

# PROSPECTUS

Dated 28 April 2014

## ■ ABF Singapore Bond Index Fund

**DATED 28 APRIL 2014**

Application was made to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 22 July 2005 for permission to list and deal in and for quotation of all the Units of the ABF SINGAPORE BOND INDEX FUND (the "**Fund**") which may be issued from time to time. Such permission has been granted by SGX-ST and the Fund has been admitted to the Official List of the SGX-ST. SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus or any of the reports referred to in this Prospectus and admission to the Official List is not to be taken as an indication of the merits of the Fund or its Units. The Fund is not promoted, sponsored, recommended, issued or guaranteed by any member of the EMEAP member central banks and monetary authorities.

If you are in any doubt about this Prospectus, you should consult your stockbroker, solicitor, professional accountant or other professional adviser.

---

**ABF SINGAPORE BOND INDEX FUND**  
*a Singapore unit trust authorised under*  
*Section 286 of the Securities and Futures Act, Chapter 289 of Singapore*

**PROSPECTUS REQUIRED PURSUANT TO DIVISION 2  
OF PART XIII OF THE SECURITIES AND FUTURES ACT,  
CHAPTER 289 OF SINGAPORE**

---

## ABF SINGAPORE BOND INDEX FUND

### MANAGER

Nikko Asset Management Asia Limited  
8 Cross Street  
#08-01, PWC Building  
Singapore 048424  
Company Registration No. 198202562H

### SOLICITORS TO THE MANAGER

Allen & Gledhill LLP  
One Marina Boulevard  
#28-00  
Singapore 018989

### TRUSTEE & REGISTRAR

HSBC Institutional Trust Services (Singapore) Limited  
21 Collyer Quay #10-02  
HSBC Building  
Singapore 049320  
Company Registration No. 194900022R

### SOLICITORS TO THE TRUSTEE

WongPartnership LLP  
12 Marina Boulevard  
Level 28  
Marina Bay Financial Centre Tower 3  
Singapore 018982

### AUDITORS

PricewaterhouseCoopers LLP  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424

This Prospectus describes and offers for sale in Singapore units in the ABF Singapore Bond Index Fund (the "**Fund**"), a unit trust established under Singapore law by a trust deed dated 12 August 2005 between DBS Asset Management Ltd (now known as Nikko Asset Management Asia Limited) (the "**Manager**") and HSBC Institutional Trust Services (Singapore) Limited (the "**Trustee**") (as amended from time to time) (the "**Trust Deed**"). Potential investors in the Fund should be aware of certain risks relating to an investment in the Fund. See the section entitled "Risks" as described in paragraphs 18 and 19 of this Prospectus.

The Fund seeks investment results that correspond closely to the total return of the iBoxx\* ABF Singapore Bond Index compiled by Markit Indices Limited (formerly known as International Index Company Limited) (the "**Index Provider**"), before fees and expenses.

The units of the Fund, called "**Units**" throughout this Prospectus, are listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Units are traded on SGX-ST at market prices throughout the trading day. Market prices for Units may, however, be different from their net asset value ("**NAV**").

The Fund issues and redeems Units at NAV on any Dealing Day as described in paragraphs 22 and 29 of this Prospectus. However, Units are generally only issued and redeemed in blocks of 20,000,000 Units (each a "**Creation Unit**") or in whole multiples thereof (save that on each Cash Dealing Day, Units need not necessarily be issued or redeemed in Creation Unit aggregations). Save for investors subscribing for Units using cash on a Cash Dealing Day, investors who wish to acquire less than a Creation Unit may only acquire such amount on the secondary market. Investors may buy and sell Units on the SGX-ST through brokers in the same way as they may trade shares in

---

\* iBoxx is a registered trade mark of Markit Indices Limited (formerly known as International Index Company Limited).

companies listed on the SGX-ST. Investors may buy Units on the SGX-ST using either cash or their CPF monies. An issue or redemption of Units in Creation Unit size or multiples thereof must be made by submission of a Creation Request or Redemption Request, as the case may be, to the Manager by a Participating Dealer. Except when aggregated in Creation Unit sizes, Units are generally not redeemable securities (save for investors who redeem in cash on any Cash Dealing Day). On every Cash Dealing Day, the issue and redemption of Units in cash will be permitted.

**As a practical matter, it is expected that only securities dealers or other large investors will purchase or redeem Creation Units, while most smaller investors will buy and sell Units on the SGX-ST.**

An investment in the Fund is not a bank deposit nor is it insured or guaranteed by the government of Singapore or any other Singapore government agency or by the government or government agency of any other country. The Fund is not promoted, sponsored, recommended, issued or guaranteed by any member of the EMEAP member central banks and monetary authorities.

The collective investment scheme offered in this Prospectus is an authorised scheme under the Securities and Futures Act (Chapter 289 of Singapore) (the "**Securities and Futures Act**"). A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "**Authority**").

The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements have been complied with. The Authority has not, in any way, considered the investment merits of the Fund.

This Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and may only be used in connection with this offering of securities to which it relates by distribution as contemplated herein.

The directors of Nikko Asset Management Asia Limited (the "**Manager**") collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Prospectus constitutes full and true disclosure of all material facts about the Fund and the Manager, and the directors of the Manager are not aware of any facts the omission of which would make any statement in this Prospectus misleading. Where information in this Prospectus has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors of the Manager has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Prospectus in its proper form and context.

Potential investors should seek professional advice to ascertain (a) the possible tax consequences, especially in connection with the receipt of any distributions intended to be made by the Fund, (b) the legal requirements which may be relevant to the subscription, holding or disposal of Units and (c) any foreign exchange restrictions or exchange control requirements which they may encounter under the laws of the countries of their citizenship, residence, domicile and which may be relevant to the subscription, holding or disposal of Units.

Unless otherwise stated, all terms not defined herein have the same meanings as used in the Trust Deed.

All enquiries about the Fund should be directed to the Manager.

## OVERVIEW OF THE ABF SINGAPORE BOND INDEX FUND

*The meanings of terms not defined in this section can be found in other sections of this Prospectus or in the Trust Deed constituting the Fund.*

### ABF SINGAPORE BOND INDEX FUND

The Fund is a collective investment scheme authorised under Section 286 of the Securities and Futures Act (Chapter 289 of Singapore) and is established under the terms of a trust deed dated 12 August 2005 (as amended from time to time) made between DBS Asset Management Ltd (now known as Nikko Asset Management Asia Limited) as Manager and HSBC Institutional Trust Services (Singapore) Limited as Trustee.

### INVESTMENT OBJECTIVE, FOCUS AND APPROACH

The Fund is an index fund which seeks investment results that correspond closely to the total return of the iBoxx ABF Singapore Bond Index before fees and expenses. The iBoxx ABF Singapore Bond Index is an indicator of investment returns of debt obligations denominated in Singapore dollars issued or guaranteed by the government of Singapore or any government of People's Republic of China, Hong Kong SAR, Indonesia, Korea, Malaysia, Philippines or Thailand (collectively, the "**Asian Governments**"), by an agency or instrumentality of the Singapore government (or any other Asian Government), by a Singapore government (or any other Asian Government) sponsored entity or a quasi-Singapore government (or any other Asian Government) entity and Singapore dollar denominated debt obligations issued by supranational financial institutions. The Index Provider determines the composition of the iBoxx ABF Singapore Bond Index in accordance with its rules and procedures for the iBoxx ABF Singapore Bond Index (which may change from time to time), and publishes information regarding the composition, investment characteristics and return of the iBoxx ABF Singapore Bond Index. The iBoxx ABF Singapore Bond Index is discussed more fully in paragraph 12.2 of this Prospectus.

The Fund will seek to achieve its investment objective by investing substantially all of its assets in Index Securities in the same approximate proportion as their weightings within the iBoxx ABF Singapore Bond Index (i.e. using a full replication strategy). However, various circumstances may make it impossible or impracticable to purchase each component Index Securities in such weightings. In those circumstances, the Manager may employ a combination of one or more investment techniques, such as optimisation and sampling, in seeking to closely track the iBoxx ABF Singapore Bond Index. In addition, given that Index Securities may be and are added to or removed from the iBoxx ABF Singapore Bond Index from time to time, the Manager may sell or purchase securities that are not yet represented in the iBoxx ABF Singapore Bond Index in anticipation of their removal or addition to the iBoxx ABF Singapore Bond Index.

The Fund is suitable for investors who seek an "index-based" approach to investing in a portfolio of Singapore government (or any other Asian Government) sovereign and quasi-sovereign bond securities in a cost effective and easy to access manner. Units may also be used as an asset allocation tool or as a trading instrument. Whilst the Fund invests in a portfolio of bonds issued by the Singapore government (or any other Asian Government) and quasi-sovereign Singapore (or any other Asian Government) entities, the Fund itself is not guaranteed by the Singapore government, any Singapore government agency or any government or government agency of any other country.

Investors should note that the Units are Excluded Investment Products.

### LISTING ON THE SGX-ST

The Fund made an application to the SGX-ST on 22 July 2005 for permission to deal in and for quotation of all its Units which may be issued from time to time, and received in-principle approval for

its admission to the Official List of the SGX-ST on 5 August 2005. The Units are currently listed, quoted and traded on the SGX-ST and such a listing on the SGX-ST is intended to provide benefits to investors not available in unlisted collective investment schemes. Unlike conventional unit trusts offered in Singapore which are typically bought and sold only at closing NAV (which are unknown at the time of dealing), the Fund's Units are tradeable on the SGX-ST throughout the trading day. Units are quoted and traded on the SGX-ST in board lots of 1,000 Units.

Units will be transacted on the SGX-ST on a willing-buyer-willing-seller basis, and the trading in the Units will be in accordance with SGX-ST's rules and guidelines governing the clearing and settlement of trades in securities.

An investor who acquires Units directly from a Participating Dealer may request the Participating Dealer to apply to the Depository for his Units to be entered against his name in the depository register in accordance with the Depository's terms and conditions for the entering of off-market acquisitions of securities in its records.

### **TRADING PRICE OF UNITS INTENDED TO CLOSELY REFLECT NAV PER UNIT**

Investors should note that the Fund is not like a conventional unit trust offered in Singapore in that the creation and redemption of Units with the Manager are effected through Participating Dealers for the account of investors and may either be made (i) in-kind, on any Dealing Day, in multiples of Creation Units, or (ii) in cash, on any Cash Dealing Day, for at least 50,000 Units (or such other minimum investment amount as may be determined from time to time by the Manager upon giving prior notice to the Trustee and with the approval of the Supervisory Committee) at the NAV per Unit for the relevant Dealing Day or Cash Dealing Day, as the case may be.

Investors in the Fund who wish to purchase or sell less than 50,000 Units (the current minimum investment amount for a cash redemption on a Cash Dealing Day) will have to acquire or dispose of their Units (as the case may be) through trading on the SGX-ST. These features are different from the features of conventional unit trusts where units can be purchased and redeemed for cash directly from the Manager on each dealing day in comparatively smaller multiples of units.

The arrangements for creation and redemption of Units in multiples of Creation Units are designed to protect investors from the adverse effects which arise from frequent cash subscription and redemption transactions that affect the NAV of conventional unit trusts. It is also designed to help to keep the trading price of the Units close to the underlying NAV of those Units.

The listing of the Units does not guarantee a liquid market for the Units.

### **THE MANAGER**

The Manager, Nikko Asset Management Asia Limited, is part of Nikko Asset Management group<sup>1</sup>, a leading independent Asian investment management franchise. The Manager has managed collective investment schemes or discretionary funds in Singapore since 1982.

### **THE TRUSTEE**

The Trustee, HSBC Institutional Trust Services (Singapore) Limited, is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited. The Trustee is a registered trust company under the Trust Companies Act (Chapter 336 of Singapore).

---

<sup>1</sup> Nikko Asset Management group consists of Nikko Asset Management Co., Ltd. and its subsidiaries.

## **CREATION AND REDEMPTION PROCEDURES**

Units bought or sold on the SGX-ST will be transacted on a willing-buyer-willing-seller basis. Most of the trading activity in the Units is expected to occur on the SGX-ST. Investors may buy Units, and sell their Units, on the SGX-ST through brokers in the same way as they may buy or sell shares in companies listed on the SGX-ST. Investors may pay for Units bought or sold on the SGX-ST in cash or with their CPF monies.

### ***Cash Subscription and Redemption***

Investors may apply to the Registrar through the Participating Dealers for the issue of Units on any Cash Dealing Day by paying cash. The Issue Price for cash subscription shall be determined in the manner described in paragraph 21 of this Prospectus.

Requests for subscription of Units using cash must reach the Registrar by the Dealing Deadline (12 noon (Singapore time) or such other time as the Manager may determine with the prior approval of the Trustee and prior notification to the Holders at such time and in such manner as the Trustee may require) on the relevant Cash Dealing Day. If the request for subscription of Units using cash is received by the Registrar after the Dealing Deadline, it shall be deemed to be received by the Registrar before the Dealing Deadline for the next Cash Dealing Day.

The Redemption Value for redemption of Units to be settled in cash shall be determined in the manner described in paragraph 28 of this Prospectus. Requests for redemption of Units to be settled in cash must reach the Registrar by the Dealing Deadline for the Cash Dealing Day. If the request for redemption of Units to be settled in cash is received by the Registrar after the Dealing Deadline, it shall be deemed to be received by the Registrar before the Dealing Deadline for the next Cash Dealing Day.

### ***In-Kind Creation and Redemption***

Investors may create Units directly from the Fund by requesting Participating Dealers to apply to the Registrar on their behalf for the issue of Units on any Dealing Day by tendering Index Securities and Non-Index Securities comprising a Deposit Basket (or multiples thereof) as approved by the Manager, plus or minus a cash payment as determined by the Manager. Units may only be created in-kind in Creation Unit size of 20,000,000 Units or multiples of 20,000,000 Units. Requests for creation of Units in-kind may be made through Participating Dealers only. Creation Requests received from Participating Dealers and accepted by the Manager by the Dealing Deadline (5.30 p.m. (Singapore time) or such other time as the Manager may determine with the prior approval of the Trustee and prior notification to the Holders at such time and in such manner as the Trustee may require) on each Dealing Day will be issued at that Dealing Day's Issue Price as calculated in accordance with paragraph 22 of this Prospectus. Creation Requests received from Participating Dealers after the Dealing Deadline or on a day which is not a Dealing Day shall be deemed to be received by the Manager before the Dealing Deadline for the next Dealing Day.

Investors who hold Creation Unit size of 20,000,000 Units or multiples of 20,000,000 Units may request Participating Dealers to apply to the Registrar on their behalf for the redemption of Units for the underlying Index Securities and Non-Index Securities comprising a Deposit Basket (or multiples thereof) as approved by the Manager, plus or minus a cash payment as determined by the Manager. Units may only be redeemed in-kind in Creation Unit size of 20,000,000 Units or multiples of 20,000,000 Units. Requests for redemption of Units in-kind may be made through Participating Dealers only. Redemption Requests received from Participating Dealers and accepted by the Manager by the Dealing Deadline on each Dealing Day will be issued at that Dealing Day's Redemption Value as calculated in accordance with paragraph 29 of this Prospectus. Redemption Requests received from Participating Dealers after the Dealing Deadline or on a day which is not a

Dealing Day shall be deemed to be received by the Registrar before the Dealing Deadline for the next Dealing Day.

#### **RISKS OF INVESTING IN THE FUND**

**Investors should note that there are risks involved in investing in the Units. Investors should carefully consider the risk factors described in paragraphs 18 and 19 of this Prospectus together with all of the other information included in this Prospectus before deciding whether to invest in Units.**

The market price of Units and the NAV per Unit may fall or rise. There can be no assurance that an investor will achieve a return on his investment in the Units or a return on capital invested.

Some or all of the principal risks described in this Prospectus may adversely affect the Fund's NAV, each Unit's Issue Price, Redemption Value, trading price, yield, total return and/or the ability of the Fund to meet its investment objectives.



## **CLEARANCE AND SETTLEMENT**

### **Introduction**

The Units are listed, quoted and traded on the SGX-ST. For the purpose of trading on the SGX-ST, a board lot for the Units will comprise 1,000 Units.

The Units are traded under the electronic book-entry clearance and settlement system of CDP. All dealings in and transactions of the Units through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts, as amended from time to time.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its account-holders and facilitates the clearance and settlement of securities transactions between account-holders through electronic book-entry changes in the Securities Accounts maintained by such account-holders with CDP.

### **Clearance and Settlement under the Depository System**

The Units will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and depository agents in the depository register maintained by CDP will be treated as Holders in respect of the number of Units credited to their respective Securities Accounts. Investors should note that as long as the Units are listed on the SGX-ST, Units may not be withdrawn from the depository register kept by CDP.

Transactions in the Units under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Units sold and the buyer's Securities Account being credited with the number of Units acquired and no transfer stamp duty is currently payable for the transfer of Units that are settled on a book-entry basis.

Units credited to a Securities Account may be traded on the SGX-ST on the basis of a price between a willing buyer and a willing seller. Units credited into a Securities Account may be transferred to any other Securities Account with CDP, subject to the terms and conditions for the operation of Securities Accounts and a transfer fee payable to CDP. All persons trading in the Units through the SGX-ST should ensure that the relevant Units have been credited into their Securities Account, prior to trading in such Units, since no assurance can be given that the Units can be credited into the Securities Account in time for settlement following a dealing. If the Units have not been credited into the Securities Account by the due date for the settlement of the trade, the buy-in procedures of the CDP will be implemented.

### **Clearing Fees**

A typical investor dealing on the SGX-ST will not bear any costs related to the creation and redemption of Units. However, investors will need to pay brokers' commissions, clearing fees and other costs associated with dealing on the SGX-ST. These amounts are subject to the investor's individual agreement with, and paid directly by the investor to, the investor's broker, the CDP and other service providers of the investor.

Dealings in the Units will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account

with any CDP depository agent. A CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

**PROSPECTUS REQUIRED PURSUANT TO DIVISION 2  
OF PART XIII OF THE SECURITIES AND FUTURES ACT,  
CHAPTER 289 OF SINGAPORE**

The ABF Singapore Bond Index Fund (the "**Fund**") offered in this Prospectus is an authorised scheme under the Securities and Futures Act (Chapter 289 of Singapore) (the "**Securities and Futures Act**"). This Prospectus has been prepared in accordance with the requirements in the Securities and Futures Act. A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "**Authority**"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements have been complied with. The Authority has not, in any way, considered the investment merits of the Fund. The meanings of various terms and expressions used in this Prospectus which are not defined herein can be found in the Trust Deed constituting the Fund.

## CONTENTS

<u>PARAGRAPH</u>	<u>HEADING</u>	<u>PAGE</u>
I	BASIC INFORMATION .....	12
II	THE MANAGER .....	12
III	THE TRUSTEE & CUSTODIAN.....	18
IV	OTHER PARTIES.....	21
V	STRUCTURE OF THE SCHEME.....	23
VI	INVESTMENT OBJECTIVES, FOCUS & APPROACH.....	24
VII	CPF INVESTMENT SCHEME .....	28
VIII	FEES AND CHARGES.....	28
IX	RISKS .....	31
X	SUBSCRIPTION OF UNITS.....	36
XI	REALISATION OF UNITS.....	40
XII	OBTAINING PRICES OF UNITS .....	45
XIII	SUSPENSION OF DEALINGS.....	45
XIV	PERFORMANCE OF THE SCHEME AND THE BENCHMARK .....	47
XV	SOFT DOLLAR COMMISSIONS/ARRANGEMENTS .....	48
XVI	CONFLICTS OF INTEREST .....	48
XVII	REPORTS .....	51
XVIII	QUERIES AND COMPLAINTS.....	52
XIX	OTHER MATERIAL INFORMATION .....	52
XX	GLOSSARY.....	66
	APPENDIX 1: THE INDEX .....	74

## I BASIC INFORMATION

1. The authorised collective investment scheme offered pursuant to this Prospectus is the ABF Singapore Bond Index Fund (the "**Fund**"). The Fund was listed on the SGX-ST on 31 August 2005 and is currently traded on the SGX-ST in Singapore Dollars under the SGX-ST counter name "ABF SG BOND ETF" and stock code "A35" (or such other counter name or stock code as may be issued by the SGX-ST from time to time).
2. The date of registration of this Prospectus by the Authority is 28 April 2014. This Prospectus shall be valid for a period of 12 months after the date of registration of this Prospectus (i.e. up to and including 27 April 2015) and shall expire on 28 April 2015.
3. The Fund is constituted as a stand-alone unit trust in Singapore on 12 August 2005 pursuant to the trust deed dated 12 August 2005 (the "**Original Deed**") entered into between DBS Asset Management Ltd (now known as Nikko Asset Management Asia Limited) (the "**Manager**") and HSBC Institutional Trust Services (Singapore) Limited (the "**Trustee**"). The Original Deed has been amended by a First Amended and Restated Deed dated 28 December 2009, a Second Amended and Restated Deed dated 23 September 2011, a First Supplemental Deed dated 31 October 2011 and a Third Amended and Restated Deed dated 29 April 2013, each made between the same parties (the Original Deed as amended by the First Amended and Restated Deed, the Second Amended and Restated Deed, the First Supplemental Deed and the Third Amended and Restated Deed shall hereafter be referred to as the "**Trust Deed**"). A copy of the Trust Deed may be inspected at the business address of the Manager as indicated in paragraph 5.1 below.
4. The latest semi-annual accounts and reports, annual report and audited financial statements of the Fund may be obtained from the Manager's website at [www.nikkoam.com.sg](http://www.nikkoam.com.sg).

## II THE MANAGER

- 5.1 The Manager is Nikko Asset Management Asia Limited (Company Registration No.: 198202562H). Its registered address and its business address is at 8 Cross Street, #08-01, PWC Building, Singapore 048424. The Manager is licensed and regulated by the Authority. The Manager was incorporated on 11 July 1982 in Singapore. The Manager is part of Nikko Asset Management group. The issued and paid-up share capital of the Manager is S\$44,000,000. The Manager is responsible for investing the assets of the Fund in accordance with the Trust Deed.
- 5.2 The Manager has managed collective investment schemes or discretionary funds in Singapore since 1982.
- 5.3 The other investment funds managed by the Manager include, but are not limited to, the following:
  - (i) Nikko AM Shenton Short Term Bond Funds
  - (ii) Nikko AM Shenton Japan Fund
  - (iii) Nikko AM Singapore STI ETF
  - (iv) Nikko AM Asia Investment Funds
  - (v) Nikko AM Shenton Eight Portfolios
  - (vi) Nikko AM Shenton Horizon Investment Funds
  - (vii) Nikko AM Shenton Asia Pacific Fund
  - (viii) Nikko AM Shenton World Bank Green Bond Fund
  - (ix) Nikko AM Shenton Emerging Enterprise Discovery Fund
  - (x) Nikko AM Shenton Global Opportunities Fund

- (xi) Nikko AM Shenton Greater China Fund
- (xii) Nikko AM Shenton Income Fund
- (xiii) Nikko AM Shenton Thrift Fund
- (xiv) Nikko AM Shenton Twin City Fund
- (xv) Nikko AM Indochina Fund
- (xvi) Nikko AM China All Access Opportunity Fund
- (xvii) Nikko AM China Multi Access Opportunities Fund
- (xviii) Nikko AM Asia Limited Investment Series
- (xix) Nikko AM Japan Dividend Equity Fund
- (xx) MSIG Asian Bond Fund

5.4 The names, descriptions and addresses of all the directors of the Manager are:

- (a) Frederick Reidenbach, of Midtown Tower, 9-7-1 Akasaka, Minato-ku, Tokyo, 107-6242, Japan, is a director of the Manager and the Executive Vice President, Chief Operating Officer (“**COO**”) and Chief Financial Officer (“**CFO**”) of Nikko Asset Management Co., Ltd (“**Nikko AM**”) in Japan. Frederick joined Nikko AM in December 2004, as its CFO and was promoted to COO in 2010, managing the administration, operations and information systems of the company in addition to its finances. He was also appointed Executive Vice President in 2012, and Director in 2013.

Prior to joining Nikko AM, Frederick served as CFO and COO of Aon Risk Services Japan, where he oversaw the general and financial affairs of the company. Prior to Aon Risk Services Japan, Frederick served as chief administrative officer at Fidelity Investments Japan as well as Chief Executive Officer (“**CEO**”) of KVH Telecom (“**KVH**”), a Fidelity Investments subsidiary. At KVH, he was responsible for the construction, technology, and systems of the company and was instrumental in constructing one of the largest data centres in Japan. Prior to Fidelity, Frederick was at Smith Barney in Japan for eight years where he served as Chief Administrative Officer of Asia Pacific for the last two of those years. Frederick started his career in 1983 with Coopers and Lybrand (now Price Waterhouse Coopers). He spent five years with Coopers and Lybrand in New York and then moved to Tokyo where he specialized in brokerage and asset management.

Frederick is a graduate of University of Scranton in Pennsylvania. Frederick is also a director of Rongtong Fund Management Co., Ltd. and Nikko Asset Management International Limited.

