PruLink Fund Information Booklet

December 2019

PruLink Dynamic Income Fund

IMPORTANT INFORMATION

Capitalised terms used below, unless otherwise defined, shall have the same meanings ascribed to them under 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 Products 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/her 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" 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.

The Manager is an indirect subsidiary of Prudential plc of the United Kingdom. The Manager, 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 Funds which are summarised in Section 4 of this Fund Information Booklet.

This Fund Information Booklet does not represent a contract.

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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 Dynamic Income Fund (the "**Fund**").

2. The Manager, the Investment Manager and the Investment Sub-Manager

2.1 The Manager and the Investment Manager

The manager of the Fund is Eastspring Investments (Singapore) Limited (the "**Manager**"), whose registered office is at 10 Marina Boulevard #32-01 Marina Bay Financial Centre Tower 2 Singapore 018983. The Manager is regulated by the Monetary Authority of Singapore.

Eastspring Investments (Singapore) Limited is also the investment manager (the "**Investment Manager**") of the underlying fund, Eastspring Investments Funds – Monthly Income Plan Class A (the "**Underlying Fund**") and the underlying entities, Eastspring Investments – US High Yield Bond Fund and Eastspring Investments – Asian Bond Fund (the "**Underlying Entities**").

Fund	Underlying Fund	Underlying Entity
PruLink Dynamic Income Fund	Eastspring Investments Funds – Monthly Income Plan Class A	Eastspring Investments – US High Yield Bond Fund Eastspring Investments – Asian Bond Fund

The Manager and Investment Manager were incorporated in Singapore in 1994 and is Eastspring's Singapore office. The Manager has been managing discretionary funds since 1995. The Manager manages S$133.10 billion of which approximately S$132.76 billion are discretionary funds managed in Singapore as at 31 December 2018.

The Manager and Investment Manager are ultimately wholly-owned subsidiaries of Prudential plc ("**Prudential**"). The Manager and Prudential are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America.

Eastspring Investments (the "SICAV") is an open-ended investment company with variable capital (société d'investissement à capital variable) registered in the Grand Duchy of Luxembourg on the official list of collective investment undertakings pursuant to Part I of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment (the "2010 Law"), as amended, and the Directive 2009/65/EC of the European Union Parliament and of the Council of 13 July 2009, as amended.

2.2 The Investment Sub-Manager

PPM America, Inc. ("**PPM America**") is the investment sub-manager of the Eastspring Investments – US High Yield Bond Fund.

PPM America, Inc. ("PPM America") is the primary U.S. institutional investment adviser for entities related to Prudential and provides investment advisory services to a limited number of unaffiliated institutional accounts. Founded in 1990, PPM America is headquartered in Chicago and has an office in Schaumburg, Illinois. As at 31 December 2017, PPM America employed 258 people and managed approximately US$102 billion in assets. PPM America provides advice regarding securities and other investments, including U.S. public and private equity and fixed income securities, high yield debt, structured products (collateralised loan obligations and collateralised debt obligations as examples) and, as necessary, distressed securities. PPM America offers advice on a wide variety of security types denominated in US dollars, including but not limited to (i) equity securities (exchange-listed and over-the-counter, both for US and foreign issuers), (ii) warrants, (iii) corporate debt securities (including investment grade corporate debt ("investment grade") securities and high yield corporate debt ("high yield") securities), (iv) commercial paper, (v) certificates of deposit, (vi) certain municipal securities, (vii) US government securities, and (viii) derivatives (including options, futures, options on futures, swap transactions including but not limited to interest rate, total return and credit default swaps (on individual companies or indices), options on swaps and other similar transactions). PPM America is an indirect subsidiary of the UK incorporated Prudential. Prudential is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America. PPM America is regulated by the Securities and Exchange Commission (SEC).

PPM America's approach to investment management is defined by their value-oriented tradition, a long-term perspective and emphasis on fundamental research.

Source: Eastspring Investments (Singapore) Limited

Past performance of the Manager, the Investment Manager and the Investment Sub-Manager is not necessarily indicative of their future performance.

3. The Auditor

The auditor of the accounts for the Fund is KPMG LLP whose registered office is at 16 Raffles Quay, #22-00, Hong Leong Building, Singapore 048581 (the "**Auditor**").

4. Risks

4.1 General Risks

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

Investment in the Fund is meant to produce returns over the long-term. Investors should not expect to obtain short-term gains from such investments. An investment in a Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

The prices of units, and the income from them, may go up as well as down. A possible loss of the principal invested cannot be ruled out. No guarantee is given, express or implied that investors will receive back any amount invested.

All investments involve risks and there can be no guarantee against loss resulting from an investment in any units, nor can there be any assurance that the Underlying Fund's investment objective will be attained in respect of its overall performance. Investors should therefore ensure (prior to any investment being made) that they are satisfied with the risk profile of the overall investment objective disclosed.

4.2 Specific Risks

Investors in the Fund should carefully consider the following:

4.2.1 Portfolio and market risk

The Underlying Fund is intended for investors who can accept the risks associated with investing primarily in the securities of the type held in that Underlying Fund and the market(s) that the Underlying Fund invests in. Investors in equities will be subject to the risks associated with equity and equity-related securities, including fluctuations in market prices, adverse issuer or market information and the fact that equity and equity-related interests are subordinate in the right of payment to other corporate securities, including debt securities. Likewise, investors in fixed income securities will be subject to the risks associated with debt securities including normal market fluctuations, credit and interest rate risk, and the additional risks associated with high-yield debt securities, loan participations and derivative securities. The value of units may also go up and down due to normal market fluctuations in the markets that the Underlying Fund invests in. In addition, investors should be aware of the risks associated with the active management techniques that are expected to be employed. An investment in the Underlying Fund does not constitute a complete investment program. Investors may wish to complement an investment in the Underlying Fund with other types of investments.

4.2.2 Foreign exchange/Currency risk

The Underlying Fund may invest its assets in securities denominated in a wide range of currencies, some of which may not be freely convertible. The net asset value of the Deposited Property of the Underlying Fund as expressed in its base currency will fluctuate in accordance with the changes in the foreign exchange rate between its base currency and the currencies in which the Underlying Fund’s investments are denominated. The Underlying Fund may therefore be exposed to a foreign exchange/ currency risk.

Investors should also note that the Underlying Fund is Singapore Dollar denominated and will invest in underlying entities which are denominated in foreign currencies or which hold investments that are denominated in foreign currencies (e.g. US Dollars), fluctuations in the exchange rates between the Singapore Dollar and these foreign currencies may have an impact on the income and value of the Underlying Fund.

Depending on market conditions, the Investment Manager may hedge the foreign currency exposure of the Underlying Fund by entering into one or more foreign exchange forward contracts and/or cross currency swap transactions. In the event the currency hedging strategy does not meet its intended objective, this could have an adverse impact on the net asset value of the Underlying Fund.

4.2.3 Derivatives risk

The Underlying Fund may invest in derivatives which will be subject to risks. While the judicious use of derivatives by professional investment managers can be beneficial, derivatives involve risks different from, and, in some cases, greater than, the risks presented by more traditional securities investments. Some of the risks associated with derivatives are, but not limited to, market risk, management risk, credit risk, liquidity risk, operational risk and leverage risk.

Investments in derivatives may require the deposit of initial margin and additional margin on short notice if the market moves against the investment positions. If no provision is made for the required margin within the prescribed time, the investment may be liquidated at a loss. Therefore, it is essential that such investments in derivatives are monitored closely. The Investment Manager has the necessary controls for investments in derivatives and has in place systems to monitor the derivative positions for the Underlying Fund.

The Investment Manager does not intend to use derivative transactions for speculation or leverage but may use them for efficient portfolio management and/ or hedging. Investors should refer to Appendix 1 for further information on the risk management and compliance procedures adopted by the Investment Manager in this respect. In particular, the investment in credit default swaps, volatility derivatives, asset backed securities and mortgage backed securities are subject to the following risk.

The use of financial derivative instruments ("FDIs") involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other more traditional investments. The following provides a general discussion of important risk factors relating to all FDIs that may be used by the Underlying Fund.

(i) Management Risk

FDIs are highly specialised instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a FDI requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.

(ii) Counterparty Risk

The use of FDIs involves the risk that a loss may be sustained as a result of the failure of another party to the contract (usually referred to as a "counterparty") to make required payments or otherwise comply with the contract's terms. Additionally, in respect of certain instruments such as credit default swaps, losses could result if the Underlying Fund does not correctly evaluate the creditworthiness of the company on which the credit default swap is based.

The Underlying Fund will be exposed to credit risk on the counterparties with which it trades particularly in relation to options, futures, contracts and other derivatives such as total return swap that are traded over the counter. Such instruments are not afforded the same protection as may apply to participants trading futures or options on organised exchanges, such as the performance guarantee of an exchange clearing house. The Underlying Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which it trades, which could result in substantial losses to the Underlying Fund.

(iii) Liquidity Risk

The Underlying Fund may lose money or be prevented from earning capital gains if or when particular derivatives are difficult to purchase or sell, possibly preventing the Underlying Fund from selling such securities at an advantageous time or price that would have been most beneficial to the Underlying Fund, or possibly requiring the Underlying Fund to dispose of other investments at unfavourable times and prices in order to satisfy its obligations.

(iv) Lack of Availability

Because the markets for certain FDIs are relatively new and still developing, suitable FDIs transactions may not be available in all circumstances for risk management or other purposes. Upon the expiration of a particular contract, the portfolio manager may wish to retain the Underlying Fund's position in the FDIs by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. There is no assurance that the Underlying Fund will engage in FDI transactions at any time or from time to time. The ability to use FDIs may also be limited by certain regulatory and tax considerations.

