degree of market risk. Although a fund employs risk management tools, it is possible that simultaneous losses could occur in more than one of the Underlying Fund's alpha sources, resulting in magnified losses to the Underlying Fund.

Force Majeure Events (as defined in this Prospectus) may be highly disruptive to market conditions in unforeseen ways. Disruptions from such Force Majeure Events may lead to increased market volatility, market losses, investment illiquidity and communication and operational disruptions which may affect the overall value of the Underlying Fund, its performance and/or its ability to meet its investment objective, potentially leading to significant losses.

### **Management of a terminating Fund**

Where the decision is taken to terminate a fund, this is likely to have an impact on the manner in which the assets of the Underlying Fund are managed until, and subsequent to, the date of termination. In order to facilitate an orderly termination, the Investment Manager may need to sell assets or close out positions at less favourable prices or terms and/or may need to hold a larger amount of cash and for a different period than would be the case if the Underlying Fund was continuing.

### **Model and Data Risk**

The Investment Manager may use recommendations generated by proprietary quantitative analytical models. When executing an investment strategy using quantitative models, securities or other financial instruments selected can perform differently than expected, or from the market as a whole, as a result of a model's component factors, the weight placed on each factor, changes

from the factors' historical trends, and technical issues in the construction, implementation and maintenance of the models (e.g. data problems, software issues, etc.).

Quantitative modelling is a very complex process involving numerous data points and settings encoded in computer software. The Investment Manager and its affiliates review these codes and the various components to the models with a view to ensuring that they are appropriately adapted and calibrated to reflect the Investment Manager's views as to the potential implications of evolving external events and factors, including constantly changing economic, financial market and other conditions. This process involves the exercise of judgments and a number of inherent uncertainties. The Investment Manager's views, including those related to the optimal configuration, calibration and adaptation of the models, may change over time depending on evolving circumstances, on information that becomes available to the Investment Manager and its affiliates, and on other factors.

Although the Investment Manager attempts to ensure that the models are appropriately developed, operated and implemented, sub-optimal calibrations of the models and similar issues may arise from time to time, and neither the Investment Manager nor any of its affiliates can guarantee that the models are in an optimal state of calibration and configuration at all times. Further, inadvertent human errors, trading errors, software development and implementation errors, and other types of errors are an inherent risk in complex quantitative investment management processes of the type the Investment Manager employs. Although the Investment Manager's policy is to promptly address any such errors when identified, there can be no guarantee that the overall investment process will be without error or that it will produce the desired results.

### **Mortgage and other Asset-Backed Securities**

In addition to the general risks associated with fixed income securities described above, pass-through instruments such as mortgage-related and other asset-backed securities also are subject to prepayment risk, which is the possibility that the principal of the loans underlying the securities may be prepaid at any time. During periods of declining interest rates or for other purposes, borrowers may exercise their option to prepay principal earlier than scheduled, potentially causing the Underlying Fund to incur capital loss and/or to reinvest in lower yielding obligations.

### **Options**

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses the premium paid. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying commodity or instrument (which could result in a potentially unlimited loss) rather than only the loss of the premium payment received. Over-the-counter options also involve counterparty solvency risk.

### **Reliance on the Investment Manager**

The profitability of a significant portion of a fund's investment program will depend upon the Investment Manager correctly assessing future price movements in securities. There can be no assurance that the Investment Manager will be able accurately to predict these price movements, even during market periods which are favourable to most other managers. Each strategy selected for a fund will be unlikely to achieve its objectives under certain market conditions which may prevail for substantial periods of time after a fund begins operating or allocates assets to a particular strategy.

The success of an Investment Manager in the past is not necessarily a reliable indicator of its prospects for future profitability. Speculative trading and investment strategies involve substantial risks, and the outcomes are uncertain.

Force Majeure Events (as defined in this Prospectus) may disrupt or adversely impact the Investment Manager's ability to effectively manage the Underlying Fund or meet its investment objective, including in circumstances which affect the availability of personnel within the Investment Manager who play an integral role in the management of the Underlying Fund.

### **Repurchase and Reverse Repurchase Agreements**

A fund may engage in repurchase agreements with banks or broker-dealers. A repurchase agreement is an investment in which the relevant fund sells ownership of securities and agrees to repurchase the securities at a future time and set price. Repurchase agreements involve certain risks in the event of default by the other party.

In the event the buyer of the securities files for bankruptcy or becomes insolvent, the relevant fund's use of the proceeds of the agreement may be restricted pending the close out and set off process under the repurchase agreement, including the valuation of the securities held by the other party as collateral.

A fund may engage in sell-buy back agreements which operate in a similar way and are subject to the same risks as repurchase agreements.

A fund may enter into reverse repurchase agreements with banks or broker-dealers. Reverse repurchase agreements involve a purchase by the relevant fund of securities concurrently with an agreement by the seller to repurchase the same securities at a later date at a fixed price.

In the event of the bankruptcy or other default of the seller, the relevant fund could experience both delays in liquidating the underlying securities and losses, including (i) possible decline in the value of the underlying security during the period while it seeks to enforce its rights thereto; (ii) possible lack of access to income on the underlying security during this period; and (iii) expenses of enforcing its rights.

A fund may engage in buy-sell back agreements which operate in a similar way and are subject to the same risks as reverse repurchase agreements.

### **Securities Lending**

Where a fund enters into securities lending arrangements there are risks in the exposure to market movements on the value of collateral if the counterparty defaults and recourse has to be had to collateral, or if there is fraud or negligence on the part of the Depository, the Investment Manager or lending agent. In addition there is an operational risk associated with marking to market daily valuations and there are the potential stability risks of providers of collateral. The principal risk in such securities lending arrangements is the insolvency of the counterparty. In this event a fund could experience delays in recovering its securities and such event could possibly result in capital losses.

### **Securities Issued by REITs**

Securities of real estate investment trusts (REITs) are companies that acquire and/or develop real property for long term investment purposes. They invest the majority of their assets directly in real property and derive their income primarily from rents. There are special risk considerations associated with investing in the securities of companies principally engaged in the real estate industry. These risks include: the cyclical nature of real estate values, risk related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, demographic trends and variations in rental income, changes in zoning laws, casualty or condemnation losses, environmental risks, regulatory limitations on rents, changes in neighbourhood values, related party risks, changes in the appeal of properties to tenants, increases in interest rates and other real estate capital market influences. Generally, increases in interest rates will increase the costs of obtaining financing, which could directly and indirectly decrease the value of the Underlying Fund's investment.

### **Structured Financial Instruments**

In order to gain access to certain markets where direct investment may not be possible, a fund may invest in securities issued by a financial institution or special purpose entity (“Structured Financial Instruments”), the performance of which depends on the performance of a corresponding asset. Typically the redemptions or repayment proceeds from the Structured Financial Instrument replicate the underlying asset. Structured Financial Instruments are generally subject to the same risks as direct holdings of securities of foreign issuers. Moreover, Structured Financial Instruments are also subject to the default risk of the issuer of the Structured Financial Instruments. Structured Financial Instruments are also subject to the liquidity risks referred to above.

### **Swap Agreements**

A fund may enter into swap agreements. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard “swap” transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realised on particular predetermined investments or instruments. The gross returns to be exchanged or “swapped” between the parties are calculated with respect to a “notional amount,” (e.g. the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency or security, or in a “basket” of securities representing a particular index).

The “notional amount” of the swap agreement is only a fictive basis on which to calculate the obligations that the parties to a swap agreement agree to exchange. Most swap agreements entered into by a fund would calculate the obligations of the parties to the agreement on a “net” basis. Consequently, a fund’s obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the “net amount”).

Whether a fund’s use of swap agreements, if any, will be successful in furthering its investment objective will depend on the portfolio manager’s ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments. A fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. It is possible that developments in the swaps market, including potential government regulation, could adversely affect a fund’s ability to terminate existing swap agreements or to realise amounts to be received under such agreements.

### **Collateral reuse risk**

Where a fund reinvests collateral it receives from a counterparty under a trading agreement, there is a risk that such collateral reinvestment could result in a reduction of the value of the collateral capital (because the investment declines in value). This, in turn, may cause losses to the Underlying Fund because it is obliged to return collateral to the counterparty. The funds are limited to how they can reinvest collateral as set out in the Section titled “Collateral Management”.

Where a fund provides collateral under a trading agreement to a counterparty and that counterparty exercises a right of reuse of that collateral, the Underlying Fund will be subject to the following collateral re-use risks and consequences:

- its rights, including any proprietary rights, in that collateral will be replaced by an unsecured contractual claim for delivery of equivalent collateral subject to the terms of the relevant collateral arrangement;
- the collateral may not be held by the counterparty in accordance with client asset rules, and may not benefit from any client asset protection rights;
- in the event of the counterparty’s insolvency or default, the Underlying Fund’s claim against the counterparty for delivery of equivalent collateral may not be secured and will be subject to the terms of the relevant collateral arrangement and applicable law and, accordingly, the Underlying Fund may not receive such equivalent collateral or recover the full value of the financial instruments;

- in the event that the counterparty is not able to readily obtain equivalent collateral to deliver to the Underlying Fund at the time required: the Underlying Fund may be unable to fulfil its settlement obligations under a hedging or other transaction it has entered into in relation to those particular collateral assets.