- (b) Blair Chilton Pickerell, of 2401-03, 24/F Man Yee Building, 60-68 Des Voeux Road, Central, Hong Kong, is the Chairman of the Executive Board of the Manager.

Based in Hong Kong, Blair is responsible for developing and overseeing Nikko AM group’s businesses in the Asian region and for implementing its branding strategy worldwide.

With decades of experience within the Asian investment management industry, Blair is widely recognised for his pioneering role in developing the Asian mutual funds business.

Prior to joining the Nikko AM group, he served for three years as CEO (Asia) for Morgan Stanley Investment Management Limited (“**MSIM**”), overseeing MSIM’s investment management offices in Hong Kong, Japan, Singapore, China, India,

Australia and Korea. Prior to that, he served as Chief Executive (Asia Pacific) for HSBC Global Asset Management (Hong Kong) Limited and as Chairman of Jardine Fleming Unit Trusts. He also served for four years as the Managing Director of Jardine Pacific Ltd. and for two years as Development Director of Mandarin Oriental Hotel Group.

Blair received a Bachelor of Arts (with Honours and with Distinction) and a Master of Arts from Stanford University and a Master of Business Administration from Harvard Business School. Blair is also a director of Tyndall Investment Management Limited, Tyndall Investment Management New Zealand Limited, SIM Funds Management Limited, Tyndall Asset Management Limited, Tyndall Equities Australia Pty Limited, Nikko Asset Management Hong Kong Limited, Nikko Asset Management International Limited, Asian Islamic Investment Management Sdn. Bhd., Hwang Investment Management Berhad and Rongtong Fund Management Co., Ltd..

- (c) Seet Oon Hui Eleanor, of 8 Cross Street, #08-01 PWC Building, Singapore 048424, is the President of the Manager, where she is responsible for driving the growth of the Manager in Singapore and South East Asia. Eleanor has spent her entire career in the asset management industry and has strong background in the sales and marketing of investment products.

Prior to joining the Manager, Eleanor held the role of Senior Director for iShares, Private Wealth Distribution, Asia ex-Japan. Before that, she spent 12 years at Alliance Bernstein, where she was responsible for building and developing the firm's distribution channels and business. She earned her role as Director of South East Asia with her strong performance in business development and strategic outlook. In that capacity, she was responsible for the overall strategy and execution of the firm's product offerings in South East Asia via intermediaries.

Eleanor graduated with a Bachelor of Economics from the University of New South Wales, Sydney and holds NASD certification in Series 6.

Eleanor is also a director of Singapore Consortium Investment Management Limited, Asian Islamic Investment Management Sdn. Bhd. and Hwang Investment Management Berhad.

- (d) Lim Say Boon, of 12 Marina Boulevard, MBFC Tower 3, Singapore 018982, is a non-executive director of the Manager. Say Boon is the Chief Investment Officer ("CIO") for DBS Bank Ltd, Group Wealth Management and Private Banking. He is currently also a member of the SGX-ST's Advisory Committee. In a career spanning 32 years, Say Boon has held senior positions in both banking/finance and the financial media internationally.

Prior to joining DBS Bank Ltd, Say Boon was the Chief Investment Strategist for Standard Chartered Bank, Group Wealth Management and Private Banking. He was also the Joint Head of Standard Chartered Bank's Group Wealth Management's Investment and Advisory Office and Chairman of Standard Chartered Private Bank's Global Investment Council. Over the years, Say Boon has also worked as Director of Research for PT Standard Chartered Indonesia, Research Manager for Standard Chartered Securities (Singapore) Pte Ltd, Regional Research Manager for Societe Generale-Crosby Securities, Head of Investment Research for the Oversea-Chinese Banking Corporation and as Director, Portfolio Counselling for Citigroup Private Bank.

Say Boon has also held senior positions in the financial media in the 1980s, including as Finance Editor for The Herald-Sun and the Sunday Herald newspapers in Australia. The Herald-Sun was the largest circulation newspaper in Australia and is part of the News Corporation group.

Say Boon is an economist by training, with a degree from Australia's Monash University.

- (e) V Arivazhagan, of 12 Marina Boulevard, MBFC Tower 3, Singapore 018982, is a non-executive director of the Manager. Ari is the Managing Director and Head of Regional Investment and Treasury Products for the Consumer Banking Group in DBS Bank Ltd. His team works with various counterparties to originate and market product solutions to the different consumer banking and private banking segments in line with their needs and risk profile. The products covered include Fixed Income, Foreign Exchange, Equities and Funds.

Prior to joining the Consumer Banking Group in 2009, Ari was the Investment Product Head for DBS Bank Ltd's Private Banking in Hong Kong. Ari began his career with DBS Bank Ltd in 1988, providing advice on Treasury and Markets solutions to corporations and financial institutions.

Ari holds a Bachelor of Arts in Business Administration from National University of Singapore and Master of Business Administration from London Business School.

- (f) Andrew Ross Long, of Midtown Tower, 9-7-1 Akasaka, Minato-ku, Tokyo, 107-6242, Japan, is the Chief Legal Officer of Nikko AM in Japan. He is a member of the senior management team of Nikko AM who oversees the global legal functions of the Nikko AM group. His legal and regulatory experience spans multiple jurisdictions globally and across Asia-Pacific.

Ross has been involved in the law and finance industries for nearly 30 years, including more than 15 years as Group Counsel at the CLSA group, where he held a number of senior management and board member roles. As a core member of the CLSA group's global executive management committee, he helped oversee the group's successful business expansion, with significant growth across the Asia-Pacific region. He is a strong corporate governance advocate and is known for having instilled a culture of compliance and corporate governance best practice across global and Asia-Pacific companies that he structured and set up. He has been an active member of the Singapore Institute of Directors.

Ross earned his LLB at the University of Western Australia and is admitted as a solicitor in Australia and England.

Ross is also a director of RNA Fund Ltd.

- (g) Yu-Ming Wang, of Midtown Tower, 9-7-1 Akasaka, Minato-ku, Tokyo, 107-6242, Japan, has a wealth of experience in the asset management industry with a notable track record particularly in managing Asian fixed income. As Nikko AM's Global Head of Investment, he orchestrates the work of Nikko AM's global investment team. He joined Nikko AM as international CIO in January 2013.

He was previously Head of Fixed Income Asia at Manulife Asset Management (Hong Kong) Limited, where he was responsible for managing a team of fixed income portfolio managers and research analysts in ten countries.



Yu-Ming started his career as an analyst at M&T Bank in New York City and spent a number of years in the banking and finance industry before co-founding his own investment advisory company, Structured Credit Partners LLC, which was later sold and became a wholly owned subsidiary of Wachovia Corporation (“**Wachovia**”). Joining Wachovia as a Managing Director, Yu-Ming created a specialist securitisation unit in the Fixed Income Division and grew the unit from five employees to more than 120 fixed income professionals in six years. He was then appointed Head of Global Markets and Investment Banking Asia and relocated from New York City to Hong Kong to spearhead a number of prominent fund management projects in China, Hong Kong, Singapore and Taiwan.

Yu-Ming earned his Bachelor’s degree at the Massachusetts Institute of Technology, and his Master of Business Administration from New York University.

- 5.5 The principal officer of the Manager and a key executive of the Manager in relation to the Fund is Ms. Seet Oon Hui Eleanor (whose description may be found in paragraph 5.4(c) of this Prospectus). The other key executives of the Manager in relation to the Fund are Mr Koh Liang Choon and Mr Alvin Maala (whose description may be found in paragraph 5.6 of this Prospectus).

Koh Liang Choon is the Head of Fixed Income at the Manager, and he leads a team of experienced analysts and portfolio managers. He is responsible for managing active Asian fixed income portfolios covering Asian local currency fixed income, Asian credits and Asian currencies.

An investment veteran with approximately two decades of investment experience, he has been with the Manager since October 2010. Prior to this, Liang Choon has worked with APS Komaba Asset Management Pte Ltd (“**APS**”), DBS Asset Management Ltd, Nomura Singapore Limited and Dresdner Bank. Liang Choon joined APS as a founding member in 2005. Before that, Liang Choon spent four years with DBS Asset Management Ltd managing institutional mandates covering Singapore, Asian and global bond markets. Liang Choon began his career at the trading desks of Nomura Singapore Limited and Dresdner Bank where he gained trading experience in Asian fixed income and currency markets.

He holds a Bachelor of Business Administration with majors in Finance and International Business from Simon Fraser University, Canada, and a Master of Science (Applied Finance) from the National University of Singapore. Liang Choon is also a Chartered Financial Analyst charterholder.

- 5.6 The principal portfolio manager of the Fund is Mr Alvin Maala. He is responsible for managing passive and active fixed income portfolios covering Asian local currency fixed income and Asian currencies. In addition to rates and local currency fixed income, his added area of expertise includes other securities such as Asia convertible bonds. Alvin has over 10 years of investment experience. He joined the Manager in August 2010 when it was known as DBS Asset Management Ltd prior to its acquisition by the Nikko AM group.

Prior to 2010, Alvin was a Senior Vice President at Marathon Asset Management where he spent 8 years of his career in charge of growing and managing the firm’s Asia convertible bond business. During his tenure, Alvin also gained experience managing capital investment to other asset classes, including credit, credit derivatives and equities. Alvin holds a Bachelor of Arts in Mathematics from New York University. He also holds a Master of Business Administration from the University of Chicago Booth School of Business.

- 5.7 The Manager will remain as the manager of the Fund until it retires or is removed or replaced in accordance with the provisions of the Trust Deed.
6. The following is a summary of the provisions in the Trust Deed governing the retirement, removal and replacement of a manager of the Fund:
- (i) Subject to applicable laws and the Listing Rules, the manager of the Fund may be removed by notice in writing given by the trustee of the Fund:
    - (a) if the manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously notified in writing to the trustee) or shall be adjudged a bankrupt or insolvent or appoints a liquidator or if a receiver shall be appointed in respect of the property or undertaking of the manager or any part thereof or the manager is the subject of any analogous proceedings or procedure in each case under the law of Singapore or such other law as may be applicable in the circumstances;
    - (b) if (which may only be given subject to and upon the prior approval of the Supervisory Committee) for good and sufficient reason the trustee is of the reasonable opinion (and the trustee so states in writing to the manager and the Supervisory Committee) that a change of manager is desirable in the interests of the Holders;
    - (c) following a material breach of the manager's obligations under the Trust Deed which, if the breach is capable of remedy, the manager fails to remedy within 30 days of being specifically required in writing so to do by the trustee, and the trustee is of the opinion and so states in writing to the manager and the Supervisory Committee that a change of manager is desirable and in the best interests of Holders as a whole; or
    - (d) if the Authority directs the trustee to remove the manager.
  - (ii) The manager of the Fund shall also be removed on notice in writing given by the trustee of the Fund following an Extraordinary Resolution passed to remove the manager, and such notice is to be announced on the SGXNET.
  - (iii) The manager of the Fund may be removed, and shall retire, from office in accordance with Clause 30.2.4 of the Trust Deed, and in which case the trustee of the Fund or the Supervisory Committee shall give notice to the manager accordingly and such notice is to be announced on the SGXNET. Under Clause 30.2.4 of the Trust Deed, the Supervisory Committee shall have the power to recommend the removal of the manager, in which case the Supervisory Committee shall give notice in writing to the trustee. If the trustee approves the recommendation of the Supervisory Committee or fails to respond to the Supervisory Committee within seven (7) Business Days, the Supervisory Committee may give notice in writing (such notice to be announced on the SGXNET) to the manager that it wishes the manager to retire in favour of a new manager. If the trustee does not agree with the recommendation of the Supervisory Committee within seven (7) Business Days of its receipt of the Supervisory Committee's notice, the manager shall not be removed but the Supervisory Committee may convene, or the trustee shall at the request of the Supervisory Committee convene, a meeting of Holders for the purpose of proposing an Extraordinary Resolution to remove the manager in accordance with the Trust Deed.

- (iv) In the cases contained in paragraphs 6(i), 6(ii) and 6(iii), the manager of the Fund shall upon notice by the trustee of the Fund *ipso facto* cease to be the manager and as soon as practicable thereafter the trustee shall by writing under its seal appoint as manager some other company eligible to be the manager of the Fund and acceptable to the Supervisory Committee and the Authority and subject to such company entering into such deed or deeds (being a deed or deeds supplemental to the Trust Deed) as the trustee may be advised to be necessary or desirable to be entered into by such company in order to secure the due performance of its duties as manager. Nothing in this paragraph 6 shall be construed as prejudicing the right of the trustee to terminate the Fund in any of the events in which in accordance with the provisions of the Trust Deed the right of terminating the Fund is vested in the trustee.
- (v) Upon giving three (3) months' written notice to the trustee of the Fund and the Supervisory Committee, the manager of the Fund shall have power to retire in favour of some other company eligible to be the manager of the Fund in accordance with the Securities and Futures Act and approved by the trustee, the Supervisory Committee and the Authority upon and subject to such company entering into such deed or deeds as necessary. Upon such deed or deeds being entered into and upon payment to the trustee of all sums due by the retiring manager to the trustee under the Trust Deed at the date thereof the retiring manager shall be absolved and released from all further obligations hereunder but without prejudice to the rights of the trustee or of any other person in respect of any act or omission prior to such retirement.
- (vi) The trustee of the Fund shall, as soon as practicable after the appointment of the new manager of the Fund as described in the provisions herein, give notice to the Holders specifying the name and address of the office of the new manager. Any manager shall be incorporated in Singapore or registered as a foreign company under Part XI of the Companies Act (Chapter 50 of Singapore) ("**Companies Act**") and shall be carrying on business in Singapore. The manager shall be licensed or registered to conduct a regulated activity under the Securities and Futures Act.
- (vii) Upon effective retirement hereunder, the retiring manager shall use its reasonable endeavours to assign or novate to the new manager, on terms reasonably acceptable to the trustee, (and to obtain the consent of its counterparts thereto) all agreements to which it, as manager, is a party concerning the Fund.

### III THE TRUSTEE & CUSTODIAN

- 7.1 The Trustee is HSBC Institutional Trust Services (Singapore) Limited (Company Registration No.: 194900022R) and its registered address is at 21 Collyer Quay #10-02 HSBC Building Singapore 049320. The Trustee is regulated in Singapore by the Authority. The Trustee was incorporated on 24 February 1949 in Singapore. The issued share capital of the Trustee is S\$10,300,000 and the paid-up share capital of the Trustee is S\$5,150,000. Under the Trust Deed, the Trustee is responsible for safekeeping of the assets of the Fund. The Trustee does not have any material conflict of interest with its position as trustee of the Fund. Associates of the Trustee may be engaged to provide banking, brokerage or financial services to the Fund. Such services, where provided, will be on an arm's length basis.
- 7.1A The custodian of the Fund (the "**Custodian**") is The Hongkong and Shanghai Banking Corporation Limited whose registered office is at 1 Queen's Road Central, Hong Kong. The Custodian is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission of Hong Kong. The Custodian was incorporated on 14 August 1866 in Hong Kong.

The Custodian was established and has been based in Hong Kong since 1865, and is a wholly owned subsidiary of HSBC Holdings plc, the holding company of the HSBC Group.

As at 21 March 2014, the issued and fully paid-up ordinary share capital of the Custodian is HK\$85,318,707,252.50 and the issued and fully paid-up preference share capital of the Custodian is US\$6,088,000,000.

The Custodian is appointed by the Trustee as the global custodian to provide custodial services to the Fund globally and any custodian fee payable will be borne by the Fund. The Custodian will remain as custodian of the Fund until its appointment is terminated in accordance with the terms of its appointment. The Custodian is entitled to appoint sub-custodians to perform any of the Custodian's duties in specific jurisdictions where the Fund invests.

The Custodian is a global custodian with direct market access in certain jurisdictions. In respect of markets for which it uses the services of selected sub-custodians, the Custodian shall act in good faith and use reasonable care in the selection and monitoring of its selected sub-custodians.

The criteria upon which a sub-custodian is appointed is pursuant to all relevant governing laws and regulations and subject to satisfying all requirements of the Custodian in its capacity as global custodian. Such criteria may be subject to change from time to time and may include factors such as the financial strength, reputation in the market, systems capability, operational and technical expertise. All sub-custodians appointed shall be licensed and regulated under applicable law to carry out the relevant financial activities in the relevant jurisdiction.

7.2 The following is a summary of the provisions in the Trust Deed governing the retirement, removal and replacement of a trustee of the Fund:

- (i) The trustee of the Fund shall not be entitled to retire voluntarily except upon the appointment of a new trustee. Such new trustee shall be a company eligible, in accordance with Clause 28.5 of the Trust Deed and the Securities and Futures Act, to be the trustee of the Fund that is acceptable to the manager of the Fund, the Supervisory Committee and the Authority and shall agree to enter into each such deed as is necessary to secure the due performance of its duties as trustee. The retiring trustee, the new trustee and the manager shall by deed or deeds supplemental to the Trust Deed appoint such new trustee to be the trustee of the Fund in the place of the retiring trustee.
- (ii) If:
  - (a) (which may only be given subject to and with the prior approval of the Supervisory Committee), the manager of the Fund gives notice in writing to the trustee that it wishes for good and sufficient reason, and is of the reasonable opinion (and so states in writing to the trustee and the Supervisory Committee) that a change of the trustee is desirable in the interests of the Holders and the trustee to retire;
  - (b) following a material breach of the trustee's obligations under the Trust Deed which, if capable of remedy the trustee fails to remedy within 30 days, or such number of days as may be agreed by the manager of the Fund and the trustee of being specifically required to do so by the manager, and the manager is of the opinion and so states in writing to the trustee and the Supervisory Committee that a change of the trustee is desirable and in the

best interests of Holders as a whole, the manager shall be entitled to give notice in writing to the trustee that it wishes the trustee to retire; or

(c) if the Authority directs the removal of the trustee,

in each case in favour of a new trustee whose name is specified in such notice and which is a company eligible, in accordance with Clause 28.5 of the Trust Deed and the CIS Code, to be the trustee of the Fund and is acceptable to the Authority and the Supervisory Committee, whereupon the retiring trustee shall, with effect on and from the date on which the appointment of such new trustee takes effect, by deed supplemental to the Trust Deed retire as the trustee of the Fund.

- (iii) If an Extraordinary Resolution is passed to remove the trustee of the Fund then the trustee shall retire and in such case the manager of the Fund shall as soon as reasonably practicable use its reasonable efforts to find a new trustee to be appointed in accordance with Clause 28.5 of the Trust Deed.
- (iv) The trustee of the Fund may be removed, and shall retire, from office in accordance with Clause 30.2.3 of the Trust Deed and in which case the manager of the Fund or the Supervisory Committee shall give notice to the trustee accordingly.
- (v) Any trustee of the Fund shall be incorporated in Singapore, and shall be a public company approved under Section 289 of the Securities and Futures Act.
- (vi) The new trustee of the Fund shall as soon as practicable after its appointment give notice to the Holders specifying the name and the address of the offices of the new trustee.
- (vii) To the extent permissible, the stipulation of any statute that a trustee shall not be discharged from its trust unless there will be either a trust corporation or at least two (2) individuals to act as trustees to perform the trust is hereby excluded. In any event, each and every person actually or prospectively interested in the Deposited Property is hereby excluded from asserting any claim against a trustee or any former trustee on the basis of the said stipulation save to the extent of any trust monies or other trust assets actually in the possession or control of that trustee or former trustee.
- (viii) Every trustee which shall retire from its position as trustee of the Fund shall in respect of its period of trusteeship of the Fund and notwithstanding that it shall have retired continue to have the benefit of all indemnities, powers and privileges given to such trustee of the Fund by the Trust Deed and any deeds supplemental hereto executed during such period in addition to the indemnities powers and privileges given by law to a retiring trustee.
- (ix) Upon effective retirement hereunder, the retiring trustee of the Fund shall be discharged and shall no longer be liable in any manner hereunder except as to acts or omissions occurring prior to such retirement, and the new trustee shall thereupon undertake and perform all duties and be entitled to all rights and compensation as trustee under the Trust Deed. The successor trustee shall not be under any liability hereunder for occurrences or omissions prior to the execution of such instrument.

- (x) Upon effective retirement hereunder, the retiring trustee shall use its reasonable endeavours to assign or novate to the new trustee on terms reasonably acceptable to the manager of the Fund (and to obtain the consent of its counterparts thereto) of all agreements to which it, as trustee, is a party concerning the Fund including without limitation, the Licence Agreement.

#### IV OTHER PARTIES

- 8.1 The registrar of the Fund is HSBC Institutional Trust Services (Singapore) Limited (Company Registration No.: 194900022R) (the "**Registrar**"). The Registrar maintains the Register of Holders which can be inspected at 20 Pasir Panjang Road (East Lobby), #12-21, Mapletree Business City, Singapore 117439 during normal business hours (subject to such reasonable restrictions as the Trustee may impose).
- 8.2 For so long as the Units are listed, quoted and traded on the SGX-ST, the Manager shall appoint The Central Depository (Pte.) Limited (Company Registration No.: 198003912M) (the "**CDP**") as the Unit Depository for the Fund, and all Units issued and available for trading will be represented by entries in the Register of Holders kept by the Registrar in the name of, and deposited with, CDP as the registered Holder of such Units. The Manager or the Registrar shall issue to CDP not less than ten (10) Business Days after the issue of Units a confirmation note confirming the date of issue and the number of Units so issued, and if applicable, also stating that the Units are issued under a lock-up and the expiry of such lock-up and for the purposes of the Trust Deed, such confirmation note shall be deemed to be a certificate evidencing title to the Units issued.
- 9.1 The designated market makers of the Fund are DBS Vickers Securities (Singapore) Pte Ltd, Overseas-Chinese Banking Corporation Limited and Deutsche Bank AG, Singapore Branch. The auditors of the Fund are PricewaterhouseCoopers LLP of 8 Cross Street, #17-00, PWC Building, Singapore 048424 (the "**Auditors**").
- 9.2 The following is a summary of the provisions in the Trust Deed regulating the appointment, retirement and replacement of the auditors of the Fund:
- (i) the auditors of the Fund shall be an accounting firm or corporation as defined in the Accountants Act (Chapter 2 of Singapore) and for the time being appointed as auditors of the Fund by the manager of the Fund with the approval of the trustee of the Fund and the Supervisory Committee;
  - (ii) the auditors of the Fund may voluntarily retire by notice in writing to the manager of the Fund. Upon the retirement of the auditors, the manager shall, with the prior written approval of the trustee of the Fund, appoint other auditors in their place;
  - (iii) the manager of the Fund with the consent of the trustee of the Fund may from time to time remove the auditors and appoint other auditors in their place; and
  - (iv) the auditors may be removed, and other auditors appointed, by Extraordinary Resolution duly passed at a meeting of Holders or (as the case may be) the Depositors.
- 10.1 Under the terms of the Trust Deed, a supervisory committee (the "**Supervisory Committee**") has been constituted to direct and oversee the trustee and the manager of the Fund on certain matters relating to the management and administration of the Fund including the power to direct the trustee and the manager on matters relating to the overall structure of the

Fund and strategic issues relating to its management and administration and the power to recommend that the manager or the trustee should be removed.

10.2 Up to seven (7) members may be appointed to the Supervisory Committee. The initial members of the Supervisory Committee were appointed by the Trustee. The Supervisory Committee itself on an on-going basis shall make appointments to and removals from the Supervisory Committee. The Supervisory Committee shall meet as and when required and at least annually. The names and occupations of the current members of the Supervisory Committee are:

- (i) Mr Michael Hwang, S.C.. Mr Hwang is currently a practising Advocate & Solicitor in Singapore and the sole proprietor of his own law firm. Mr Hwang is a past and present director of several public listed and unlisted companies and a past and present Chairman of three non-profit organisations. He has served as Singapore's non-resident ambassador to Switzerland and is currently Chief Justice of Dubai International Financial Centre.
- (ii) Ms. Annie Koh. Ms. Annie Koh is the Vice President for Business Development and External Relations at the Singapore Management University (SMU). An Associate Professor of Finance, Annie also holds the position of Academic Director of The Financial Training Institute (FTI), Center for Professional Studies (CPS), International Trading Institute (ITI) and Business Families Institute (BFI) at SMU. Her previous portfolio includes positions as Associate Dean, Lee Kong Chian School of Business and Dean, Office of Executive & Professional Education. She received her PhD in International Finance from New York University (Stern School of Business) where she was a Fulbright scholar. Annie is a frequently sought after conference speaker at the World Economic Forum, panel moderator and expert commentator. She also sits on several advisory boards, governing councils and steering committees in SMU as well as the financial services and government sectors. Currently, she is on the Advisory Boards of a number of family businesses and on the investment committee of i-Globe (a private equity firm) as well as a member of the Research and Publications Committee of the Singapore Chinese Chamber of Commerce & Industry. She was also recently appointed to the Board of Directors of k1 Ventures Limited which is listed on the SGX-ST and which is an investment holding company of the Keppel Group. Annie is a recipient of the Public Administration Medal (Bronze), a prestigious National Day Award for 2010. Her research interests are in family office and family business research, investor behaviour, alternative investments and enterprise risk management.
- (iii) Ms. Celestine Khoo. Ms. Celestine Khoo is currently the Director and Head of the External Fund Management Division of the Reserve Management Department in the Authority, which is charged with the management of the portion of the reserves that is outsourced to external fund managers and invested in a diverse range of asset classes across equities, fixed income and commodities.