(v) Market and Other Risks

Like most other investments, FDIs are subject to the risk that the market value of the instrument will change in a way detrimental to the interest of the Underlying Fund. If a portfolio manager incorrectly forecasts the values of securities, currencies or interest rates or other economic factors in using FDIs, the Underlying Fund might have been in a better position if it had not entered into the transaction at all. While some strategies involving FDIs can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses by offsetting favourable price movements in other investments. The Underlying Fund may also have to buy or sell a security at a disadvantageous time or price because the Underlying Fund is legally required to maintain offsetting positions or asset coverage in connection with certain FDIs transactions.

Other risks in using FDIs include the risk of mispricing or improper valuation of FDIs and the inability of FDIs to correlate perfectly with underlying assets, rates and indices. Many FDIs, in particular privately negotiated FDIs, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the Underlying Fund. Also, the value of FDIs may not correlate perfectly, or at all, with the value of the assets, reference rates or indices they are designed to closely track.

In addition, the use of FDIs may cause the Underlying Fund to realise higher amounts of short-term capital gains (generally taxed at ordinary income tax rates) than if the Underlying Fund had not used such instruments.

4.2.4 Interest rate & credit risk

Investments in fixed income portfolios will be subject to the usual risks of investing in bonds and other fixed income securities. Bonds and other fixed income securities are subject to interest rate fluctuations and credit risks, such as risk of default by issuers.

Investments in fixed income securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal, especially if the issuer is highly leveraged. Such issuer's ability to meet its debt obligations may also be adversely affected by specific projected business forecasts, or the unavailability of additional financing. Also, an economic downturn or an increase in interest rates may increase the potential for default by the issuers of these securities.

4.2.5 Investment Grade Bonds risk

The Underlying Fund may invest in investment grade bonds where there is a risk that the rating of the bonds held by the Underlying Fund may be downgraded at any time.

4.2.6 High yield bonds risk

Investment in fixed income securities is subject to interest rate, sector, security and credit risks. Compared to investment grade bonds, high yield bonds are normally lower-rated securities and will usually offer higher yields to compensate for the reduced creditworthiness or increased risk of default that these securities carry.

4.2.7 Counterparty and settlement considerations

The Underlying Fund will be exposed to credit risk on the counterparties with which they trade particularly in relation to fixed income securities, options, futures, contracts and other financial derivative instruments that are traded over the counter. Such instruments are not afforded the same protections as may apply to participants trading futures or options on organised exchanges, such as the performance guarantee of an exchange clearing house. The Underlying Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which it trades, which could result in substantial losses to it.

The Underlying Fund will also be exposed to credit risk on parties with whom they trade securities, and may also bear the risk of settlement default, in particular in relation to debt securities such as bonds, notes and similar debt obligations or instruments. Investors should also note that settlement mechanisms in emerging markets are generally less developed and reliable than those in more developed countries and that this therefore increases the risk of settlement default, which could result in substantial losses for the Underlying Fund in respect of investments in emerging markets.

4.2.8 Political and/or Regulatory risk

The value of the Underlying Fund's Deposited Property may be affected by uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which an investment may be made. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in certain countries in which an investment may be made may not provide the same degree of investor protection or information to investors as would generally apply in major securities markets. Foreign ownership restrictions in some markets may mean that corporate action entitlements in relation to any collective investment schemes or other investments the Underlying Fund is invested into may not always be secured or may be restricted.

4.2.9 Emerging markets risk

Potential investors should be aware that investment in emerging markets may involve, due to the economic and political development process which some of these countries are undergoing, a higher degree of risk which could adversely affect the value of the investments. Among other things, investment in emerging markets involves risks such as the restriction on foreign investment, counterpart risk, higher market volatility, less public information about companies and the illiquidity of the companies' assets depending on the market conditions in certain emerging markets. Moreover, companies may be subject to considerably less state supervision and less differentiated legislation. Their accounting and auditing do not always match western standards.

Investments in some emerging countries are also exposed to higher risks in respect of the possession and custody of securities. Ownership of companies is for the most part determined by registration in the books of the company or its registrar (who is not, however, an agent of the custodian nor liable to the latter). Certificates evidencing the ownership of companies are frequently not held by the custodian, any of its correspondents or an efficient central depositary. As a result and due to lack of efficient regulation by government bodies, the Underlying Fund may lose the possession of or the registration of shares in companies through fraud, serious fault or negligence. Debt instruments involve a higher custody risk as, in accordance with market practice, such paper is held by local institutions which are not, however, always sufficiently insured against loss, theft, destruction or insolvency while holding the assets.

When the Investment Manager makes investments in less developed markets, where accounting and other standards may be lower than seen elsewhere, their usual rigorous standards will be applied to endeavour that quality investments are purchased. The following statements are intended to illustrate the risks which in varying degrees are present in investing in emerging markets and less developed market instruments and the statements do not offer advice on the suitability of investments.

(i) Legal Environment

- The interpretation and application of decrees and legislative acts can be often contradictory and uncertain particularly in respect of matters relating to taxation.
- Legislation could be imposed retrospectively or may be issued in the form of internal regulations not generally available to the public.

- Judicial independence and political neutrality cannot be guaranteed.
- State bodies and judges may not adhere to the requirements of the law and the relevant contract. There is no certainty that investors will be compensated in full or at all for any damage incurred.
- Recourse through the legal system may be lengthy and protracted.

(ii) Currency Risk

Conversion into foreign currency or transfer from some markets of proceeds received from the sale of securities cannot be guaranteed.

(iii) Taxation

Investors should note in particular that the proceeds from the sale of securities in some markets or the receipt of any dividends and other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market, including taxation levied by withholding at source. Tax law and practice in certain countries into which the Underlying Fund invest or may invest in the future is not clearly established. It is therefore possible that the current interpretation of the law or understanding of practice might change, or that the law might be changed with retrospective effect. As a result, the Underlying Fund could become subject to additional taxation in such countries that is not anticipated either at the date of this Fund Information Booklet or when investments are made, valued or disposed of.

4.2.10 Liquidity risk

The Underlying Fund could face liquidity risk arising from investments in securities that have low trading volumes, imposed trading restrictions or temporary suspensions from trading. Investments in securities that have high liquidity risk may reduce return or incur substantial losses to the Underlying Fund if the Underlying Fund is unable to sell these securities at opportune times or prices. Liquidity could dry up in a very short time especially during a crisis.

4.2.11 Small companies risk

Investment in securities of smaller companies can involve greater risk than that normally associated with larger, more established companies. In particular, smaller companies have limited product lines, markets or financial resources and may be dependent on their management comprising of a limited number of key individuals. Securities of smaller companies may also be less liquid and more price volatile, than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading and this may result in fluctuations in the price of the units.

4.2.12 Asset backed securities (“ABS”) and Mortgage Backed Securities risk (“MBS”)

ABS, including mortgage backed securities are generally limited recourse obligations of the issuers thereof payable solely from the underlying assets (“**ABS Assets**”) of the relevant issuer or proceeds thereof. Consequently, holders of ABS including where applicable, the Underlying Fund, must rely solely on distributions on the ABS Assets or proceeds thereof for payment in respect thereof. In addition, interest payments on ABS (other than the most senior tranche or tranches of a given issue) are generally subject to deferral. If distributions on the ABS Assets (or, in the case of a market value ABS security - as explained hereinafter - proceeds from the sale of the ABS Assets) are insufficient to make payments on the ABS, no other assets will be available for payment of the deficiency and following realisation of the underlying assets, the obligations of the issuer of the related ABS security to pay such deficiency including to the Underlying Fund will be extinguished.

With a market value ABS deal, principal and interest payments to investors come from both collateral cash flows as well as sales of collateral. Payments to tranches are not contingent on the adequacy of the collateral's cash flows, but rather the adequacy of its market value. Should the market value of collateral drop below a certain level, payments are suspended to the equity tranche. If it falls even further, more senior tranches are impacted. An advantage of a market value ABS is the added flexibility they afford the portfolio manager. It is not constrained by a need to match the cash flows of collateral to those of the various tranches.

ABS Assets are usually illiquid and private in nature. ABS Assets are subject to liquidity, market value, credit interest rate, reinvestment and certain other risks. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular ABS Assets. ABS Assets are typically actively managed by an investment manager, and as a result ABS Assets will be traded, subject to rating agency and other constraints, by such investment managers. The aggregate return on the ABS Assets will depend in part upon the ability of the relevant investment manager to actively manage the related portfolio of the ABS Assets.

The ABS Assets will be subject to certain portfolio restrictions. However, the concentration of the ABS Assets in any one security type subjects the holders of ABSs to a greater degree of risk with respect to defaults on the ABS Assets.

Prices of the ABS Assets may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the ABS Assets. In addition, the ability of the issuer to sell ABS Assets prior to maturity is subject to certain restrictions set forth in the offering and constitutive documents of the relevant ABS.

The Underlying Fund may invest its assets in ABS and MBS. The risk of ABS applies to MBS.

4.2.13 Credit Default Swap risk

A credit default swap ("**CDS**") allows the transfer of default risk. This allows the Underlying Fund to effectively buy insurance on a reference obligation it holds (hedging the investment), or buy (or sell) protection on a reference obligation it does not physically own in the expectation that the credit will decline (increase) in quality.

In a CDS transaction, the protection buyer makes a stream of payments to the seller of the protection, and a payment is due to the buyer if there is a credit event (a decline in credit quality, which will be predefined in the agreement between the parties).

If the credit event does not occur the buyer pays all the required premiums and the swap terminates on maturity with no further payments. The risk of the buyer is therefore limited to the value of the premiums paid.

If the buyer or seller terminates the CDS transaction before maturity of the contract, the buyer and seller will face market risk from the changes in the price of the CDS driven by changes in the credit quality of the reference obligation since the inception of the trade.