### **Tax and Other Regulatory Considerations**

Certain prospective Unitholders may be subject to laws, rules and regulations which may regulate their participation in the Underlying Fund or their engaging directly, or indirectly through an investment in the Underlying Fund, in investment strategies of the types which the Underlying Fund may utilise from time to time. Prospective Unitholders should consult with their own advisors as to the advisability and tax consequences of an investment in the Underlying Fund. Prospective Unitholders should also be aware that the tax treatment of the Underlying Fund, as well as their investment, may change over time.

### **Technology and Data Risk**

The Umbrella Fund and its service providers rely heavily on the use of technology, including proprietary and third-party software and data, to run substantially all aspects of the management of the Umbrella Fund. For example, the majority of trade instructions are entered by portfolio managers and executed by traders utilising electronic systems, some of the funds use quantitative equity models to assess the attractiveness of investments or fund construction models to generate suggested trades or investment weightings. Compliance with investment guidelines is monitored utilising electronic systems and data provided by various proprietary and third-party sources.

Processes designed for developing, selecting and overseeing these technology systems and databases, in particular controls designed to assure that technology systems and data are sound and the systems and data suppliers that are relied on are reputable and competent may not be successful in completing mitigating the risk of system defects and/or inaccurate or missing data.

Systems flaws and inaccurate data may go undetected for long periods of time, or avoid detection altogether. These issues could have a negative (or positive) impact on the investment performance of a fund.

### **Unitholder Concentration**

At any time, one or more Unitholders may hold individually a significant interest (or even a significant majority interest) in any fund. A redemption by a Unitholder that holds a significant percentage of Units in the Underlying Fund will lead to reduced asset levels which may affect the investment strategy used to meet the Underlying Fund's investment objective as well as may result in an increase in the Underlying Fund's ratio of operating expenses to total net assets. In addition, such redemption may reduce the assets of the Underlying Fund to below a level at which the Underlying Fund can be considered viable and this may result in the Management Company making a decision to terminate the Underlying Fund. The potential impact of significant redemption requests on a fund is detailed further in the "Cash Flows" risk factor.

### **Valuation Risk**

The Administration Agent may consult the Management Company with respect to the valuation of investments which are (i) unlisted, or (ii) listed or traded on a Regulated Market or Other Regulated Market but where the market price is unrepresentative or not available. There is a possible conflict of interest because of the Management Company's role in determining the valuation of the Underlying Fund's investments and the fact that the Management Company receives a fee which increases as the value of the Underlying Fund increases.

### **Warrants**

Warrants present for the investor a higher risk than ordinary securities due to their volatility. Warrants do not carry with them the right to dividends or voting rights with respect to the securities that they entitle their holders to purchase, and they do not represent any rights in the assets of the issuer. In addition, the value of a warrant does not necessarily change with the value of the

underlying securities and a warrant ceases to have value if it is not exercised prior to its expiration date.

### **Investment in China**

Other than risks involved in investments made on a worldwide basis and in emerging markets investors in funds invested in China should also refer to the specific risks below.

### **Renminbi Currency Risk**

The Renminbi is not a freely convertible currency and is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. Exchange control regulations or any changes thereto may cause difficulties in the repatriation of funds, and the performance of the Underlying Fund's investments, in particular, may be affected.

Renminbi convertibility is subject to foreign exchange control policies of and repatriation restrictions. Converting foreign currencies into Renminbi is carried out on the basis of the rate applicable to offshore Renminbi ("CNH"). The daily trading price of CNH against other major currencies in the inter-bank foreign exchange market is floating in a band around the central parity published by the People's Bank of China ("PBC"). The value of the CNH may differ, perhaps significantly, from the value of onshore RMB ("CNY") due to a number of factors including without limitation those foreign exchange control policies and repatriation restrictions applied by the Chinese government from time-to-time as well as other external factors and market forces.

The CNH market is in early development and there may be periods in which it is difficult for market participants to obtain or dispose of CNH. Furthermore, government or regulatory intervention in the CNH market may impact the availability and/or convertibility of CNH. In such situations, the exchange rate may fluctuate substantially and it may not be possible to obtain an exchange rate through any customary channel.

Investments by a fund in the Stock Connect Shares will be traded and settled in Renminbi ("RMB"). If the Underlying holds a class of shares denominated in a local currency other than RMB, the Underlying Fund will be exposed to currency risk if the Underlying Fund invests in a RMB product due to the need for the conversion of the local currency into RMB. During the conversion, the Underlying Fund will also incur currency conversion costs. Even if the price of the RMB asset remains the same when the Underlying Fund purchases it and when the Underlying Fund redeems/sells it, the Underlying Fund will still incur a loss when it converts the redemption/sale proceeds into local currency if RMB has depreciated.

### **Stock Connect Risk**

#### *Risks linked with dealing in securities in China via Stock Connect*

Some of the funds may seek exposure to stocks issued by companies listed on China stock exchanges via Stock Connect. Stock Connect is a mutual market access programme through which non-PRC investors can deal in select securities listed on a PRC stock exchange, currently the Shanghai Stock Exchange ("SSE") and the Shenzhen Stock Exchange ("SZSE"), through a platform organised by the Hong Kong Stock Exchange ("SEHK") via a broker in Hong Kong and PRC domestic investors can deal in select securities listed on the SEHK through a platform put in place by a PRC stock exchange, currently the SSE and SZSE.

China A Shares accessed via Stock Connect shall be referred to hereinafter as "Stock Connect Shares".

Under the Stock Connect programme, investors in Hong Kong and Mainland China can trade and settle shares listed on the other market via the exchanges and clearing houses in both jurisdictions. Stock Connect is subject to quota limitations, which may restrict a fund's ability to deal via Stock Connect on a timely basis. This may impact that fund's ability to implement its investment strategy effectively. Currently, the scope of Stock Connect includes all constituent stocks of the SSE 180 Index, the SSE 380 Index, the SZSE Component Index, the SZSE Small/Mid Cap Innovation Index (with market capitalisation of RMB 6 billion or above) as well as

all China A Shares dual-listed on either the SSE or SZSE and the SEHK except for listed shares which are not traded in RMB and/or which are under 'risk alert' or under delisting arrangements.

The scope of the Stock Connect may be enlarged or reduced from time to time and investors should note that a security may be recalled from the scope of Stock Connect as set out below. This may adversely affect the Underlying Fund's ability to meet its investment objective, e.g. when it wishes to purchase a security which is recalled from the scope of Stock Connect.

Under Stock Connect, China A Shares listed companies and trading of China A Shares are subject to market rules and disclosure requirements of the China A Shares market. Any changes in laws, regulations and policies of the China A Shares market or rules in relation to Stock Connect may affect share prices. Foreign shareholding restrictions are also applicable to China A Shares.

The Investment Manager will be subject to restrictions on trading (including restriction on retention of proceeds) in China A Shares as a result of its interest in the China A Shares. The Investment Manager is solely responsible for compliance with all notifications, reports and relevant requirements in connection with their interests in China A Shares.

Under the current Mainland China rules, once an investor holds or controls up to 5% of the shares of a company listed on either the SSE or SZSE, the investor is required to disclose his interest within three working days and during which he cannot trade the shares of that company. After that, the investor is also required to make disclosure within three working days every time a change in his shareholding reaches 5%. From the day the disclosure obligation arises to two working days after the disclosure is made, the investor may not trade the shares of that company. Overseas investors holding China A Shares via Stock Connect are subject to the following restrictions (i) shares held by a single foreign investor (such as the Umbrella Fund) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and (ii) total A Shares held by all foreign investors (e.g. Hong Kong and overseas investors) who make investments in a listed company must not exceed 30% of the total issued shares of such listed company. If the aggregate foreign shareholding exceeds the 30% restriction, the foreign investors would be required to unwind their positions on the excessive shareholding according to a last-in-first-out basis within five trading days.

Trading in securities through the Stock Connect may be subject to clearing and settlement risk. If the PRC clearing house defaults on its obligation to deliver securities/make payment, the Underlying Fund may suffer delays in recovering its losses or may not be able to fully recover its losses.

According to existing Mainland China practices, the Umbrella Fund as a beneficial owner of China A Shares traded via Stock Connect cannot appoint proxies to attend shareholders' meetings on its behalf.

### **Beneficial owner of the Stock Connect Shares**

Stock Connect currently comprises a Northbound link, through which Hong Kong and overseas investors like the Umbrella Fund may purchase and hold Stock Connect Shares, and a Southbound link, through which investors in Mainland China may purchase and hold shares listed on the SEHK.

