

UNITED ENHANCED INCOME FUND

P r o s p e c t u s

Mar '17

DIRECTORY

Managers

UOB Asset Management Ltd
(Company Registration No.: 198600120Z)

Registered office:
80 Raffles Place
UOB Plaza
Singapore 048624

Operating office:
80 Raffles Place
6th Storey
UOB Plaza 2
Singapore 048624

Directors of the Managers

Lee Wai Fai
Cheo Chai Hong
Goh Yu Min
Thio Boon Kiat

Trustee / Registrar / Administrator

HSBC Institutional Trust Services (Singapore) Limited
(Company Registration No. 194900022R)
21 Collyer Quay
#13-02 HSBC Building
Singapore 049320

Custodian

State Street Bank and Trust Company
One Lincoln Street
Boston, MA 02111
United States of America

Auditors

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

Solicitors to the Managers

Tan Peng Chin LLC
30 Raffles Place
#11-00 Chevron House
Singapore 048622

Solicitors to the Trustee

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

DEFINITIONS

Unless the context otherwise requires, terms defined in the Deed have the same meaning when used in this Prospectus and the following expressions have the following meanings, subject to the definitions in the Deed.

ATMs	Automated teller machines.
Authorised Investments	See <u>paragraph 5.5</u> of this Prospectus.
Authority	Monetary Authority of Singapore.
Business Day	A day (other than a Saturday, Sunday or a gazetted public holiday) on which commercial banks are open for business in London, New York, Paris and Singapore or any other day as the Managers and the Trustee may agree in writing.
Code	Code on Collective Investment Schemes issued by the Authority, as amended from time to time. The latest version is available at www.mas.gov.sg .
custodian	Includes any person or persons for the time being appointed as a custodian of the Fund or any of its assets.
Dealing Day	In connection with the issuance, cancellation, valuation and realisation of Units, means every Monday of the week, and if a Monday is not a Business Day, then the Dealing Day will be the Business Day immediately following that Monday in that week or such other day as provided in the Deed.
Dealing Deadline	The deadline set out in <u>paragraphs 8.3 and 10.1</u> or such other time as the Managers may determine subject to the provisions of the Deed.
Deed	See <u>paragraph 1.3(a)</u> of this Prospectus.
Deposited Property	All of the assets for the time being comprised in the Fund or deemed to be held upon the trusts of the Deed for account of the Fund excluding any amount for the time being standing to the credit of the distribution account referred to in <u>Clause 22.2</u> of the Deed.
FATCA	The U.S. Foreign Account Tax Compliance Act, as amended from time to time.
FDIs or derivatives	Financial derivative instruments.
Fund	United Enhanced Income Fund.
Fund currency	The currency of denomination of the Fund.
Gross Investment Amount	The amount paid by an investor for the purpose of investing in Units, before deduction of the applicable Subscription Fee.
Gross Realisation Proceeds	The amount payable to a Holder upon the realisation of its Units, before deduction of the applicable Realisation Fee.
Group Fund	A collective investment scheme the managers of which (a) are the Managers or a corporation under their control or under common control with them or at least 50% of the share capital of which is held by a corporation which is a shareholder of the Managers and (b) which has approved the terms of any switching which may be made under the provisions of the Deed.
High Grade Corporate Bond Fund	United High Grade Corporate Bond Fund, a sub-fund of United Global Recovery Funds.
Holder	A unitholder of the Fund.

IGA	Intergovernmental agreement.
Managers	UOB Asset Management Ltd or any other person for the time being duly appointed as managers of the Fund. References to “ we ”, “ us ” or “ our ” shall be construed accordingly to mean UOB Asset Management Ltd.
NAV	Net asset value.
Net Investment Amount	The amount paid by an investor for the purpose of investing in Units, after deduction of the applicable Subscription Fee.
Net Realisation Proceeds	The amount payable to a Holder upon the realisation of its Units, after deduction of the applicable Realisation Fee.
Rate of Exchange	Such exchange rate (whether official or otherwise) which the Managers, after consultation with the Trustee or in accordance with a method approved by the Trustee, deem appropriate in all circumstances.
Register	The register of Holders of the Fund.
RSP	Regular savings plan.
SFA	Securities and Futures Act, Chapter 289 of Singapore, as amended from time to time.
Singapore dollars / SGD / S\$	The lawful currency of Singapore.
SRS	Supplementary Retirement Scheme.
Trustee	HSBC Institutional Trust Services (Singapore) Limited or any other person for the time being duly appointed as trustee of the Fund.
U.S.	United States of America.
United States dollars / USD / US\$	The lawful currency of the U.S..
Units	Units of the Fund.
Valuation Point	The close of business of the last relevant market in relation to the relevant Dealing Day on which the NAV of the Fund is to be determined pursuant to the provisions of the Deed or such other time as the Managers may determine with the prior approval of the Trustee who shall decide if a notice to notify the Holders of such change is required.