If there is a credit event and the buyer does not hold the underlying reference obligation, the buyer may face market risk as the buyer may need time to obtain the reference obligation and deliver it to the counterparty. Furthermore, if the counterparty becomes insolvent, the buyer may not recover the full amount due to it from the counterparty.

The risk of the seller is the lost in value of the reference obligation, net of CDS premiums received and the final value of the reference obligation.

The amount at risk is limited to the sum insured on the reference obligation.

The market for credit default swaps may sometimes be more illiquid than the bond markets. The Investment Manager will mitigate this risk by monitoring in an appropriate manner the use of this type of transaction.

4.2.14 Convertible Bond Risk

Convertible securities are subject to the risks associated with both fixed income securities and equities, namely credit, price and interest-rate risk.

4.2.15 Inflation risk

A change in the rate of inflation may affect the real value of an investor's investment.

4.2.16 Charges to capital risk

Where the Underlying Fund's charges and expenses are taken from capital, in whole or in part, capital growth may be constrained as a result.

4.2.17 Risk of distributions out of capital

Where distributions of an Underlying Fund are paid out of capital, investors should be aware that the payment of distributions out of capital represents a return or withdrawal of part of the amount the investors originally invested and/or capital gains attributable to the original investment. Any distributions involving the payment of distributions out of capital will result in a reduction in the net asset value of the Underlying Fund and reduce the capital available for future investment and capital growth. Future capital growth may therefore be constrained as a result.

4.2.18 Redemption risk

The Fund/Underlying Fund will not be listed on any stock exchange. There is no ready secondary market for the units in the Fund/Underlying Fund. Investors may consequently only realise their units in the Fund in accordance with the provisions set out in this Fund Information Booklet.

There may be a 10% limit on the number of units of the Underlying Fund that can be realised and converted on a Dealing Day. Therefore, a realisation request may be deferred to the next Dealing Day (which is subject to the same limit) if realisations exceed the limit on that day.

Investors should also note that their right to realise Units may be temporarily suspended under certain circumstances as further described in paragraph 15.

4.2.19 Market suspension risk

Each securities exchange or commodities contract market typically has the right to suspend or limit trading in all securities or commodities which it lists. Such a suspension would render it impossible for Funds which are subfunds of the EIF and EIUT, to liquidate positions and, accordingly, expose such Funds to losses and delays in its ability to realise Units.

4.2.20 Restrictions on foreign investment

Some countries prohibit or impose substantial restrictions on investments by foreign entities. There may also be instances where a purchase order subsequently fails because the permissible allocation to foreign investors has been filled, depriving a Fund of the ability to make its desired investment at the time.

4.2.21 Foreign Account Tax Compliance Act ("FATCA")

FATCA is the Foreign Account Tax Compliance Act of 2010. FATCA was enacted by the US Congress as part of the Hiring Incentives to Restore Employment Act (the HIRE Act). FATCA is a reporting and withholding regime which provides the Internal Revenue Service (IRS) with a tool to strengthen the information reporting and compliance of US persons who have money invested outside of the US.

FATCA provisions generally impose a 30% withholding tax on certain U.S. source payments, including interest, dividends and gross proceeds from the sale or other disposal of property that can produce U.S. source income in certain circumstances.

The goal of the US tax authorities is to receive information about US persons, not to raise revenue via the withholding tax.

On 9 December 2014, the Government of the Republic of Singapore and the Government of the United States of America signed an Agreement to Improve International Tax Compliance and to Implement FATCA. Broadly, this agreement takes the form of a "FATCA Model 1 Intergovernmental Agreement" and establishes a framework for certain Singapore-based financial institutions to report account information of US persons to the Inland Revenue Authority of Singapore, which in turn will provide the relevant information to the US Internal Revenue Service.

Although the Underlying Fund, the Manager and/or the Trustee will attempt to satisfy any obligations imposed on it by the Applicable Requirements as per Paragraph

20.9 of this Prospectus to avoid the imposition of the FATCA withholding tax, no assurance can be given that the Underlying Fund, the Manager and/or the Trustee will be able to satisfy these obligations. If the Underlying Fund becomes subject to a withholding tax as a result of the FATCA regime, the value of the Units held by the Holders in the relevant Fund may suffer material losses. The Manager will at all times, act in good faith and on reasonable grounds. You should consult with your own tax advisors regarding the possible implications of FATCA on an investment in the Funds

4.2.22 Foreign Portfolio Investors Regime[1] (previously Foreign Institutional Investors Regime)

The Underlying Fund may invest through the Foreign Portfolio Investors Regime. Please note that the information provided below is meant as an overview of the Foreign Portfolio Investors Regime and is not intended to be exhaustive and does not constitute tax, regulatory or legal advice.

[1] *The FPI Regime replaced the Foreign Institutional Investors ("FII) " Regime with effect from 1 June 2014.*

(i) Investing in Indian Securities

In order to invest in Indian companies and/or Indian equity and/or debt securities, a fund must be registered as a Foreign Portfolio Investor ("FPI") or deemed as an FPI.

Investment by an FPI is subject to total FPI investment being within the individual FPI limit and is also subject to a general maximum aggregate investment limit as permitted by the Securities and Exchange Board of India ("SEBI").

For instance, investment under the FPI route is subject to a general maximum aggregate permitted investment of FPIs in a particular company of 24% of paid up share capital, although this may be varied on a sector by sector or company by company basis and an individual FPI holding limit of 10% of the capital of the company. The Indian regulator monitors this threshold, and notifies the relevant custodians as the FPI aggregate investment approaches the threshold.

Investment by FPIs in Indian debt capital markets is capped and is available on first come first serve basis. On FPI debt investments reaching the permitted threshold (i.e. 90%), debt limits are allotted to FPIs through an auction process which is carried out periodically to determine allocation of the limits to various FPIs. In addition, there is a specified time window allotted within which the FPI can use the limits that have been allocated.

Where a Fund makes investments in India under the FPI Regime (referred to hereafter as the "FPI Fund"), the investment restrictions of the FPI Regime may hinder the FPI Fund's investment program and adversely impact the investment and portfolio balancing activities. There is a risk that the FPI Fund is unable to secure, or only able to secure at significant cost, a sufficient quota in respect of relevant securities under prevailing regulations. In such a case, the FPI Fund may be closed to new subscriptions as the monies from new subscriptions cannot be invested in such markets by the Manager.

[2] *With the commencement of the FPI regime, all existing FIIs and sub-accounts are deemed to be FPIs for the validity period of the FII/sub-account registration.*

(ii) Loss of FPI or Deemed FPI Registration

The investment by the FPI Fund under the FPI route is dependent on the continued registration as an FPI. If the registration is terminated, the FPI Fund could potentially be forced to redeem affected investments held in Indian securities, and such forced redemption could adversely affect the returns to the FPI Fund.

(iii) Prior approval of DDP required for any change in structure/constitution/ addition of classes/subfund

It has been clarified by way of a SEBI circular dated 15 February 2018 that all FPIs or deemed FPI (as applicable) do not require prior approval of the Designated Depository Participant ("DDP") in case of addition of classes of shares/sub-fund by the FPI where the common portfolio of Indian securities is maintained across all classes of shares/fund/sub-fund and broad based criteria are fulfilled at portfolio level after addition of share class. However, in case of addition of classes of shares for segregated portfolio in India, every fund / sub fund / share class needs to separately fulfil broad based criteria, and hence the FPI Fund shall be required to obtain prior approval from DDP. For deletion of share classes of shares of segregated portfolio, an intimation should be provided to DDP forthwith.

For granting of such prior approval, DDPs shall obtain declaration and undertaking with respect to Protected Cell Company (PCC) / Multi-Class Vehicle (MCV) status. Further, in case of addition of one or more than one share class, which are not broad based, an undertaking may be obtained by the DDP that all the newly added share classes shall attain broad based status within 180 days from the date of approval issued by DDP.

Thus, the FPI Fund would be required to seek prior approval from the DDP in the case of any addition of classes for segregated portfolio in India, which could adversely affect the redemption by existing Holders in such FPI Fund and may also put a limitation on fresh investments under the FPI route by such FPI Fund if the FPI Fund fails to satisfy any of the criteria prescribed by SEBI.

(iv) Indian Investigations and Actions

Any investigations of, or actions against the FPI Fund initiated by SEBI or any other Indian regulatory authority may impose a ban of the investment activities and trading activities in India of the FPI Fund or other adverse consequences.

(v) Indian Direct Taxes

The interpretation and application of tax law by the Indian tax authorities may be subject to retrospective change. In such circumstances the NAV of the FPI Fund may suffer a drop in value and Holders in the FPI Fund may suffer a loss.

Capital Gains

Under current Indian tax laws, long-term capital gains arising on transfer of listed equity shares and units of an equity-oriented fund executed on a recognised stock exchange in India and subject to securities transaction tax (“STT”) are exempt from tax in India[3] , whereas short-term capital gains arising on transfer of the aforementioned securities on a recognised stock exchange and where STT is applicable are subject to tax at the 15% in India (excluding applicable surcharge and education cess)[4].

Long-term capital gains from sale of Indian securities (where STT is not applicable) executed off the recognised stock exchange in India will be taxable at the rate of 10% in India (excluding applicable surcharge and education cess), while short-term capital gains from sale of Indian securities (where STT is not applicable) executed off the recognised stock exchange will be taxed at the rate of 30% in India (excluding applicable surcharge and education cess). Further, long-term capital gains arising from the transfer of instruments not regarded as “securities” under Indian securities law[5] are taxed at the rate of 20% (excluding applicable surcharge and education cess), whilst short-term capital gains arising therefrom are taxed at the rate of 40% (excluding applicable surcharge and education cess).