The Umbrella Fund trades Stock Connect Shares through its broker affiliated to the Umbrella Fund sub-custodian who is an SEHK exchange participant. These Stock Connect Shares will be held following settlement by brokers or custodians as clearing participants in accounts in the Hong Kong Central Clearing and Settlement System ("CCASS") maintained by the Hong Kong Securities and Clearing Corporation Limited ("HKSCC") as central securities depository in Hong Kong and nominee holder. HKSCC in turn holds Stock Connect Shares of all its participants through a "single nominee omnibus securities account" in its name registered with ChinaClear, the central securities depository in Mainland China.

Because HKSCC is only a nominee holder and not the beneficial owner of Stock Connect Shares, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong, investors should note that Stock Connect Shares will not be regarded as part of the general assets

of HKSCC available for distribution to creditors even under Mainland China law. However, HKSCC will not be obliged to take any legal action or enter into court proceedings to enforce any rights on behalf of investors in Stock Connect Shares in Mainland China. Foreign Investors like the concerned funds of the Umbrella Fund investing through the Stock Connect holding the Stock Connect Shares through HKSCC are the beneficial owners of the assets and are therefore eligible to exercise their rights through the nominee only.

#### *Not protected by Investor Compensation Fund*

Investors should note that any Northbound or Southbound trading under Stock Connect will not be covered by Hong Kong's Investor Compensation Fund nor the China Securities Investor Protection Fund and thus investors will not benefit from compensation under such schemes.

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Examples of default are insolvency, in bankruptcy or winding up, breach of trust, defalcation, fraud, or misfeasance.

#### *Quotas used up*

Once the daily quota is used up, acceptance of the corresponding buy orders will also be immediately suspended and no further buy orders will be accepted for the remainder of the day. Buy orders which have been accepted will not be affected by the using up of the daily quota, while sell orders will be continued to be accepted.

#### *Difference in trading day and trading hours*

Due to differences in public holiday between Hong Kong and Mainland China or other reasons such as bad weather conditions, there may be a difference in trading days and trading hours in the markets in Hong Kong and Mainland China, Stock Connect will only operate on days when both markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but it is not possible to carry out any China A Shares trading in Hong Kong. There may be a risk of price fluctuations in China A Shares during the time when Stock Connect is not trading.

#### *The recalling of eligible stocks and trading restrictions*

A stock may be recalled from the scope of eligible stocks for trading via Stock Connect for various reasons, and in such event the stock can only be sold but is restricted from being bought. This may affect the investment portfolio or strategies of the Investment Manager.

Under Stock Connect, the Investment Manager will only be allowed to sell China A Shares but restricted from further buying if: (i) the China A Share subsequently ceases to be a constituent stock of the relevant indices; (ii) the China A Share is subsequently under "risk alert"; (iii) the corresponding H share of the China A Share subsequently ceases to be traded on SEHK; and/or (iv) in respect of SZSE Shares only, such Shares, based on any subsequent periodic review, that are determined to have a market capitalisation of less than RMB 6 billion. Investors should also note that price fluctuation limits would be applicable to China A Shares.

#### *Trading costs*

In addition to paying trading fees and stamp duties in connection with China A Shares trading, the Funds carrying out trading Stock Connect Shares via Stock Connect may also be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers which would be determined by the relevant authorities.

#### *Risk of ChinaClear default*

ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission (“CSRC”). Pursuant to the General Rules of CCASS, if China Clear (as the host central counterparty) defaults, HKSCC will, in good faith, seek recovery of the outstanding Stock Connect securities and monies from ChinaClear through available legal channels and through ChinaClear’s liquidation process, if applicable.

HKSCC will in turn distribute the Stock Connect securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the relevant Stock Connect authorities. Although the likelihood of a default by ChinaClear is considered to be remote, the relevant Fund should be aware of this arrangement and of this potential exposure before engaging in trading Stock Connect Shares.

### **Risk of HKSCC default**

A failure or delay by the HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of Stock Connect securities and/or monies in connection with them and the Umbrella Fund and its investors may suffer losses as a result. Neither the Umbrella Fund nor the Investment Manager shall be responsible or liable for any such losses.

#### *Ownership of Stock Connect Shares*

Stock Connect Shares are uncertificated and are held by HKSCC for its account holders. Physical deposit and withdrawal of Stock Connect Shares are not available currently under the Northbound trading for a fund.

The fund’s title or interests in, and entitlements to Stock Connect Shares (whether legal, equitable or otherwise) will be subject to applicable requirements, including laws relating to any disclosure of interest requirement or foreign shareholding restriction. It is uncertain whether the Chinese courts would recognise the ownership interest of the investors to allow them standing to take legal action against the Chinese entities in case disputes arise. This is a complex area of law and investors should seek independent professional advice.

The above may not cover all risks related to Stock Connect and any above mentioned laws, rules and regulations are subject to change.

#### *Tax factors relevant to Stock Connect*

Unless a specific exemption or reduction is available, entities not tax resident in the PRC are subject to corporate income tax (“CIT”) on a withholding basis, generally at a rate of 10% on PRC passive sourced income; therefore, dividends from China A Shares traded on Stock Connect will be subject to a 10% withholding tax at source. However, capital gains derived by foreign investors on the trading of China A Shares through Stock Connect have been exempted pursuant to Caishui [2014] No.81 and No.127 issued by the PRC tax authorities (the “Notices”), on a temporary basis and with no stated expiry date. It is possible that the Notices may be amended or withdrawn, in addition to other local tax regulation, at any time, and with potential retroactive effect, which may result in an impact to the Umbrella Fund’s net asset value.

Pursuant to Caishui [2016] No.36, capital gains derived by investors via Stock Connect are exempted from value added tax (VAT). Dividend income or profit distributions on PRC equities are not included within the scope of VAT.

### **Bond Connect**

#### *Risks linked with dealing in securities in China via Bond Connect*

Some funds may seek exposure to fixed income securities dealt on the CIBM through Bond Connect (“Bond Connect Securities”). Bond Connect is a mutual bond market access between Hong Kong and the PRC established by China Foreign Exchange Trade System (CFETS) & National Interbank Funding Centre, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House (together, the “Mainland Financial Infrastructure Institutions”), and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit (CMU) (together, the “Hong Kong Financial Infrastructure Institutions”). Eligible foreign investors are allowed to invest in Bond

Connect Securities through a cross border platform, which facilitates the efficient trading by overseas institutional investors in the PRC bond market (Northbound link) and by PRC investors in the Hong Kong bond market (Southbound link). Northbound Trading will follow the current policy framework for overseas participation in the CIBM.

There will be no investment quota for Northbound Trading.

To the extent that a fund's investments in China are dealt via Bond Connect, such dealing may be subject to additional risk factors.

**Regulatory risks:** Bond Connect rules and regulations are relatively new. The application and interpretation of such investment regulations are therefore relatively untested and there is no certainty as to how they will be applied as the PRC authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future. In addition, there can be no assurance that the Bond Connect rules and regulations will not be abolished in the future. A fund(s), which invests in Bond Connect Securities, may be adversely affected as a result of any such changes or abolition.

**Custody risks:** Under the prevailing regulations in PRC, eligible foreign investors who wish to invest in Bond Connect Securities may do so via an offshore custody agent approved by the Hong Kong Monetary Authority ("HKMA") ("Offshore Custody Agent"), who will be responsible for the account opening with the relevant onshore custody agent approved by the People's Bank of China. Since the account opening for investment in the CIBM market via Bond Connect has to be carried out via an offshore custody agent the relevant und is subject to the risks of default or errors on the part of the Offshore Custody Agent.

**Trading risks:** Trading in securities through the Bond Connect may be subject to clearing and settlement risk. If the PRC clearing house defaults on its obligation to deliver securities/make payment, the Underlying Fund may suffer delays in recovering its losses or may not be able to fully recover its losses.

**Market and Liquidity Risks:** Market volatility and potential lack of liquidity due to low trading volumes of certain debt securities may result in prices of certain debt securities traded on the CIBM to fluctuate significantly. The funds investing in the CIBM are therefore subject to liquidity and volatility risks and may suffer losses in trading PRC bonds. The bid and offer spreads of the prices of such PRC bonds may be large, and the relevant funds may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

**Investment restrictions:** Investments into Bond Connect are not subject to any quota but should the relevant Chinese authorities suspend account opening or trading via Bond Connect, the relevant fund's ability to invest in CIBM will be limited and, and the relevant Fund may not be able to effectively pursue its investment strategy or it may have an adverse effect on the relevant fund's performance as the relevant Fund may be required to dispose of its CIBM holdings. The relevant fund may also suffer substantial losses as a result.

**Chinese Local Credit Rating Risk:** Certain funds may invest in securities the credit ratings of which are assigned by Chinese local credit rating agencies. However, the rating criteria and methodology used by such agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies. Investors should be cautious when they refer to ratings assigned by Chinese local credit agencies, noting the differences in rating criteria mentioned above. If assessments based on credit ratings do not reflect the credit quality of and the risks inherent in a security, investors may suffer losses, possibly greater than originally envisaged.