IMPORTANT INFORMATION

The collective investment scheme offered in this Prospectus is constituted in Singapore and is an authorised scheme under the SFA. A copy of this Prospectus has been lodged with and registered by 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 SFA 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.

We have taken all reasonable care to ensure that the information in this Prospectus is, to the best of our knowledge and belief, accurate and does not omit anything which would make any statement in this Prospectus misleading.

You should refer to the Deed in conjunction with this Prospectus. A copy of the Deed is available for inspection at our operating office during normal business hours (subject to such reasonable restrictions as we may impose). If you are in any doubt about the contents of this Prospectus or the Deed, you should seek independent professional advice.

Before investing, you should consider the usual risks of investing and participating in collective investment schemes, and the risks of investing in the Fund which are set out in this Prospectus. Your investments can be volatile and there is no assurance that the Fund will be able to attain its objective. The prices of Units as well as the income from them may go up as well as down to reflect changes in the value of the Fund. You should only invest if you can sustain losses on your investment. You should satisfy yourself that investing in the Fund is suitable based on your personal circumstances.

The Fund will use FDIs for investment purposes. While the prudent use of FDIs can be beneficial, FDIs also involve risks different from and in certain cases, greater than, the risks presented by more traditional investments. Some structured derivative transactions are complex and may involve a high degree of loss.

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 the offering of the Units as contemplated herein.

You should seek independent professional advice to ascertain (a) the possible tax consequences, (b) the applicable legal requirements and (c) any foreign exchange restrictions or exchange control requirements, which you may encounter under the laws of the country of your citizenship, residence or domicile and which may be relevant to your subscription, holding or disposal of Units. We make no representation as to the tax status of the Fund. You should keep yourself informed of, and observe, all such laws and regulations in any relevant jurisdiction that may be applicable to you.

Units are offered on the basis of the information contained in this Prospectus and the documents referred to in this Prospectus. No person is authorised to give any information or make any representations concerning the Fund other than as contained in this Prospectus. Any investment made on the basis of information or representations not contained in or inconsistent with the information or representations in this Prospectus will be solely at your risk. This Prospectus may be updated from time to time to reflect material changes and you should check if a more recent Prospectus or supplement is available.

Units are not listed and you may only deal with Units through us or our authorised agents or distributors subject to the terms of the Deed.

Applications may be made in other jurisdictions to enable Units to be marketed freely in those jurisdictions.

Prohibition against U.S. investors

Units are being offered and sold outside the United States to persons that are not:

- (i) U.S. Persons (as defined in Regulation S promulgated under the Securities Act of 1933 of the U.S., as amended (the “**U.S. Securities Act**”)) in reliance on Regulation S promulgated under the U.S. Securities Act; or
- (ii) “United States persons” (as defined in Section 7701(a)(30) of the U.S. Internal Revenue Code, as amended, and referred to herein as “**U.S. Taxpayers**”). Currently, the term “**U.S. Taxpayer**” includes: a U.S. citizen or resident alien of the United States (as defined for U.S. federal income tax purposes); any entity treated as a partnership or corporation for U.S. tax purposes that is created or organized in, or under the laws of, the United States or any state thereof (including the District of Columbia); any other partnership that may be treated as a U.S. Taxpayer

under future U.S. Treasury Department regulations; any estate, the income of which is subject to U.S. income taxation regardless of source; and any trust over whose administration a court within the United States has primary supervision and all substantial decisions of which are under the control of one or more U.S. fiduciaries. Persons who have lost their U.S. citizenship and who live outside the United States may nonetheless, in some circumstances, be treated as U.S. Taxpayers. Persons who are aliens as to the United States but who have spent 183 days or more in the United States in any of the last two years should check with their tax advisors as to whether they may be considered residents of the United States.

Units are not and may not be offered, made available, sold to or for the account of any U.S. Persons or U.S. Taxpayers. You may be required to declare that you are not a U.S. Taxpayer and that you are neither acquiring Units on behalf of U.S. Taxpayers nor acquiring Units with the intent to sell or transfer them to U.S. Taxpayers.