The Finance Bill, 2018 (“Finance Bill”) (yet to be enacted into law) proposes that long term capital gains in excess of INR 100,000 (i.e. when listed equity shares or units of an equity oriented fund or business trust are held for a period of more than 12 months) arising to all investors including FPIs from the transfer of listed equity shares or units of an equity oriented fund or business trust will be taxed at the rate of 10% (excluding applicable surcharge and cess), provided that STT is paid (i) at the time of acquisition and transfer of equity shares;[6] and (ii) at the time of transfer of equity oriented fund and business trust units. The tax is proposed to be levied only upon transfer of the long-term capital asset on or after 1 April 2018.

The cost of acquisition of such assets shall be higher of (i) actual cost; and (ii) lower of (a) fair market value (“FMV”) as on 31 January 2018 (computed in terms of the prescribed valuation norms) and (b) full value consideration received on transfer of such shares. Therefore, in effect, long-term capital gains accrued up to 31 January 2018 will continue to be exempt. Any benefit of indexation (i.e. any adjustment for inflation) or foreign currency fluctuation however, would not be accounted for. Once enforced, this amendment will be effective from the financial year 2018-19 onwards. It has also been clarified that any transfer of equity shares or units of an equity-oriented fund made between 1 February 2018 and 31 March 2018 will continue to be exempt as per the existing provisions.

[3] The Finance Act, 2017 provides that the exemption from long-term capital gains tax shall be available only if STT has also been paid at the time of acquisition of equity shares sought to be transferred, subject to certain specified exceptions. The Central Board of Direct Taxes, Government of India (“CBDT”) has recently issued a notification specifying that except for certain transactions of acquisition of equity shares entered into on or after 1 October 2004 (such as acquisition by way of preferential issue of infrequently traded listed equity shares; off-market purchase of listed equity shares of a company; and acquisition of equity shares during the period between the delisting and re-listing of a company on a recognized stock exchange etc.), acquisition under all other transactions which did not result in payment of STT at the time of acquisition would be eligible for the benefit of the

long-term capital gains exemption. Note that this condition of payment of STT even at the time of acquisition shall not apply to acquisitions by a Qualified Institutional Buyer, which includes a SEBI registered Category I and II FPI as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

[4] All Indian tax rates mentioned here are exclusive of applicable surcharge and educational cess. Currently, for domestic companies whose total income exceeds INR 100 million, a surcharge is levied at the rate of 12% on tax payable. The rate of surcharge on domestic companies whose total income is less than or equal to INR 100 million but more than INR 10 million is 7%. Foreign companies with income in excess of INR 100 million are liable to pay surcharge at the rate of 5% on tax while foreign companies whose total income is less than or equal to INR 100 million but more than INR 10 million will be subject to surcharge at the rate of 2% on tax. Further, an education cess of 3% on surcharge and tax is payable by domestic and foreign companies.

It is proposed under the Finance Bill (yet to be enacted into law) that "Education Cess on income-tax" and "Secondary and Higher Education Cess on income-tax" shall be discontinued, and a new cess, by the name of "Health and Education Cess" shall be levied at the rate of 4% of income tax including surcharge wherever applicable.

[5] This is currently a grey area and instruments such as unlisted NCDs of private companies may be covered here as such instruments may not be treated as "securities" as defined under the Securities Contracts (Regulation) Act, 1956.

[6] As per recent FAQs issued by the CBDT on 4 February 2018 on the applicability of the newly introduced Section 112A of the (Indian) Income-tax Act, 1961 in terms of the Finance Bill, it has been clarified that the condition of payment of STT even at the time of acquisition shall not apply to a SEBI registered Category I and II FPI.

Interest

Interest income arising from Indian securities will be subject to income tax at the rate of 20% on gross interest (excluding applicable surcharge and education cess), however, a rate of 10% (excluding applicable surcharge and education cess) will be applicable in respect of interest earned on Foreign Currency Convertible Bonds and at the rate of 5% (excluding applicable surcharge and education cess) in respect of interest earned from rupee denominated bonds issued by an Indian company or a government security, where the rate of interest does not exceed the rate prescribed by the Indian government in this regard (i.e. current SBI base lending rate plus 500 bps).

Further, interest arising out of lending in foreign currency under loan agreements or on long-term bonds, including long-term infrastructure bonds issued by Indian companies before 1 July 2020 shall be chargeable to tax at the rate of 5% (excluding applicable surcharge and education cess). A withholding tax rate of 5% (excluding applicable surcharge and education cess) shall apply to interest in respect of monies borrowed from a source outside India by way of rupee denominated bonds issued by an Indian company before 1 July 2020.

Dividends

Dividends are currently exempt from tax in the hands of all non-resident shareholders, provided the Indian portfolio companies declaring, distributing or paying dividends have paid a Dividend Distribution Tax ('DDT") of 20.36% (including applicable surcharge and education cess) on the amount of dividend distributed including the DDT distributed by the company.

The Finance Bill 2018 (yet to be enacted into law) proposes to impose a distribution tax on income distributed by an equity-oriented fund at the rate of 10% (exclusive of applicable surcharge and cess).

Introduction of General Anti-Avoidance Rules in India

The General Anti-Avoidance Rules ('GAAR") came into effect on 1 April 2017. GAAR would be applicable to any transaction or part thereof which qualifies as an ‘impermissible avoidance arrangement’. The term ‘impermissible avoidance arrangement’ has been defined to mean an arrangement where the main purpose is to obtain a “tax benefit”, and it creates rights, or obligations, which are not ordinarily created between persons dealing at arm’s length; or results, directly or indirectly, in the misuse, or abuse, of the provisions of the (Indian) Income-tax Act, 1961 (“IT Act”); or lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. GAAR provisions empower the tax authorities to consequently disregard entities in a structure, reallocate income and expenditure between parties to the arrangement, alter the tax residence of such entities and the legal situs of assets involved, treat debt as equity and vice versa, and the like, and even deny benefit conferred under a tax treaty. Further, the GAAR rules provide that GAAR shall not apply, inter alia, to arrangements where the aggregate tax benefit in a relevant year, to all the parties involved, does not exceed INR 30 million; to registered FPIs that do not take any benefit under the applicable tax treaty; and to any income or gains on transfer, accruing, arising or deemed to accrue or arise to any person from investments made prior to 1 April 2017.

If the Indian tax authorities were to apply the GAAR to the FPI Fund, there could be an adverse impact on the taxability of the FPI Fund and the returns to the Holders[7].

[7] *As per recent FAQs issued by the CBDT on the implementation of GAAR, it has been clarified that tax neutrality of a jurisdiction shall not ipso facto trigger GAAR applicability, if otherwise choice of jurisdiction is motivated by non-tax commercial considerations and the main purpose of the FPI entity is not to obtain any tax benefit. Therefore, sufficient (non-tax) commercial justification for selection of jurisdiction ought to exist in order to preclude the invocation of GAAR.*

Tax Residency of a company – India

As per the IT Act, a company shall be a tax resident in India in a given financial year if: (i) it is incorporated in India; or (ii) its ‘place of effective management’ (“POEM”) during the year is in India. POEM is based on the place where key management and commercial decisions of the entity as a whole are taken. The Central Board of Direct Taxes has issued a circular No. 06 of 2017 dated 24th January, 2017 clarifying the meaning and application of POEM.

It has been further clarified that the POEM test shall not apply to companies having turnover or gross receipts less than INR 500 million during the financial year.

If for any reason the activities of an FPI Fund are held to locate its POEM in India, then the global profits of the FPI Fund could be subject to taxation in India.

Taxation of Indirect Transfer of Indian Assets

The IT Act levies capital gains tax on income arising from the transfer or redemption of shares/interest in a company/entity organised outside India which derives, directly or indirectly, its value substantially from the assets located in India.

As per the Finance Act, 2017, it has been clarified that the scope of the indirect transfer tax provisions as set out above shall not cover within its ambit, direct or indirect investments held by non-resident investors in FPIs that are registered as Category-I or Category-II with SEBI under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014. This amendment is effective retrospectively from financial year 2014-15.

(vi) Repatriation Risk

The repatriation of capital by the FPI Fund may be adversely affected by changes in Indian exchange control regulations and/or political circumstances. Repatriation of the investment proceeds by the FPI Fund may require a prior approval of the Reserve Bank of India and such approval is given on a case-by-case basis. It cannot be guaranteed that such approval will be given by the Reserve Bank of India and such approvals could take time which could further expose the FPI Fund to currency risks.

There can be no assurance that future restrictions on the ability to exchange Indian Rupees or other foreign currency into US Dollars and to repatriate income and capital will not adversely affect the ability of the FPI Fund to repatriate its income and capital. In the past, exchange rates have been subject to significant fluctuations and there can be no assurance that they will be stable. Delays in or a refusal to grant any such government approval, or a revocation or variation of consents granted by the Indian regulators prior to investment being made in any particular country, or the imposition of new restrictions, may adversely affect the FPI Fund's investments. The value of the FPI Fund's assets may also be affected by developments relating to exchange control regulations.

(vii) Changes to laws, regulations and policies

Indian laws and securities regulations will affect the FPI Fund. If policy announcements or regulations are made that require retrospective changes in the structure or operations of the FPI Fund, these may impact the performance of the FPI Fund. There can be no assurance that regulations promulgated in the future would not have an adverse impact on the FPI Fund.

Any change in the regulatory framework governing foreign investment or any change in the SEBI (Foreign Portfolio Investor) Regulations, 2014 (including any changes with retrospective effect) which are more restrictive or make it difficult for the FPI Fund to make investments in India could adversely impact the performance of the FPI Fund.