**Operational Risk:** Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. A fund's ability to trade through Bond Connect (and hence to pursue its investment strategy) may

therefore be adversely affected. In addition, where a fund invests in the CIBM through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

#### *Beneficial owner of Bond Connect Securities*

The funds' Bond Connect Securities will be held following settlement in an investors segregated securities account at the Central Moneymarkets Unit (CMU) as central securities depository in Hong Kong by custodians as clearing participants. The CMU in turn holds Bond Connect Securities of all its participants through an omnibus securities account (Linkage Securities Account) in the name of the Hong Kong Monetary Authority (HKMA) at the China Central Depository & Clearing Co., Ltd and the Shanghai Clearing House in the PRC. Because CMU is only a nominee holder and not the beneficial owner of Bond Connect Securities, in the unlikely event that CMU becomes subject to winding up proceedings in Hong Kong, investors should note that Bond Connect Securities will not be regarded as part of the general assets of CMU available for distribution to creditors even under PRC a law. However, CMU will not be obliged to take any legal action or enter into court proceedings to enforce any rights on behalf of investors in Bond Connect Securities in PRC. funds investing through Bond Connect holding the Bond Connect Securities through CMU are the beneficial owners of the assets and are therefore eligible to exercise their rights through the nominee only.

However, physical deposit and withdrawal of Bond Connect Securities are not available under the Northbound trading for the funds. In addition, the fund's title or interests in, and entitlements to Bond Connect Securities (whether legal, equitable or otherwise) will be subject to applicable requirements, including laws relating to any disclosure of interest requirement or foreign bondholding restriction, if any. It is uncertain whether the Chinese courts would recognise the ownership interest of the investors to allow them standing to take legal action against the Chinese entities in the event that disputes arise.

#### *Not protected by Investor Compensation Fund*

Investors should note that any trading under Bond Connect will not be covered by Hong Kong's Investor Compensation Fund nor the China Securities Investor Protection Fund and thus investors will not benefit from compensation under such schemes. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Examples of default are insolvency, in bankruptcy or winding up, breach of trust, defalcation, fraud, or misfeasance.

#### *Difference in trading day and trading hours*

Due to differences in public holiday between Hong Kong and PRC or other reasons such as adverse weather conditions, there may be a difference in trading days and trading hours on the CIBM and the CMU.

Bond Connect will thus only operate on days when both markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC markets but it is not possible to carry out any Bond Connect Securities trading in Hong Kong.

#### *The recalling of eligible bond and trading restriction*

A bond may be recalled from the scope of eligible stocks for trading via Bond Connect for various reasons, and in such event the stock can only be sold but is restricted from being bought. This may affect the investment portfolio or strategies of the Investment Manager.

#### *Trading costs*

In addition to paying trading fees and other expenses in connection with Bond Connect Securities trading, the Funds carrying out Northbound trading via Bond Connect should also take note of any

new portfolio fees, dividend tax and tax concerned with income arising from transfers which would be determined by the relevant authorities.

#### *Currency risks*

Northbound investments by the Underlying Fund in the Bond Connect Securities will be traded and settled in Renminbi. If the Underlying Fund holds a class of shares denominated in a local currency other than RMB, the Underlying Fund will be exposed to currency risk if the Underlying Fund invests in a RMB product due to the need for the conversion of the local currency into RMB. During the conversion, the Underlying Fund will also incur currency conversion costs. Even if the price of the RMB asset remains the same when the Underlying Fund purchases it and when the Underlying Fund redeems/sells it, the Underlying Fund will still incur a loss when it converts the redemption/sale proceeds into local currency if RMB has depreciated.

#### *Risk of CMU default*

A failure or delay by the CMU in the performance of its obligations may result in a failure of settlement, or the loss, of Bond Connect Securities and/or monies in connection with them and the Underlying Fund and its investors may suffer losses as a result. Neither the Underlying Fund nor the Investment Manager shall be responsible or liable for any such losses.

#### *PRC tax risks in relation to Bond Connect Securities*

Unless a specific exemption or reduction is available, entities not tax resident in the PRC are subject to CIT on a withholding basis generally at a rate of 10% on PRC passive sourced income. However, interest derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council are exempt from CIT. Further, on 22 November 2018, a three-year CIT and Value Added Tax (VAT) exemption on interest income derived by foreign investors from investments in PRC bond markets was confirmed from 7 November 2018 to 6 November 2021, pursuant to Caishui [2018] No.108.

Currently, there is no specific rule governing the taxation of capital gains derived by foreign investors trading PRC debt securities (including PRC debt securities traded through Bond Connect). Based on verbal comments from the PRC tax authorities, such gains should be non-PRC sourced income and thus would not be subject to PRC withholding tax. However, there are no written tax regulations issued by the PRC tax authorities to confirm that interpretation. As a matter of practice, the PRC tax authorities have not levied PRC withholding tax on capital gains realised by foreign investors from the trading of debt securities.

Pursuant to Caishui [2016] No.36, gains realised from trading of marketable securities and interest income would generally be subject to VAT at 6%, unless specifically exempted under laws and regulations. If VAT is applicable, there are also other surtaxes that could apply. Gains realised by recognised foreign investors from trading RMB-denominated debt securities in the PRC inter-bank bond market are exempted from VAT, and interest received by foreign investors from government bonds and local government bonds are also exempt from VAT.

Investors should seek their own advice on their tax position with regard to their investment in the Underlying Fund.

#### *144A and Regulation S Securities*

Certain funds may purchase securities which are securities that are not registered under the 1933 Act and that are not publicly traded securities, such as Rule 144A securities and Regulation S securities. These securities may be less liquid than publicly traded securities, and a fund may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realised from these sales could be less than those originally paid by a fund. Further, companies whose securities are not publicly traded may not be subject to disclosure and other investor protection requirements that would be applicable if their securities were publicly traded.

### **Legal Risk**

The terms of derivatives, repurchase, reverse repurchase, buy-sell back, sell-buy back and securities lending transactions are generally established through negotiation between the parties to the agreements. While this provides more flexibility, these agreements may involve greater legal risk than exchange-traded instruments, which are standardised, as there may be a risk of loss if the agreement is deemed not to be legally enforceable or not documented correctly. There may also be a risk that the parties to the agreement may disagree as to the proper interpretation of its terms. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for a fund to enforce its contractual rights may lead the Underlying Fund to decide not to pursue its claims under the agreement. The Underlying Fund therefore assumes the risk that it may be unable to obtain payments owed to it, and that those payments may be delayed or made only after the Underlying Fund has incurred the costs of litigation. Further, legal, tax and regulatory changes could occur which may adversely affect the funds. The regulatory and tax environment governing these types of transactions is evolving, and changes in the regulation or taxation may adversely affect the value of such transactions entered into by the funds and the funds' ability to pursue their trading strategies.

### **Operational Risk**

The funds are subject to the impact of breakdowns in systems, internal procedures or human error of the Management Company and any of its delegates or any of its counterparties or the markets in which it trades.

### **Other Risks**

The net asset value per Unit of all Unit classes is determined by taking the net asset value of the Unit class in the particular fund's Base Currency and translating it into the Dealing Currency at prevailing exchange rates and dividing this by the number of Units outstanding. For Hedged Unit Classes, the net asset value also includes currency forwards positions that are attributed specifically to each Unit class and used for hedging purposes. Subject to applicable law, the appropriate hedging strategy used will be at the discretion of the Investment Manager in accordance with the investment style of the Underlying Fund. This may include hedging the Dealing Currency against the Base Currency of the Underlying Fund or against the other currencies in which the assets of the relevant fund may be denominated (based on either actual exposure or benchmark rates). There can be no assurance that the strategy chosen by the Investment Manager will be successful.

The currency hedging strategy that is employed for the Hedged Unit Classes may substantially limit the holders of those Unit classes from benefiting if the currency of the relevant Hedged Unit Class falls against the Base Currency and/or other currencies in which the assets of the relevant fund may be denominated.

Where the Underlying Fund enters into stock lending arrangements there are risks in the exposure to market movements if recourse has to be had to collateral, or if there is fraud or negligence on the part of the Depository, the Investment Manager or lending agent. In addition there is an operational risk associated with marking to market daily valuations and there are the potential stability risks of providers of collateral. The principal risk in such stock lending arrangements is the insolvency of the counterparty. In this event the Underlying Fund could experience delays in recovering its securities and such event could possibly result in capital losses.

The Investment Manager will on behalf of all investors and Unitholders place orders for the purchase of securities for the account of the funds before receipt of payment of the relevant purchase proceeds, as a means to reduce the impact of subscriptions on the performance of the funds. While this protocol is made available equally to benefit all Unitholders, there is a possibility that a particular subscriber may settle his purchase order late, or fail to settle it entirely. In that case, the relevant fund will be exposed to interest costs and/or possible market losses. Although the Umbrella Fund on behalf of the relevant fund should in that case have a valid claim to recoup any damages from the defaulting subscriber, there is no guarantee that such a claim will either be successful or enforceable in judgment, which could result in a fund (and its Unitholders) suffering a loss on their investment.