Foreign Account Tax Compliance Act

FATCA was enacted in 2010 by the United States Congress as part of the U.S. Hiring Incentives to Restore Employment (HIRE) Act to target non-compliance with tax laws by U.S. Taxpayers using overseas accounts. Under FATCA, financial institutions outside of the U.S. are required to regularly submit information on financial accounts held by U.S. Taxpayers to the U.S. tax authorities. Failure to comply with FATCA may, amongst other things, subject the Fund to U.S. withholding tax on certain types of payments made to the Fund. Accordingly, it is intended that the Fund complies with FATCA.

For the purpose of complying with FATCA, we, the Trustee, and/or other service providers of the Fund may be required to report and disclose information on certain investors in the Fund to the U.S. tax authorities and/or such Singapore authority as may be required under Singapore laws and regulations to be implemented as part of any IGA entered into between the U.S. and Singapore¹ in connection with FATCA and/or withhold certain payments to such investors.

You are required to:

- (a) provide such information, documents and assistance in connection with the above as we and/or the Trustee may require from time to time; and
- (b) notify us or any of our authorised agents or distributors in writing immediately if you are or become a U.S. Taxpayer, or are holding Units for the account of or benefit of a U.S. Taxpayer.

You are also deemed to have consented to us, the Trustee and/or other service providers to the Fund carrying out our/ their obligations in reporting and disclosing information on you and your investments to the U.S. tax authorities and/or such Singapore authority as may be required under Singapore laws and regulations to be implemented as part of any IGA entered into between the U.S. and Singapore.

We may compulsorily realise all or any of your Units in any of the circumstances set out under paragraph 20.2 of this Prospectus.

You may direct your enquiries in relation to the Fund to us or our authorised agents or distributors.

¹ Pursuant to the IGA entered into between Singapore and the U.S. on 9 December 2014, Singapore-based financial institutions (such as us) will report information on financial accounts held by U.S. Taxpayers to the Inland Revenue Authority of Singapore (IRAS), which will in turn provide the information to the U.S. tax authorities.

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UNITED ENHANCED INCOME FUND

PROSPECTUS

1. BASIC INFORMATION

1.1 Fund details

This is a Prospectus for United Enhanced Income Fund.

The Fund is an open-ended, stand-alone unit trust constituted in Singapore with no fixed maturity.

The Fund is denominated in SGD.

1.2 Date of registration and expiry of Prospectus

The Authority registered this Prospectus on 9 March 2017. It is valid up to 8 March 2018 and will expire on 9 March 2018.

1.3 Deed of trust and supplemental deeds

- (a) The Fund was constituted by way of a deed of trust dated 9 May 2007, which has since been amended by the following deeds:

First Amendment Deed	29 June 2007
Second Amendment Deed	9 May 2008
Third Amendment Deed	29 May 2009
Fourth Amendment Deed	27 April 2010
Supplemental Deed of Appointment and Retirement of Trustee	26 January 2011
Fifth Amendment Deed	30 September 2011
Sixth Amendment Deed	8 April 2013
First Supplemental Deed	23 April 2015

The deed of trust dated 9 May 2007, as amended, shall be referred to as the “**Deed**”.

- (b) The Deed is binding on each Holder and all persons claiming through such Holder as if each of them had been a party to the Deed.
- (c) You may inspect a copy of the Deed free of charge at our operating office during normal business hours, subject to such reasonable restrictions as we may impose. You may request for a copy at a charge not exceeding S\$25 per copy or such other amount as we and the Trustee may from time to time agree.

1.4 Accounts and reports

You may obtain copies of the latest semi-annual and annual reports, semi-annual and annual accounts, and the auditor’s report on the annual accounts of the Fund, at our operating office during normal business hours (subject to such reasonable restrictions as we may impose).

2. THE MANAGERS, THEIR DIRECTORS AND KEY EXECUTIVES

2.1 The Managers

The Managers are UOB Asset Management Ltd (“**UOBAM**”).

UOBAM is a wholly-owned subsidiary of United Overseas Bank Limited (“**UOB**”). Established in 1986, UOBAM has been managing collective investment schemes and discretionary funds in Singapore for over 31 years. UOBAM is licensed and regulated by the Authority. UOBAM has an extensive presence in Asia with regional business and investment offices in Malaysia, Thailand, Brunei, Taiwan and Japan. UOBAM has two joint ventures: Ping An UOB Fund Management Company Ltd and UOB-SM Asset Management Pte. Ltd. In addition, it also has a strategic alliance with UTI International (Singapore) Private Limited.