The Indian government restricts foreign investment in certain sectors. These restrictions have been progressively eased to permit foreign investments. There is no guarantee, however, that this policy of liberation will continue. Any reversal could have a retroactive effect and affect existing investments and could also impact the FPI Fund's ability to enforce negotiated rights.

4.2.23 Contingent convertible bond risk

In the framework of new banking regulations, banking institutions are required to increase their capital buffers and with this in mind have issued certain types of financial instrument known as contingent convertible bonds ("CoCos"). The main feature of a CoCo is its ability to absorb losses as required by global bank regulators as part of a banks regulatory capital requirements and new debt global bail-in regimes such as the European Special Resolution Regime (SRR), but other corporate entities may also choose to issue them.

Under the terms of a CoCo, the instruments become loss absorbing upon certain triggering events, including events under the control of the management of the CoCo issuer which could cause the permanent write-down to zero of principal investment and/or accrued interest, or a conversion to equity. 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.

In addition to the liquidity risk detailed above, CoCos have specific risks associated such as:

Unknown risk

CoCos are innovative currently still untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform. In the event a single issuer activates a trigger or suspends coupons, it is uncertain whether the market will view the issue as an idiosyncratic event or systemic. In the latter case, potential price contagion and volatility to the entire asset class is possible. This risk may in turn be reinforced depending on the level of underlying instrument arbitrage. Furthermore, activation of a trigger or suspension of coupon payments could cause a broader sell-off of contingent convertible instruments, thereby decreasing liquidity in the market. In an illiquid market, price formation may be increasingly stressed.

Coupon cancellation

Coupon payments are entirely discretionary and may be cancelled by the issuer at any point, for any length of time.

Trigger level risk

Trigger levels differ and determine exposure to conversion risk depending on the distance of the capital ratio to the trigger level. It might be difficult for the Manager to anticipate the triggering events that would require the debt to convert into equity.

Valuation and write-down risks

The value of CoCos may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, a Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

Capital structure inversion risk

Contrary to classic capital hierarchy, investors in CoCos may suffer a loss of capital when equity holders do not. In certain scenarios, holders of CoCos will suffer losses ahead of equity holders, e.g. when a high trigger principal write-down contingent convertible instruments is activated. This cuts against the normal order of capital structure hierarchy where equity holders are expected to suffer the first loss.

Call extension risk

CoCos are issued as perpetual instruments, callable at pre-determined levels only with the approval of the issuer. It cannot be assumed that the perpetual CoCo will be called on call date. CoCos are a form of permanent capital. The investor may not receive return of principal if expected on call date or indeed at any date.

Conversion risk

It might be difficult for the Manager to assess how the securities will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares if the investment policy of the relevant Fund does not allow equity in its portfolio. This forced sale may itself lead to liquidity issue for these shares.

Industry concentration risk

As the issuers of CoCos may be unevenly distributed across sectors of industry, contingent convertible instruments may be prone to industry concentration risks.

4.2.24 Risk of investing in defaulted securities and distressed securities

Some Funds may seek exposure to securities of issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, involved in or the target of acquisition attempts or tender offers or in companies involved in liquidations, spin-offs, reorganizations or similar transactions or issuers that are involved in bankruptcy or reorganization proceedings. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution the value of which will be less than the initial purchase price. Investments of this type involve substantial financial business risks that can result in substantial or total losses. Among the problems involved in investments in troubled issuers is the fact that information as to the conditions of such issuers may be limited, thereby reducing the ability of the Manager to monitor the performance and to evaluate the advisability of continued investments in specific situations. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and ask prices of such securities may be greater than normally expected. It may take a number of years for the market price of such securities to reflect their intrinsic value.

4.2.25 Risk associated with investments in CIBM

CIBM Direct Access Program

China Interbank Bond Market ("CIBM") is the over-the-counter market for bonds issued and traded in mainland China. A new scheme was launched in 2016 to open up CIBM to eligible foreign institutional investors to access onshore bonds directly ("CIBM Direct Access Program"). Under this scheme, foreign institutions can trade bonds directly through onshore settlement agents (i.e. banks) in mainland China. Unlike QFII and RQFII, there are no specific quota limits imposed on the foreign institutional investor.

Participation in the CIBM by foreign institutional investors (such as a Fund) is governed by rules and regulations as promulgated by the Mainland Chinese authorities, i.e., the People's Bank of China ("PBOC") and the State Administration of Foreign Exchange ("SAFE"). Such rules and regulations may be amended from time to time and include (but are not limited to):

(a) the "Announcement (2016) No 3" issued by the PBOC on 24 February 2016;

(b) the "Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets" issued by the Shanghai Head Office of PBOC on 27 May 2016;

(c) the "Circular concerning the Foreign Institutional Investors' Investment in Interbank bond market in relation to foreign currency control" issued by SAFE on 27 May 2016; and

(d) any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in mainland China, foreign institutional investors who wish to invest directly in the CIBM may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation but filing with the Shanghai Head Office of PBOC in respect of an investor's anticipated investment size has to be made.

In terms of fund remittance and repatriation, foreign investors (such as a Fund) may remit investment principal in RMB or foreign currency into Mainland China for investing in the CIBM. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after the completion of filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. Where a Fund repatriates funds out of mainland China, the ratio of RMB to foreign currency (“Currency Ratio”) should generally match the original Currency Ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%.

Please note that the relevant rules governing the CIBM Direct Access Program will generally apply to investments in CIBM under the RQFII Quota by reference (to the extent applicable), so the risks below are generally relevant to a Fund’s investment in CIBM, either through the CIBM Direct Access Program or any RQFII Quota.

Risk Factors

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities. An investment in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. A Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that a Fund transacts in the CIBM, the Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Although there is no quota limitation regarding investment via the CIBM Direct Access Program, the Fund is required to make further filings with the PBOC if it wishes to increase its anticipated investment size. There is no guarantee the PBOC will accept such further filings. In the event any further filings for an increase in the anticipated investment size are not accepted by the PBOC, the Fund’s ability to invest in the CIBM will be limited and the performance of the Fund may be unfavourably affected as a result.

Investing in the CIBM is also subject to certain restrictions imposed by the mainland Chinese authorities on fund remittance and repatriation which may potentially affect the Fund’s performance and liquidity. Any non-compliance with or failure to meet the fund remittance and repatriation requirements may result in regulatory sanctions which in turn may have an adverse impact on the portion of the Fund’s investment via the CIBM Direct Access Program. Further, there is no assurance that the fund remittance and repatriation requirements in relation to investment in CIBM will not be changed as a result of change in government policies or foreign exchange control policies. The Fund may incur loss in the event such change in the fund remittance and repatriation requirements in relation to investment in CIBM occurs.

Since the relevant filings and account opening for investment in the CIBM have to be carried out via an onshore settlement agent, the Fund is subject to the risks of default or errors on the part of the onshore settlement agent. The Fund may also incur losses due to the acts or omissions of the onshore settlement agent in the process of settling any transactions. As a result, the net asset value of the Fund may be adversely affected.

In addition, investors should note that cash deposited in the cash account of the Fund with the relevant onshore settlement agent will not be segregated. In the event of the bankruptcy or liquidation of the onshore settlement agent, the Fund will not have any proprietary rights to the cash deposited in such cash account and may face difficulty and/or encounter delays in recovering such assets, or may not be able to recover it in full or at all, in which case the Fund will suffer losses.

The CIBM is also subject to regulatory risks. The relevant rules and regulations on investment in the CIBM is subject to change which may have potential retrospective effect. In the event that the relevant mainland Chinese authorities suspend account opening or trading on the CIBM, the Fund's ability to invest in the CIBM will be limited and, after exhausting other trading alternatives, the Fund may suffer substantial losses as a result.

4.2.26 Risk associated with Bond Connect

Overview of the Bond Connect

Bond Connect is a mutual bond market access between Hong Kong and mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House (together, the "Mainland Financial Infrastructure Institutions"), and HKEx and Central Moneymarkets Unit (together, the "Hong Kong Financial Infrastructure Institutions"). China bond market primarily consists of CIBM. Under the Northbound Trading, eligible foreign investors will be allowed to invest in the CIBM through Bond Connect. Northbound Trading will follow the current policy framework for overseas participation in the CIBM. There will be no investment quota for Northbound Trading.

Under the prevailing regulations in mainland China, eligible foreign investors who wish to invest in the CIBM via Bond Connect may do so via an offshore custody agent approved by the Hong Kong Monetary Authority ("HKMA"), who will be responsible for the account opening with the relevant onshore custody agent approved by PBOC.

Risk factors

(a) Risks associated with Bond Connect

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The relevant Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the relevant Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that the relevant Fund transacts in the CIBM, the relevant Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the relevant Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Since the account opening for investment in the CIBM via Bond Connect has to be carried out via an offshore custody agent, the relevant Fund is subject to the risks of default or errors on the part of the offshore custody agent.

Bond Connect is a program novel in nature and will be subject to regulatory risks. The relevant rules and regulations on investment via Bond Connect is subject to change which may have potential retrospective effect. In the event that 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, 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.

(b) Taxation Risk

There is no specific written guidance by the mainland China tax authorities on the treatment of income tax and other tax categories payable in respect of trading in CIBM by eligible foreign institutional investors via Bond Connect. Hence it is uncertain as to the relevant Fund's tax liabilities for trading in CIBM via Bond Connect.

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

5. Structure

The Fund is a single fund and is classified as a Specified Investment Product. It feeds into the Underlying Fund which is domiciled in Singapore. The Fund has a risk classification of medium to high risk.

The Fund is only suitable for investors who:

- have a medium to long-term horizon;
- seek regular income and long-term capital growth;
- are comfortable with the risks of a fund investing mainly in US Dollar denominated bonds issued in the US and Asia; and
- appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.