## **United Kingdom left the European Union**

The United Kingdom's referendum held on 23 June 2016 resulted in a majority voting in favour of the United Kingdom (UK) leaving the EU. The UK parliament issued an Article 50 notice to formally start the process to leave the EU, which provided for a two-year negotiation period between the EU and the withdrawing member state. On 23 January 2020, the European Union (Withdrawal Agreement) Act 2020 ("Act") received the royal assent by the Queen, thereby approving the UK's exit from the EU which occurred on 31 January 2020. The Act set a deadline for completion of the transition period on 31 December 2020 during which the UK's trading relationship remained the same and it continued to follow the EU's rules. There is remaining uncertainty around the exact terms of the EU – the UK deal which could continue to cause a period of instability and market volatility, and may adversely impact business in the UK and/or the EU, including with respect to opportunity, pricing, regulation and the tax treatment of any UK investments. It is not possible to ascertain the precise impact these events may continue to have on the funds or its investments from an economic, financial, tax or regulatory perspective but any such impact could have material consequences for the funds and their investments.

There is likely to be a degree of continued market uncertainty regarding this exit which may also negatively impact the value of investments held by the funds.

Luxembourg will remain a member of the EU and the funds remain EU regulated UCITS that can avail of passporting rights under the UCITS Directive and the Regulations to market and sell shares in the funds in the EU, subject to complying with the terms of the UCITS Directive and the Regulations.

## **5. Structure**

PRULink Global Innovation Equity Fund is a single fund and is classified as a Specified Investment Product. The Fund was launched on 7 September 2021. It feeds into Wellington Global Innovation Fund. The Fund has a risk classification of Higher risk, narrowly focused.

The investment objective of the Underlying Fund is to seek long-term capital appreciation in excess of the MSCI All Country World Index, primarily through investment in equity securities issued by companies worldwide, including emerging markets.

The Underlying Fund is only suitable for investors who:

- are seeking long term total or absolute return.
- are aware of the risks and volatility of such investments.
- can afford to set aside invested capital for a number of years.

## **6. Investment Objectives, Focus and Approach**

The Fund and the Underlying Fund share the same investment objective.

The Investment Manager will actively manage the Underlying Fund focusing on i) innovative companies that the Investment Manager believes have the potential to create new or disrupt existing industries, and ii) secular trends/structural growth opportunities. The Investment Manager's approach is based on the view that investment opportunities can be found independent of global growth and the economic cycle. The investment process involves ongoing collaboration with the Investment Manager's global industry analysts to identify areas of innovation and high potential for growth within their industries. The Underlying Fund's holdings are selected based on rigorous bottom up fundamental research, in addition to consideration of the impact of macroeconomic trends, such as consolidation, regulation and industry convergence, that can influence future investment returns. The investment strategy for the Underlying Fund focuses on a long-time horizon (up to 10 years) as many of the investment themes may be nascent and take time to develop.

### **Sustainability Risk consideration**

The evaluation of Sustainability Risks through the analysis of environmental, social and governance (“ESG”) factors is part of the Underlying Fund’s investment process. In the Investment Manager’s view, Sustainability Risks can materially affect a company’s financial performance and competitiveness. The Investment Manager considers ESG factors as part of its broader analysis of individual issuers (including with regards to Sustainability Risk assessment), using inputs from the Investment Manager’s team of ESG analysts to help identify global best practices, prepare for company engagement and collaborate on new research inputs. The factors, and the extent to which they will be considered by the Investment Manager, will vary depending on the security in question, but typically include ownership structure, board structure and membership, capital allocation track record, management incentives, labour relations history, and climate risks.

The Investment Manager believes that the Underlying Fund will be exposed to a broad range of Sustainability Risks. In assessing these risks, the Investment Manager draws upon a wide variety of internal (such as research by their team of global industry analysts) and external research (such as company meetings) to assess any potential impact on the value of the assets over the time horizon of the Underlying Fund. Whilst Sustainability Risks vary from company to company the following are particularly relevant to the Underlying Fund:

- a. **Data Privacy:** Where the Investment Manager invests in companies in the technology sector, social considerations are critical when evaluating companies with access to large customer data sets, particularly in relation to the company’s transparency around the type of data collected, the manner in which it is used, and the circumstances under which it might be shared. Consumer perceptions that a company’s products or services do not protect personal information could inhibit sales and may impact the value of an investment.
- b. **Governance:** Where the Investment Manager invests in newly listed companies, there is a general lack of public information and disclosure in comparison to larger cap companies. In the investment universe in which the Investment Manager looks for innovative companies, there is typically also higher insider ownership. Founder’s control over the company is often seen as an issue from a reputational and regulatory perspective. For the companies the Investment Manager invests in, the founder’s vision is often key to the investment thesis, however poor corporate governance in relation to founder-led companies may reduce the success of the company and may impact the value of the investment.

Through interactions with company management teams, the Investment Manager seeks a better understanding of these and other Sustainability Risks, incorporating them into their assessments of a company’s outlook, and looking to avoid investments in assets where the likelihood of a Sustainability Risk event is under-represented in the price of the asset. Whilst assessing Sustainability Risks is part of the Underlying Fund’s investment process, there are some exceptions where these might not be relevant or less relevant, where the companies have recently gone public. Newly listed companies do not typically have substantial data points, nor typically possess the resources to quantify the exact impact pertaining to each element of their supply chains. In many cases, even if sustainability is central to their own internal structures, these companies may struggle to demonstrate their credentials at securing continued investment in the changing environment hence tend to get poor external ESG ratings. However, the Investment Manager believes that active engagement with companies can support changes in corporate behaviour and actions that benefit the Underlying Fund and help mitigate Sustainability Risks. The Investment Manager also consults its ESG analysts for insight on how Sustainability Risks may differ between companies within regional and sector peer groups.

Further details on the sustainability risks considered and their potential impacts are included under Sustainability Risks within the section of the Fund Information Booklet entitled Risks.

The Investment Manager evaluates the governance practices of investee companies in accordance with Wellington Management Group’s Global Governance Assessment Policy on which more information can be found here: [www.wellingtonfunds.com/sfdr](http://www.wellingtonfunds.com/sfdr).

The Index serves as a reference benchmark for performance comparison, weighted average carbon intensity and market context purposes only. Whilst fund securities may be components of the Index, the Index is not considered during portfolio construction and the Investment Manager will not manage the extent to which fund securities differ from the Index. The Index is designed to measure equity market performance of developed and emerging markets. This Index does not take into account the

environmental and social characteristics referenced above which are intended to be achieved by the investment process followed by the Investment Manager.

The Underlying Fund will primarily invest, directly or indirectly through the use of FDIs, in equity and other securities with equity characteristics. These may include, but are not limited to, common stocks, depository receipts (such as ADRs, GDRs and European depository receipts), market access products (including warrants on equities, options on equities and equity swaps), preferred stock, warrants, dividend-right certificates, shares of closed-ended REITS, exchange-traded funds and other UCIs. The Underlying Fund may also hold securities issued pursuant to Rule 144A and/or Regulation S securities (Rule 144A and Regulation S securities are those offered without registration under the United States Securities Act of 1933 (as amended)).

The Underlying Fund may also invest in other securities, including, for example, exchange-traded funds qualifying as UCIs within the meaning of the 2010 Law and cash and cash equivalents, all as deemed by the Investment Manager to be consistent with the investment discipline. The Underlying Fund may invest in China A Shares traded via Stock Connect (see also “Risks linked with dealing in securities in China via Stock Connect”).

The Underlying Fund may buy and sell exchange-traded and over-the-counter FDIs including swaps, futures, options, forwards and other UCITS-eligible FDIs, for investment purposes and for efficient portfolio management, including hedging against risk. Where the Underlying Fund uses total return swaps, the underlying consists of instruments in which the Underlying Fund may invest according to its investment objective and policy.

The Underlying Fund invests in an unconstrained manner and may at times be concentrated by geographical region or industry sector. The Underlying Fund may invest in securities of small and mid-cap companies, as well as large cap companies, and the Underlying Fund characteristics may vary widely as investment themes and stock selections change. The Underlying Fund will be denominated in US Dollars but may have exposure to various currencies and will not normally be hedged against currency fluctuations, however the Investment Manager may employ currency hedging to seek to protect or enhance the value of the Underlying Fund’s holdings when it believes it is advisable to do so.

The global exposure for this Underlying Fund is calculated according to the commitment methodology. The global exposure generated through the use of financial derivative instruments is limited to 100% of net asset value of the Underlying Fund when calculated using the commitment methodology.