10.3 The Supervisory Committee shall be entitled to, amongst other things:

- (i) direct the trustee and the manager of the Fund on matters relating to the overall structure of the Fund and strategic (but not day to day) issues related to the management and administration of the Fund;
- (ii) require the trustee and the manager of the Fund to report to the Supervisory Committee on any matter, act or thing pertaining to their management or administration of the Fund, and in relation to the exercise of any discretion by the trustee or the manager pursuant to the Trust Deed, including without limitation, in respect of the appointment or

removal of any service provider and the manager's current and future marketing plan for the Fund;

- (iii) consider and recommend to the trustee and the manager of the Fund, and approve, proposals for the registration or authorization of the Units or the Fund in any other jurisdiction;
- (iv) approve, consent or agree, direct or make recommendations to the trustee and/or the manager of the Fund on such other matters as are set out in the Trust Deed requiring the approval, consent or agreement of the Supervisory Committee or in respect of which the Supervisory Committee may direct or make recommendations to the trustee and/or the manager; and
- (v) recommend the removal of the trustee and/or the manager of the Fund.

10.4 The members of the Supervisory Committee will be entitled to be indemnified out of the Fund's portfolio for any liabilities they may incur as a result of acting as members of the Supervisory Committee, except to the extent of any fraud, recklessness, bad faith or wilful default on their part, and except to the extent provided by applicable law. None of the members of the Supervisory Committee shall be entitled to receive any remuneration from the Fund in respect of their appointment as members of the Supervisory Committee.

10.5 There is an established set of eligibility criteria for members of the Supervisory Committee in the Trust Deed. Amongst other things, the members of the Supervisory Committee must have demonstrable knowledge of financial affairs and must not have been convicted of any criminal offence which is of direct relevance to their fitness and propriety as members of the Supervisory Committee or have been found by a court or regulatory authority to have acted fraudulently or dishonestly.

10.6 The members of the Supervisory Committee may by unanimous decision dissolve the Supervisory Committee permanently in which event any matter requiring the approval, consent or agreement of the Supervisory Committee under the Trust Deed shall no longer require such approval.

10.7 The Manager has delegated its fund administration and valuation functions in respect of the Fund to HSBC Institutional Trust Services (Singapore) Limited, the administrator of the Fund, whose registered office is at 21 Collyer Quay #10-02 HSBC Building, Singapore 049320.

Counterparties, brokers and/or prime brokers (if any) that are used by the Fund are selected from an approved panel and their appropriateness for continuous use by the Manager is reviewed on a regular basis. For inclusion onto the panel, due diligence on the counterparties, brokers and/or prime brokers must be completed by the Manager and the relevant internal approvals must be obtained. However, for inclusion onto the panel and the use of any counterparties, brokers and/or prime brokers to transact in foreign exchange, over-the-counter derivatives, secured/unsecured call loan or securities lending, additional approval must be sought from the risk management department of the Manager's parent company, Nikko AM.

## **V STRUCTURE OF THE SCHEME**

11.1 The Fund is constituted as a stand-alone unit trust known as the ABF Singapore Bond Index Fund pursuant to the Trust Deed. The interests issued or offered are represented by Units comprised in the Fund, the property of which shall be invested in Investments (as defined in the Trust Deed).



- 11.2 Each Unit represents an undivided interest in the underlying securities held by the Fund. The rights, interests and obligations of Holders are contained in the Trust Deed.

## VI INVESTMENT OBJECTIVES, FOCUS & APPROACH

- 12.1 The investment objective of the Fund is to provide investors with investment returns that correspond closely to the total return of the iBoxx ABF Singapore Bond Index (the "**Index**") before fees and expenses. This Fund is only suitable for investors who seek medium to long-term capital appreciation, believe that the Index will increase in value, are willing and able to accept that their principal will be at risk and seek an "index-based" approach to investing in a portfolio of Singapore government (or any other Asian Government) sovereign and quasi-sovereign bond securities in a cost effective and easy to access manner. **Investors should consult their financial advisers if in doubt as to whether the Fund is suitable for them.**
- 12.2 The Index is created, maintained and calculated by the Markit Indices Limited (formerly known as International Index Company Limited) (the "**Index Provider**"). A Licence Agreement has been entered into between the Manager and the Index Provider under which the Fund has been licensed to use certain trademarks and any copyright in the Index. The Index is an indicator of investment returns of debt obligations denominated in Singapore dollars issued or guaranteed by the government of Singapore (or any other Asian Government), by an agency or instrumentality of the Singapore government (or any other Asian Government), by a Singapore government (or any other Asian Government) sponsored entity or a quasi-Singapore government (or any other Asian Government) entity and Singapore dollar denominated debt obligations issued by supranational financial institutions. The Index Provider determines the composition of the Index in accordance with its rules and procedures for the Index (which may change from time to time), and publishes information regarding the composition, investment characteristics and return of the Index. More information is provided in Appendix 1 of this Prospectus regarding the composition and index methodology of the Index.
- 12.3 If the Index ceases to be compiled or published by the Index Provider or if the Licence Agreement with respect to the Index is terminated for any reason, the Manager with the prior approval of the Trustee and the Supervisory Committee, shall select an alternate or successor index (if necessary customized by the Index Provider, the other index provider for that alternate or successor index or the Manager) using in the opinion of the Manager the same or substantially similar formula for the method of calculation as the Index. The Manager will manage the Fund's portfolio using this index, taking into account the interests of Holders.
- 12.4 If no such replacement index is immediately available, then the Manager shall consider the possibility of seeking an index provider to create an index that is substantially similar to the Index or, if necessary, to consider whether liquidating the Fund would be in the overall best interests of Holders. The consent of the Trustee and Supervisory Committee is required before the Manager is permitted to proceed. During the period of transition when a benchmark index is not available, the Manager will continue to manage the Fund's portfolio in a manner consistent with the passive style of an index-tracking fund and in accordance with the methodology of the Index to the extent that the Manager is able to determine.
- 13.1 The Manager will seek to achieve the Fund's investment objective by causing the Fund to invest substantially all of the Fund's assets in debt obligations denominated in Singapore dollars issued or guaranteed by the government of Singapore (or any other Asian Government), by an agency or instrumentality of the Singapore government (or any other Asian Government), by a Singapore government (or any other Asian Government) sponsored entity or a quasi-Singapore government (or any other Asian Government) entity and

Singapore dollar denominated debt obligations issued by supranational financial institutions, in each case as determined by the Index Provider and which are for the time being constituent securities of the Index ("**Index Securities**") in the same approximate proportion as their weightings within the Index (i.e. using a full replication strategy). The composition and weightings of the constituent securities of the Index, as at 28 February 2014 are disclosed in Appendix 1 of this Prospectus. The Manager may also invest in certain securities other than Index Securities ("**Non-Index Securities**") by adopting a representative sampling strategy or similar strategy. Representative sampling is a strategy investing in a representative sample of securities in the Index which have a similar investment profile as that of the Index. Securities selected have aggregate characteristics (such as yield and duration) similar to those of the Index. The Fund will generally not hold all the securities that are included in the Index.

- 13.2 The Fund will invest substantially all of the Fund's assets in debt obligations determined by the Index Provider as being constituent securities of the Index. The Fund may therefore invest in debt obligations denominated in Singapore dollars issued or guaranteed by any Asian Government, by an agency or instrumentality of any Asian Government, by an Asian Government sponsored entity or a quasi-Asian Government entity if such Asian Government debt obligations are determined by the Index Provider as being constituent securities of the Index.
- 13.3 In view of Singapore's fixed income market liquidity, the Manager may cause the Fund to invest in certain Non-Index Securities in order to minimise the Fund's tracking error relative to the performance of the Index. Eligible Non-Index Securities are Singapore dollar denominated securities which are not Index Securities but which are issued by an issuer of Index Securities, and having a minimum issue size of S\$100 million (or such other amount as determined by the Manager from time to time with the prior approval of the Trustee and the Supervisory Committee) and in the opinion of the Manager, the Non-Index Securities are substantially similar to comparable Index Securities and have characteristics that are consistent with the investment objective of the Fund. The total exposure to Non-Index Securities is limited to twenty per cent. (20%) of the Value of the Fund's Deposited Property.
- 13.4 The Manager will rebalance the Fund's portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of securities in, the Index with a view to minimising tracking error of the Fund's overall returns relative to the performance of the Index. Such rebalancing may be in the form of investments in Non-Index Securities.
- 13.5 The Fund does not use or invest in any financial derivative instruments.
- 13.6 The Fund does not engage in any securities lending and repurchase transactions. The Fund does not have exposures to commodities through financial derivatives or investments referred to in paragraph 2.10 or 2.12(b) of Appendix 1 – Investment: Core Requirements of the CIS Code.
- 13.7 Investors should note that the Units are Excluded Investment Products and that the Fund does not invest and will not invest in any product and does not engage and will not engage in any transaction which may cause the Units not to be regarded as Excluded Investment Products.
- 13.8 The Manager has a dedicated and independent risk and performance management team which oversees the individual portfolio risks. The Manager's portfolio risk management philosophy encompasses the whole investment process from formulation to implementation. Risk management and performance analysis is an integral part of the Manager's investment process. The risks are quantified and broken down into its components through tools employed by the risk and performance management team and monitored closely.

- 13.9 Neither the Manager nor the Trustee shall alter the investment objective of the Fund, unless otherwise agreed by an Extraordinary Resolution in a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed.
- 13.10 The investment policy has been adhered to for 3 years following the issue of the first prospectus of the Fund and will continue to be adhered to unless otherwise agreed by the Holders by an Extraordinary Resolution in a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed.
- 14.1 Unlike "actively managed" unit trusts and mutual funds, in its management of the Fund, the Manager does not attempt to outperform the Index nor does it seek temporary defensive positions when markets decline or appear overvalued by some standards. Accordingly, a fall in the Index may result in a corresponding fall in the NAV of the Fund. The other aspects of the passive management methodology to be employed by the Manager are described as follows:
- 14.2 Correlation. Correlation measures the degree to which the periodically measured total return of one investment resembles that of another investment. An index is a theoretical financial calculation while the Fund is an actual investment portfolio. The performance of the Fund and the Index will vary somewhat due to fees and expenses, transaction costs, variations in their constituent securities, market impact and timing variances. Investors should therefore note that there is no assurance that the Fund will be able to fully track the performance of the Index. The Manager expects that, over time, the correlation between the Fund's total return and that of the Index, before fees and expenses, will be ninety-five per cent. (95%) or better. A figure of one-hundred per cent. (100%) would indicate perfect correlation. It is expected that the tracking error between pre-expense total returns of the Fund and the Index will not be more than 40 basis points on an annual basis. The tracking error is a measure of the variation between the Fund's total return and the total return of the Index; the Fund's pre-expense total returns should differ from the total return of the Index by less than this tracking error amount most of the time. While the Manager expects to achieve the above correlation, neither the Manager nor the Trustee shall be liable if the actual correlation of the Fund's total returns, before fees and expenses, and that of the Index is less than the anticipated correlation. The Manager will make an announcement on the SGXNET if the tracking error for any month exceeds 40 basis points on an annual basis. In order to minimize the tracking error, it is the intention of the Manager that the Fund will be passively managed with its portfolio's duration, yield curve and credit risk matched closely to that of the Index at all times. The Fund's portfolio securities will be chosen in a way that the Fund's average portfolio duration, sector, maturity bucket distribution, yield curve risk and credit risk is similar to that of the Index, subject always to availability of the relevant Index Securities in the market at the time of investment or purchase. Index Securities are always preferred to Non-Index Securities as portfolio holdings in order to match the Index. It is therefore the intention of the Manager to invest in Non-Index Securities as a substitute for Index Securities when the required Index Securities are unavailable at a reasonable price in the market at the time of investment or purchase.
- 14.3 Investment restrictions. Under the CIS Code, the Fund is classified as an index fund and the Fund will be subject to the investment guidelines for index funds set out in Appendix 5 of the CIS Code as well as the investment guidelines in Appendix 1 of the CIS Code. As the Fund is registered by the Central Provident Fund Board as an eligible investment under the CPF Investment Scheme, the Trust Deed requires the Manager to also comply with the CPF Investment Guidelines in the management of the Fund. In addition to the CIS Code and the CPF Investment Guidelines, the Fund is subject to a number of additional investment limitations in the Trust Deed. The Fund shall:

- (i) hold Non-Index Securities not exceeding twenty per cent. (20%) of the Value of the Deposited Property;
- (ii) hold cash and deposits not exceeding ten per cent. (10%) of the Value of the Deposited Property (except upon receipt of cash subscriptions or in order to fund cash payments on redemptions) or five per cent. (5%) of the Value of the Deposited Property with any one single institution;
- (iii) not invest in equities;
- (iv) not use or invest in derivatives; and
- (v) not invest in warrants, commodities and/or precious metals.

The Fund will also not invest in any product and/or engage in any transaction which may cause the Units not to be regarded as Excluded Investment Products.

14.4 The Manager will apply the following credit rating requirements for any counterparty or bank with which it deposits or invests cash:

- (i) banks must be rated A3 and above by Moody's Investors Services, Inc. ("**Moody's**") or its equivalent rated by Standard and Poor's, a division of the McGraw-Hill Companies, Inc. ("**S&P's**") or Fitch Inc., Fitch Ratings Ltd and its subsidiaries ("**Fitch**") for at least one of the following rating types:
  - (a) long-term senior unsecured debt or equivalent rating type;
  - (b) issuer rating from Moody's; or
  - (c) long-term issuer credit rating from S&P's;
- (ii) if a long-term senior unsecured debt or issuer rating is not available, banks in relation to fixed deposits maturing in less than one (1) year must be rated Prime-1 and above by Moody's or its equivalent rated by S&P's or Fitch; and
- (iii) a bank which does not meet the rating requirements in paragraphs 14.4(i) or (ii) above can still be appointed provided it is an approved counterparty as set out in the Trust Deed (the list set out in the Trust Deed can be updated from time to time by the Manager upon approval of the Trustee).

14.5 Deleted.

14.6 In order to achieve the Fund's investment objectives, the Manager may invest in both Index Securities and Non-Index Securities. Such Index Securities and Non-Index Securities may include both listed and unlisted securities.

15.1 Under the terms of the Trust Deed, the Fund may at any time and from time to time borrow, on a temporary basis for a borrowing period not exceeding one (1) month, for the purposes of meeting redemption and bridging requirements. Aggregate borrowings for such purposes should not exceed ten per cent. (10%) of the NAV of the Fund at the time the borrowing is incurred.

15.2 The base currency of the Fund is SGD and the Fund will issue Units denominated in SGD.

## VII CPF INVESTMENT SCHEME

16.1 The Fund is included under the Central Provident Fund (“**CPF**”) Investment Scheme (“**CPFIS**”) – Ordinary Account (the “**CPF Ordinary Account**”) for subscription by members of the public using their CPF monies and is classified under the category of Low to Medium Risk – Narrowly Focused –Country Singapore.

16.2 The CPF interest rate for the CPF Ordinary Account is based on the weightage of 80% of the average 12-month fixed deposit and 20% of the average savings rates published by the major local banks. Under the CPF Act, the CPF Board pays a minimum interest of 2.5% per annum when this interest formula yields a lower rate.

Savings in the Special Account and Medisave Account (“**SMA**”) are invested in Special Singapore Government Securities (SSGS) which earn an interest rate pegged to either the 12-month average yield of 10-year Singapore Government Securities (10YSGS) plus 1%, or 4% whichever is the higher, adjusted quarterly.

New Retirement Account (“**RA**”) savings are invested in SSGS which earns a fixed coupon equal to either the 12-month average yield of the 10YSGS plus 1% at the point of issuance, or 4%, whichever is the higher. The interest credited to the RA is based on the weighted average interest rate of the entire portfolio of these SSGS invested using new and existing RA savings and is computed yearly in January.

As announced in September 2013, the Singapore government will maintain the 4% p.a. minimum rate for interest earned on all SMA and RA monies until 31 December 2014. Thereafter, interest rates on all CPF account monies will be subject to a minimum rate of 2.5% p.a.

The first \$60,000 of a CPF member’s combined CPF accounts earns an extra 1% interest. To enable members to earn extra interest, only monies in excess of \$20,000 in a member’s CPF Ordinary Account and \$40,000 in the Special Account can be invested.

Investors should note that the applicable interest rates for each of the CPF accounts may be varied by the CPF Board from time to time.

16.3 Investors may use their CPF monies in their CPF ordinary accounts to acquire Units on the SGX-ST. Units acquired using CPF monies may only be disposed of through trading on the SGX-ST.

## VIII FEES AND CHARGES

17.1 The fees and charges payable by investors investing in less than 50,000 Units are as follows:

### Payable by the investor

*For purchase and sale of Units on the SGX-ST using cash or CPF monies*

- |     |  |   |                 |
|-----|--|---|-----------------|
| (a) | Subscription fee or preliminary charge | - | Nil.            |
| (b) | Realisation Charge                     | - | Nil.            |
| (c) | Switching fee                          | - | Not applicable. |

- |     |               |   |   |
|-----|---------------|---|---|
| (d) | Any other fee | - | <u>Cost of Dealing on the SGX-ST</u><br>A typical investor dealing on the SGX-ST will not bear any costs related to the creation and redemption of Units. However, investors will need to pay brokers' commissions, clearing fees and other costs associated with dealing on the SGX-ST. These amounts are subject to the investor's individual agreement with, and paid directly by the investor to, the investor's broker, the CDP and other service providers of the investor. |
|-----|---------------|---|---|

17.2 The fees and charges payable by investors investing in 50,000 Units or more are as follows:

Payable by the investor

*For subscription and/or redemption of Units in cash by or through Participating Dealers*

- |     |  |   |   |
|-----|--|---|---|
| (a) | Subscription fee or preliminary charge | - | Nil.  |
| (b) | Realisation Charge                     | - | Nil.  |
| (c) | Switching fee                          | - | Not applicable.                             |
| (d) | Duties and Charges                     | - | Up to a maximum of 0.50% of the Fund's NAV. |

Under the terms of the Trust Deed, for subscription and/or redemption of Units in cash, the Manager is entitled to charge Duties and Charges for the account of the Fund which would be used to defray the Fund's costs in the form of stamp duties and taxes in investing cash for assets or realising Fund's assets for cash, and where there are large subscription or redemption requests, to prevent the NAV of the Fund from being diluted by the high transactional costs which would be incurred by the Fund, the Manager has the discretion to charge higher Duties and Charges. The Manager will waive the Duties and Charges for Market Makers of the Fund for subscription and/or redemption by each Market Maker for not more than 10,000,000 Units. If a Market Maker subscribes and/or redeems more than 10,000,000 Units on each Cash Dealing Day, Duties and Charges will be imposed on the amount exceeding 10,000,000 Units. Investors may wish to contact the Manager for guidance on the Duties and Charges payable in respect of large subscription or redemption requests.

- |     |               |   |  |
|-----|---------------|---|--|
| (e) | Any other fee | - | Nil. However, the Participating Dealers may charge investors a commission to act on their behalf in submitting subscription and/or redemption requests to the Registrar. Please contact the relevant Participating Dealer for further details. |
|-----|---------------|---|--|

*For subscription and/or redemption of Units in-kind by or through Participating Dealers*

- |     |   |   |  |
|-----|---|---|--|
| (a) | Subscription fee or preliminary charge      | - | Nil.   |
| (b) | Realisation Charge                          | - | Nil.   |
| (c) | Switching fee                               | - | Not applicable.  |
| (d) | Transaction Fee for each Creation Request   | - | Currently S\$2,500 per request.<br>Maximum S\$2,500 per request. |
| (e) | Transaction Fee for each Redemption Request | - | Currently S\$2,500 per request.<br>Maximum S\$2,500 per request. |

Under the terms of the Trust Deed, for subscription and/or redemption of Units in-kind, the Manager is entitled to charge the Participating Dealers the Transaction Fee for the account of the Fund. The Transaction Fee would be used to defray the Fund's expenses in transfer and other administrative costs involved in creating Units. The Transaction Fee is charged per request, regardless of the number of Creation Units being created or redeemed. The Manager will waive the Transaction Fee for Market Makers of the Fund. The level of the Transaction Fee may be changed with the approval of the Manager, and in case such fee is increased, at least three months' notice will be given to the Participating Dealers. Participating Dealers may require the investors to bear the Transaction Fee.

- |     |               |   |   |
|-----|---------------|---|---|
| (f) | Any other fee | - | Nil. However, Participating Dealers may charge investors a commission to act on their behalf in submitting Creation Requests and/or Redemption Requests to the Registrar. Please contact the relevant Participating Dealer for further details. |
|-----|---------------|---|---|

*For purchase and sale of Units on the SGX-ST using cash or CPF monies*

- |     |  |   |                 |
|-----|--|---|-----------------|
| (a) | Subscription fee or preliminary charge | - | Nil.            |
| (b) | Realisation Charge                     | - | Nil.            |
| (c) | Switching fee                          | - | Not applicable. |

- (d) Any other fee - Cost of Dealing on the SGX-ST  
A typical investor dealing on the SGX-ST will not bear any costs related to the creation and redemption of Units. However, investors will need to pay brokers' commissions, clearing fees and other costs associated with dealing on the SGX-ST. These amounts are subject to the investor's individual agreement with, and paid directly by the investor to, the investor's broker, the CDP and other service providers of the investor.

17.3 The fees and charges payable out of the assets of the Fund are as follows:

Payable by the Fund from invested proceeds

- (a) Annual Management Fee - Currently 0.15% per annum of the Fund's NAV; maximum 0.15% per annum of the Fund's NAV.
- (b) Annual Trustee Fee - Currently 0.05% per annum of the Fund's NAV; maximum 0.15% per annum of the Fund's NAV.
- (c) Index Provider's licence fee - Currently up to 0.023% per annum of the Fund's NAV, subject to a minimum annual charge which is currently US\$36,910.
- (d) Other fees and charges - Other fees and charges including *inter alia* Custodian fees and Registrar fees may amount to or exceed 0.10% per annum, depending on the proportion that each fee or charge bears to the net asset value of the Fund.

17.4 Save for the above, there is no other substantial fee or charge (i.e. 0.10% or more of the Fund's asset value) to be disclosed.

## IX RISKS

18. The general risks of investing in the Fund are as follows:

- (a) while the Manager believes that the Fund offers income revenue and potential for capital appreciation, no assurance can be given that these objectives will be achieved. Prospective investors should read this Prospectus and discuss all risks with their financial and legal advisers before making an investment decision;



- (b) investments in the Fund are designed to produce returns over the long term and are not suitable for short term speculation. Prospective investors should be aware that the price of Units, and the income from them, may go up as well as down, and that past performance is not necessarily a guide to the future performance of the Fund. A possible loss of the principal invested cannot be ruled out;
- (c) the risks of investments made by a collective investment scheme include economic, political, foreign exchange, liquidity, regulatory, interest rate, default and repatriation risks; and
- (d) dealings in the Units and the calculation of the NAV thereof may be suspended in certain circumstances and the redemption of Units may be suspended or deferred in certain circumstances as provided for in the Trust Deed and described in the section entitled "Suspension of Dealings" in paragraph 34 below.

19. The specific risks of investing in the Fund are as follows:

- (a) Market risk. The Fund's NAV and trading prices will react to securities markets movements. Investors may lose money over short periods due to fluctuation in the Fund's NAV and trading price in response to market movements, and over longer periods during market downturns.
- (b) Interest rate risk. Because the Fund invests in fixed-income securities, the Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments.
- (c) Income risk. There is a risk that the income from the Fund's portfolio will decline because of falling market interest rates. This can result when, in a declining interest rate market, the Fund receives in-kind deposits of portfolio securities in connection with creations of new Units, or reinvests proceeds of securities maturing or sold out of the portfolio in longer-term securities as part of the Fund's attempt to match the maturity or duration of the Index, at market interest rates that are below the portfolio's then-current earnings rate.
- (d) Credit risk. The value of the Fund is subject to risk resulting from changes in the credit worthiness of its underlying investments. For example, an issuer of a bond might not be able to meet its obligation to make interest and principal payments, or bond investors as a whole may downgrade their view of the issuer resulting in a deterioration of the price of the issuer's debt.
- (e) Tracking error risk. Changes in the NAV of the Fund are unlikely to replicate exactly changes in the Index due to various factors. Factors such as fees and expenses of the Fund, liquidity of the market, imperfect correlation of returns between the Fund's securities and those in the Index, changes to the Index and regulatory policies may affect the Manager's ability to achieve close correlation with the Index of the Fund. Imperfect correlation between the returns of portfolio securities and the Index is more likely to happen to the extent that the Fund invests in securities that are Non-Index Securities or invests in those Index Securities with different weighting from that of the Index. The Fund's returns may therefore deviate from those of the Index. However, a fall in the Index may result in a corresponding fall in the NAV of the Fund.
- (f) Fees and expenses. The level of fees and expenses payable by the Fund may fluctuate. Accordingly, no assurances can be given as to the actual level of the Fund's expenses.