Through its network of offices, UOBAM offers global investment management expertise to institutions, corporations and individuals, through customised portfolio management services and unit trusts. As at 31 December 2016, UOBAM manages 59 unit trusts in Singapore. UOBAM is one of the largest unit trust managers in Singapore in terms of assets under management.

UOBAM's investments team conducts independent and rigorous fundamental research within a proven investment process and framework. In equities, UOBAM's team has acquired specialist skills in investment in global markets and major global sectors. It combines a disciplined research effort that aims to identify and invest in high performing businesses at the right price, with a systematic model portfolio construction process, to diversify sources of alpha to achieve more consistent performance over time. In fixed income, UOBAM's coverage spans a wide spectrum comprising G10 government bonds, developed market corporate bonds, Asia sovereigns and corporates, emerging market bonds and Singapore fixed income. In addition to independent research to uncover relative value opportunities, UOBAM adopts diversified investment strategies combined with active risk management to generate sustainable total return for its portfolios.

Since 1996, UOBAM has won a total of 161 awards in Singapore. These awards recognise UOBAM's investment performance across different markets and sectors.

As at 31 December 2016, UOBAM and its subsidiaries in the region have a staff strength of over 300 including about 50 investment professionals in Singapore.

We may delegate certain or all of our duties. Currently, we have delegated our administration and valuation functions in respect of the Fund to the administrator, whose details are set out in paragraph 3.3 below, and back office functions to UOB.

We maintain professional indemnity insurance coverage which complies with the requirements under applicable laws, regulations and guidelines, or as directed by the Authority.

See the Deed for details on our role and responsibilities as the managers of the Fund.

Our past performance is not necessarily indicative of our future performance.

2.2 Directors and key executives of the Managers

Lee Wai Fai, Director and Chairman

Mr Lee joined UOB in 1989 and is presently Group Chief Financial Officer with UOB. Mr Lee has previously held senior positions in the UOB group, including being head of international branches and regional banking subsidiaries, Deputy Chief Executive Officer of UOB Radanasin Bank Public Company Limited, Head of Finance as well as Head of Policy and Planning of UOB.

Mr Lee holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and a Master of Business Administration degree in Banking and Finance from the Nanyang Business School, Nanyang Technological University, and has more than 25 years of experience in the banking sector.

Cheo Chai Hong, Director

Mr Cheo joined UOB in 2005 and is currently in charge of a team of credit approvers for UOB SME & Structured Trade & Ship Finance in Singapore and overseas branches and subsidiaries. He also heads the Group Corporate Planning and Strategy Department which is responsible for helping the UOB group to formulate its strategic direction and corporate governance structure.

Mr Cheo holds a Bachelor of Business Administration (Honours) from the then University of Singapore and he has more than 30 years of experience in Corporate and Investment Banking, Project and Ship Finance, and Credit Management and Approval.

Goh Yu Min, Director

Mr Goh joined the UOB group in 1997 and is presently an Executive Director with UOB group's Strategy and International Management team. He has experience in private equity investments and private equity fund-of-funds investments.

Mr Goh holds a Master of Business Administration degree in Banking and Finance from the Nanyang Business School, Nanyang Technological University and a Bachelor of Mathematics degree from the University of Waterloo.

Thio Boon Kiat, Director and Chief Executive Officer

Mr Thio is a Chartered Financial Analyst charter holder and graduated with a Bachelor of Business Administration (First Class Honours) degree from the National University of Singapore. In 2004, he attended the Investment Management Program at Harvard Business School. In 2006, he also attended the Mastering Alternative Investments programme at Insead University.

Mr Thio has over 20 years of investment management experience. He joined UOBAM in 1994 from the Government of Singapore Investment Corporation (GIC), as a portfolio manager managing Singapore, and subsequently Asia Pacific and Global Equity portfolios. Over the years, he also headed the International Equities and Global Technology teams. In 2004, Mr Thio was appointed as Chief Investment Officer of UOBAM, a position he held until 2011 when he was promoted to his current appointment of Chief Executive Officer.

Mr Thio was recognised as “CEO of the Year in Asia” for two consecutive years by Asia Asset Management in its “Best of the Best Regional Awards 2015” and “Best of the Best Regional Awards 2014” for his outstanding contributions to UOBAM. He was also conferred the “IBF Fellow” title by the Institute of Banking and Finance in 2015.

Chong Jiun Yeh, Chief Investment Officer, Fixed Income & Structured Investments

Mr Chong joined UOBAM in March 2008. He was formerly the Managing Director (Fund Management) and Co-Head of Portfolio Management for ST Asset Management Ltd. (“**STAM**”), a wholly owned subsidiary of Temasek Holdings. Prior to joining STAM, he was Head of Fixed Income and Currencies at OUB Asset Management Ltd, and has also spent part of his career with Newton Investment Management.