The benchmark for the Fund is 50% JP Morgan Asia Credit Index and 50% ICE BofAML US High Yield Constrained Index[1] hedged to Singapore Dollars.

[1] ICE BofAML US High Yield Constrained Index was formerly known as BofA Merrill Lynch US High Yield Constrained Index.

6. Investment Objective

The investment objective of the Fund is to seek to provide investors with regular income and long-term capital growth by investing into the Underlying Fund which then invests:

(i) 30% to 70% of its assets in US Bonds (such as investment grade bonds, high yield bonds, government bonds and/or fixed income collective investment schemes, including but not limited to Eastspring Investments – US High Yield Bond Fund (the "US High Yield Bond")); and

(ii) 30% to 70% of its assets in Asian Bonds (such as investment grade bonds , high yield bonds , government bonds and/or fixed income collective investment schemes, including but not limited to Eastspring Investments – Asian Bond Fund (the "Asian Bond")).

The Manager intends to achieve this investment objective by investing the assets of the PruLink Dynamic Income Fund into the Eastspring Investments Funds – Monthly Income Plan Class A.

The Underlying Fund may in addition, at the Investment Manager's absolute discretion, invest up to 20% of its assets in any other investments such as other fixed income or debt securities, dividend yielding equities, real estate investment trusts and/or collective schemes.

The Investment Manager may use FDIs for the purposes of EPM and/or hedging (including to hedge the foreign currency exposure of the Monthly Income Plan by, for instance, entering into one or more foreign exchange forward contracts and/or cross currency swap transactions).

7. Investment Focus and Approach

The PruLink Dynamic Income Fund and Eastspring Investments Fund - Monthly Income Plan Class A share the same investment focus and approach.

In managing the Underlying Fund, the Investment Manager will first assess the attractiveness of Asian bonds relative to US bonds by looking at their relative credit spreads as well as versus their own history. The Investment Manager also assesses the attractiveness of Asian equities relative to US Dollars denominated bonds. The Investment Manager will then arrive at the final asset allocation of the Underlying Fund after taking into consideration all these factors. The selection of the individual stocks within the Underlying Fund is driven by bottom-up stock ideas.

In deciding the asset allocation of the Underlying Fund, the Investment Manager adopts a valuation-based investment approach and aims to exploit market inefficiency and dispersion of investment returns.

US High Yield Bond

The US High Yield Bond invests in a diversified portfolio consisting primarily of high yield bonds and other fixed income/debt securities denominated in US Dollars, issued in the US market (including "**Yankee**" and **"Global**" **bonds**) rated below BBB-. The US High Yield Bond may invest up to 20% of its net assets in CMBS, MBS and ABS. Up to 20% of its assets may be invested in investment grade securities (i.e. BBB- and above).

The US High Yield Bond may also invest up to 5% in aggregate of its net assets in distressed securities and defaulted securities. The US High Yield Bond may invest no more than 25% of its net assets in debt instruments with loss absorption features out of which up to 5% of its net assets may be invested in contingent convertible bonds ("CoCos") with loss absorption features (such as Additional Tier 1 capital and Tier 2 capital instruments with mechanical triggers (i.e. debt instruments with write-down or conversion into equity features with pre-specified triggers) and up to 20% of its net assets in non-preferred senior debt and other subordinated debts with loss absorption features.

Yankee bonds mean debt of foreign issuers issued in the US domestic market. Global bonds mean debt issued simultaneously in the eurobond and US domestic bond markets.

The Investment Sub-Manager of the US High Yield Bond uses a combination of a value-oriented "top-down" approach, which focuses on bond sectors, and a value-oriented "bottom-up" approach, which focuses on bond specifics. The investment process is credit intensive with a focus on relative valuations. The Investment Sub-Manager's credit analysis team analyses both investment grade and high yield bonds, aiming to capture investment opportunities across the rating spectrum.

While focusing on bond specifics, the Investment Sub-Manager also seeks opportunities that might be uncovered by the business cycle and believes that the returns from active management are maximised by forming portfolios that take measured, diversified risks across multiple portfolio dimensions, including sectors, securities and maturities.

Asian Bond

The Asian Bond invests in a diversified portfolio consisting primarily of fixed income/debt securities issued by Asian entities or their subsidiaries. Its portfolio primarily consists of securities denominated in US Dollars as well as the various Asian currencies and aims to maximise total returns through investing in fixed income/debt securities that are rated as well as unrated.

The Asian Bond may invest up to 20% of its net assets in ABS, MBS, Cocos, distressed securities and defaulted securities, with a limit of 10% for distressed securities and defaulted securities. The Asian Bond may invest less than 30% of its net assets in debt instruments with loss absorption features out of which up to 10% of its net assets may be invested in CoCos with loss absorption features (such as Additional Tier 1 capital and Tier 2 capital instruments with mechanical triggers (i.e. debt instruments with write-down or conversion into equity features with pre-specified triggers)) and up to 20% of its net assets in non-preferred senior debt and other subordinated decks with loss absorption features.

In addition, the Asian Bond may invest up to 10% of its net assets in synthetic fixed income instruments (including credit-linked notes). It may also hold up to 10% of its net assets in equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation.

The Asian Bond may make investments up to 10% of its net assets in Chinese onshore debt securities through the China interbank bond market direct access program (the “CIBM Direct Access Program”) and/or China Hong Kong Bond Connect (“Bond Connect”).

The Asian Bond applies both a “top-down” and “bottom-up” investment management approach in deriving its duration, credit and currency allocation strategies. From a “top-down” perspective, economic and market analysis are carried out to determine the outlook for interest rate markets, as well as credit and currency trends. This is necessarily combined with a “bottom-up” credit selection process, which is based on research and analysis of credit issuers, to identify value opportunities and avoid potential default events.

The strongest investment ideas from the above analyses then become candidates for inclusion in the portfolio. There is also a strong emphasis on risk management in the portfolio construction process, to ensure that active risks are taken in a diversified manner and that potential returns commensurate with the risks taken on each investment.

8. Distribution Policy for the Fund

8.1 As part of the investment objective of the Fund, the Manager and/or Prudential Singapore intends to make regular annual distributions. The Manager intends to make the distribution on the last Business Day of January (the “**Declaration Date**”) or such other date as the Manager may in its absolute discretion determine. The annual distribution shall be based on the number of units held by each policyholder as at the Declaration Date. Subsequent distribution amount and distribution dates shall be determined by the Manager and/or Prudential Singapore at the beginning of each financial year of the Fund.

Investors should be aware that the amount of distributions may vary over time and there may be periods where there is no distribution.

8.2 If investors have invested in the Fund before Declaration Date, they will be entitled to distributions as long as they remain invested and have units credited and held in their accounts on Declaration Date. Distributions shall be based on the value of units held by the investors as at the relevant Declaration Date as evidenced in our records. If an investor has made an application for any transactions (including surrender, withdrawal or switching), which is yet to be processed, the value of units meant to be processed will not be included in determining the distribution amount.

8.3 For investment with cash (“**Cash**”) or SRS monies, i.e. not using Central Provident Fund (“**CPF**”) monies, investors may choose at the time of application for investment in the Fund to either receive all (but not part) of the distributions as payouts or to have all (but not part) of the distributions reinvested in the Fund.

8.4 If investors wish to change the instructions for receiving distributions they must write in to inform us at least 30 days before the Declaration Date. Please note that any such election will automatically supersede all prior instructions relating to receiving distributions and shall apply to all of the units then held by them.

8.5 If investors have chosen to receive the distributions as payouts, distributions will be credited to their designated bank account or SRS account (if investors have invested using their SRS monies) within 45 days from the relevant Declaration Date ("**Payout Date**"). The Manager and us reserve the right to change the Payout Date.

8.6 If investors have chosen to reinvest the distributions, they will receive extra units which will be credited into their account within 45 days from the relevant Declaration Date at the prevailing bid price ("**Reinvestment Date**"). The Manager and us reserve the right to change the Reinvestment Date.

8.7 If investors have chosen to receive the distributions as payouts, for any transaction (including surrender, withdrawal and switching) performed by them between the Declaration Date and Payout Date, the redemption proceeds will be calculated at the prevailing bid price (Refer to Section 14). Distributions due to the investors will be credited separately to their designated bank account or SRS account (if investors have invested using their SRS monies) on the Payout Date.

8.8 If investors have chosen to reinvest the distributions, for any transaction (including surrender, withdrawal and switching) performed by them between the Declaration Date and Reinvestment Date, the redemption proceeds will be calculated at the prevailing bid price (Refer to Section 14). Distributions due to them will be credited back into their account except for surrenders. For surrenders, distributions will be paid to them by cheque.

8.9 If investors have switched into another PruLink Fund between the Declaration Date and Reinvestment Date, they will receive the distributions which will be reinvested to the Fund, they will receive the distributions which will be reinvested to the Fund.

8.10 Investors may cancel the policy within the review period (i.e. 14 days after receiving the policy document). If the policy is incepted before the Declaration Date, and should investors decide to cancel policy after the Declaration Date but before the Payout Date or Reinvestment Date, they will receive a refund of premiums based on the premium refund formula as determined by us, less medical fees (if any). Any distributions due will be paid to investors on the Payout Date or Reinvestment Date (whichever is applicable).

8.11 If investor's policy is incepted before the Declaration Date, and should they decide to cancel the policy after the Payout Date or Reinvestment Date, they will receive a refund of premiums based on the premium refund formula as determined by us, less medical fees (if any).

8.12 If death or total permanent disability of the insured occurs before the Declaration Date, they will not be entitled to distributions. If death or total permanent disability of the insured occurs between the Declaration Date and the Payout Date or Reinvestment Date, they will be entitled to the unit value in the Fund at the prevailing bid price. Distributions due to investors will be paid to their estate on Payout Date or Reinvestment Date (whichever is applicable).