- (g) Absence of prior active market. Although the Units are currently listed for trading on the SGX-ST, there can be no assurance that an active trading market will be developed or be maintained. There is no certain basis for predicting the actual price levels at, or sizes in, which Units may trade. Further, there can be no assurance that investors in the Units will experience trading or pricing patterns similar to those of market-traded shares which are issued by investment companies in other jurisdictions or which are based upon indices other than the Index.
- (h) Liquidity risk. The price at which portfolio securities may be purchased or sold by the Fund upon any rebalancing activities or otherwise and the value of the Units will be adversely affected if trading markets for the Fund's portfolio securities are limited or absent or if bid-offer spreads are wide.
- (i) Trading in Units on the SGX-ST may be suspended. Investors will not be able to purchase or sell Units on the SGX-ST during any period that the SGX-ST suspends trading in the Units. The SGX-ST may suspend the trading of Units whenever the SGX-ST determines that it is appropriate in the interests of a fair and orderly market to protect investors. The creation and redemption of Creation Units may also be suspended in the event that the trading of Units on the SGX-ST is suspended.
- (j) Units may be delisted from the SGX-ST. The SGX-ST imposes certain requirements for the continued listing of securities, including the Units, on the SGX-ST. Investors cannot be assured that the Fund will continue to meet the requirements necessary to maintain the listing of Units on the SGX-ST or that the SGX-ST will not change the listing requirements. The Fund may be terminated if its Units are delisted from the SGX-ST.
- (k) Units may trade at prices other than NAV. The NAV of the Fund represents the fair price for buying or selling Units. As with any listed fund, the secondary market price of Units may sometimes trade above or below this NAV. There is a risk, therefore, that Holders may not be able to buy or sell at a price close to this NAV. The deviation from NAV is dependent on a number of factors, but will be accentuated when there is a large imbalance between market supply and demand for Units on the SGX-ST. However, since Units can be created and redeemed (in Creation Unit aggregations at NAV), the Manager believes that large discounts or premiums to the NAVs of Units should not be sustained. The "bid/ask" spread (being the difference between the prices being bid by potential purchasers and the prices being asked by potential sellers) is another source of deviation from NAV. The bid/ask spread can widen during periods of market volatility or market uncertainty, thereby increasing the deviation from NAV.
- (l) Minimum creation and redemption size. Units will only be issued or redeemed in-kind in Creation Unit aggregations (currently 20,000,000 Units, and multiples thereof). Currently, Units will only be issued and redeemed for cash at a minimum of 50,000 Units on a Cash Dealing Day. Holders who do not hold the minimum redemption number of Units (which is currently 50,000 Units) may only be able to realise the value of their Units by selling their Units on the SGX-ST at the prevailing trading price of the Units or (in the case of Holders who hold at least such minimum redemption number of Units) by redeeming their Units in multiples of the minimum redemption number of Units on a Cash Dealing Day. However, Holders should note that the Participating Dealers are under no obligation to redeem their Units. **It is expected that most Holders will dispose of their Units by selling them on the SGX-ST.**

- (m) Maximum daily dealing limits. The Fund has maximum limits in respect to redemption orders. In the event that a Holder wishes to redeem a large number of Units, the order may not be, or may only be partially, accepted on that Dealing Day if the size of the order exceeds the daily limits, or if the combined size of the net redemptions requested for that Dealing Day including those of other Holders exceed the daily limit.
- (n) Risk Associated with the Investment Strategy of the Fund/Lack of discretion of the Manager to adapt to market changes. Unlike many conventional unit trusts, the Fund is not "actively managed". Therefore, the Fund will not adjust the composition of its portfolio except in order to seek to closely correspond to the duration and total return of the Index. The Fund does not try to "beat" the market it tracks and does not seek temporary defensive positions when markets decline or is judged to be overvalued. Accordingly, a fall in the Index may result in a corresponding fall in the NAV of the Fund.
- (o) Reliance on Participating Dealers. The creation and redemption of Units may only be effected through Participating Dealers. The number of Participating Dealers at any given time will be limited. Participating Dealers are under no obligation to accept instructions to apply for or redeem Units on behalf of investors/ Holders, and may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SGX-ST are restricted or suspended, settlement or clearing of securities through the CDP is disrupted or the Index is not compiled or published. In addition, Participating Dealers will not be able to create or redeem Units if some other event occurs which impedes the calculation of the NAV of the Fund or disposal of the Fund's portfolio securities cannot be effected.
- (p) Suspension of creations and redemptions. Dealings of Units on the SGX-ST may not necessarily be suspended in the event that the creation and redemption of Units is temporarily suspended by the Manager in accordance with the terms of the Trust Deed. If the creation and redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the market value of the Fund's underlying assets.
- (q) Reliance on Market Makers. There may or may not be Market Makers for the Fund. Investors should note that liquidity in the secondary market for the Units may be adversely affected if there is no Market Maker for the Fund.
- (r) Concentration of the Index in certain issuers. The Index and the investments of the Fund may be concentrated in securities of a single or several issuers. Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular issuer, and changes in general economic or political conditions can affect the value of an issuer's securities. Such issuer-specific changes may have an impact on the securities held by the Fund.
- (s) Asset class risk. The returns generated from the securities in which the Fund invests may not provide returns equivalent to that of other classes of securities or different asset classes. The securities in which the Fund invests may be subject to cycles of underperformance relative to that of other classes of securities.
- (t) EMEAP's investment in the Fund. The Executives' Meeting of East Asia and Pacific Central Banks ("**EMEAP**") member central banks and monetary authorities are like any other investors in the Fund and each of them is entitled to dispose of their respective interest in the Units they hold. There are no guarantees that the EMEAP member central banks and monetary authorities will continue to be investors in the

Fund. Should the EMEAP member central banks and monetary authorities decide to sell or redeem all or a portion of their Units, this may have a materially adverse effect on the Fund and the price of the Units.

- (u) Minimum commercial size. The Fund is structured as an index fund with a low total expense ratio (including such items such as Management Fees and Trustee Fees). As with any fund, in order to remain viable, the size of the Fund must be sufficient to cover at least its fixed operating costs; given the low fees, this means, that the size of the Fund needs to be significantly larger than other typical unit trust to remain viable.
- (v) Illiquidity of Singapore dollar bonds. The Fund is invested in Singapore dollar bonds and in certain markets, there may be low levels of liquidity. There is a risk, therefore, that creation or redemption orders (requiring the Manager to respectively buy or sell Index Securities and Non-Index Securities) may have a high cost of dealing, or take some time to be fully integrated into the portfolio holdings of the Fund and thereby cause a disruption in the Fund's asset allocation. Also, it is anticipated that the initial size of the Fund will be relatively large, with the potential effect of more costly periodic portfolio rebalancing.
- (w) Registration or cross-listing of Fund in other markets. There is a likelihood that the Fund may in the future be registered on other markets, or cross-listed on other exchanges, or otherwise offered in other jurisdictions. As this is expected to improve the liquidity for existing Holders and result in more efficient secondary market pricing due to increased scope for arbitrage, the Manager may be permitted by the Trustee and the Supervisory Committee to charge the related costs to the Fund.
- (x) Licence to use the Index may be terminated. The Manager and the Trustee have been granted a licence by the Index Provider to use the Index in order to create the Fund based on the Index and to use certain trademarks and any copyright in the Index. The Fund may not be able to achieve its objective and may be terminated if the licence agreement between the Manager, the Trustee and the Index Provider is terminated. The Fund may also be terminated if the Index ceases to be compiled or published and there is no replacement index using the same or substantially similar formula for the method of calculation as used in calculating the Index.
- (y) Compilation of the Index. The securities which comprise the Index are determined and composed by the Index Provider without regard to the performance of the Fund. The Fund is not sponsored, endorsed, sold or promoted by the Index Provider. The Index Provider makes no representation or warranty, express or implied, to investors in the Fund or other persons regarding the advisability of investing in securities generally or in the Fund particularly. The Index Provider has no obligation to take the needs of the Trustee, the Manager or investors in the Fund into consideration in determining, composing or calculating the Index. There is no assurance that the Index Provider will compile the Index accurately, or that the Index will be determined, composed or calculated accurately, and consequently there can be no guarantees that its actions will not prejudice the interests of the Fund, the Manager or investors.
- (z) Composition of the Index may change. The composition of the Index will change as Index Securities mature or are redeemed or as new securities are included in the Index. When this happens the weighting or composition of the securities owned by the Fund would be changed as considered appropriate by the Manager in order to achieve the investment objective. Thus, an investment in Units will generally reflect the Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units. Appendix 1 of this Prospectus describes how the Index is computed.

- (aa) Singapore Government Political, Economic and Social Risk. Any material changes in the political, economic or social conditions prevailing in any of the economy of Singapore could have a material adverse effect on the NAV of the constituent securities of the Index and consequently on the value of Units.
- (ab) Emerging Market Risk. The Fund may invest in securities issued by certain Asian Governments whose economies are considered to be emerging markets. These markets are subject to special risks associated with foreign investment in these emerging markets including, but not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange controls; imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; lesser regulation of securities markets; smaller market capitalisation; different accounting and disclosure standards; governmental interference; greater risk of market shutdown; the risk of expropriation of assets; higher inflation; social, economic and political uncertainties; and the risk of war.

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

## X SUBSCRIPTION OF UNITS

### 20. How to purchase Units with cash or CPF monies

- 20.1 Investors may apply for Units using cash (but not CPF monies) through Participating Dealers on any Cash Dealing Day which occurs only once a week. That means that there will be limited opportunities for investors to apply to the Fund through the Participating Dealers for Units using cash. Investors may, through the Participating Dealers, submit Creation Requests to the Registrar on every Dealing Day for in-kind subscription of Units (see paragraphs 22 to 23 of this Prospectus for more details) but it is expected that smaller investors who wish to acquire Units other than on a Cash Dealing Day will do so by trading in the Units on the SGX-ST. Investors may buy Units on the SGX-ST through brokers in the same way as they may buy shares in companies listed on the SGX-ST. Investors may buy Units in the Fund on the SGX-ST using either cash or their CPF monies. The use of CPF monies shall be subject to such regulations, directives, requirements or terms and conditions as may be imposed by the CPF Board or the relevant CPF agent bank.
- 20.2 Payment for Units with cash may be made in such manner stipulated by the Participating Dealers from time to time.
- 20.3 In respect of institutional clients, an investment form may also be obtained directly from the Participating Dealers and, once duly completed, forwarded by the Participating Dealers to the Registrar, together with the subscription monies in respect of the application for Units. A list of the Participating Dealers may be obtained from the Manager.
- 20.4 Notwithstanding anything in this paragraph, the Manager shall retain the absolute discretion to accept or reject any application for Units in accordance with the provisions of the Trust Deed. In the event that an application for Units is rejected by the Manager, the application monies shall be refunded (without interest) to the investor within a reasonable time in such manner as the Manager shall determine. No certificates will be issued by the Manager.

20.5 Currently, the minimum initial investment and subsequent minimum investment for the Fund is 50,000 Units or such other investment amount as may be determined from time to time by the Manager upon giving prior notice to the Trustee and with the approval of the Supervisory Committee. Investors who wish to invest more than the minimum initial investment and subsequent minimum investment may do so in increments of 1,000 Units.

21.1 The amount that an investor will have to pay for the number of Units applied for is calculated by multiplying the number of Units applied for by the Issue Price of the Units together with any Duties and Charges and/or the Transaction Fee. The Issue Price of the Units shall be ascertained as follows:

- (i) by dividing the Value of the Deposited Property as at the Valuation Point of the relevant Cash Dealing Day on which applications for Units are deemed to be received by the Manager by the number of Units then in issue and deemed to be in issue; and
- (ii) by adjusting the resulting total per Unit to the nearest S\$0.0001 (with fractions of S\$0.00005 being round up).

The Manager may add to the Issue Price calculated (but not include within it) such sum (if any) as the Manager may consider represents the appropriate provision for Duties and Charges and/or the Transaction Fee, which shall be for the account of the Fund. The Issue Price shall be calculated in Singapore dollars. The Issue Price shall be based on forward pricing which means that the Issue Price of the Units shall not be ascertainable at the time of application for Units.

21.2 Requests for subscription of Units using cash must reach the Registrar by the Dealing Deadline (12 noon (Singapore time) or such other time as the Manager may determine with the prior approval of the Trustee and prior notification to the Holders at such time and in such manner as the Trustee may require) for the Cash Dealing Day. If the request for subscription of Units using cash is received by the Registrar after the Dealing Deadline, it shall be deemed to be received by the Registrar before the Dealing Deadline for the next Cash Dealing Day. This means that if an application is received by the Registrar by the Dealing Deadline on the relevant Cash Dealing Day, the Issue Price you pay will be based on the Value of the Deposited Property on the last Dealing Day of that week. Investors may obtain the Issue Price on the next Business Day from the Manager's website at [www.nikkoam.com.sg](http://www.nikkoam.com.sg).

21.3 The following is an illustration on the amount that an investor will have to pay based on an investment of 50,000 Units and a notional Issue Price of S\$1.05 (the actual Issue Price of the Units will fluctuate according to the Value of the Deposited Property):

<b>50,000 Units Number of Units proposed to be subscribed</b>	<b>x</b>	<b>S\$1.05 Issue Price</b>	<b>=</b>	<b>S\$52,500 Your Investment (excluding Duties and Charges)</b>
---	----------	--------------------------------	----------	---

21.4 Applications for subscription of Units using cash will only be accepted and processed if the application monies and/or the Duties and Charges in respect of that application have been received in full in cleared funds by or to the order of the Trustee by no later than the third Dealing Day after the Cash Dealing Day ("**Cash Settlement Date**").

If the above is not satisfied, the application for subscription of Units will be cancelled. Participating Dealers will be liable for all direct and indirect losses incurred by the Fund resulting from applications submitted by them that are cancelled, including, the Duties and Charges, interest costs incurred by the Fund and any losses arising in respect of the Fund's

purchase and sale of Investments in connection with such cancellation (including the difference between the NAV on the Cash Settlement Date compared to the relevant Dealing Day).

- 21.5 The Issue Price excludes any subscription fee or preliminary charge as no subscription fee or preliminary charge is payable.

How to subscribe for Units in-kind

- 22.1 For so long as the Units are listed, quoted and traded on the SGX-ST, the Manager may issue Units in blocks of 20,000,000 Units (each a "**Creation Unit**") or multiples thereof on a continuous basis on every Dealing Day to Participating Dealers at the Issue Price for that Creation Unit. The Issue Price for the Creation Unit shall be ascertained as follows:

- (i) by dividing the Value of the Deposited Property at the Valuation Point of the relevant Dealing Day on which applications for Creation Units are deemed to be received by the Manager by the number of Units then in issue and deemed to be in issue;
- (ii) by adjusting the resulting total per Unit to the nearest S\$0.0001 (with fractions of S\$0.00005 being rounded up);
- (iii) by multiplying the resulting total by the number of Units comprising a Creation Unit aggregation; and
- (iv) thereafter by adjusting the amount to the nearest S\$0.01 (with fractions of S\$0.005 being rounded up).

The Manager may add to the Issue Price calculated (but not include within it) such sum (if any) as the Manager may consider represents the appropriate provision for the Transaction Fee, which shall be for the account of the Fund. The Issue Price for the Creation Unit shall be calculated in Singapore dollars. The Issue Price for the Creation Unit shall be based on forward pricing which means that the Issue Price of the Units shall not be ascertainable at the time of request to create the Creation Unit.

*Procedures for Creation of Units*

- 22.2 Investors who wish to create Units by subscribing for Units in-kind must approach a Participating Dealer to do so on their behalf. Such investor may be required to complete a form as required by the Participating Dealer. In addition, the Participating Dealer may request the investor to make certain representations or enter into agreements with respect to the order, for example, to provide for payments of cash, when required. Investors should be aware that their particular broker or dealer may not have executed a Participant Agreement and that, therefore, orders to create Units have to be placed by the investor's broker or dealer through a Participating Dealer that has entered into a Participant Agreement. In such cases there may be additional charges to such investor. At any given time, there may be only one or a limited number of Participating Dealers.
- 22.3 Creation Requests received from Participating Dealers and accepted by the Manager by the Dealing Deadline (5.30 p.m. (Singapore time) or such other time as the Manager may determine with the prior approval of the Trustee and prior notification to the Holders at such time and in such manner as the Trustee may require) on each Dealing Day will be issued at that Dealing Day's Issue Price as calculated in accordance with paragraph 22.1 of this Prospectus. Creation Requests received from Participating Dealers after the Dealing Deadline or on a day which is not a Dealing Day shall be deemed to be received by the Registrar before the Dealing Deadline for the next Dealing Day. Investors placing orders for Units

should afford sufficient time to permit proper submission of the order by the Participating Dealers to the Registrar prior to the Dealing Deadline on the relevant Dealing Day.

- 22.4 When submitting the Creation Request, the Participating Dealer should tender to the Custodian of the Fund the Index Securities and Non-Index Securities as comprising a Deposit Basket for each Creation Unit no later than the Dealing Day which is three (3) Dealing Days following the relevant Dealing Date (the "**Settlement Date**") in accordance with the terms of the Participant Agreement. The delivery of Units properly applied for will occur in accordance with the terms of the Participant Agreement which is normally no later than the Settlement Date in accordance with the terms of the Participant Agreement.
- 22.5 The creation of Units in Creation Unit aggregations will only be done if the following are satisfied:
- (i) the Index Securities and Non-Index Securities delivered to the Custodian in respect of that issue of Creation Units have been approved by the Manager as comprising a Deposit Basket with respect to the relevant Dealing Date and the Value of any Non-Index Securities do not exceed twenty per cent. (20%) (or such other percentage as determined by the Manager from time to time and approved by the Trustee and the Supervisory Committee) of the Issue Price on the previous Dealing Day;
  - (ii) the aggregate of (a) the Value of the Index Securities and Non-Index Securities on the relevant Dealing Date delivered to the Custodian and (b) the amount of cash paid to or to the order of the Trustee or Custodian in respect of the Cash Issue Component for the Creation Unit aggregation (as described in paragraph 22.6 below) is equal to the Issue Price for that Creation Unit aggregation;
  - (iii) the Index Securities and Non-Index Securities have been vested upon the trusts hereof in the Trustee to the Trustee's satisfaction or satisfactory evidence of title and instruments of transfer shall have been produced to or to the order of the Trustee by such time and date as determined therefor by the Manager in its discretion, provided that such date shall occur no later than the relevant Settlement Date; and
  - (iv) the full amount of the Cash Issue Component, the Duties and Charges and/or Transaction Fee in respect of that Creation Unit size shall have been received in full in cleared funds by or to the order of the Trustee by such time and date as determined therefor by the Manager in its discretion, provided that such date shall occur no later than the relevant Settlement Date.

If any of the above is not satisfied, the creation order will be cancelled. Participating Dealers will be liable for all direct and indirect losses incurred by the Fund resulting from creation orders submitted by them, including, the Transaction Fee, interest costs incurred by the Fund and any losses arising in respect of the Fund's purchase and sale of Investments in connection with such cancellation (including the difference between the NAV on the Settlement Date compared to the relevant Dealing Day).

- 22.6 The Cash Issue Component of a Creation Unit is the difference between the Value of the Index Securities and Non-Index Securities constituting a Deposit Basket on the relevant Dealing Date delivered to the Custodian and the Issue Price of the Creation Unit as calculated in paragraph 22.1. If the Cash Issue Component, after taking into account of any Duties and Charges and/or Transaction Fee is a negative amount no cash shall be payable or paid by a Participating Dealer, but a cash amount equal to the negative shall be paid by the Trustee to the Participating Dealer within three (3) Dealing Days following the relevant Dealing Day.



### *Acceptance of Orders for Creation Unit aggregations*

- 22.7 The Trustee and the Manager reserve the absolute right without giving any reason therefore to reject a Creation Request transmitted to the Registrar. It is the current intention of the Manager that a Creation Request will be rejected if:
- (i) the order is not in proper form; or
  - (ii) under applicable law or regulation, the applicant (on whose behalf the Participating Dealer is acting) is not eligible to subscribe for, purchase or hold Units, or in the discretion of the Trustee or the Manager the purchase or holding of Units by the applicant might result in the Fund, the Manager or the Trustee incurring any liability to tax or suffering any other financial disadvantage or becoming subject to any law or regulation which they might not otherwise have incurred or suffered or become subject to.

The Registrar will notify the Participating Dealer of any rejection of an order placed by that Participating Dealer. The Trustee, the Manager and the Custodian are under no duty to provide reasons for rejecting a Creation Request in respect of the Fund.

23. The Manager may, with the approval of the Trustee, at its discretion change the number of Units comprising a Creation Unit aggregation for the purpose of effecting creations of Units.

The following Paragraphs 24 and 25 are applicable to subscribing for Units in cash and in-kind

24. For every successful application for Units, the Participating Dealer will be sent a confirmation detailing the number of Units allotted within seven (7) Business Days of the receipt of the application by the Registrar. All Units created through subscription of Units through the Participating Dealers will be entered on the records of CDP in the name of the Participating Dealer or its nominee.
25. No Units will be issued and no Creation Requests will be accepted during any period when the creation and redemption of Units is suspended (see paragraph 34 entitled "Suspension of Dealings" below).

## **XI REALISATION OF UNITS**

### 26. How to sell Units for cash or CPF monies

- 26.1 Investors may apply to redeem Units for cash (but not CPF monies) through Participating Dealers on any Cash Dealing Day which occurs only once a week. That means there will be limited opportunities for investors to apply to the Fund through Participating Dealers to redeem Units for cash. Investors who wish to dispose of less than the minimum redemption number of Units (as set out in paragraph 27) may only dispose of such an amount on the SGX-ST. Investors may, through the Participating Dealers, submit Redemption Requests on every Dealing Day for in-kind redemption of Units (see paragraph 29 of this Prospectus for more details) but it is expected that smaller investors who wish to redeem Units other than on a Cash Dealing Day will do so by trading in the Units on the SGX-ST. Investors may sell their Units for cash or sell their Units which were purchased with CPF monies on the SGX-ST through brokers in the same way as they may sell shares in companies listed on the SGX-ST.

- 26.2 A Holder may redeem Units in cash through completing the realisation request (or such other form as the Manager may approve from time to time) and forwarding the same to Participating Dealers. However, a Holder who has applied to subscribe for Units using cash on the Cash Dealing Day in any week shall not be entitled to redeem the Units to be issued to him until the following Cash Dealing Day.
27. There is no minimum holding amount for the Units. The minimum redemption number of Units is 50,000 Units or such other number of Units as may be determined from time to time by the Manager upon giving prior notice to the Trustee and with the approval of the Supervisory Committee. Holders with less than the minimum redemption number of Units may only sell their Units for cash by trading in the Units on the SGX-ST.
- 28.1 The net redemption proceeds are calculated by multiplying the number of Units to be redeemed by the Redemption Value of the Units on the Cash Dealing Day which shall be ascertained as follows:
- (i) by dividing the Value of the Deposited Property at the Valuation Point of each Dealing Day on which applications to redeem Units are deemed to be received by the Manager by the number of Units then in issue and deemed to be in issue; and
  - (ii) by adjusting the resulting total per Unit to the nearest S\$0.0001 (with fractions of S\$0.00005 being round up).

The Manager may deduct from the redemption proceeds such sum (if any) as the Manager may consider represents the appropriate provision for Duties and Charges and/or the Transaction Fee, which shall be for the account of the Fund. The Redemption Value shall be calculated in Singapore dollars and shall be based on forward pricing which means that the Redemption Value of the Units shall not be ascertainable at the time of application to redeem Units.

- 28.2 Applications to redeem Units for cash must reach the Registrar by the Dealing Deadline (12 noon (Singapore time) or such other time as the Manager may determine with the prior approval of the Trustee and prior notification to the Holders at such time and in such manner as the Trustee may require) on the Cash Dealing Day. If the request to redeem Units for cash is received by the Registrar after the Dealing Deadline, it shall be deemed to be received by the Registrar before the Dealing Deadline for the next Cash Dealing Day. This means that if an application is received by the Registrar by the Dealing Deadline on the Cash Dealing Day, the Redemption Value you will get will be based on the Value of the Deposited Property on the last Dealing Day of that week. Investors may obtain the Redemption Value on the next Business Day from the Manager's website at [www.nikkoam.com.sg](http://www.nikkoam.com.sg).
- 28.3 The following is an illustration on the redemption proceeds (before deduction of Duties and Charges) that an investor will receive based on the redemption of 50,000 Units and a notional Redemption Value of S\$1.05 (the actual Redemption Value of the Units will fluctuate according to the Value of the Deposited Property).