## 7. Performance of the Fund

Past Performance of the Fund and Benchmark at 31 December 2022

Fund/ Benchmark	Inception Date	1 Year	3 Years*	5 Years*	Since Inception*
PRULink Global Innovation Equity Fund	21 September 2021	-37.77	n.a.	n.a.	-32.66%
Benchmark – MSCI AC World Index		-19.18	n.a.	n.a.	-11.90%

\* Annualised (Inception: 21/9/2021)

Source: Citibank N.A Singapore; SGD; net income reinvested

Source for Benchmark: Wellington Management Company LLP

Performance calculation is based on net asset value pricing, in Singapore Dollars with all dividends or distributions reinvested, taking into account all charges which would have been payable upon such reinvestment. Fees and charges payable through deduction of premium or cancellation of units are excluded from this calculation.

## Expense Ratio<sup>1</sup> of the Fund

PRULink Funds	Annualised Expense Ratio as at 31 December 2022
PRULink Global Innovation Equity Fund	1.65%

## Turnover Ratio<sup>2</sup> of the Fund

PRULink Fund	Turnover Ratio (for the year ended 31 December 2022)
PRULink Global Innovation Equity Fund	20.94%

## Turnover Ratio<sup>3</sup> of the Underlying Fund

Underlying Fund	Turnover Ratio as at 28 February 2023
Wellington Global Innovation Fund	26.61%

Source: Wellington Management Company LLP

## 8. Fees

### Fees payable directly by you

There is a 5%\* initial investment charge (bid-offer spread). This charge is reflected as the difference between the bid price and offer price of the Fund. The offer and bid prices are the buying and selling prices to you respectively. PRULink Funds are valued, and charges are deducted, on a forward pricing basis.

Note: ILP Sub-Fund offered under some products are on bid-offer spread. Please refer to the Product Summary and relevant fund documentation for more information.

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<sup>1</sup> The expense ratio is calculated in accordance with the Investment Management Association of Singapore's guidelines on the disclosure of expense ratios and based on the PRULink Funds' latest audited accounts but does not include the following expenses:

- (a) charges for insurance coverage#;
- (b) brokerage and other transaction costs;
- (c) performance fee;
- (d) foreign exchange gains and losses;
- (e) front or back-end loads arising from the purchase or sale of other funds;
- (f) tax deducted at source or arising from income received; and
- (g) advertising and promotion costs.

# Please note that charges for insurance coverage are not applicable at the Fund level and are thus excluded from the calculation of the expense ratio. For more information on the charges for insurance coverage, please refer to the Product Summary.

<sup>2</sup> The turnover ratio is calculated based on the lesser of purchases or sales expressed as a percentage over average net asset value. Average net asset value means the net asset value for each day averaged over, as far as possible, the same period used for calculating the expense ratio.

<sup>3</sup> The turnover ratios are calculated based on the lesser of purchases or sales expressed as a percentage over average net asset value, i.e., average daily asset value, over the same period used for calculation of the expense ratios.

*\* Only applicable for some ILP products. Please refer to the Product Summary for details of charges incurred on your insurance plan as charges may vary from product to product and may be lower than 5%.*

Redemption Fee is not applicable

### **Fees payable by the ILP Sub-Fund**

#### **Continuing Investment Charge**

The continuing investment charge is currently 1.50% per annum. This charge is deducted from the asset value of the ILP Sub-Fund on a pro-rata basis at each unit pricing date throughout the year. We reserve the right to vary the continuing investment charge. Any increase in the continuing investment charge will be up to a maximum of 2% per annum but we will not do so before giving you 6 months' written notice.

#### **Other Fees Payable by the Fund**

The custodian fee is below 0.02% per annum, and it may vary depending on number and volume of transactions.

The offer and bid prices of the fund are net of these charges. Other charges are listed in the Product Summary.

## **9. Subscription of Units**

### **9.1 Initial Purchase Price and Initial Offer Period**

This Fund was launched on 7 September 2021 at an offer price of \$1.00. The Fund has an initial offer period of 2 weeks from 7 September 2021 to 20 September 2021. During the period, the bid price will be fixed as \$0.95.

### **9.2 How to Buy Units**

When you apply for your policy, you can choose whether you want:

- all your allocated premium to be invested in one of the available PRULink Funds; or
- all your allocated premium to be invested in 2 or more of the available PRULink Funds.

You must invest a minimum of 5% of your premium in any PRULink Funds you choose and thereafter invest in multiples of 5% of the premium.

A percentage of your premium is used to buy units at the bid price<sup>4</sup> in the PRULink Fund or PRULink Funds you have chosen. Subsequent premiums, if any, must be paid within 30 days of the date they are due.

If the premiums are intended to be paid by cash, then the cash together with the proposal form should be submitted to the cashier, otherwise the proposal form should be accompanied by full payment in the form of a cheque or a banker's draft made payable to, or via telegraphic transfer to, Prudential Assurance Company Singapore (Pte) Limited.

If the premiums are intended to be paid with Supplementary Retirement Scheme ("SRS") monies, you should instruct the relevant SRS operator bank to withdraw from your SRS account monies in respect of the policy applied for.

If the premiums are intended to be paid with Central Provident Fund ("CPF") monies, you should instruct the CPF Board to withdraw from your CPF Ordinary Account ("CPF-OA") or CPF Special Account ("CPF-SA") (as the case may be) for credit to your CPF Investment Account with a CPF agent bank in respect of the policy applied for.

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<sup>4</sup> Note ILP Sub-Fund offered under some products are on bid-offer spread. Please refer to the Product Summary and relevant fund documentation for more information.

Units will generally be credited to your account only when the funds are cleared, although we may at our discretion issue units before receiving full payment in cleared funds.

For compliance with applicable anti-money laundering laws and guidelines, we or the Manager reserve the right to request such information as may, in the opinion of the Manager or its approved distributors, be necessary to verify the identity of an applicant.

### 9.3 Dealing Deadline and Pricing Basis

Pricing of PRULink Funds is on a forward, bid-bid basis<sup>4</sup>.

If we receive your premium:

- a) by 3pm, we use the bid price<sup>4</sup> calculated on the next Business Day; or
- b) after 3pm, we use the bid price<sup>4</sup> calculated on the second Business Day following the day we receive your premium/application.

#### Example

If we receive your premium by 3pm on Monday, we use Tuesday's bid price<sup>4</sup> to buy units in your account. If we receive your premium after 3pm on Monday, we use Wednesday's bid price<sup>4</sup>.

### 9.4 Allotment of Units

Numerical example of units allotment:

\$1,000	X	0%	=	\$0
Your Initial Investment		Premium Charge*		Premium Charge

$\$1,000 - \$0 = \$1,000 \div \$1.00 = 1,000$  units

Your Initial Investment	Premium Charge Amount	Net Investment Sum	Bid Price <sup>4</sup>	No. of units you will receive
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*\* Please refer to the applicable Premium Charge in the Product Summary.*

## 10. Withdrawal of Units

### 10.1 How to Withdraw Units

You can make a partial or full withdrawal by asking us to sell some of the units in your account. We will sell the units as soon as practicable after accepting the application.

### 10.2 Minimum Holdings Amount and Minimum Withdrawal Amount

The minimum withdrawal amount is \$1,000.

If you make a partial withdrawal, the remaining units in the account must be worth at least \$1,000 based on the bid price at the time of withdrawal. If not, you will not be able to make a partial withdrawal. To apply, you must use the appropriate application form and meet the conditions on it. We will notify you if we accept the application.

### 10.3 Dealing Deadline and Pricing Basis

Pricing of PRULink Funds is on a forward, bid-bid basis<sup>4</sup>.

If we receive the withdrawal application:

- a) by 3pm, we will use the bid price calculated on the next Business Day; or
- b) after 3pm, we will use the bid price calculated on the second Business Day following the day we receive the withdrawal application.

### Example

If we receive the withdrawal application by 3pm on Monday, we will use Tuesday's bid price to sell units in the account. If we receive the withdrawal application after 3pm on Monday, we will use Wednesday's bid price.

#### **10.4 Calculation of Withdrawal Proceeds**

Numerical example of withdrawal value based on withdrawal of 1,000 units:

1,000	X	\$0.95	=	\$950
Number of Units Withdrawn		Bid Price		Withdrawal Value

#### **10.5 Settlement for Withdrawal**

We will pay the withdrawal proceeds within:

- T+ 4 Business Days in respect of bond and money market funds;
- T+ 6 Business Days in respect of funds other than bond and money market, property and hedge funds.

If you decide to surrender the policy invested in a money market and equity fund at the same time the payment of the withdrawal proceeds shall not be later than T+ 6 Business Days.

If we receive your withdrawal request with all the documents and information:

- by 3pm, T will be on the same Business Day we receive your withdrawal request;
- after 3pm, T will be the next Business Day after we receive your withdrawal request. It is also considered paid on the day your account is credited or a cheque is mailed to you.

#### **11. Switching of Fund(s)**

You can switch the units in your account into other PRULink Fund(s) that are available. The minimum amount allowed to switch out of a PRULink Fund is currently \$200. The remaining units in the PRULink Fund that you are switching from must be worth at least \$200 based on the bid price at the time of switching. If not, you must switch all the units out of the PRULink Fund.