*** Distribution payments shall, at the sole discretion of the Manager and/or Prudential Singapore, be made out of either (a) income; or (b) net capital gains; or (c) capital of the Fund or a combination of (a), and/or (b) and/or (c).**

Distributions are at the sole discretion of the Manager and/or Prudential Singapore and there is no guarantee that any distribution will be made and if distributions are made, such distributions are not in any way a forecast, indication or projection of the future or likely performance or distribution of the Fund. The making of any distribution shall not be taken to imply that further distributions will be made. The Manager and/or Prudential Singapore may also vary the frequency and/or amount of the distributions made.

Investors should also note that the distributions of the Fund may, in the event that income and net capital gains are insufficient, be made out of the capital of the Fund. In the event distributions are made out of the capital of the Fund, policyholders will be notified accordingly of the proportion of the distribution which is made out of the capital of the Fund.

When distributions are declared and paid out (including out of capital) with respect to the Fund, the net assets of the Fund will stand reduced by an amount equivalent to the product of the number of units and distribution amount declared per unit.

9. Performance of the Fund[1]

9.1 Past Performance of the Fund as at 31 December 2018

Fund/Benchmark	Inception Date	6 Months	1 Year	3 Years (Annualised)	5 Years (Annualised)	Since Inception (Annualised)
PruLink Dynamic Income Fund[2]	6 July 2012	-2.52%	-4.23%	4.43%	2.20%	-0.50%
50% JPMorgan Asia Credit Index + 50% ICE BofAML US High Yield Constrained Index[3] hedged to Singapore Dollars		-0.61%	-2.20%	5.09%	4.12%	2.77%

[1] Performance calculations of the Fund 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 reinvestment. Fees and charges payable through deduction of premium or cancellation of units are excluded from this calculation.

[2] On 6 July 2012, the Fund was restructured from PruLink Currency Income Fund to PruLink Dynamic Income Fund. The Underlying Fund was changed from Eastspring Investments Income X to Eastspring Investments Funds – Monthly Income Plan Class A. With the change, the benchmark of the Fund was changed from the 12 month SGD Fixed Deposit Rate to the 50% JPMorgan Asia Credit Index + 50% BofA Merrill Lynch US High Yield Constrained Index hedged to Singapore Dollars. The change in benchmark was to better reflect the investment focus and risk of the Fund.

[3] ICE BofAML US High Yield Constrained Index was formerly known as BofA Merrill Lynch US High Yield Constrained Index.

Source: Standard Chartered Bank; SGD; net income reinvested;

Source for benchmark: Eastspring Investment (Singapore) Limited

Any past performance of the Fund is not necessarily indicative of the future performance of the Fund.

9.2 Expense Ratio[1] of the Fund and the Underlying Fund

Fund	Expense Ratio as at 31 December 2018
PruLink Dynamic Income Fund	1.39%
Eastspring Investments Funds – Monthly Income Plan Class A	1.40%

[1] The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS)". This is the sum of the Fund's expense ratio and the weighted average of the underlying funds' unaudited expense ratio. The calculation of the expense ratio at 31 December 2018 was based on total operating expenses divided by the average net asset value for the period. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances. The unaudited expense ratio of the underlying funds are obtained from Underlying Funds' Manager.

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.

9.3 Turnover Ratio[1] of the Fund and the Underlying Fund

Fund	**Turnover Ratio (for the year ended 31 December 2018)**
PruLink Dynamic Income Fund	15.41%
Underlying Fund	**Turnover Ratio (for the year ended 31 December 2018)**
Eastspring Investments Funds – Monthly Income Plan Class A	10.68%

[1] The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The turnover ratio is calculated based on the lesser of purchases or sales expressed as a percentage over average net asset value, i.e. average daily net asset value, over the same period used for calculating the expense ratio.

10. Fees

10.1 Initial Investment Charge

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.

** 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%.*

10.2 Continuing Investment Charge

The continuing investment charge is currently 1.25% per annum^. This charge is deducted 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.

^ The Continuing Investment Charge indicated herein includes the management fees charged by the Investment Manager of the Underlying Fund/Underlying Entities.

11. Subscription of Units

11.1 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 offer price in the PruLink Fund or PruLink Funds you have chosen.

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 SRS monies, you should instruct the relevant SRS operator bank to withdraw from your SRS account monies in respect of the policy applied for.

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.

11.2 Dealing Deadline and Pricing Basis

Pricing of PruLink Funds is on a forward, offer-bid basis.

If we receive your premium:

a) by 3pm, we will use the offer price calculated on the next Business Day; or

b) after 3pm, we will use the offer price calculated on the second Business Day following the day we receive your premium/application.

<u>Example</u>

If we receive your premium by 3pm on Monday, we will use Tuesday's offer price to buy units in your account. If we receive your premium after 3pm on Monday, we will use Wednesday's offer price.

11.3 Allotment of Units

Numerical example of units allotment:

$1,000	X 100%	-> $1,000	÷ $1.00	-> 1,000 units	X $0.95	-> $950
Your Initial Investment	Premium allocation rate*	Net Investment Sum	Offer Price	No. of units you will receive	Bid Price	Value of your units

** Please refer to the applicable allocation rate in the Product Summary.*

12. Withdrawal of Units

12.1 How to Withdraw Units

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

12.2 Minimum Holdings Amount and Minimum Withdrawal Amount

The minimum withdrawal amount is S$1,000.

If you make a partial withdrawal, the remaining units in the account must be worth at least S$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.

12.3 Dealing Deadline and Pricing Basis

Pricing of PruLink Funds is on a forward, bid-offer basis.

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.

<u>Example</u>

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.

12.4 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

12.5 Settlement for Withdrawal

We will pay the withdrawal proceeds within:

– T+ 4 Business Days in respect of bond and money market funds; and

– 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:

a) by 3pm, T will be on the same business day we receive your withdrawal request;

b) 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.

13. Switching of PruLink 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 S$200. The remaining units in the PruLink Fund that you are switching from must be worth at least S$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.

14. Obtaining Prices of Units

PruLink Funds are valued every Business Day ("**pricing day**") to work out the unit price. Prices of the PruLink Funds may currently be obtained from www. prudential.com.sg*, Straits Times and the Business Times or such other publications or media as may from time to time be available.

** 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.

15. 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 of the Fund or Investment Manager of the Underlying Fund (where applicable) suspends the issue, withdrawal, exchange or other dealing in the units or shares of the Fund, or any other government or regulatory body, or at our reasonable discretion, including but not limited to the following situations:

(i) any period when the Recognised Market on which any Authorised Investments of the Deposited Property of the Underlying Fund for the time being are listed or dealt in is closed (otherwise than for public holidays) or during which dealings are restricted or suspended or, where applicable, any period when dealings in any of the Underlying Entities of the Underlying Fund are restricted or suspended;

(ii) any period when, in the opinion of the Manager and the Trustee, there exists any state of affairs that might seriously prejudicing the interests of investors of that PruLink Fund as a whole;

(iii) any breakdown in the means of communication normally employed in determining the price of any of such Authorised Investments or the current price on that Recognised Market or when for any reason the prices of any of such Authorised Investments cannot be promptly and accurately ascertained;

(iv) any period when remittance of money which will or may be involved in the realization of such Authorised Investments or in the payment for such Authorised Investments cannot, in the opinion of the Manager and the Trustee, be carried out at normal rates of exchange;

(v) 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 Deposited Property of the Underlying Fund cannot be effected promptly at normal rates of the exchange;

(vi) any period when the dealing of units is suspended pursuant to any order or direction of the Authority;

(vii) any 48 hour period (or such longer period as may be agreed between the Manager and the Trustee) prior to the date of any meeting of Holders (or any adjourned meeting thereof);

(viii) any period when the business operations of the Trustee and/or Investment Manager and/or the Product Provider in relation to the operation of the ILP Sub-Fund and/or Underlying Fund 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,

(ix) such circumstances as may be required under the provisions of the Code

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 a notice to such effect.

16. Soft Dollar Commissions/Arrangements

The Manager and, where applicable, the Investment Manager of the Underlying Fund (together, the “Relevant Parties”) may or may not be entitled to receive and/or enter into soft-dollar commissions/arrangements in respect of the Fund or the Underlying Fund (as the case may be). If entitled to receive and/or enter into soft dollar commissions/arrangements in respect of the Fund, the Relevant Parties will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions/arrangements shall include specific advice as to the advisability of dealing in, or as to the value of any investments, research and advisory services, economic and political analyses, portfolio analyses including valuation and performance measurements, market analyses data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, the conduct of research or analysis, or analysis of trade execution in relation to the investments managed for clients.

Soft-dollar commissions/arrangements shall not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employees’ salaries or direct money payment.

The Relevant Parties shall not accept or enter into soft-dollar commissions/arrangements unless (a) such soft-dollar commissions/arrangements would reasonably assist the Relevant Party concerned in the management of the Fund or the Underlying Fund, (b) the Relevant Party shall ensure at all times that best execution is carried out for the transactions, and (c) no unnecessary trades are entered into in order to qualify for such soft- dollar commissions/ arrangements.

The Relevant Parties do not retain for its/their own account, cash or commission rebates arising out of transactions for the Fund or the Underlying Fund executed in or outside Singapore.

17. Conflicts of Interest

The Manager and the Investment Manager (where applicable) may own, hold, dispose or otherwise deal with units. 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.

In addition, Associates of the Trustee may also be engaged to offer financial, banking and brokerage services to the Underlying Fund and Underlying Entities or buy, hold and deal in any investments, enter into contracts or other arrangements with the Trustee and make profits from these activities. Such services, if provided, and such activities, where entered into, will be on an arm's length basis.