<b>50,000 No. of Units Redeemed</b>	<b>x</b>	<b>S\$1.05 Redemption Value</b>	<b>=</b>	<b>S\$52,500 Redemption Proceeds (excluding any Duties and Charges)</b>
---	----------	---	----------	---

- 28.4 Where Units are to be redeemed for cash, the Manager shall proceed to effect any sales of Investments necessary to provide the cash required to pay the realisation proceeds and notify the Trustee that those Units are to be redeemed and cancelled. In such event the Fund shall be reduced by the cancellation of those Units on the Cash Settlement Date and for settlement

on that Cash Settlement Date the Trustee shall pay the realisation proceeds to the relevant Holder. Notwithstanding the foregoing, no realisation proceeds shall be paid unless Units, the subject of the application to redeem Units for cash, have been delivered to the Trustee for redemption by such time on the Cash Settlement Date as the Trustee and the Manager shall for the time being prescribe. In the event that Units are not delivered to the Trustee for redemption in accordance with the foregoing: (i) the application for redemption for cash shall be deemed never to have been made (except that the Duties and Charges shall remain due and payable) and (ii) the Manager may, but shall not be bound to, charge the applicant (for the account of the Fund) a cancellation fee of such amount as it may from time to time determine to represent the administrative costs involved in processing the redemption request, and any losses arising in respect of the Fund's sale and purchase of Investments and any interest costs incurred by the Fund in connection with such failed redemption. In addition, the Manager may, but shall not be bound to require the Participating Dealer to pay to the Trustee for the account of the Fund in respect of each Unit, the subject of the application for redemption of Units for cash, the amount (if any) by which the redemption value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit as if the Manager had received on the relevant Cash Settlement Date in relation to such Units to be redeemed an application from such applicant for the subscription of such Units in accordance with the provisions of paragraph 21 of this Prospectus.

- 28.5 The Redemption Value excludes Realisation Charge as no Realisation Charge is payable.
- 28.6 Payment will be made within four (4) Business Days after the Cash Dealing Day subject to the provisions of the Trust Deed. For Units purchased with cash, the net redemption proceeds shall be paid to the investor.

#### How to redeem Units in-kind

- 29.1 For so long as the Units are listed, quoted and traded on the SGX-ST, the Manager shall determine and designate the Index Securities and Non-Index Securities comprising the Redemption Basket applicable to requests to redeem Units in Redemption Unit aggregations submitted with respect to that Dealing Day. The Manager shall permit redemption of a Creation Unit or whole-number multiples thereof on a continuous basis on every Dealing Day to Participating Dealers at the Redemption Value for that Creation Unit. On receipt of a Redemption Request by the Registrar from a Participating Dealer on behalf of a Holder which complies with the requirements as set out in paragraph 29.7 below, the Manager shall effect the redemption of the Units, in Redemption Unit aggregations, specified in the Redemption Request for proceeds equivalent to the Redemption Value of each Creation Unit aggregation to be redeemed, such proceeds to be by way of a transfer by or on behalf of the Trustee *in specie* of the Redemption Securities and payment by or on behalf of the Trustee in cash of the Cash Redemption Component (if positive) determined as at the Dealing Day. The Redemption Value for the Creation Unit shall be ascertained as follows:
- (i) by dividing the Value of the Deposited Property at the Valuation Point of each Dealing Day on which applications to redeem the Creation Unit are deemed to be received by the Manager by the number of Units then in issue and deemed to be in issue;
  - (ii) by adjusting the resulting total per Unit to the nearest S\$0.0001 (with fractions of S\$0.00005 being rounded up);
  - (iii) by multiplying the resulting total by the number of Units comprising a Creation Unit aggregation; and
  - (iv) thereafter by adjusting the amount to the nearest S\$0.01 (with fractions of S\$0.005 being rounded up).

The Manager may set off against any Cash Redemption Component payable to a Participating Dealer such sum (if any) as the Manager may consider represents the appropriate provision for the Transaction Fees, which deduction shall be for the account of the Fund. To the extent that the Cash Redemption Component is insufficient to pay such Transaction Fees payable on such redemption, the Participating Dealer shall promptly pay the shortfall in Singapore dollars to or to the order of the Trustee and the Trustee shall not be obliged to deliver (and shall have a general lien over) the Redemption Securities until such shortfall is paid in full to or to the order of the Trustee. The Redemption Value for the Creation Unit shall be based on forward pricing which means that the Redemption Value of the Units shall not be ascertainable at the time of request to redeem the Creation Unit.

*Procedures for Redemption of Units in-kind*

- 29.2 Investors who wish to redeem Units in-kind must approach a Participating Dealer to do so on their behalf. Such investor may be required to complete a form as required by the Participating Dealer. In addition, the Participating Dealer may request the investor to make certain representations or enter into agreements with respect to the order, for example, to provide for payments of cash, when required. Investors should be aware that their particular broker or dealer may not have executed a Participant Agreement and that, therefore, orders to redeem Units have to be placed by the investor's broker or dealer through a Participating Dealer that has entered into a Participant Agreement. In such cases there may be additional charges to such investor. At any given time, there may be only one or a limited number of Participating Dealers.
- 29.3 Redemption Requests received from Participating Dealers and accepted by the Registrar by the Dealing Deadline (5.30 p.m. (Singapore time) or such other time as the Manager may determine with the prior approval of the Trustee and prior notification to the Holders at such time and in such manner as the Trustee may require) on each Dealing Day will be redeemed at that Dealing Day's Redemption Value as calculated in accordance with paragraph 29.1 of this Prospectus. Redemption Requests received from Participating Dealers after the Dealing Deadline or on a day which is not a Dealing Day shall be deemed to be received by the Registrar before the Dealing Deadline for the next Dealing Day. Investors placing orders to redeem Units should afford sufficient time to permit proper submission of the order by the Participating Dealers to the Registrar prior to the Dealing Deadline on the relevant Dealing Day.
- 29.4 The Index Securities and Non-Index Securities comprising the Redemption Basket ("**Redemption Securities**") distributable and Cash Redemption Component (less any Transaction Fees) in respect of the redemption of Units may be transferred or paid sooner but shall, subject to the provisions of paragraph 32 of this Prospectus, be distributable and payable no later than the Settlement Date provided that the Units, which are the subject of the redemption request, have been delivered to the Trustee by the Settlement Date and the full amount of the Cash Redemption Component (if negative) and any additional sums payable under paragraph 31 and/or the Transaction Fees payable have been deducted and set-off or otherwise paid in full by the Settlement Date. For the purposes of this paragraph 29.4, the Holder on whose behalf a Redemption Request is made by a Participating Dealer shall be deemed to authorise (i) the transfer of the Redemption Securities by book entry to the designated stock account and (ii) the payment of the Cash Redemption Component by book entry payment to the designated cash account or by telegraphic transfer to a bank account in the name or to the order, in each case, of that Participating Dealer by or through whom that redemption request was made. The Cash Redemption Component shall be paid in Singapore dollars and, if paid by telegraphic transfer, shall be paid to a Singapore dollar account of a Singapore bank, unless otherwise agreed by the Manager.

29.5 Where Units are to be redeemed, the Manager shall proceed to effect any sales of Investments necessary to provide the cash required to pay the Cash Redemption Component and notify the Trustee that those Units are to be redeemed and cancelled. In such event the Fund shall be reduced by the cancellation of those Units on that Settlement Date and for settlement on that Settlement Date (or such later date as may from time to time be determined by the Manager with the consent of the Trustee) the Trustee shall transfer the applicable Redemption Securities out of the Deposited Property to or to the order of the Participating Dealer through which the redeeming Holder made his redemption request and shall pay the Cash Redemption Component to the relevant Holder. Notwithstanding the foregoing, no Redemption Securities shall be delivered and no Cash Redemption Component shall be paid unless Units, the subject of the Redemption Request, have been delivered to the Trustee for redemption by such time on the Settlement Date as the Trustee and the Manager shall for the time being prescribe for such Redemption Request. The Manager, with prior approval of the Trustee, may at its discretion extend the settlement period, such extension to be on such terms and conditions (including as to the payment of any fees it may determine to represent the administrative costs involved in extending the Settlement Date) as the Manager may determine. In the event that Units are not delivered to the Trustee for redemption in accordance with the foregoing: (i) the Redemption Request shall be deemed never to have been made (except that the Transaction Fee therefor shall remain due and payable) and (ii) the Manager may, but shall not be bound to, charge the applicant (for the account of the Fund) a cancellation fee of such amount as it may from time to time determine to represent the administrative costs involved in processing the redemption request, and any losses arising in respect of the Fund's sale and purchase of Investments and any interest costs incurred by the Fund in connection with such failed redemption. In addition, the Manager may, but shall not be bound to require the Participating Dealer to pay to the Trustee for the account of the Fund in respect of each Unit, the subject of the Redemption Request, the amount (if any) by which the redemption value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit as if the Manager had received on the relevant Settlement Date in relation to such Units to be redeemed an application from such applicant for the creation of such Units in accordance with the provisions of paragraphs 21 to 22 of this Prospectus.

29.6 The Cash Redemption Component of a Creation Unit is the difference between the Value of the Index Securities and Non-Index Securities constituting a Deposit Basket and the Redemption Value of the Creation Unit as calculated in paragraph 29.1 of this Prospectus.

*Acceptance of Orders for Redemption of Creation Unit aggregations*

29.7 To be effective, a Redemption Request:

- (i) must be given to the Participating Dealer in accordance with a Participant Agreement;
- (ii) must specify the (round) number of Redemption Unit aggregations the subject of the Redemption Request; and
- (iii) may not be in respect of Units other than as comprising a Redemption Unit aggregation.

30. A Redemption Request once given cannot be revoked or withdrawn without the consent of the Manager.

31. The Manager may from time to time in its absolute discretion substitute an amount of cash to replace any Index Security or Non-Index Security comprised in a Redemption Basket in connection with a request to redeem any Redemption Unit aggregation provided that the aggregate Value of all replaced Index Securities and Non-Index Securities substituted by

cash shall not exceed forty per cent. (40%) (or such other percentage as determined by the Manager from time to time and approved by the Trustee and the Supervisory Committee) of the redemption value. In the event the Manager exercises such discretion, the cash in lieu amount shall be equal to the Value of any substituted Index Security or Non-Index Security and shall comprise part of the Cash Redemption Component and each such substituted Index Security or Non-Index Security shall be deemed not to be a Redemption Security comprising part of the Redemption Basket. The Manager shall be entitled in its discretion to charge (for the account of the Fund) to the applicant of any Units for which cash is paid in lieu of delivering any Redemption Securities such additional sum it may consider represents the appropriate provision for expenses incurred by the Fund.

#### Applicable to redeeming Units

32. The Manager shall be entitled to limit the total number of Units which Holders are entitled to redeem on a Dealing Day to ten per cent. (10%) (or such higher percentage as the Manager may determine in any particular case) of the total number of Units in issue (disregarding any Units which have been agreed to be issued), such limitation to be applied (subject as provided in the last sentence of this paragraph) *pro rata* to all Participating Dealers who have validly requested redemptions to be effected on such Dealing Day so that the proportion redeemed of each holding so requested to be redeemed is the same for all Participating Dealers. Any Units which, by virtue of the powers conferred on the Manager hereby, are not redeemed in respect of a particular Dealing Day (a "**first relevant Dealing Day**") shall be carried forward for redemption (subject to any further application of the provisions of this paragraph) on the Dealing Day next following the first relevant Dealing Day (such Dealing Day being hereinafter referred to as a "**second relevant Dealing Day**"). The Manager will inform the Participating Dealers of Units the redemption of which has been deferred within one Business Day after the relevant Dealing Day and that (subject as aforesaid) they shall be redeemed on the second relevant Dealing Day. If on the second relevant Dealing Day the Manager shall decide to apply the limitation described in the first sentence of this paragraph, Units the subject of redemption requests first carried forward from the first relevant Dealing Day shall then (subject to the application of such limitation) be redeemed in priority to Units the subject of redemption requests received on the second relevant Dealing Day, and such second relevant Dealing Day shall be treated as the first relevant Dealing Day for Holders whose redemption requests are to be carried forward hereunder after such second relevant Dealing Day.

## **XII OBTAINING PRICES OF UNITS**

33. The Issue Price and Redemption Value of Units will be available on the Business Day following each Dealing Day.

Investors may check such Issue Price and Redemption Value on the Manager's website at [www.nikkoam.com.sg](http://www.nikkoam.com.sg).

## **XIII SUSPENSION OF DEALINGS**

34. Subject to the second proviso in Clause 14.3.1 of the Trust Deed and provisions in the CIS Code, the Manager may at any time with the prior approval of the Trustee suspend the right of the Holders to require the creation and/or redemption of Units and/or delay the payment of any moneys and distribution of any Redemption Securities in respect of any redemption during any of the following periods:

- (a) any period when the SGX-ST is closed;

- (b) any period when dealings of the Units on the SGX-ST are restricted or suspended;
- (c) any period when settlement or clearing of securities in CDP is disrupted;
- (d) the existence of any state of affairs as a result of which delivery of Index Securities or Non-Index Securities comprised in a Deposit Basket or Redemption Basket or disposal of Investments for the time being comprised in the Deposited Property cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Holders;
- (e) any period when, in the opinion of the Manager, funds cannot be normally remitted from Deposited Property without prejudicing the interests of Holders;
- (f) any period when the Index is not compiled or published;
- (g) any breakdown in the means normally employed in determining the Value of the Deposited Property or liability of the Fund or when for any other reason the Value of any Investment or other property for the time being comprised in the Deposited Property or the liabilities of the Fund cannot be promptly and accurately ascertained;
- (h) any 48 hours (or such longer period as the Manager and the Trustee may agree) prior to the date of any meeting of the Holders or any adjourned meeting thereof;
- (i) any period when the business operations of the Manager or the Trustee in relation to the operations of the Fund are 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;
- (j) any period when the dealing of Units is suspended pursuant to any order or direction issued by the Authority; or
- (k) such circumstances as may be required under the provisions of the CIS Code.

35. Such suspension (which expression shall include the aforesaid right to delay payment) shall take effect forthwith upon the declaration thereof by the Manager and thereafter there shall be no redemption of Units and/or transfer of such Redemption Securities and payment of the Cash Redemption Component or cash Redemption Value in respect of any such redemption until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the Business Day following the first Business Day on which (a) the condition giving rise to the suspension shall have ceased to exist and (b) no other condition under which suspension is authorised under the Trust Deed shall then exist, or within 21 days (or such other period as may be required under the CIS Code) of the commencement of the suspension (whichever is earlier). The period of suspension may be extended beyond the said 21 day period provided that the Manager satisfies the Trustee that it is in the best interest of the Holders for the dealing in Units to remain suspended and provided that such extension is subject to weekly review by the Trustee. Each declaration by the Manager pursuant to the Trust Deed shall be consistent with such official rules and regulations, if any, relating to the subject matter thereof as shall have been promulgated by any authority having jurisdiction over the Fund and as shall be in effect at the time. To the extent not inconsistent with such official rules and regulations, and subject to the foregoing provisions hereof, the declaration of the Manager shall be conclusive. During any such suspension by reason of any of the circumstances set out in paragraphs 34(a) to (k) above, the calculation of the Value of the Deposited Property and each Unit (including the Issue Price and Redemption Value) may also be suspended and the Manager shall be under no obligation to rebalance or adjust the

Deposited Property, in either case at the discretion of the Manager. The Manager shall publish the fact that the calculation of the Value of the Deposited Property and each Unit is suspended immediately following such suspension and at least once a month during the period of such suspension in such newspaper or newspapers in Singapore or elsewhere as the Manager may from time to time think fit.

36. Any Participating Dealer may at any time after such a suspension has been declared and before termination of such suspension withdraw any redemption request or any application for the issue of Units by notice in writing to the Manager to whom the relevant request or application had originally been submitted. If no such notification of the withdrawal of any such request or application has been received by the Manager before termination of such suspension, the Manager shall, subject to and in accordance with the provisions of the Trust Deed, redeem Units in respect of which Manager have received a valid Redemption Request and the Trustee and the Manager shall consider applications for the issue of Units as at the Dealing Day next following the termination of such suspension. In addition, the period for distributing any proceeds the distribution of which has been delayed pursuant to the suspension shall be extended by a period equal to the length of the period of the suspension.

#### XIV PERFORMANCE OF THE SCHEME AND THE BENCHMARK

- 37.1 The performance of the Fund as at 28 February 2014 is shown in the table below:

	<u>Return over 1 year % change</u>	<u>Return over 3 years (A.C.R.)</u>	<u>Return over 5 years (A.C.R.)</u>	<u>Return over 10 years (A.C.R.)</u>	<u>Return since Inception (A.C.R.)</u>
*Fund	-2.29%	1.93%	1.81%	N.A.	2.67%
Benchmark	-2.00%	2.22%	2.11%	N.A.	2.94%

\*Calculated on a NAV-to-NAV basis, S\$, with all dividends and distributions reinvested (net of reinvestment charges), if any.

Source: ©2014 Morningstar, Inc., Nikko Asset Management Asia Limited

Benchmark: iBoxx ABF Singapore Bond Index total return series

Inception Date of ABF Singapore Bond Index Fund: 31 August 2005

"**A.C.R.**" means Average Annual Compounded Return

- 37.2 The returns on the Fund as shown in the table in paragraph 37.1 above are calculated on a single pricing basis. There is no subscription fee or Realisation Charge for the Fund payable presently or during the duration of the periods for which the returns are calculated.
- 37.3 The returns for the Fund are calculated on the assumption that all dividends and distributions (if any) made by the Fund are reinvested, taking into account all charges which would have been payable upon such reinvestment.
- 37.4 Investors should note that the past performance of the Fund indicated in paragraph 37.1 above is not necessarily indicative of the future performance of the Fund.



- 37.5 As required under the regulations made under the Securities and Futures Act, this Prospectus does not contain any information on past performance based on simulated results of a hypothetical collective investment scheme.

#### Expense ratio

- 37.6 The expense ratio of the Fund (calculated in accordance with Investment Management Association of Singapore's guidelines on the disclosure of expense ratios and based on figures in the Fund's latest audited accounts) for the financial period ended 30 June 2013 is 0.26%.

The following expenses (where applicable) are excluded from the calculation of the expense ratios:

- (a) brokerage and other transaction costs associated with the purchase and sales of investments (such as registrar charges and remittance fees);
- (b) foreign exchange gains and losses of the Fund whether realised or unrealised;
- (c) front-end loads, back-end loads and other costs arising on the purchase or sale of a foreign unit trust or mutual fund;
- (d) tax deducted at source or arising from income received, including withholding tax;
- (e) interest expenses; and
- (f) dividends and other distributions paid to Holders.

#### Turnover ratio

- 37.7 The audited turnover ratio of the Fund (calculated based on the lesser of purchases or sales expressed as a percentage of the average NAV, i.e. average daily net asset value) for the financial period ended 30 June 2013 is 37.38%.

#### Benchmark

38. The benchmark against which the performance of the Fund is measured is the iBoxx ABF Singapore Bond Index total return series.

### **XV SOFT DOLLAR COMMISSIONS/ARRANGEMENTS**

39. In its management of the Fund, the Manager currently does not receive or enter into any soft dollar commissions or arrangements.

### **XVI CONFLICTS OF INTEREST**

- 40.1 Other than the Fund, the Manager is also the manager of other collective investment schemes including but not limited to:

- a) Nikko AM Shenton Twin City Fund
- b) Nikko AM Shenton Japan Fund
- c) Nikko AM Shenton Thrift Fund

- d) Nikko AM Shenton Income Fund
- e) Nikko AM Shenton Asia Pacific Fund
- f) Nikko AM Shenton Greater China Fund
- g) Nikko AM Shenton Global Opportunities Fund
- h) Nikko AM Shenton World Bank Green Bond Fund
- i) Nikko AM Shenton Emerging Enterprise Discovery Fund
- j) Nikko AM Shenton Horizon Investment Funds
- k) Nikko AM Shenton Eight Portfolios
- l) Nikko AM Asia Investment Funds
- m) Nikko AM Shenton Short Term Bond Funds
- n) DBS Asia Asset Allocator Fund
- o) Nikko AM China All Access Opportunity Fund
- p) Nikko AM Indochina Fund
- q) Nikko AM Singapore STI ETF
- r) Nikko AM Asia Limited Investment Series
- s) Nikko AM Japan Dividend Equity Fund
- t) MSIG Asian Bond Fund

40.2 The Manager may from time to time have to deal with competing or conflicting interests of the above schemes with the Fund. For example, the Manager may make a purchase or sale decision on behalf of some or all of the above schemes without making the same decision on behalf of the Fund, as a decision whether or not to make the same investment or sale for the Fund depends on factors such as the cash availability and portfolio balance of the Fund. However, the Manager will use its reasonable endeavours at all times to act fairly and in the interests of the Fund. In particular, after taking into account the availability of cash and the relevant investment guidelines of the above-mentioned schemes and the Fund, the Manager will endeavour to ensure that securities bought and sold will be allocated proportionately as far as possible among the above-mentioned schemes and the Fund. The Manager may also transact on the Fund's behalf with its affiliates. It is the Manager's intention to deal with any conflicts of interests in a manner consistent with any applicable guidelines which may be issued from time to time by the Investment Management Association of Singapore.

40.3 The Manager is of the view that it is not in a position of conflict in managing its other funds as these funds and the Fund have different investment universes and investment restrictions. To the extent that there are overlapping investment objectives, the Manager will, as far as practicable, endeavour to have the same securities holdings for such overlapping areas with such securities allocated on a pro-rata basis among the funds. The Manager will conduct all transactions with or for the Fund at arm's length.

41.1 The Trustee, the Manager and any Connected Persons or associate of the Trustee or the Manager may:

- (a) purchase, hold, deal in or dispose of Units and may contract or enter into any financial, banking, insurance, brokerage or other transaction with one another, the

Holders, Participating Dealers or any corporation or body any of whose securities form part of the Deposited Property, make profits from such contracts or other transactions and be interested in any such corporation or body; and

- (b) invest in and deal with securities or any property of the kind included in the property of the Fund or any other investments for their respective individual accounts or for the account of a third party or enter into contracts or other arrangements with one another and make profits from these activities.
- 41.2 Neither the Manager nor any of the directors of the Manager or any of their associates is or will become entitled to receive any part of the brokerage charged to the Fund, or any part of the fees, allowances, benefits, etc received on purchases charged to the Fund.
- 41.3 Except in the case of a purchase for the account of the Trust of any unit, share or other interest in a money market fund managed by the Manager or any Connected Person of the Manager for which the Trustee's prior written consent has been obtained, neither the Trustee nor the Manager shall as principal to buy or sell or otherwise deal in the purchase or sale of Investments from or to the Trustee for the account of the Fund or otherwise deal as principal with the Fund. However, with the prior written consent of the Trustee, any Connected Person of the Manager may as principal buy or sell or otherwise deal in the purchase or sale of Investments from or to the Trustee for the account of the Fund or otherwise deal as principal with the Fund provided that all such transactions are entered into on an arm's length basis and at the best price available to the Fund having regard to the kind, size and time of the transaction. If any Connected Person of the Manager shall so buy, sell or deal, such Connected Person may retain for its own absolute use and benefit any profit which it may derive therefrom or in connection therewith.
- 41.4 Any cash of the Fund may be deposited with any Connected Person or invested in certificates of deposit or banking investments issued by any Connected Person. Banking or similar transactions may also be undertaken with or through a Connected Person.
- 41.5 Subject to applicable law, regulations and the CIS Code, and with the prior written consent of the Trustee, the Manager may effect transactions by or through the agency of another person for the account of the Fund with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialized software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Fund as a whole and may contribute to an improvement in the performance of the Fund, provided that such transactions are executed at the best price available to the Fund having regard to the kind, size and time of the transaction.
- 41.6 Where the Manager or any Connected Person of the Manager receives any cash rebate of all or any part of any commission paid out of the Fund, the Manager or that Connected Person shall not be entitled to retain that cash rebate but shall account for and pay the same to the Trustee to be held as property of the Fund.
- 41.7 The Manager may effect agency cross transactions where both the sale and purchase of an investment are effected for clients (including the Fund on the one hand) of the Manager and/or its Connected Persons. The Manager shall only undertake such transactions in accordance with the CIS Code and applicable law and regulation and, specifically, may only do so if the sale and purchase decisions are in the interests of both clients, permitted within the investment guidelines/objectives of both clients and the transactions are executed on an

arm's length basis at the then prevailing market rates and at the best price available to the Fund having regard to the kind, size and time of the transaction. The Manager will ensure that such transactions are effected on terms which result in fair treatment to the Fund and ensure that the Fund is not at any time disadvantaged.