To make the switch, we sell the units in the old PRULink Fund at the bid price of that PRULink Fund and buy units in the new PRULink Fund at its bid price.

We currently do not charge for fund switches. However, we reserve the right to levy an administration charge but will not do so before giving 30 days' written notice.

To apply for switching, you must use the appropriate application form and meet the conditions on it. We will notify you if we accept your application.

#### **12. Obtaining Prices of Units**

PRULink Funds are valued every Business Day ("**Pricing Date**") to work out the unit price. Prices of the PRULink Funds may currently be obtained from [www.prudential.com.sg](http://www.prudential.com.sg)\*, Straits Times, The Business Times or such other publications or media as we may from time to time determine.

*\*The actual offer and bid prices are published at the end of the first Business Day after the relevant pricing date.*

We reserve the right to change the list of sources from which the unit price can be currently obtained. We shall not be responsible for any errors in the published prices or for any late or non-publication of the prices attributable to the publishers.

#### **13. Suspension of Dealing**

We reserve the right to suspend immediately any issue, withdrawal, exchange or other dealing in relation to the Fund (or the units thereunder) if the Manager or Investment Manager of the Underlying Fund (where applicable) suspends the issue, withdrawal, exchange or other dealing in the units or shares of the relevant funds or the Underlying Fund, or if we are required to do so by the Investment Manager of the Underlying Fund or the Manager or any other government or regulatory body, or at our reasonable discretion, including but not limited to the following situations:

- (i) during any period when any market for any Material Proportion of the calculation of the value of units the Investments for the time being constituting the relevant Deposited Property is closed otherwise than for ordinary holidays;
- (ii) during any period when dealings on any such market are restricted or suspended;
- (iii) during any period when, in the opinion of the Manager, there exists any state of affairs as a result of which withdrawal of deposits held for the account of that Fund or the realization of any material proportion of the investments for the time being constituting the relevant assets comprised in the Fund cannot be effected normally or without seriously prejudicing the interests of investors of the Fund as a whole;
- (iv) during any period during which there is, in the opinion of the Manager, any breakdown in the means of communication normally employed in determining the value of any of the Investments or the amount of any cash for the time being comprised in the relevant Deposited Property or when for any other reason the value of any such Investment or the amount of any such cash or liability cannot be promptly and accurately ascertained, including any period when the fair value of a Material Proportion of the Investments for the time being constituting the relevant Deposited Property cannot be determined and for the purpose of this paragraph, "fair value" of an Investment is the price that the Fund would reasonably expect to receive upon a current sale of the Investment;
- (v) during any period when, in the opinion of the Manager, the transfer of funds which will or may be involved in the realisation of any Material Proportion of the Investments for the time being constituting the relevant Deposited Property cannot be effected promptly at normal rates of the exchange;
- (vi) where the PRULink Fund which is a feeder fund or fund of funds, during any period when dealings in the units or shares of the Underlying Funds are restricted or suspended;
- (vii) any period when dealing in units is suspended pursuant to any order or direction of the Authority;
- (viii) any period when the business operations of the Product Provider/ Manager in relation to the operation of the Fund or the Underlying Fund (as the case may be) is substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God;

and payment for any units of the Fund realised before the commencement of any such suspension but for which payment has not been made before the commencement thereof may, if the Product Provider so agree, be deferred until immediately after the end of such suspension. Such suspension shall take effect forthwith upon the declaration in writing thereof by the Product Provider and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension shall have ceased to exist (and such cessation having been confirmed by the Manager). The Product Provider shall as soon as practicable after its declaration of any temporary suspension of realisation and of the termination of such suspension cause such information to be published in the major local newspaper in Singapore which published the daily issue and realisation pricing of units of the Fund.

## 14. Soft Dollar Commissions or Arrangements

In the selection of broker-dealers and other counterparties and in the execution of transactions in portfolio securities for a Fund, the Investment Managers seek to achieve the most favourable price and best execution available under the circumstances. In assessing the terms of a particular transaction, consideration may be given to various relevant factors, including the market for the security and difficulty of executing the transaction, the price of the security, the financial condition and execution expertise of the intermediary, the reasonableness of the commission, if any, and the brokerage or research services provided by the intermediary to the Investment Manager. Subject always to the requirement of most favourable price, best execution and applicable laws, the Investment Managers may pay a higher commission than might be otherwise available in consideration of such brokerage and research services which assist the Investment Manager in providing investment services to the Investment Manager, provided that the relevant Investment Manager determines in good faith that such commission is reasonable in relation to the value of brokerage and research services. Such brokerage and research services may apply to the Investment Manager's services to a Fund or to its other clients. Disclosure of the fact that soft commissions have been paid in respect of a Fund will be set forth in the Investment Manager's semi-annual and annual accounts. However where Wellington Management International Limited is appointed as the Investment Manager of all or a portion of the assets of a Fund, Wellington Management International Limited will pay for any research it receives in relation to such management out of its own account and the cost of that research will not be charged to the relevant Funds.

## 15. Conflicts of Interest

The Manager and the Investment Manager (where applicable) may own, hold, dispose or otherwise deal with units of the Fund or the Underlying Fund. In the event of any conflict of interest arising as a result of such dealing, the Manager and the Investment Manager (where applicable), following consultation, shall resolve such conflict in a just and equitable manner as they deem fit which would not prejudice the interests of investors. The Manager and the Investment Manager (where applicable) shall conduct all transactions with or for the Fund and the Underlying Fund on an arm's length basis.

The Manager and the Investment Manager (where applicable) and their respective associates (collectively the "**Parties**") are or may be involved in other financial, investment and professional activities which may on occasion cause conflict of interest with the management of the Fund and the Underlying Fund. These include management of other funds, product development, investment operations services, IT services, purchases and sales of securities, investment and management counselling, brokerage services, trustee and custodial and registrar services and serving as directors, officers, advisers or agents of other funds or other companies, including companies in which the Underlying Fund may invest. Each of the Parties will respectively ensure that the performance of their respective duties will not be impaired by any such involvement that they might have. In the event that a conflict of interest does arise, the Parties shall endeavour to ensure that it is resolved fairly and in the interest of investors.

### **Underlying Fund Transactions and Conflicts of Interest**

Subject to the provisions of this section, the Investment Managers, the Administrator, the Transfer Agent, the Depositary, the Distributor, any Shareholder, and any of their respective subsidiaries, affiliates, associates, agents or delegates (each a "Connected Person"), may contract or enter into any financial, banking or other transaction with one another or with the Company, including without limitation, investment by the Investment Manager in securities of a Shareholder, or investment by any Connected Persons in any company or body any of whose investments form part of the assets comprised in any Fund or be interested in any such contract or transactions. The Investment Managers and/or their affiliates may provide seed capital to any of the Funds. When either subscribing for such Shares where there are net redemptions or redeeming such Shares where there are net subscriptions in a Fund, the relevant Investment Manager or affiliate may benefit to the extent the net subscriptions or redemptions for Shares in

the Fund on that Dealing Day trigger a swing pricing adjustment (as described in the section entitled Swing Pricing Procedure above).

In addition, any cash of the Investment Manager may be deposited, subject to the provisions of the Central Bank Acts, 1942 to 2015, with any Connected Person or invested in certificates of deposit or banking instruments issued by any Connected Person. Banking and similar transactions may also be undertaken with or through a Connected Person.

Any Connected Person may also deal as agent or principal in the sale or purchase of securities and other investments to or from the Investment Manager or through the Depositary or any subsidiary, affiliate, associate, agent or delegate thereof. There will be no obligation on the part of any such Connected Person to account to Shareholders for any benefits so arising, and any such benefits may be retained by the relevant party, provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length, are consistent with the best interests of Shareholders, and:

- (a) a certified valuation of such transaction by a person approved by the Depositary as independent and competent has been obtained; or
- (b) such transaction has been executed on best terms reasonably available on an organised investment exchange under its rules; or where neither (a) nor (b) are practicable,
- (c) such transaction has been executed on terms which the Depositary is satisfied conform with the principle that such transactions be carried out as if effected on normal commercial terms negotiated at arm's length.