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.

18. 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.

19. Other Material Information

19.1 Right to Change Investment Objective

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

19.2 Right to Change Underlying Fund

The Manager, the Investment Manager or the Product Provider may at its sole discretion replace the Underlying Fund, subject to applicable regulatory approval having been obtained and 30 days' prior written notice having been provided to you.

19.3 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.

19.4 Distribution of Income and Capital

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

19.5 Investment Guidelines

19.5.1 The investment guidelines for non-specialised funds (i.e. the Non-Specialised Funds Investment Guidelines) issued by the Authority under the Code, which may be amended from time to time, shall apply to the Fund (unless otherwise waived, exempted or not applied by the Authority).

19.5.2 The Manager will ensure compliance with the investment guidelines issued by the Authority and the insurer, which may be amended from time to time. We reserve the right to make changes to or to change the Fund and/or Underlying Fund as may be necessary for the compliance with the investment guidelines. The investment guidelines stipulated by the authorities include but are not limited to the MAS 307 Investment-Linked Policies issued by the Authority.

19.6 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 Fund 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 impracticable or inadvisable to continue that PruLink Fund or if any approval or authorization 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 Underlying Fund that is corresponding to that PruLink Fund, if any, or a change in the Investment Manager of the 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.

Appendix 1 – Additional Risk Disclosure applicable to the Eastspring Investments Funds – Monthly Income Plan

The Eastspring Investments Umbrella Fund may use financial derivative instruments ("**FDIs**"), such as options, forward contracts and futures contracts, only for the purpose of efficient portfolio management of the assets of the Underlying Fund(s) and/or to protect their assets and commitments. Should the Eastspring Investments Umbrella Fund decide to enter into FDI transactions for other purposes than hedging and/or efficient portfolio management, the investment policy of the Eastspring Investments Umbrella Fund or the relevant Underlying Fund(s) will be amended accordingly.

Investors should refer to Section 4 of this Fund Information Booklet for information on the risks associated with FDIs.

Risk Management Process of Eastspring Investments Umbrella Fund

The Eastspring Investments Umbrella Fund may, for each Underlying Fund, for the purpose of efficient portfolio management of the assets of the respective Underlying Fund and/or to protect its assets and commitments, employ certain techniques and instruments as set out in the Luxembourg prospectus of the Eastspring Investments Umbrella Fund.

Efficient portfolio management transactions may not include speculative transactions. These transactions must be economically appropriate (this implies that they are realised in a cost-effective way) and be entered into for one or more of the following specific aims:

- the reduction of risks;
- the reduction of cost; or
- the generation of additional capital gain or income for the fund with an appropriate level of risk, taking into account its risk profile and the risk diversification rules laid down in the Luxembourg prospectus of the Eastspring Investments Umbrella Fund.

In addition to the above, the Eastspring Investments Umbrella Fund may, for each Underlying Fund, use derivatives to facilitate more complex efficient portfolio management techniques. In particular this may involve:

- using swap contracts to adjust interest rate risk;
- using currency derivatives to buy or sell currency risk;
- writing covered call options to generate additional income;
- using credit default swaps to buy or sell credit risk; and
- using volatility derivatives to adjust volatility risk.
- using total return swaps or other swap contracts which have similar characteristics as total return swaps.

The relating risks of these transactions must be adequately captured by the Eastspring Investments Umbrella Fund's risk management process.

The Eastspring Investments Umbrella Fund must ensure that the overall risk associated with derivatives does not exceed the net assets of the relevant Underlying Fund. The following are taken into account in computing risk: the market value of the underlying instruments, the risk of default, future foreseeable market developments and the period within which the positions are to be liquidated. This also applies to the following two points:

- In the case of investments in derivatives, the overall exposure for the underlying instruments may not exceed the investment limits set forth in the Luxembourg prospectus of the Eastspring Investments Umbrella Fund. Investments in index-based derivatives need not be taken into account in the case of the investment limits set forth in the Luxembourg prospectus of the Eastspring Investments Umbrella Fund.
- If a derivative has a security or money market instrument as the underlying, it has to be taken into account with regard to compliance with the rules set forth in the Luxembourg prospectus of the Eastspring Investments Umbrella Fund.

In no case whatsoever must recourse to transactions involving derivatives or other financial techniques and instruments cause the Eastspring Investments Umbrella Fund to depart from the investment objectives set out in the Luxembourg prospectus of the Eastspring Investments Umbrella Fund or add substantial supplementary risks in comparison to the Eastspring Investments Umbrella Fund's general risk policy (as described in the Luxembourg prospectus).

In addition, the financial derivative instruments used for efficient portfolio management purposes must comply with the provisions contained in the investment objectives and restrictions of the Luxembourg prospectus of the Eastspring Investments Umbrella Fund.

Commitment Approach

The method used to calculate the global exposure of the Underlying Funds is the commitment approach.

<u>Risk Management and Compliance Controls for the Underlying Fund</u>

The Underlying Fund may enter into derivative transactions for the purposes of efficient portfolio management ("**EPM**") and/or hedging with the purpose of preserving the value of an asset or assets of the Underlying Fund. Permitted EPM transactions include but not limited to forwards, futures, swaps and options dealt in or traded on an approved derivatives market. Where such derivatives are FDIs on commodities, such transactions shall be settled in cash at all times or as may otherwise be required under the Code.

The global exposure of the Underlying Fund to FDIs or embedded FDIs shall not exceed 100% of the net asset value of the Underlying Fund at any time (or such other percentage as may be allowed under the Code). Such exposures relating to FDIs will be calculated using the commitment approach as described in, and in accordance with, paragraph 3.3 of Appendix 1 of the Code.

In the event the Underlying Fund nets its over-the-counter financial derivative positions, the Manager will obtain the legal opinions as stipulated in paragraph 5.15 of Appendix 1 of the Code prior to such netting.

Investors should refer to Section 4 of this Fund Information Booklet for information on the risks associated with FDIs.

Risk Management Process

The Manager has the following risk management and compliance controls in place to manage the risks in FDIs:

(i) Pre-Trade Compliance

Where possible, FDI activity and exposures are monitored with a pre-trade compliance system across the entire business. Rules and investment guidelines are set up in the system as far as possible allowing potential breaches to be immediately identified before a trade is executed. An escalation process is in place to ensure relevant parties are informed when a potential issue occurs.

(ii) Portfolio Risk

The Manager utilises quantitative techniques to determine the suitability of utilising FDIs. The investment team utilises a number of tools to carry out portfolio construction and to conduct risk analysis including risk/return characteristics. The investment team identifies, manages and monitors investment risks, with the aim of achieving the objectives of the Underlying Fund.

(iii) Counterparty Risk

The Manager has credit risk management and control procedures for assessing, monitoring and limiting credit and counterparty risk across all asset classes and client bases. Reviews of counterparties are performed on a regular basis to assess any changes in credit worthiness and the ability to meet their contractual obligations.

(iv) Risk Oversight

In addition, the Manager has an independent investment risk team that works with each investment team to ensure that the necessary risk controls and metrics of risks are in place. The investment risk team reports to the regional risk committee whose principal role is to ensure that the business units operate within the risk management policies and frameworks laid out.

The Manager will ensure that the risk management and compliance procedures are adequate and have been or will be implemented and that it has the necessary expertise to manage the risk relating to the use of FDIs.

The Manager may modify the risk management and compliance procedures adopted from time to time as it deems fit and in the interest of the Underlying Fund.

GLOSSARY OF TERMS

"Authority"	means the Monetary Authority of Singapore.
"Business Day"	means any day other than Saturday or Sunday on which commercial banks in Singapore are generally open for business, or where the context expressly requires, any day other than Saturday or Sunday on which commercial banks in Singapore or elsewhere are generally open for business, or any other day as the Manager and the Trustee (where applicable) may agree in writing.
"Custodian of the Underlying Fund"	The custodian of the Underlying Fund is Hongkong and Shanghai Banking Corporation Limited.
"Dealing Day"	means a Business Day in Singapore.
"Deposited Property"	means all of the assets for the time being comprised in the Fund or the Underlying Fund for account of the Fund or the Underlying Fund (as the case may be) excluding any amount for the time being standing to the credit of the distribution account of the Fund or the Underlying Fund as the case may be.
"Investment"	means any share, stock, bond, note, debenture, debenture stock, warrant, option, securities, unit or sub-unit in a unit trust scheme, participation in a mutual fund or similar scheme, loan convertible into security, money market instrument, loan stock, certificate of deposits, deposits, commercial paper, promissory notes, treasury bills, fixed and floating rate instruments, bankers' acceptance, derivative instruments including index future and forward currency exchange contract, swap, cap, collar, floor, sale and repurchase transaction or other derivatives or financial transaction or instruments or any other security which may be selected by the Manager for the purpose of investment of any Deposited Property or which may for the time being form part thereof.
"Material Proportion"	in relation to Investments means such proportion of the Investments which when sold would in the opinion of the Manager in consultation with the Trustee (where applicable) cause the value of that Deposited Property to be significantly reduced.
"NAV"	means Net Asset Value.
"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.
"Recognised Market"	means any stock exchange or over the counter market, any futures exchange and any organised securities market which is open to the public and on which securities are regularly traded, being in each case an exchange or market in any part of the world (including SGX- ST and Catalist) and in relation to any particular Investment

	includes any responsible firm, corporation or association in any country in the world so dealing in the Investment as to be expected generally to provide, in the opinion of the Manager or the Investment Manager, a satisfactory market for the Investment and is approved by the Trustee and in such case the Investment shall be deemed to be the subject of an effective permission to deal or be dealt in on the market deemed to be constituted by such firm, corporation or association
“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.
“Trustee”	means HSBC Institutional Trust Services (Singapore) Limited