- 41.8 The Manager may, in the course of its business, have potential conflicts of interest with the Fund. In such circumstances, the Manager will have regard to their obligations under the Trust Deed and, in particular, to their obligation to act in the best interests of the Fund and the Holders so far as practicable, having regard to its obligations to other clients when undertaking any investments where conflicts of interest may arise. In the event that such conflicts do arise, the Manager will use its best efforts to resolve such conflicts fairly and if material to report them to the Supervisory Committee.
- 41.9 In respect of voting rights where the Manager may face a conflict between its own interest and that of the Holders, the Manager shall cause such voting rights to be exercised in consultation with the Trustee.
- 41.10 The Trustee is presently also offering registrar and valuation services to the Fund. These services are provided on an arm's length basis and the fees for these services are permitted to be paid out of the Deposited Property of the Fund under the provisions of the Deed.
- 41.11 The Manager and the Trustee will conduct all transactions with or for the Fund on an arm's length basis.
- 41.12 The Manager or the Trustee or their respective affiliates (together the "**Parties**") are or may be involved in other financial, investment and professional activities which may on occasion cause conflicts of interest with the management of the Fund. Each of the Parties will ensure that the performance of their respective duties will not be impaired by any such involvement and that any such activities will be conducted on an arm's length basis. In the event a conflict of interest does arise, the Parties will endeavour to ensure that it is resolved fairly and in the interest of the Holders.
- 41.13 Subject to the provisions of the Deed, the Manager or the Trustee may purchase, hold, deal in or dispose of Units provided that any such transaction shall be on an arm's length basis. In the event of any conflict of interest arising as a result of such dealing, the Manager and the Trustee, following consultation with the other, will resolve such conflict in a just and equitable manner as they shall deem fit.
- 41.14 Markit Indices Limited (formerly known as International Index Company Limited) is the Index Provider for the Index. The Index Provider and the Manager are not related to each other, and the Index Provider is not a Connected Person of the Trustee, the Manager or the SGX-ST. However, the Trustee and/or the Manager or their respective affiliates may from time to time have an interest in or be connected with the Index Provider. The Manager, the Trustee, the Custodian and the Registrar will act independently of the Index Provider. The Manager has entered into a Licence Agreement with the Index Provider and the licence fee payable by the Fund to the Index Provider is stated in paragraph 17 above.

## **XVII REPORTS**

42. The Fund's financial year ends on 30 June in each year. Holders may obtain electronic copies of the annual accounts of the Fund, reports of the auditors on the annual accounts of the Fund and the annual reports of the Fund for the relevant financial year (collectively, the "**Reports**") from the Manager's website at [www.nikkoam.com.sg](http://www.nikkoam.com.sg). The Reports will be made available on the Manager's website within three (3) months of the financial year-end of the

Fund and will remain on the Manager's website for at least 12 months from the date of posting on the Manager's website. Printed copies of the Reports are not sent to Holders. However, Holders who would like to receive printed copies of the Reports may submit the relevant request to the Manager.

43. Holders may obtain electronic copies of the semi-annual report and semi-annual accounts of the Fund (collectively, the "**Semi-Annual Reports**") from the Manager's website at [www.nikkoam.com.sg](http://www.nikkoam.com.sg). The Semi-Annual Reports will be made available on the Manager's website within two (2) months of the end of the period covered by the relevant report and accounts and will remain on the Manager's website for at least 12 months from the date of posting on the Manager's website. Printed copies of the Semi-Annual Reports are not sent to Holders. However, Holders who would like to receive printed copies of the Semi-Annual Reports may submit the relevant request to the Manager.

## **XVIII QUERIES AND COMPLAINTS**

44. Investors may call at the telephone number 1800 535 8025 to reach the Manager to raise any queries or make complaints.

## **XIX OTHER MATERIAL INFORMATION**

### Trading Units on the SGX-ST

45. Units are listed for trading on the secondary market on the SGX-ST. Units can be bought and sold throughout the trading day like other publicly traded shares. There is no minimum investment. Although Units are generally purchased and sold in "board lots" of 1,000 Units, brokerage firms may permit investors to purchase or sell Units in smaller "odd-lots", although prices of Units traded in "odd-lots" may differ slightly from Units purchased and sold in "board lots". When buying or selling Units through a broker, investors will incur customary brokerage commissions and charges and stamp duty, and investors may pay some or all of the spread between the bid and the offered price in the secondary market on each leg of a round trip (purchase and sale) transaction. Unit prices are reported in Singapore dollars and cents per Unit.

### Book-Entry Securities

46. Units will be deposited, cleared and settled by the CDP. Units are held in book-entry form, which means that no Unit certificates are issued. CDP is the registered owner (i.e. the sole Holder of record) of all outstanding Units deposited with the CDP and is therefore recognised as the legal owner of such Units. Investors owning Units are beneficial owners as shown on the records of CDP or the Participating Dealers (as the case may be).

### Units' Trading Prices and Market Makers

47. The trading prices of Units on the SGX-ST may differ in varying degrees from their daily NAVs and can be affected by market forces such as supply and demand, economic conditions and other factors.
48. It is the intention of the Manager to assist in the creation of liquidity for investors by appointing Market Makers before the listing of the Fund to maintain a market for the Units. Units may be purchased from and sold through the Market Makers. However, there is no guarantee or assurance as to the price at which a market will be made. A list of appointed Market Makers may be obtained from the Manager. In maintaining a market for Units, the Market Makers may realise profits or sustain losses in the amount of any differences between the prices at which

they buy Units and the prices at which they sell Units. Any profit made by the Market Makers may be retained by them for their absolute benefit and they shall not be liable to account to the Fund in respect of such profits.

#### Additional Listing

49. The Manager may, with the approval of the Supervisory Committee, seek a listing of the Units on any other internationally recognised regulated stock or investment exchange or marketplace having regard to such factors as commercial viability of the proposed listing, legal and regulatory readiness of the market concerned, prevailing market environment, operational requirements and market development. Any costs associated with any such listing will be funded out of the Deposited Property.

#### Distributions

50. The Manager currently intends to pay out income dividends of the Fund to the Holders annually around January of each year. There is currently no dividend reinvestment service. On each distribution, in relation to each fiscal year period as determined by the Manager, the Trustee will allocate for distribution among the Holders of the Fund as at the Record Date such amount that the Manager determine to be distributed in their absolute discretion. Amounts to be distributed in respect of each Unit will be rounded down to the nearest S\$0.01 per Unit. The Record Dates may be changed, or added to, as determined by the Manager with the approval of the Trustee. Distributions will only be paid to the extent that they are available for distribution pursuant to the Trust Deed and covered by income received from the underlying investments of the Fund. Income received by the Fund pending distribution may be invested by the Manager in a manner consistent with achieving the investment objective of the Fund. Any monies payable to a Holder which remain unclaimed after a period of 12 months shall be accumulated by the Trustee in a special account (the "**Unclaimed Monies Account**") and, subject to Clause 32 of the Trust Deed, the Trustee shall cause such sums which represent monies unclaimed by a Holder for more than six (6) years and interest, if any, earned thereon to be paid into court after deducting all fees, costs and expenses incurred in relation to such payment from the sum thereof provided that if the said sum is insufficient to meet all such fees, costs and expenses, the Trustee shall be entitled to have recourse to the Deposited Property.

#### Taxation Considerations

- 51.1 As with any investment, prospective investors should consider how their investment in Units will be taxed. The tax information in this Prospectus is provided as general information and does not constitute tax or legal advice. Prospective investors should consult their own tax advisers about the tax consequences of an investment in Units.

#### *Singapore Tax*

- 51.2 The following summary of certain Singapore income tax consequences of the purchase, ownership and disposition of Units is based upon laws and regulations now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of Units and does not purport to deal with the consequences of application to all categories of investors, some of which may be subject to special rules. The comments herein are not binding on the Singapore tax authorities and there can be no assurance that it will not take a position contrary to any of the comments herein. Each prospective investor is advised to consult its own tax advisers concerning the application of Singapore tax laws to its particular situation as well as any consequences of the purchase, ownership and disposition of Units arising under the laws of any other tax jurisdictions.

### 51.3 Taxation of the Fund

The Fund was granted the Designated Unit Trust status by the Inland Revenue Authority of Singapore ("IRAS") on 8 September 2005.

Under Section 35(12) and (12A) of the Income Tax Act, Chapter 134 of Singapore (the "**Income Tax Act**"), subject to certain conditions, the following income (hereinafter termed as "Designated Income") will not form part of the statutory income of the Fund and is thus not taxable at the Fund's level:

- gains or profits derived from Singapore or elsewhere from the disposal of securities;
- interest (other than those where Singapore withholding tax has been deducted);
- dividends derived from outside Singapore and received in Singapore;
- gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index;
- distributions from foreign unit trusts derived from outside Singapore and received in Singapore;
- fees and compensatory payments (other than those where Singapore withholding tax has been deducted) from certain securities lending or repurchase arrangements with specified counterparties;
- rents and any other income derived from any immovable property situated outside Singapore and received in Singapore;
- discount derived from outside Singapore and received in Singapore;
- discount from Qualifying Debt Securities ("**QDS**") (as defined under Section 13(16) of the Income Tax Act) issued during the period from 17 February 2006 to 31 December 2018;
- gains or profits from the disposal of debentures, stocks, shares, bonds or notes issued by supranational bodies;
- prepayment fee, redemption premium and break cost from QDS issued during the period from 15 February 2007 to 31 December 2018; and
- such other income directly attributable to QDS issued on or after a prescribed date, as may be prescribed by regulations.

Unless otherwise exempt from tax, any income not falling within the prescribed list of Designated Income ("**non-Designated Income**") will generally be subject to tax at the prevailing corporate income tax rate, currently 17%. The tax on such income will be assessed on the Trustee in its capacity as the trustee of the Fund.

Distributions made by the Fund to all Holders will not attract Singapore withholding tax.

### 51.4 Taxation of Holders

Distributions from the Fund

#### **Individuals**

Individuals (whether resident in Singapore or not) are exempt from Singapore income tax on distributions made by the trustee of any collective investment scheme constituted as a unit trust authorised under Section 286 of the Securities and Futures Act. This tax exemption does not apply to distributions derived by individuals through a partnership in Singapore or from the carrying on of a trade, business or profession.

As the Fund is a collective investment scheme constituted as a unit trust authorised under Section 286 of the Securities and Futures Act, the aforesaid tax exemption will apply to distributions made by the Fund. Individuals who derive the distributions through a partnership in Singapore or from the carrying on of trade, business or profession will be subject to tax on such distributions at their own applicable tax rates.

### **Non-individuals**

#### *Foreign investors*

All distributions of Designated Income to Holders who are "foreign investors" are exempt from Singapore income tax. Based on the current interpretation of the IRAS, this tax exemption will apply only if such distributions are not connected with a permanent establishment that the foreign investor may have in Singapore.

The term "foreign investor" is defined in Section 10(23) of the Income Tax Act and includes:

- a non-resident company (with not more than 50 shareholders) where all of its issued shares are beneficially owned, directly or indirectly, by persons who are not citizens of Singapore and not resident in Singapore;
- a non-resident company (with more than 50 shareholders) where not less than 80% of the total number of its issued shares are beneficially owned, directly or indirectly, by persons who are not citizens of Singapore and not resident in Singapore; and
- a trust fund where at least 80% of the value of the fund is beneficially held, directly or indirectly, by individuals who are not resident in Singapore or by companies which are foreign investors or by both and, unless waived by the Singapore Minister for Finance or such person as he may appoint, where:
  - the fund is created outside Singapore; and
  - the trustee of the fund is neither a citizen of Singapore nor resident in Singapore.

In general, any non-Designated Income is subject to a final tax at the Fund's level. Any distributions made out of non-Designated Income will not be subject to further Singapore income tax in the hands of a foreign investor.

#### *Other Holders*

Other Holders (i.e. those who are neither individuals nor foreign investors) are generally subject to Singapore income tax on the gross amount of the distributions paid out of Designated Income by the Fund. Such distributions are deemed to be income of such Holders and will be taxed at the Holders' own applicable tax rates. In the case of a corporate Holder, the current income tax rate is 17%. Where the Designated Income is interest and discount derived from QDS issued during the period from 17 February 2006 to 31 December 2018, any distributions made out of such income will, based on the current practice of the IRAS, be taxed at the concessionary rate of 10% (where the Holder is a company or a body of persons in Singapore) or be exempt from tax, as the case may be.

In general, any non-Designated income is subject to a final tax at the Fund's level. Any distributions made out of non-Designated Income will not be subject to further Singapore income tax in the hands of such Holders.

Distributions paid by the Fund out of non-Designated Income that is exempt from income tax will be exempt in the hands of such Holders.



#### 51.5 Disposal or redemption of Units

Singapore does not impose tax on capital gains. Any gains on disposal or redemption of Units are not liable to Singapore income tax provided Units are held as investment assets. Where Units are held as trading assets of a trade or business carried on in Singapore, any gains on disposal or redemption of Units are liable to Singapore income tax under Section 10(1)(a) of the Income Tax Act. Where Units were purchased with the intention or purpose of making a profit by disposal or redemption and not with the intention to be held for long-term investment purposes, any gains on disposal or redemption of Units could be construed as "gains or profits of an income nature" liable to tax under Section 10(1)(g) of the Income Tax Act.

Holders who have not opted out of the tax treatment provided under Section 34A of the Income Tax Act (which is applicable to persons who are required to prepare or maintain financial accounts in accordance with Singapore Financial Reporting Standard 39), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on Units, irrespective of disposal.

Holders who may be subject to the tax treatment under Section 34A of the Income Tax Act should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of Units.

Based on the current practice of the IRAS, any payment received by Holders upon winding up of the Fund will be treated as a distribution by the Fund and the treatment on distributions as described above will apply to such payment, as appropriate.

#### Meetings of Holders

52. The Trust Deed sets out procedures to be followed in respect of meetings of the Holders, including provisions as to the giving of notice, appointment of proxies and quorum. The Holders shall in addition to all other powers conferred upon them by statute or by the Trust Deed or otherwise have the following powers exercisable by Extraordinary Resolution namely:

- (i) power to assent to any modification or alteration of the provisions contained in the Trust Deed;
- (ii) power to increase the maximum Management Fee and Trustee Fee;
- (iii) power to permit other types of fees; or
- (iv) power to terminate the Fund.

All expenses of and incidental to the holding of a meeting in accordance with the provisions of the First Schedule of the Trust Deed or the circulation of resolutions shall be paid out of the Deposited Property. The Manager, Trustee, Custodian, any investment adviser appointed by the Manager or their respective Connected Persons are prohibited from voting their beneficially held Units at or be counted in the quorum for a meeting at which they have a material interest in the business to be contracted.

#### Amending the Trust Deed without Holders' Approval

53.1 Subject as hereinafter provided, the Trustee and the Manager (with the consent of the Supervisory Committee) may from time to time alter, modify or vary the terms of the Trust Deed by deed supplemental hereto in such manner and to such extent as they may consider

expedient for any purpose provided that unless the Trustee certifies in writing that such alteration, modification or variation is in the opinion of the Trustee not materially prejudicial to the interest of the Holders, does not to any material extent release the Trustee, the Manager or any other person from any liability to the Holders (other than upon any retirement or removal of the Trustee or the Manager) and does not increase the costs and charges payable out of the Fund (other than costs incurred in altering, modifying or varying the Trust Deed), no such alteration, modification or variation shall be made without the sanction of an Extraordinary Resolution. All amendments to the Trust Deed (whether with or without approval of the Holders) shall be publicly announced on the SGXNET and such announcement shall be posted on the internet at the SGX-ST website: <http://www.sgx.com>.

53.2 Without prejudice to paragraph 53.1, the Trustee and the Manager (with the consent of the Supervisory Committee) shall be entitled to alter, modify or vary the terms of the Trust Deed by deed supplemental hereto (and without the sanction of an Extraordinary Resolution) if the alteration, modification or variation to be made thereby is:

- (i) made in order either that the Fund should comply with fiscal or other statutory or official requirements (whether or not having the force of law) of any country or authority and the Trustee certifies in writing that in its opinion such change is necessary to so comply; or
- (ii) to correct a manifest error and the Trustee certifies in writing accordingly.

53.3 No alteration, modification or variation, regardless of it having been approved by Extraordinary Resolution, may impose any liability on any Holder to make further payments in respect of Units held by him or to accept any additional liability in respect of the Units.

53.4 Notwithstanding paragraph 53.1 above, provided that the Trustee shall certify in writing that any modification, alteration or addition is directly or indirectly necessary or desirable in the Trustee's opinion for the purposes of listing or maintaining a listing of the Units on the SGX-ST or any other recognised exchange approved by the Supervisory Committee, then the Trustee and the Manager (with the consent of the Supervisory Committee) may by deed supplemental hereto modify, alter or add to the provisions of the Trust Deed in such manner and to such extent as they may consider expedient for that purpose without the sanction of an Extraordinary Resolution.

53.5 All of the costs and expenses incurred by the Trustee or the Manager in connection with any such supplemental deed referred to in this paragraph 53 or entered into to effect a modification, alteration or replacement of a kind referred to in this paragraph 53 (including expenses incurred in the holding of a meeting of the Holders, where necessary) may be charged against the Fund.

#### Indemnities in favour of Trustee and Manager

54. The Trust Deed contains the duties and responsibilities of the Trustee and the Manager. The Trust Deed requires that (subject as provided in the Trust Deed) the Trustee and the Manager shall in the exercise of their respective powers, authorities and discretions act in the exclusive interests of the Holders. Neither the Trustee nor the Manager (and their respective directors, officers and employees) shall be exempted from any liability to any of the Holders, under Singapore law, for any fraud, negligence, bad faith or willful default on its (or their) part, nor may they be indemnified against such liability by the Holders or at the expense of the Holders. The Trust Deed includes certain exclusions of liability and indemnities in favour of the Trustee and the Manager, other than in respect of the Trustee's or Manager's fraud, negligence, bad faith or wilful default.

### Termination of the Fund

- 55.1 Notwithstanding the termination of the Fund, the Holder of any Unit in respect of which any amount remains unpaid shall remain liable for such amount until payment to that Holder by the Trustee of the final distribution to be made in accordance with paragraphs 55.7 to 55.10 below.
- 55.2 The Fund is of indeterminate duration and can only be terminated as described in paragraphs 55.1 to 55.6. The Fund may be terminated by the Trustee, with the prior approval of the Manager (except in the case of sub-paragraph (vii) below) and the Supervisory Committee (except in the case of sub-paragraphs (iii), (iv) and (ix) below) by notice in writing as hereinafter provided in any of the following events, namely:
- (i) if it becomes illegal, or in the opinion of the Trustee, impossible or impracticable to continue the Fund;
  - (ii) if the Fund shall become liable to taxation (whether in Singapore or elsewhere) in respect of income or capital gains at a rate considered by the Manager to be excessive in relation to the rate which would be borne by the Holders if they owned directly the Index Securities and Non-Index Securities in question;
  - (iii) if the Units cease to be listed on the SGX-ST or any successor thereto;
  - (iv) if the Fund ceases to be authorised under the Securities and Futures Act;
  - (v) if the Index ceases to be compiled or published, and there is no successor index;
  - (vi) if the Licence Agreement is terminated and a new licence agreement relating to the Index or any successor index is not entered into by the Manager;
  - (vii) if the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or shall be adjudged a bankrupt or insolvent or appoints liquidators or if a receiver shall be appointed in respect of the property or undertaking of the Manager or any part thereof or the Manager is the subject of any analogous proceedings or procedure in each case under the law of Singapore or such other law as may be applicable in the circumstances where, after the expiration of a period of three (3) months, the Trustee has not appointed a new manager in accordance with Clause 29.4 of the Trust Deed;
  - (viii) if on the expiration of three (3) months after notifying the Manager that in the Trustee's opinion a change of manager is desirable in the interests of the Holders pursuant to Clause 29.1.2 of the Trust Deed the Trustee has not found another company ready to accept the office of the manager of the Fund of which the Trustee and the Supervisory Committee and the Authority shall approve; or
  - (ix) if the average of the daily Value of the aggregate Deposited Property is less than S\$200 million over any rolling three (3) month period.

The decision of the Trustee and the Manager in any of the events specified in this paragraph (with the exception of sub-paragraph (vii)) shall be final and binding upon all parties concerned but the Trustee and the Manager shall be under no liability on account of any failure to terminate the Fund in any of the events described in paragraphs 55.1 to 55.6 or otherwise.

- 55.3 The Manager (failing which the Trustee) shall give written notice of termination of the Fund to the Holders in the manner herein provided and shall by such notice fix the date at which such termination is to take effect, which date shall not be less than three (3) months after the service of such notice (except where the Fund is terminated by reason that it is illegal to continue as described in paragraph 55.2(i) above in which case termination may take effect forthwith without any prior notice to the Holders).
- 55.4 The Fund may be terminated at any time by Extraordinary Resolution of the Holders and such termination shall take effect from the date on which such Extraordinary Resolution is passed or such later date (if any) as the Extraordinary Resolution may provide.
- 55.5 The Manager shall give written notice of the termination of the Fund to the Authority in accordance with the CIS Code and the Securities and Futures Act.
- 55.6 In the event of termination of the Fund, the Manager shall provide such information, documents and assistance as may be necessary or reasonably requested by the Trustee to enable the Trustee to fulfill its duties and obligations under the Trust Deed, the CIS Code and the Securities and Futures Act.

#### Liquidation of the Fund

- 55.7 Upon the Fund being terminated, the Trustee shall sell or realise all Investments in the manner provided in Clause 32.1 of the Trust Deed. Subject to paragraph 55.8 below, the Trustee may at such time or times as it may deem convenient distribute *in specie* to the Holders pro rata to the number of Units held or deemed to be held by them respectively all Index Securities and Non-Index Securities then remaining in its hands as part of the relevant Deposited Property. Each Holder shall be entitled to receive approximately a proportionate amount of each type of Index Security and Non-Index Security (provided that no fraction of any Index Security or Non-Index Security shall be distributed) available for distribution together with a balancing payment in cash in the case of Holders who shall not receive the full proportionate amount of any Index Securities and Non-Index Securities and for such purpose the Trustee may sell any Index Securities and Non-Index Securities remaining in its hands as part of the Deposited Property. Such distribution, and the distribution of any income from the Income Account, shall be carried out and completed in such manner and within such period after the termination of the Fund as the Trustee in its absolute discretion thinks advisable.
- 55.8 The Trustee shall be entitled to retain any monies or Index Securities or Non-Index Securities in its hands to the extent required, in its absolute discretion, to make full provision for all costs, charges, expenses, claims and demands incurred, made or apprehended by the Trustee being either in connection with or arising out of the liquidation of the Fund or otherwise properly payable out of the Deposited Property in accordance with the Trust Deed or law and out of the monies so retained to be indemnified and saved harmless against any costs, charges, expenses, claims and demands.
- 55.9 Any unclaimed Index Securities and Non-Index Securities held by the Trustee as described in this paragraph 55.9 may at any time after the expiration of twelve (12) months from the date on which the same were to be distributed be sold by the Trustee and the net proceeds together with any unclaimed cash held by the Trustee at such time be paid into Court subject to the right of the Trustee to deduct therefrom any expenses it may incur in carrying out its duties and obligations as described in this paragraph 55.9.
- 55.10 No further Units shall be issued and no outstanding Units may be redeemed from the time of and upon liquidation of the Fund.

## Remuneration of Manager and Trustee

- 56.1 The Manager shall, in addition to any other amounts which it is entitled to receive or retain for its own use and benefit under the Trust Deed, be entitled to receive for its own account out of the Deposited Property as soon as practicable after the last Dealing Day in each month in each year, commencing with the month in which the Initial Issue Date falls (until, upon determination of the Fund, the final distribution shall have been made as described in paragraphs 55.7 to 55.10 above), the amount of Management Fee payable in respect of such month accrued and remaining unpaid. The Management Fee shall accrue on a daily basis. The amount of the Management Fee shall not exceed a maximum of zero-point-one-five per cent. (0.15%) per annum of the daily Value of the Fund provided that (i) the Manager may at any time charge a smaller percentage with authority, on giving notice to the Trustee and with the prior approval of the Supervisory Committee, to increase it to a larger percentage, not greater than the percentage permitted by the Trust Deed with effect from the expiry of three (3) months' notice in writing given by the Manager to the Holders; (ii) the Manager may, on giving notice to the Trustee and with the prior approval of the Supervisory Committee, at any time alter the dates of payment and basis of accrual provided that, in the opinion of the Trustee, it does not materially prejudice the interests of the Holders; and (iii) the Manager may not increase the Management Fee to a percentage greater than the percentage permitted by the Trust Deed or change the structure of the fees payable to the Manager without the sanction of an Extraordinary Resolution. The current and maximum level of the Management Fee is stated in paragraph 17 above. Neither the Manager nor the Trustee shall alter the investment objective of the Fund without the sanction of an Extraordinary Resolution.
- 56.2 The Trustee shall, in addition to any other amounts which it is entitled to receive or retain for its own use and benefit under this Trust Deed, be entitled to receive for its own account out of the Deposited Property as soon as practicable after the last Dealing Day in each month in each year, commencing with the month in which the Initial Issue Date falls (until, upon determination of the Fund, the final distribution shall have been made as described in paragraphs 55.7 to 55.10 above) the amount of Trustee Fee payable in respect of such month accrued and remaining unpaid. The Trustee Fee shall accrue on a daily basis. The amount of Trustee Fee (together with the fee of any Custodian, if payable out of the Deposited Property in addition to the Trustee Fee) shall not exceed a maximum of zero-point-one-five per cent. (0.15%) per annum of the daily Value of the Fund provided that (i) the Trustee may at any time charge a smaller percentage with authority, with the prior approval of the Manager and the Supervisory Committee, to increase it to a larger percentage, not greater than the percentage permitted by the Trust Deed with effect from the expiry of three (3) months' notice in writing given by the Trustee to the Holders; (ii) the Trustee may, with the prior approval of the Manager and the Supervisory Committee, at any time alter the dates of payment and basis of accrual if, in the opinion of the Trustee, it does not materially prejudice the interests of the Holders; and (iii) the Trustee may not increase the Trustee Fee to a percentage greater than the percentage permitted by the Trust Deed or change the structure of the fees payable to the Trustee without the sanction of an Extraordinary Resolution. The current and maximum level of the Trustee Fee is stated in paragraph 17 above.