Prospective investors and Shareholders should be aware that the Investment Managers and their affiliates may manage multiple accounts for clients that are also invested in Funds. These accounts often encompass a variety of different investment objectives and strategies. Entities within the Wellington Management Group and personnel of the Investment Managers and their affiliates may also invest their own assets in the Funds. In relation to those investments, certain terms of investing in a Fund (e.g., the Minimum Initial Subscription for a Class of Shares) may be waived and such investments may have different fee arrangements whereby fees are waived, reduced or otherwise not charged including where, for example, the client's account is charged fees outside the relevant Fund based on the aggregate assets and/or performance of that account, including its investment in the Fund. In addition, the Investment Managers, their affiliates or their personnel may have access to information about a Fund that is not available to other Shareholders in the Funds, or may have access to information on a more timely basis than other Shareholders. The Funds may be subject to restrictions or limitations in their trading or investment under the Investment Managers' policies and procedures designed to comply with applicable law and their obligations to their clients. The Investment Managers may seek to hedge or otherwise offset the market risk that arises from their investments in a Fund. The Investment Managers may also, in the course of their business, have potential conflicts of interest with the Company in circumstances other than those referred to above. The Investment Managers will, however, have regard in such events to their obligations under the Investment Management Services Agreements and, in particular, to their obligations to act in the best interests of the Investment Manager and the Shareholders so far as practicable, having regard to their obligations to other clients when undertaking any investments where conflicts of interest may arise. In the event that a conflict of interest does arise the Directors will endeavour to ensure that such conflicts are resolved fairly, investment opportunities are allocated fairly and any material information relating to a Fund is disclosed in a fair and equitable manner to all investors. The Directors may act as directors of other collective investment vehicles.

### **Payments to Financial Intermediaries and Potential Conflicts of Interest**

Prospective investors and Shareholders should also be aware that the Investment Managers and/or the Distributor or one or more of their affiliates, may make, out of their own resources,

additional cash payments to financial intermediaries in support of certain marketing and administrative activities. In respect of marketing activities this may include payments for or reimbursement of the costs associated with sales and marketing events, such as conferences, seminars, sales or training programs for employees or clients or other intermediary-sponsored events. In respect of administrative activities such payments might relate to platforms, account maintenance or transaction processing. Such payments will only be made to the extent they are not prohibited by applicable laws or internal policies.

Depending on the arrangements in place at any particular time, a financial intermediary may have a financial incentive to recommend a particular Fund or Share Class. You may ask your financial intermediary for information about any payments it receives from the Wellington Management group and any services provided, as well as about any fees and/or commissions it charges in addition to those disclosed in the Prospectus of the Underlying Fund.

### **Depository's Potential Conflicts of Interest**

The Depository is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depository or its affiliates engage in activities under the depository agreement or under separate contractual or other arrangements. Such activities may include:

- (i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the Investment Manager;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Investment Manager either as principal and in the interests of itself, or for other clients.

In connection with the above activities the Depository or its affiliates:

- (i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and are not bound to disclose to, the Investment Manager, the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- (ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;
- (iii) may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the Investment Manager;
- (iv) may provide the same or similar services to other clients including competitors of the Investment Manager;
- (v) may be granted creditors' rights by the Fund which it may exercise.

The Investment Manager may use an affiliate of the Depository to execute foreign exchange, spot or swap transactions for the account of the Investment Manager. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Investment Manager. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Investment Manager. The affiliate shall enter into such transactions on the terms and conditions agreed with the Investment Manager.

Where cash belonging to the Investment Manager is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker

and not as trustee. The Investment Manager may also be a client or counterparty of the Depository or its affiliates.

Up-to-date information on the Depository, its duties, any conflicts that may arise, the safe-keeping functions delegated by the Depository, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation is maintained by the Investment Manager.

## **16. Reports**

The financial year-end of the PRULink Funds is 31 December of each year. You will receive the Semi-Annual Report and Annual Audited Report within 2 months and 3 months respectively from the last date of the period to which the report dates. The Semi-Annual Report and Annual Audited Report may also be obtained from [www.prudential.com.sg](http://www.prudential.com.sg).

## **17. Other Material Information**

### **17.1 Right to Change Investment Objective**

We and/or the Manager reserve the right to change the investment objective of the Fund from time to time. The Investment Manager reserves the right to change the investment objective of the Underlying Fund. However, 30 days' written notice will be given before doing so.

### **17.2 Right to Change Underlying Fund**

The Manager and/or Prudential Singapore may at its sole discretion replace the Underlying Fund, subject to applicable regulatory approval having been obtained. 30 days' prior written notice will be given to the investors before doing so.

### **17.3 Duties and Obligations**

We may have to observe certain duties and obligations (which may require your co-operation and assistance):

- Under the agreements between us and the Manager, and
- Under certain statutory and regulatory requirements which may include but are not limited to notices and guidelines issued from time to time by various associations and authorities.

We may therefore require your co-operation, upon your request, to perform certain actions, so as to allow us to carry out these duties and obligations.

### **17.4 Distribution of Income and Capital**

Distribution of income, net capital gains and/or capital of the Fund (where applicable) will be at the Product Provider's, and the Investment Manager's sole discretion. In the event where any distribution is made, such distribution will reduce the net asset value of the Fund.

### **17.5 Termination of PRULink Funds**

We reserve the right to terminate immediately (upon giving written notice) any of the PRULink Funds if the Manager or the Investment Manager terminates the Funds or Underlying Fund, or if we are required to do so by the Manager or Investment Manager (where applicable) or any other government or regulatory body, or at our reasonable discretion, including but not limited to the following situations:

- (i) on any date if on such date the value of the relevant assets comprised in that PRULink Fund is less than S\$5 million or its equivalent in any applicable foreign currency;
- (ii) if any law is passed or any direction is given by the Authority which renders it illegal or in the opinion of the Manager or the Investment Manager impracticable or inadvisable to continue that PRULink Fund or if any approval or authorisation of that PRULink Fund is revoked or withdrawn;

- (iii) if the Manager or Investment Manager is of the view that it is not in the best interest of policyholders in that PRULink Fund to continue the PRULink Fund; or
- (iv) in the event of the amalgamation, reconstruction, reorganization, dissolution, liquidation, merger or consolidation of any one of the funds within the relevant Underlying Fund that is corresponding to that PRULink Fund, if any, or a change in the Investment Manager of the relevant Underlying Fund or the corresponding fund (as the case may be).

If we terminate a PRULink Fund, we will sell units in that fund based on the bid price calculated after liquidating all Investments in that PRULink Fund. Upon completion, we will return you the value of units in your account.

## GLOSSARY OF TERMS

Account Opening Agreement	means the agreement which has to be completed by any investor in order to subscribe for Units of the Underlying Fund.
Administrator Agent of the Underlying Fund	means State Street Bank International GmbH, acting through its Luxembourg Branch.
Authority	means the Monetary Authority of Singapore
Base Currency	US Dollars (USD)
Business Day	<p>means every day that US Federal banks and the New York Stock Exchange are open for business except for:</p> <ul style="list-style-type: none"><li>a) Easter Monday</li><li>b) May 1st</li><li>c) the weekday prior to and following Christmas Day as observed by the New York Stock Exchange</li><li>d) such other days as the Board of Managers may from time to time determine, in which case investors will be informed and this Prospectus will be updated.</li></ul> <p>A list of the non-Business Days is available from the Transfer Agent. Please note that this list will be kept up to date and may change from time to time.</p>
CoCos	means contingent capital securities (which may be automatically written down upon the occurrence of a specific event) and contingent convertible securities (which may be automatically converted into an equity security upon the occurrence of a particular event) (Please also refer to the risk factor "Convertible Securities").
Custodian	means Citibank N.A.
Dealing Day of the Underlying Fund	<p>Each Business Day;</p> <p>Please see the Holiday and Dealing Day Calendar which lists all non- Dealing Days for the Fund and is available at <a href="http://www.wellingtonfunds.com">www.wellingtonfunds.com</a> and from the Transfer Agent. This list is subject to change;</p>
Depository of the Underlying Fund	means State Street Bank International GmbH, acting through its Luxembourg Branch.

Force Majeure Events	means natural or environmental disasters or other events outside of the reasonable control of the Umbrella Fund, the Management Company or the Investment Manager, including, for example, flood, drought, earthquake, epidemic, pandemic, terrorist attack, civil war, civil commotion, riots, war, threat of or preparation for war, armed conflict, imposition of sanctions, embargo, breaking off of diplomatic relations, nuclear, chemical or biological contamination, legal or regulatory action taken by a government or public authority, labor or trade disputes, strikes, industrial actions or lockouts.
PRULink Fund	means any one of the PRULink Funds that is available to Prudential Singapore policyholders
PRULink Funds	means the whole range of investment-linked funds that are available to Prudential Singapore policyholders
SRS	means the scheme referred to by the Ministry of Finance of Singapore as the Supplementary Retirement Scheme or such other scheme as shall replace or supersede the Supplementary Retirement Scheme from time to time
Sustainability Risk	means an environmental, social and governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.
Transfer Agent of the Underlying Fund	STATE STREET BANK INTERNATIONAL GMBH, LUXEMBOURG BRANCH



Prudential Singapore, an indirect wholly-owned subsidiary of UK-based Prudential plc, is one of Singapore's leading life insurance companies. We have been serving the financial needs of Singapore for over 90 years, delivering a suite of product offerings and professional advisory through our network of more than 5,000 financial consultants and our bank partners. We are one of the market leaders in protection, savings and investment-linked plans, with S\$49.4 billion funds under management as at 31 December 2022.

Call your Prudential Financial Consultant or our PruCustomer Line at 1800 333 0333

[www.prudential.com.sg](http://www.prudential.com.sg)