## Costs and Expenses Payable by the Fund

- 57.1 The following is a summary of the fees, costs and expenses which under the provisions of the Trust Deed, the Trustee and the Manager shall be entitled to make payment out of the Deposited Property to the extent they have been incurred in relation to the Fund:
- (i) all fees paid to the Authority in connection with or arising out of the Fund and/or its authorisation pursuant to the Securities and Futures Act and, if and for so long as the Fund is designated a CPFIS Included Fund, all fees paid to the CPF Board and its agents in connection with the Fund being designated as a CPFIS Included Fund;

- (ii) any costs, fees and expenses to be paid under any licence and data supply contracts entered into by the Trustee and/or the Manager in respect of the Fund (including, without limitation, the Licence Agreement);
- (iii) all stamp and other duties, taxes, governmental charges, brokerage, commissions, exchange costs and commissions and bank charges in relation to transactions involving the whole or any part of the Deposited Property or on the creation, cancellation or redemption of Units;
- (iv) all professional fees relating to the agreeing and/or contesting of taxation liabilities or recoveries to be discharged out of or paid into the Fund;
- (v) the fees and expenses of any person acting as the Registrar and the Custodian, pursuant to the terms of the agreements entered into by the Trustee and/or the Manager with the Registrar or the Custodian respectively;
- (vi) the charges, expenses and disbursements of any legal counsel, accountant, auditor, investment adviser, valuer, broker or other professional person appointed by the Trustee or the Manager in connection with their respective duties in relation to the Fund, the trusteeship and/or the management and administration of the Deposited Property;
- (vii) all charges, expenses and disbursements incurred in relation to the safe-custody, acquisition, holding, realisation of or other dealing with any Investment for the account of the Fund (including bank charges, telex and facsimile and other communication charges);
- (viii) all charges and expenses incurred by the Manager and the Trustee insuring the assets and property of the Fund;
- (ix) all charges and expenses incurred by the Manager and the Trustee in conducting legal proceedings or applying to any court for any purposes related to the Trust;
- (x) all charges and expenses incurred by the Manager and the Trustee in communicating with each other and with the Holders, the Registrar, the Custodian, or otherwise in relation to the Fund;
- (xi) all charges and expenses incurred by the Manager and the Trustee in connection with the meetings of the Holders or the Supervisory Committee;
- (xii) the fees and expenses incurred by the Manager and the Trustee in obtaining and/or maintaining the listing of Units on the SGX-ST or any successor thereto, and/or the authorisation or other official approval or sanction of the Fund under the Securities and Futures Act or any other law or regulation in any part of the world and/or the designation of the Fund as a CPFIS Included Fund (if and for so long as the Fund is designated as a CPFIS Included Fund);
- (xiii) the fees and expenses incurred in connection with depositing and holding Units in the CDP;

- (xiv) all costs incurred in respect of the calculation and publication of the Value per Unit and/or the Issue Price and the Redemption Value and/or prices for Units and/or the suspension of creations and issues and redemptions of Units in such newspaper or newspapers in Singapore and elsewhere as the Manager may from time to time think fit;
- (xv) to the extent permitted by the CIS Code, all costs incurred in respect of the maintenance of a website or webpage dedicated entirely to the Fund, as approved by the Authority;
- (xvi) all fees, costs and expenses incurred in respect of preparing, printing, distributing and updating this Prospectus and any supplemental and replacement prospectus relating to the Fund;
- (xvii) all fees, costs and expenses incurred in respect of preparing any deeds supplemental to the Trust Deed and in respect of preparing any agreement in connection with the Fund;
- (xviii) all costs incurred in respect of the preparation, publication and distribution of the audited accounts and unaudited interim accounts in accordance with Clause 20 of the Trust Deed and of all statements, notices and other documents to the Fund;
- (xix) all premiums, fees, costs and expenses incurred in purchasing and maintaining insurance for members or any member of the Supervisory Committee in accordance with Clause 30.6 of the Trust Deed;
- (xx) all fees and expenses of any delegate of the Supervisory Committee and of any attorney, banker, accountant, broker, lawyer or other professional person instructed by the Supervisory Committee in accordance with Clause 30.2.5 of the Trust Deed;
- (xxi) all fees and expenses of the Auditors in connection with the Fund;
- (xxii) all fees and expenses incurred in connection with the retirement or removal of a Manager, the Trustee or the Auditors or the appointment of a new Manager, a new Trustee or new Auditors;
- (xxiii) all expenses incurred in the collection of income for the Income Account;
- (xxiv) all expenses associated with the distributions declared pursuant to the Trust Deed;
- (xxv) all fees and expenses incurred by the Manager and the Trustee in terminating the Fund;
- (xxvi) all other reasonable costs, charges and expenses which in the opinion of the Trustee and the Manager are properly incurred in the administration of the Fund and the Deposited Property and pursuant to the performance of their respective duties under this Trust Deed; and
- (xxvii) all such charges, costs, expenses and disbursements as under the general law the Trustee is entitled to charge to the Fund.

57.2 Except to such extent as the Manager may from time to time determine that the whole or any part of the Management Fee, the Trustee Fee or any costs, charges, fees or expenses (including, without limitation, any interest and expenses referred to in paragraph 57.1 above)

that may be charged against the Deposited Property shall be charged against the Deposited Property.

- 57.3 The Manager shall be entitled to determine in relation to any costs, charges, fees and expenses that may be charged against the Deposited Property that the same shall be amortised over such period (which shall not exceed 10 years) as the Manager may think fit.
- 57.4 The preliminary expenses of establishing the Fund, which amount to not more than S\$300,000, have been paid out of the Deposited Property as permitted under paragraph 57.1 above and have been amortised over a period of one (1) year from the Initial Issue Date.

#### Valuation of the Fund

- 58.1 The Trustee shall calculate or procure the calculation of the Value of the Fund and determine its NAV as at each Valuation Point by valuing the Deposited Property as described in paragraphs 58.2 and 58.3 below, and deducting the liabilities of the Fund as described in paragraph 58.3 below, as at such Valuation Point. The Trustee may appoint any other professional person (other than the Manager) who is approved by the Manager to perform such calculation.
- 58.2 The Value of the Deposited Property shall be ascertained on the following basis:
- (i) The Value of Index Securities and Non-Index Securities shall be determined by reference to the bid price or official closing price or last known transacted price for such Investments furnished by the Index Provider, or a pricing service or by selected brokers approved by the Manager and the Trustee.
    - (a) The Value of Index Securities may be taken from the Index Provider (where available). Other acceptable pricing sources for Index Securities (where appropriate Values are not available from the Index Provider) and Non-Index Securities include, but are not limited to, FT Interactive, Bloomberg, Reuters and Citigroup Yield Book or any successors thereto.
    - (b) Index Securities and Non-Index Securities for which quotations are not readily available are valued at fair value as determined by the pricing service or by selected brokers using methods which include consideration of the following: yields or prices of bonds of comparable quality, type of issue, coupon, maturity and rating; indications as to value from dealers; and general market conditions.
    - (c) The pricing service or selected brokers may employ electronic data processing techniques and/or a matrix system to determine valuations.
  - (ii) The Value of any other Investments quoted, listed or normally dealt in on a Recognised Exchange shall be determined by reference to prices for such Investments furnished by a pricing service approved by the Manager and the Trustee.
    - (a) The pricing service shall be required to determine or estimate the price of each such Investment based on the bid price or official closing price or last known transacted price on the most appropriate Recognised Exchange at the Valuation Point.
    - (b) Investments for which quotations are not readily available are valued at fair value as determined by the pricing service using methods which include consideration of prices of Investments of comparable quality, type, expiration



date, strike price, and the like; indications as to value from dealers; and general market conditions.

- (iii) Cash, deposits and similar properties shall be valued at face value (together with accrued interests) unless, in the opinion of the Manager, any adjustment should be made to reflect the fair value thereof.
- (iv) Notwithstanding any of the foregoing sub-paragraphs, the Manager may with the written consent of the Trustee adjust the Value of any Investment or permit some other method of valuation to be used if, having regards to currency, applicable rates of interest, maturity, marketability and such other considerations as the Manager may deem relevant, the Manager considered that such adjustment or other method of valuation is required to reflect more fairly the Value of such Investment or other property.
- (v) Other Investments, and properties other than Investments shall be valued in such manner and at such time or times as the Manager and the Trustee shall from time to time agree.

58.3 In calculating the Value of the Fund at any Valuation Point:

- (i) every Unit agreed to be issued in relation to an application received on or before the Dealing Deadline on a Transaction Date shall be deemed to be in issue (and, in particular but without limitation, every Unit applied for in accordance with Clause 11 of the Trust Deed shall be deemed to be in issue on the Dealing Day immediately following the Transaction Date) and the Deposited Property shall be deemed to include the amount of any cash and/or Value of any Deposit Securities to be paid and/or received in respect of each such Unit on the Dealing Day immediately following the Transaction Date;
- (ii) where, in consequence of any redemption request duly given pursuant to Clause 14 of the Trust Deed on or before the Dealing Deadline on a Transaction Date, the Units in question shall be deemed not to be in issue with effect from the Dealing Day immediately following the Transaction Date (and, in particular, every Unit the subject of a redemption request given in accordance with Clause 14 of the Trust Deed shall be deemed not to be in issue with effect from the Transaction Date) and any amount payable in cash and the Value of the Redemption Securities transferable out of the Deposited Property in pursuance of such reduction shall be deducted with effect from the Dealing Day immediately following the Transaction Date;
- (iii) where any Investment has been agreed to be purchased or otherwise acquired or sold or otherwise disposed of but such purchase, acquisition, sale or disposal has not been completed, such Investment shall be included or excluded and the gross purchase or acquisition or net sale consideration excluded or included as the case may require as if such purchase, acquisition or sale had been duly completed on the Dealing Day immediately following the date of the agreement to so purchase or acquire or sell or dispose of the Investment;
- (iv) there shall be included in the assets an amount equal to all such costs, charges, fees and expenses as the Manager may have determined to amortise pursuant to the provisions of Clause 21.5 of the Trust Deed less the amount thereof which have previously been or are then to be written off;

- (v) income derived from loans and deposits and from Investments (other than Index Securities and Non-Index Securities) bearing fixed interest shall be deemed to accrue from day to day;
- (vi) the outstanding liabilities, costs and expenses attributable to the Fund shall be deducted from the Deposited Property which shall include (without limitation):
  - (a) any amount of Management Fee and Trustee Fee accrued up to and including the relevant time but remaining unpaid;
  - (b) the amount of tax (if any) on gains or profits accrued up to the end of the last Accounting Period or part thereof but remaining unpaid;
  - (c) the aggregate amount for the time being outstanding of any borrowing effected under Clause 16 of the Trust Deed and the amount of any interest and expenses referred to in Clause 16 of the Trust Deed but not paid;
  - (d) an amount equal to the Value of any Investment which is a negative amount;
  - (e) any other costs or expenses payable but not paid which are expressly authorised by any of the provisions of the Trust Deed to be payable out of the Deposited Property;
  - (f) an appropriate allowance for any contingent liabilities; and
  - (g) there shall be taken into account such sum (if any) as in the estimate of the Manager will fall to be paid or reclaimed in respect of taxation related to income and transactions prior to or on the relevant Dealing Day; and
- (vii) liabilities shall (where appropriate) be treated as accruing from day to day.

Valuation policy and performance measurement standards of the Manager

58.4 Valuations shall be done on a frequency in accordance to Dealing Day intervals stated in this Prospectus. There will not be a suspension of valuation by reason of an exchange holiday. In such cases, the last available security prices shall continue to be applied for valuation purposes.

Notwithstanding the foregoing, the Manager's pricing committee will subject to the provisions of the Code and the conditions set out in section XIII of this Prospectus retain the discretion to suspend valuation if deemed necessary. The Manager's pricing committee is responsible for considering and arriving at a consensus decision to address any pricing disputes or valuation methodology that requires ad hoc decision due to market situation. Subject to the provisions of the Code, the Manager may request for approval to suspend the valuation and dealing of the Fund if the fair value of a material portion of the Fund's assets cannot be determined.

The Manager collates and maintains portfolio and series data in the performance systems on a periodic basis and generates performance results to meet reporting requirements. Time-weighted rate of return (TWRR) methodology is adopted for portfolio returns calculation. Capital cash flows are treated as if it occurred at end-of-day for both inflows and outflows. In general, the Modified Dietz Methodology shall apply where cash flows are time-weighted to derive an adjusted beginning market value. If the Fund has significant (10% or greater) cash flows, TWRR that uses actual valuation at time of external cash flows shall apply.

#### Hard-to-value or illiquid assets

- 58.5 In the event that the most recent available price for a security invested into by the Fund exceeds one month for reasons of non-availability of prices from regular market sources and/or counterparties, an appropriate liquidity reserve shall be applied on the last available price in accordance with the Manager's pricing and valuation policy. The adjusted price shall be approved by the Manager's pricing committee prior to application.

#### The Trust Deed

59. Prospective investors and their professional advisers should note that this Prospectus only summarises selected provisions of the Trust Deed. The Trust Deed is a legal document which sets out the rights, responsibilities and obligations of the Manager, Trustee and Holders. Prospective investors may wish to inspect a copy of the Trust Deed at the business address of the Manager indicated in paragraph 5.1 above. If any prospective investor is in any doubt regarding the contents of this Prospectus, he/she should contact the Manager at the telephone number provided in paragraph 44 above, or consult his/her solicitor, financial adviser or other professional adviser.

#### Document Available for Inspection

60. Copies of the following documents are available for inspection at the business address of the Manager during normal business hours for a period of 12 months from the date of this Prospectus:
- (i) the Trust Deed;
  - (ii) the Depository Agreement between the Manager, the Trustee and the CDP;
  - (iii) the Licence Agreement; and
  - (iv) sample agreement between the Manager, Trustee and Participating Dealers.

## **XX GLOSSARY**

61. Unless the context otherwise requires, the following words or expressions shall have the meanings respectively assigned to them, namely:-

**"Accounting Date"** means 30 June in each year, or such other date in each year as the Manager may from time to time determine with the prior approval of the Trustee, or (in the case of the final Accounting Period) the date on which the final distribution is transferred to the Distribution Account;

**"Accounting Period"** means a period ending on and including the next Accounting Date and commencing (in the case of the first such period) on the Initial Issue Date and ending on 30 June 2006 or (in any other case) from the end of the preceding Accounting Period;

**"Asian Government"** means the government of the People's Republic of China, Hong Kong SAR, Indonesia, Korea, Malaysia, the Philippines, Singapore or Thailand;

**"Authority"** means Monetary Authority of Singapore;

**"Business Day"** means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST are open for business and the iBoxx Singapore Index is compiled and published;

**"Cash Dealing Day"** means the last Dealing Day of each week and/or such other day(s) as from time to time determined by the Manager with the prior approval of the Trustee;

**"Cash Settlement Date"** has the meaning as ascribed to it in paragraph 21.4 of this Prospectus or such other time/date as from time to time determined by the Manager with the prior approval of the Trustee;

**"CDP"** means The Central Depository (Pte) Limited (Company Registration No: 198003912M), a wholly-owned subsidiary of the Stock Exchange;

**"CIS Code"** means the Code on Collective Investment Schemes issued by the Authority pursuant to Section 321 of the Securities and Futures Act, as the same may be modified, amended, supplemented, revised or replaced from time to time;

**"Connected Persons"** has the meaning ascribed to it under the Securities and Futures Act, and the Listing Rules, and in relation to any firm or corporation or company (as the case may be) means:

- (a) another firm or corporation in which the first mentioned firm or corporation has control of not less than twenty per cent. (20%) of the voting power in that other firm or corporation; or
- (b) a director, chief executive officer or substantial shareholder or controlling shareholder of the company or any of its subsidiaries or an associate of any of them;

**"CPF"** means Central Provident Fund;

**"CPF Investment Guidelines"** mean the CPF Investment Guidelines issued by the CPF Board, as the same may be modified, amended, supplemented or revised by the CPF Board from time to time;

**"Creation Request"** means a request for the Creation of Units in-kind as set out in paragraphs 22 and 23 of this Prospectus;

**"Creation Unit"** has the meaning ascribed to it in paragraph 22.1 of this Prospectus;

**"Custodian"** means the person or persons for the time being appointed by the Trustee with the prior approval of the Manager as the custodian of the Fund to hold all the assets and property of the Fund;

**"Dealing Day"** means any day on which commercial banks are open for business in Singapore and the SGX-ST is open for normal trading (other than a day on which trading on the SGX-ST is scheduled to close prior to its regular weekday closing time) and/or such other day or days as the Manager may from time to time determine with the prior approval of the Trustee;

**"Dealing Deadline"** means:

- (a) 12 noon (Singapore time) on the relevant Cash Dealing Day, for purposes of the subscription of Units in cash or redemption of Units for cash on any Cash Dealing

Day (or such other time as the Manager may determine with the prior approval of the Trustee and prior notification to the Holders at such time and in such manner as the Trustee may require); and

- (b) 5.30 p.m. (Singapore time) on the relevant Dealing Day, for purposes of the subscription or redemption of Units in kind on any Dealing Day (or such other time as the Manager may determine with the prior approval of the Trustee and prior notification to the Holders at such time and in such manner as the Trustee may require);

**"Deposited Property"** means all the assets (including cash) for the time being held or deemed to be held upon the trusts of the Trust Deed excluding any amount for the time being standing to the credit of the Distribution Account;

**"Depositor"** means:

- (a) direct account-holder with the Depository; or
- (b) a Depository Agent, but, for the avoidance of doubt, does not include a Sub-Account Holder,

whose name is entered in the Depository Register in respect of Units held by him;

**"Depository"** means CDP or any successor thereof established by the SGX-ST as a depository company which operates a central depository system for the holding and transfer of book-entry securities;

**"Depository Agent"** means a member company of the SGX-ST, a trust company (registered under the Trust Companies Act (Chapter 336 of Singapore)), a banking corporation or merchant bank (approved by the Authority under the Monetary Authority of Singapore Act (Chapter 186 of Singapore)) or any other person or body approved by the Depository who or which:

- (a) performs services as a depository agent for holders of accounts maintained by a depository agent in accordance with the terms of a depository agent agreement entered into between the Depository and the depository agent;
- (b) deposits book-entry securities with the Depository on behalf of Sub-Account Holders; and
- (c) establishes an account in its name with the Depository;

**"Depository Register"** means the electronic register of Units deposited with the Depository maintained by the Depository;

**"Distribution Account"** means any account entitled Distribution Account referred to in Clauses 18.1 and 18.2 of the Trust Deed;

**"EMEAP"** means the Executives' Meeting of East Asia and Pacific Central Banks, a group of Central Banks and Monetary Authorities comprising: Reserve Bank of Australia, People's Bank of China, Hong Kong Monetary Authority, Bank Indonesia, Bank of Japan, The Bank of Korea, Bank Negara Malaysia, Reserve Bank of New Zealand, Bangko Sentral ng Pilipinas, the Authority and Bank of Thailand;

**"Excluded Investment Product"** is as defined in the Notice on the Sale of Investment Products.

For the Units to be classified as Excluded Investment Products, the constitutive documents of the Fund must contain covenants, or the prospectus of the Fund must contain restrictions, that bind the Managers:

- (i) to invest only in deposits or any Excluded Investment Products; and
- (ii) not to engage in securities lending or repurchase transactions for the Fund.

The full definition of an "Excluded Investment Product" may be found in the Notice on the Sale of Investment Products.

**"Extraordinary Resolution"** means a resolution proposed and passed as such by a majority consisting of seventy-five per cent. (75%) or more of the total number of votes cast for and against such resolution at a meeting of Holders or (as the case may be) Depositors in the Depository Register as at 48 hours before the time of such meeting as certified by the CDP to the Manager;

**"Fund"** means the ABF Singapore Bond Index Fund. It is an authorised scheme under the Securities and Futures Act;

**"Holder"** means the person for the time being entered in the register (kept and maintained in Singapore by the Trustee in such manner as may be required by applicable law and regulation) as the holder of a Unit and (where the context so admits) persons jointly so entered;

**"Index"** means the iBoxx ABF Singapore Bond Index;

**"Index Provider"** means Markit Indices Limited (formerly known as International Index Company Limited);

**"Index Securities"** means Singapore dollars (S\$) denominated debt obligations issued or guaranteed by the Singapore government (or any other Asian Government), by an agency or instrumentality of the Singapore government (or any other Asian Government), by a Singapore government (or any other Asian Government) sponsored entity or a quasi-Singapore government (or any other Asian Government) entity and Singapore dollar (S\$) denominated debt obligations issued by supranational financial institutions, in each case as determined by the Index Provider and which are for the time being constituent securities of the Index;

**"Initial Issue Date"** means the date of the first issue of Units, as determined by the Manager with the prior approval of the Trustee;

**"Listing Rules"** means the listing rules for the time being applicable to the listing of the Fund as an investment fund on the SGX-ST as the same may be modified, amended, supplemented, revised or replaced from time to time;

**"Market Day"** means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST are open for business;

**"Market Maker"** means persons who have entered into an agreement with the Manager and Trustee to make a market in the Units on the SGX-ST;

"**NAV**" means net asset value;

"**Non-Index Securities**" means securities other than Index Securities;

"**Notice on the Sale of Investment Products**" means the Notice on the Sale of Investment Products issued by the Authority, as the same may be modified, amended or revised from time to time.

"**OTC**" means over-the-counter;

"**Participant Agreement**" means an agreement entered into between the Trustee, the Manager, and a Participating Dealer setting out, *inter alia*, the arrangements in respect of the issue of Units for Deposit Baskets and the related Cash Issue Component and the redemption and cancellation of Units for Redemption Baskets and the related Cash Redemption Component;

"**Participating Dealer**" means any participant who is a broker or dealer and who has entered into a Participant Agreement in form and substance acceptable to the Manager and the Trustee;

"**Record Date**" means the date or dates determined by the Manager (with the prior approval of the Trustee) as the date or dates for the purpose of determining the Holders of record entitled to receive any distributions of income;

"**Recognised Exchange**" means an internationally recognised stock or investment exchange or marketplace which is regulated, operates regularly and is open to the public and which is approved by the Trustee and the Manager;

"**Redemption Request**" means a request for the Redemption of Units in-kind as set out in paragraphs 29 to 31 of this prospectus;

"**Redemption Unit**" means a multiple of 20,000,000 Units or such other multiple as from time to time determined by the Manager, with the prior approval of the Trustee and specified in this Prospectus;

"**Registrar**" means HSBC Institutional Trust Services (Singapore) Limited (Company Registration No.: 194900022R) as described to it in paragraph 8.1 of this Prospectus;

"**S\$**" or "**Singapore dollars and cents**" means Singapore dollars and cents, the lawful currency of the Republic of Singapore;

"**Securities Accounts**" means Securities account or sub-account maintained by a Depositor (as defined in Section 130A of the Companies Act) with CDP;

"**Securities and Futures Act**" means Securities and Futures Act (Chapter 289 of Singapore);

"**Settlement Date**" has the meaning ascribed to it in paragraph 22.4 of this Prospectus or such other time/date as from time to time determined by the Manager with the prior approval of the Trustee;

"**Stock Exchange**" or "**SGX-ST**" means the Singapore Exchange Securities Trading Limited or any successor thereto;

"**Sub-Account Holder**" means a holder of an account maintained with a Depository Agent;

**"Transaction Date"** means the Dealing Day (Singapore time) on which the Registrar receives or is treated as having received a valid application for Units in accordance with Clause 9.5 of the Trust Deed or a valid request to redeem Units in accordance with Clause 14.2 of the Trust Deed;

**"Unclaimed Monies Account"** has the meaning ascribed to it in paragraph 50 of this Prospectus; and

**"Valuation Point"** means the close of business of the relevant Dealing Day or Cash Dealing Day (as the case may be) (or such other time or times as from time to time determined by the Manager with the prior approval of the Trustee provided that there shall always be a Valuation Point on each Dealing Day or Cash Dealing Day (as the case may be)).



**Name of Fund: ABF SINGAPORE BOND INDEX FUND**

**Date of Lodgement:**

**NIKKO ASSET MANAGEMENT ASIA LIMITED**

**BOARD OF DIRECTORS**

\_\_\_\_\_  
Blair Chilton Pickerell

Director (signed by Seet Oon Hui Eleanor for  
and on behalf of Blair Chilton Pickerell)

\_\_\_\_\_  
Frederick Reidenbach

Director (signed by Seet Oon Hui Eleanor for  
and on behalf of Frederick Reidenbach)

\_\_\_\_\_  
Lim Say Boon

Director (signed by Seet Oon Hui Eleanor for  
and on behalf of Lim Say Boon)

\_\_\_\_\_  
Seet Oon Hui Eleanor

Director

\_\_\_\_\_  
Ross Andrew Long

Director

(signed by Seet Oon Hui Eleanor for and on  
behalf of Ross Andrew Long)

\_\_\_\_\_  
V Arivazhagan

Director (signed by Seet Oon Hui Eleanor for  
and on behalf of V Arivazhagan)

---

Yu-Ming Wang

Director

(signed by Seet Oon Hui Eleanor for and on  
behalf of Yu-Ming Wang)

## **APPENDIX 1: THE INDEX**

The information presented in this Appendix has been extracted from publicly available documents that have not been prepared or independently verified by the Manager, the Trustee, the Supervisory Committee or any of their respective affiliates or advisers in connection with the offering and listing of Units and none of them makes any representation as to or takes any responsibility for the accuracy or completeness of this Appendix. The information presented in this Appendix is subject to change by the Index Provider from time to time. The published figures of the value of the Index, a description of the index methodology and the latest information on the Index are available at [www.markit.com](http://www.markit.com).

### **The Index**

The iBoxx ABF Singapore Bond Index, an indicator of investment returns of Singapore denominated debt obligations issued or guaranteed by the Singapore government (or any other Asian Government), by an agency or instrumentality of the Singapore government (or any other Asian Government), by a Singapore government (or any other Asian Government) sponsored entity or a quasi-Singapore government (or any other Asian Government) entity and Singapore dollar denominated debt obligations issued by a supranational financial institution or by an agency or instrumentality of any supranational financial institution or by an entity sponsored by any supranational financial institution, in each case as determined by the Index Provider and which are for the time being constituent securities of the Index.

### **Composition of the Index**

Only government, sovereign and sub-sovereign debt (subject to certain credit rating requirements as determined by the Index Provider) are eligible for the Index.

### **Constituent securities of the Index**

As at 28 February 2014 the composition and weightings of the constituent securities of the Index were as follows:

<b>No.</b>	<b>Issuer</b>	<b>Coupon (%)</b>	<b>Maturity</b>	<b>Weighting</b>
1.	Land Transport Authority	2.9	6/19/2023	0.24%
2.	SP PowerAssets Ltd	4.84	10/22/2018	0.68%
3.	Housing & Development Board	1.95	9/22/2021	0.72%
4.	Housing & Development Board	2.185	4/25/2022	0.89%
5.	Housing & Development Board	2.505	6/27/2024	0.64%
6.	SP PowerAssets Ltd	3.4	9/19/2032	0.28%
7.	Housing & Development Board	1.23	1/30/2018	1.39%
8.	Housing & Development Board	2.365	9/19/2018	1.76%
9.	Temasek Financial I Ltd	3.265	2/19/2020	1.26%
10.	Land Transport Authority	1.675	5/27/2015	0.36%
11.	Land Transport Authority	2.71	5/27/2020	0.34%
12.	Temasek Financial I Ltd	4.2	08/02/2050	1.26%
13.	Land Transport Authority	3.275	10/29/2025	0.59%
14.	PSA Corp Ltd	4	06/05/2019	0.39%
15.	SP PowerAssets Ltd	4.19	8/18/2015	0.40%
16.	SP PowerAssets Ltd	4.665	8/18/2020	0.37%
17.	Singapore Government Bond	3.75	09/01/2016	7.11%
18.	Singapore Government Bond	4	09/01/2018	6.31%
19.	Singapore Government Bond	3.25	09/01/2020	6.98%

No.	Issuer	Coupon (%)	Maturity	Weighting
20.	Singapore Government Bond	3	09/01/2024	5.13%
21.	Singapore Government Bond	2.75	04/01/2042	3.67%
22.	SINGAPORE GOVERNMENT	0.5	04/01/2018	3.65%
23.	SINGAPORE GOVERNMENT	2.75	07/01/2023	2.21%
24.	Singapore Government Bond	3.375	09/01/2033	2.12%
25.	Singapore Government Bond	2.375	04/01/2017	5.72%
26.	Singapore Government Bond	2.875	09/01/2030	3.67%
27.	Singapore Government Bond	2.5	06/01/2019	8.10%
28.	Singapore Government Bond	1.125	04/01/2016	6.09%
29.	Singapore Government Bond	2.25	06/01/2021	5.23%
30.	Singapore Government Bond	3.5	03/01/2027	7.78%
31.	Singapore Government Bond	3.125	09/01/2022	6.84%
32.	Singapore Government Bond	2.875	07/01/2015	7.82%

Source: Nikko Asset Management Asia Limited

### **Bond Selection rules and Index re-balancing**

The following five criteria are used to derive the Index: (i) bond type; (ii) rating requirements and issuer classification; (iii) bond life at issuance; (iv) time to maturity; and (v) amount outstanding.

#### ***Bond Type***

The following types of securities are eligible for inclusion in the Index: (i) fixed, zero coupon and step-up coupon bonds; and (ii) sinking funds and amortizing bonds with a fixed redemption schedule.

Securities with any of the following attributes are excluded from the Index: (i) bonds with embedded call or put options; (ii) floating rate notes and fixed-to-floater bonds; (iii) bonds with warrants; (iv) convertible securities; (v) undated bonds; and (vi) index-linked and credit-linked notes.

Only bonds with predetermined cash flows are eligible for the Index.

The Index may be rebalanced from time to time. Please see the section below entitled "Index re-balancing procedure".

Retail bonds are excluded from the Index.

Private placements that are only offered to a few select investors are excluded from the Index.

#### ***Credit Rating requirement and Issuer classification***

Only government, sovereign and sub-sovereign debt (subject to certain credit rating requirements) are eligible for inclusion in the Index.

#### **Issuer Restrictions**

Collateralized bonds are excluded from the Index. This applies to both sovereign and quasi-sovereign issuers.

Quasi-sovereign bonds are split into sub-sovereign bonds and other sovereign bonds.

Sub-sovereign bonds are issued by entities with explicit or implicit government backing due to legal provisions, letters of comfort or the public service nature of their business. The issuer requires strong central government ownership if its bonds are not explicitly guaranteed by the central government.

The four main sub-sovereign categories are: (i) Agencies; (ii) Government-guaranteed; (iii) Local governments; and (iv) Supranationals.

Supranational issuers are entities owned and/or supported by more than one central government, including the Asian Development Bank, the European Investment Bank and the International Bank for Reconstruction & Development.

Local government bonds issued by local or regional governments are eligible only if they are explicitly guaranteed by the central government.

Bonds from issuers that are explicitly guaranteed by a central government are classified as "Government guaranteed" and are eligible for the Index. Guaranteed bonds and issuers are classified into that category, even though the underlying issuer may be a quasi sovereign.

Agencies are entities whose major business is to fulfill a government-sponsored role to provide public, non-competitive services. Often, such business scope is defined by a specific law, or the issuer is explicitly backed by the government. There are three main categories of agencies: (i) financial; (ii) infrastructure & transport; and (iii) public utilities.

In principle, the business scope and legal provisions in combination with strong government ownership determines whether an issuer is a quasi-sovereign or a corporate. In addition, the rating differential between government and quasi-sovereign is also taken into consideration. For instance, a considerable rating differential (e.g. three notches) below the sovereign suggests that the issuer does not belong in the quasi-sovereign sector.

Further information in respect of the Index may be obtained from [www.markit.com](http://www.markit.com).

### ***Rating requirements***

Domestic central government debt does not require a rating. In order to ensure high credit quality of the Index, most quasi-sovereign bonds need to be rated investment grade. Ratings from the following three credit rating agencies are considered: (i) Fitch Inc., (ii) Moody's, or (iii) Standard & Poor's.

If a bond is rated by more than one agency, the average rating of all ratings is used. The average rating is calculated as the arithmetical average of all ratings, whereby each rating is converted into a numerical number. All rating notches have the same numerical distance, e.g. from A1 to A2 has the same distance as Aaa to Aa1.

Prior to 30 September 2006, the lowest rating was used. Investment grade is defined as BBB or higher from Fitch and Standard & Poor's and Baa3 or higher from Moody's.

During the transition period from 30 September 2006 to 30 June 2007, the lowest rating was still used to determine whether a bond was investment grade rated. Within investment grade, the average rating determines the index rating of the bond.

Supranationals need to have at least AA- rating.

Unrated bonds or issuers from investment grade markets are only eligible in the following quasi-sovereign categories: (i) Government-guaranteed; and (ii) Financial agencies, provided it can be

ascertained that the issuer has strong links to and support from the central government (e.g. a reduced risk weighting for the purpose of calculating capital adequacy ratio for commercial banks, senior government representation on the company board etc.). The decision whether to include unrated financial agencies is taken on a case-by-case basis.

Quasi-sovereigns from sub-investment grade rated markets are excluded from the Index unless they have an investment grade rating. The applicable sovereign debt rating is the best rating of the Fitch Inc, Moody's and S&P local currency debt ratings.

### ***Classification review procedure***

The issuer classification is reviewed regularly and issuers whose status have changed are included in the Index at the next re-balancing. Additional information documenting the classification decision is provided for quasi sovereigns that are unrated or where the rating differential between the sovereign and issuer is significant.

The approach described in the section on "Credit rating requirement and issuer classification" forms the basis for the inclusion rules. In exceptional circumstances, the iBoxx Asian index committee may propose the inclusion of additional issuers that fall outside these basic rules. The classification decision and the supporting documentation are submitted to the iBoxx Asian oversight committee for review and approval.

### ***Bond life at issuance***

All bonds must have a minimum bond life of 18 months at issuance. The minimum life is measured from the first settlement date to the maturity date of the bonds and is rounded to the nearest month.

### ***Time to Maturity***

All bonds must have a remaining time to maturity of one year or more at any re-balancing date. The time to maturity is calculated from the re-balancing date to the final maturity date of the bond by using the native day count convention of the bond.

For sinking funds and amortizing bonds, the average life is used instead of the final maturity to calculate the remaining time to maturity.

### ***Index re-balancing procedure***

The Index is re-balanced on the last calendar day of the month after close of business. Changes to static data, such as ratings, amount outstanding etc. are only taken into account if they are publicly known three business days before the end of the month. Rating or amount outstanding changes on the last two trading days of the month are accounted for at the next re-balancing. New bonds issued must settle before the end of the month and all relevant information must be known at least three trading days before the end of the month.

The classification of existing bonds is also reviewed at each monthly re-balancing, and resulting classification changes are implemented at the re-balancing. This means that quasi-sovereign issuers, which are no longer considered to have a sufficiently close relationship with the government, are reclassified as corporate issuers and subsequently removed from the index at the monthly re-balancing.

The final membership list for the next month is published two trading days before the end of the month, and is republished with the re-balancing prices on the last trading day of the month after close of business.

## **Data for Index Calculation**

### ***Static Data***

Information used in the Index calculation is sourced from standard providers and is routinely checked against a second independent source.

### ***Bond and Index Data***

The Index is calculated if there is at least one bond available that matches all inclusion criteria. If no more bonds qualify for the Index, then its level will remain constant. If at least one bond becomes available again, the Index calculation will be resumed at the last calculated level.

Calculation occurs on a daily basis as soon as the consolidated quotes become available. The Index is calculated on each trading day. The Index is also calculated on the last calendar day of each month. If the Index is calculated on a day that is a non-business day in one of the other countries, then the consolidated prices from the previous trading day will be carried forward and the Index will be calculated using those prices and the current accrued interest and coupon payment data.

The calculation of the Index is based on bid quotes. New bonds are included in the Index with their respective ask prices when they enter the index family. In the event that no consolidated price could be established for a particular bond, the Index continues to be calculated based on the last available consolidated prices.

On the last trading day of a month, the re-balancing takes place after the daily index calculation for the current month's list-including the calculation of the last calendar day's indices-has been performed. On the last trading day of the month, price contributors submit bid and ask quotes for all new bonds, which are to be included in the Index for the new month.

### **Circumstances that may affect the accuracy and completeness in the calculation of the Index**

No warranty, representation or guarantee is given as to the accuracy or completeness of the Index and its computation or any information related thereto. The process and the basis of computing and compiling the Index and any of its related formulae, constituent securities and factors may at any time be changed or altered by the Index Provider without notice. In addition, the accuracy and completeness of the calculation of the Index may be affected by, without limitation, the availability and accuracy of prices for constituent securities, market factors and errors in its compilation.





This Product Highlights Sheet is an important document.

- It highlights the key terms and risks of this investment product and complements the Prospectus<sup>1</sup>.
- It is important to read the Prospectus before deciding whether to purchase units in the product. If you do not have a copy, please contact us to ask for one.
- You should not invest in the product if you do not understand it or are not comfortable with the accompanying risks.
- If you wish to purchase the product, you will need to make an application in the manner set out in the Prospectus.

## ABF Singapore Bond Index Fund (the “Fund”)

<b>SGX counter name (SGX stock code)<sup>2</sup></b>	ABF SG BOND ETF (A35)	<b>SGX-ST Listing Date</b>	31 August 2005
<b>Product Type</b>	Exchange-Traded Fund The Units are Excluded Investment Products.	<b>Designated Market Makers</b>	DBS Vickers Securities (Singapore) Pte Ltd; Overseas-Chinese Banking Corporation Limited; and Deutsche Bank AG, Singapore Branch
<b>Management Company / Issuer</b>	Nikko Asset Management Asia Limited	<b>Underlying Reference Asset</b>	iBoxx ABF Singapore Bond Index
<b>Expense Ratio (for Exchange-traded Funds)</b>	0.26% <sup>3</sup>	<b>Traded Currency</b>	SGD

### PRODUCT SUITABILITY

#### WHO IS THE PRODUCT SUITABLE FOR?

- The Fund is only suitable for investors who:
  - seek medium to long-term capital appreciation;
  - believe that the iBoxx ABF Singapore Bond Index (the “**Index**”) will increase in value;
  - are willing and able to accept that their principal will be at risk; and
  - seek an “index-based” approach to investing in a portfolio of Singapore government (or any other Asian Government) sovereign and quasi-sovereign bond securities in a cost effective and easy to access manner.

**Investors should consult their financial advisers if in doubt about whether this product is suitable for them.**

#### Further Information

Refer to Section VI on Pg 24 to 27 of the Prospectus for further information on product suitability.

### KEY PRODUCT FEATURES

#### WHAT ARE YOU INVESTING IN?

- You are investing in an Exchange Traded Fund constituted in Singapore which seeks investment returns that correspond closely to the total return of the Index before fees and expenses.
- The Index is maintained by Markit Indices Limited (the “**Index Provider**”) and is an indicator of investment returns of debt obligations denominated in SGD issued or guaranteed by any Asian Government, an agency or instrumentality of any Asian Government, any Asian Government sponsored entity or a quasi-Asian Government entity and Singapore dollar denominated debt obligations issued by supranational financial institutions.
- Unlike “actively managed” unit trusts and mutual funds, the Manager does not attempt to outperform the Index nor does it seek temporary defensive positions when markets decline or appear overvalued by some standards.
- The Manager currently intends to pay out income dividends of the Fund to the Holders annually around January of each year. On each distribution, in relation to each fiscal year period as determined by the Manager, the Trustee will allocate for distribution among the Holders of the Fund as at the Record Date such amount that the Manager determines to be distributed in its absolute discretion.
- The base currency of the Fund is SGD and the Fund will issue Units denominated in SGD.
- You should note that the Units are Excluded Investment Products.

Refer to Sections I and VI on Pg 12 and Pg 24 to 27 and Paragraph 50 on Pg 53 of the Prospectus for further information on features of the product.

The published figures for the value of the Index, a description of the Index methodology and latest information is available at [www.markit.com](http://www.markit.com).

<sup>1</sup> The Prospectus is available for collection at the Manager’s business address at 8 Cross Street, #08-01 PWC Building, Singapore 048424 during usual business hours. The Prospectus is also available on the Manager’s website at [www.nikkoam.com.sg](http://www.nikkoam.com.sg).

<sup>2</sup> Subject to change by the SGX-ST from time to time.

<sup>3</sup> Audited expense ratio for the financial year ended 30 June 2013.

**Investment Strategy**

- The Manager will seek to achieve the Fund's investment objective by causing the Fund to invest substantially all of its assets in Index Securities (as defined in the Prospectus) in the same approximate proportion as their weightings within the Index (i.e. using a full replication strategy).
- The Manager will rebalance the Fund's portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of securities in, the Index with a view to minimising tracking error of the Fund's overall returns relative to the performance of the Index. Such rebalancing may be in the form of investments in certain securities other than Index Securities.

Refer to Section VI on Pg 24 to 27 of the Prospectus for further information on the investment strategy of the Fund.

**Parties Involved**

**WHO ARE YOU INVESTING WITH?**

- The Manager is **Nikko Asset Management Asia Limited**.
- The Trustee and Registrar is **HSBC Institutional Trust Services (Singapore) Limited**.
- The Custodian is **The Hongkong and Shanghai Banking Corporation Limited**.

Refer to Section II to IV on Pg 12 to 23 of the Prospectus for further information on the role and responsibilities of these entities.

**KEY RISKS**

**WHAT ARE THE KEY RISKS OF THIS INVESTMENT?**

**You should be aware that the price of Units can go down as well as up. The value of the Fund and its distributions (if any) may rise or fall. The following are key risk factors that may cause you to lose some or all of your investment:**

Refer to Section IX on Pg 31 to 36 of the Prospectus for further information on risks of the product.

**Market and Credit Risks**

- **Units may trade at prices other than NAV**
  - The secondary market price of Units may sometimes trade above or below the NAV per Unit. This deviation is dependent on various factors and will be accentuated when there is a large imbalance between market supply and demand for Units. There is a risk that you may not be able to buy or sell at a price close to the NAV per Unit.
- **You are exposed to market risks in Asia**
  - The Fund's NAV and trading prices will react to securities markets movements. You may lose money over short periods due to fluctuation in the Fund's NAV and trading price in response to market movements, and over longer periods during market downturns.

**Liquidity Risks**

- **You are exposed to liquidity risk**
  - The price at which portfolio securities may be purchased or sold by the Fund upon any rebalancing activities or otherwise will be adversely affected if trading markets for the Fund's portfolio securities are limited or absent or if bid-offer spreads are wide.
- **You should be aware there is a minimum creation and redemption size**
  - Units will only be issued or redeemed in-kind in Creation Unit aggregations (currently 20,000,000 Units, and multiples thereof). Currently, Units will only be issued and redeemed for cash at a minimum of 50,000 Units on a Cash Dealing Day. Holders who do not hold such minimum redemption number of Units (which is currently 50,000 Units) may only be able to realise the value of their Units by selling their units on the SGX-ST at the prevailing trading price.
  - However, do note that Participating Dealers are under no obligation to redeem your Units.
- **Trading in Units on SGX-ST may be suspended or even delisted**
  - Investors will not be able to purchase or sell Units on the SGX-ST during any period that the SGX-ST suspends trading in the Units. The SGX-ST may suspend the trading of Units whenever the SGX-ST determines that it is appropriate in the interests of a fair and orderly market to protect investors. The creation and redemption of Creation Units may also be suspended in the event that the trading of Units on the SGX-ST is suspended.
  - The Fund may not be able to continue to meet the requirements necessary to maintain listing of Units on the SGX-ST. The Fund may be terminated if Units are delisted from the SGX-ST.

Refer to Section IX and XIII on Pg 31 to 36 and Pg 45 to 47 of the Prospectus for situations in which the trading of units may be suspended.

## Product-Specific Risks

- **You are exposed to tracking error risk**
  - Changes in the NAV of the Fund are unlikely to replicate exactly changes in the Index due to various factors. The Fund's returns may therefore deviate from those of the Index.
- **Risk Associated with the Investment Strategy of the Fund/Lack of discretion by Manager to adapt to market**
  - Unlike many conventional unit trusts, the Fund is not "actively managed". Therefore, the Fund will not adjust the composition of its portfolio except in order to seek to closely correspond to the duration and total return of the Index. The Fund does not try to "beat" the market it tracks and does not seek temporary defensive positions when markets decline or is judged to be overvalued. Accordingly, a fall in the Index may result in a corresponding fall in the NAV of the Fund.
- **You are exposed to emerging market risk**
  - The Fund may invest in securities issued by certain Asian Governments whose economies are considered to be emerging markets which are subject to special risks associated with foreign investment in such markets.

**You should be aware that your investment in the Fund may be exposed to other risks of an exceptional nature from time to time.**

## FEES AND CHARGES

### WHAT ARE THE FEES AND CHARGES OF THIS INVESTMENT?

#### Payable directly by you:

- **For purchase and sale of Units on the SGX-ST using cash or CPF monies**
  - A typical investor dealing on the SGX-ST will not bear any costs related to the creation and redemption of Units. However, investors will need to pay brokers' commissions, clearing fees and other costs associated with dealing on the SGX-ST. These amounts are subject to the investor's individual agreement with, and paid directly by the investor to, the investor's broker, the CDP and other service providers of the investor.
- **For subscription and/or redemption of Units in cash by or through Participating Dealers**
  - Duties and Charges of up to a maximum of 0.50% of the Fund's NAV. Participating Dealers may also charge you a commission to act on your behalf.
- **For subscription and/or redemption of Units in-kind by or through Participating Dealers**
  - Transaction fee for each creation or redemption request is currently S\$2,500 per request (Maximum: S\$2,500 per request). Participating Dealers may also charge you a commission to act on your behalf.

#### Payable by the Fund from invested proceeds:

- The Fund will pay the following fees and charges to the Manager, Trustee and other parties:

<b>Annual Management Fee</b>	Currently 0.15% per annum of the Fund's NAV (Maximum 0.15% per annum of the Fund's NAV)
<b>Annual Trustee Fee</b>	Currently 0.05% per annum of the Fund's NAV (Maximum 0.15% per annum of the Fund's NAV)
<b>Index Provider's licence fee</b>	Currently up to 0.023% per annum of the Fund's NAV, subject to a minimum annual charge which is currently US\$36,910
<b>Other Fees and Charges</b>	Other fees and charges, including <i>inter alia</i> custodian fees and registrar fees may amount to or exceed 0.10% per annum, depending on the proportion that each fee or charge bears to the NAV of the Fund.

Refer to Section VIII on Pg 28 to 31 of the Prospectus for further information on fees and charges.

## CONTACT INFORMATION

### HOW DO YOU CONTACT US?

- You can call us, Nikko Asset Management Asia Limited, at 1800 535 8025 if you have queries regarding your investment in the Fund. You can also visit our website at ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)).
- Our business address is at 8 Cross Street, #08-01 PWC Building, Singapore 048424.

## APPENDIX: GLOSSARY OF TERMS

Asian Government	means the government of the People's Republic of China, Hong Kong SAR, Indonesia, Korea, Malaysia, the Philippines, Singapore or Thailand.
Cash Dealing Day	means the last Dealing Day of each week and/or such other day(s) as from time to time determined by the Manager with the prior approval of the Trustee.
CDP	means The Central Depository (Pte) Limited.
CIS Code	means the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, as the same may be modified, amended, supplemented, revised or replaced from time to time.
Dealing Day	means any day on which commercial banks are open for business in Singapore and the SGX-ST is open for normal trading (other than a day on which trading on the SGX-ST is scheduled to close prior to its regular weekday closing time) and/or such other day or days as the Manager may from time to time determine with the prior approval of the Trustee.
Excluded Investment Product	<p>is as defined in the Notice on the Sale of Investment Products.</p> <p>For the Units to be classified as Excluded Investment Products, the constitutive documents of the Fund must contain covenants, or the prospectus of the Fund must contain restrictions, that bind the Managers:</p> <ul style="list-style-type: none"> <li>(i) to invest only in deposits or any Excluded Investment Products; and</li> <li>(ii) not to engage in securities lending or repurchase transactions for the Fund.</li> </ul> <p>The full definition of an "Excluded Investment Product" may be found in the Notice on the Sale of Investment Products.</p>
GST	means goods and services tax.
Holder	means the person for the time being entered in the register (kept and maintained in Singapore by the Trustee in such manner as may be required by applicable law and regulation) as the holder of a Unit and (where the context so admits) persons jointly so entered.
Market Maker	means persons who have entered into an agreement with the Manager to make a market in the Units on the SGX-ST.
NAV	means net asset value.
Notice on the Sale of Investment Products	means the Notice on the Sale of Investment Products issued by the Monetary Authority of Singapore, as the same may be modified, amended or revised from time to time.
Participant Agreement	means an agreement entered into between the Trustee, the Manager, and a Participating Dealer setting out, <i>inter alia</i> , the arrangements in respect of the issue, redemption and cancellation of Units.
Participating Dealer	means any participant who is a broker or dealer and who has entered into a Participant Agreement in form and substance acceptable to the Manager and the Trustee.
Record Date	means the date or dates determined by the Manager (with the prior approval of the Trustee) as the date or dates for the purpose of determining the Holders of record entitled to receive any distributions of income.
SGD or S\$	means Singapore dollars.
SGX-ST	means the Singapore Exchange Securities Trading Limited or any successor thereto.
Units	means units of the Fund.