Mr Chong has over 18 years of experience in managing equities, fixed income and structured finance portfolios, including emerging market sovereign and investment grade credits (cash and synthetic), G-7 bonds and currencies, as well as Asian equities. He has worked with rating agencies, insurers, investment partners and banks in structuring investment products and customizing solutions for investors. Mr Chong graduated with a Bachelor of Science (Estate Management), Second Class Upper Honours degree from the National University of Singapore. At UOBAM, he is the designated person responsible for the investment management of the Fund.

3. THE TRUSTEE, CUSTODIAN AND ADMINISTRATOR

3.1 The Trustee

The Trustee of the Fund is HSBC Institutional Trust Services (Singapore) Limited. The Trustee is regulated in Singapore by the Authority.

See the Deed for details on the Trustee’s role and responsibilities.

3.2 The custodian

The Trustee has appointed State Street Bank and Trust Company (“**SSBT**”), a trust company organised under the laws of the Commonwealth of Massachusetts, as the global custodian of the Fund.

SSBT was founded in 1792 and is a wholly owned subsidiary of State Street Corporation. It is licensed and regulated by the Federal Reserve Bank of Boston.

SSBT provides custodial services in over 100 markets by utilizing its local market custody operations and through its network of sub-custodian banks. It may appoint sub-custodians in markets where the Fund invests and has in place processes dealing with the selection and ongoing monitoring of such sub-custodians. SSBT has comprehensive processes for the initial selection and ongoing monitoring of its sub-custodians, each of which is chosen based upon securities processing and local market expertise, and must satisfy stringent operating requirements in terms of structure, communications, asset servicing and reporting capabilities. All sub-custodians appointed shall be licensed and regulated under applicable law to carry out the relevant financial activities in the relevant jurisdiction.

SSBT’s Network Management and Correspondent Banking teams conduct ongoing assessments and due diligence

reviews of all sub-custodians. In addition, SSBT's Enterprise Risk Management group regularly tracks and analyzes the financial and market conditions of these providers and meets regularly with its Network Management team to discuss any market or provider issues.

Other custodians may be appointed from time to time in respect of the Fund or any of its assets.

See [paragraph 20.3](#) below for further details of the custodial arrangement in respect of the Deposited Property.

3.3 [The administrator](#)

The administrator of the Fund is HSBC Institutional Trust Services (Singapore) Limited.

4. OTHER PARTIES

4.1 [The registrar](#)

The registrar of the Fund is the Trustee. The Register is kept and maintained at 20 Pasir Panjang Road (East Lobby), #12-21 Mapletree Business City, Singapore 117439. Any Holder may inspect the Register during normal business hours subject to such reasonable restrictions as the registrar may impose. The Trustee may appoint any other person (including, without limitation, the Managers) as its agent to keep and maintain the Register.

The Register is conclusive evidence of the number of Units held by a Holder. The entries in the Register shall prevail over the details appearing on any statement of holding, unless the Holder proves to the Trustee's and our satisfaction that the Register is incorrect.

4.2 [The auditors](#)

The auditors of the accounts of the Fund are PricewaterhouseCoopers LLP.

5. INVESTMENT CONSIDERATIONS

5.1 [Investment objective, focus and approach](#)

(a) Investment objective

The investment objective of the Fund is to provide investors with:

- (i) regular payouts;
- (ii) capital growth; and
- (iii) optimum risk adjusted total return.

(b) Investment focus and approach

In order to achieve the investment objective, the Fund will primarily invest in cash, cash-equivalents, high quality bonds and other fixed income instruments, and will use derivative transactions (see [paragraph 5.2](#)) to enhance the yield and capital growth of the Fund while taking steps to reduce the downside risk. The Fund may also invest in other Authorised Investments to achieve its investment objective. In particular, for efficiency and economies of scale, investments in cash, cash-equivalents, high quality bonds and other fixed income instruments, may be made through other collective investment schemes as we may determine from time to time.

We intend to invest a substantial portion of the NAV of the Fund in United High Grade Corporate Bond Fund, a sub-fund of United Global Recovery Funds authorised for offer in Singapore. We may vary the amount invested in High Grade Corporate Bond Fund or choose to invest in other schemes from time to time, as we deem fit in the best interest of the Fund.

High Grade Corporate Bond Fund is also managed by us and its investment objective is to maximise returns over the long term through investments in a portfolio which consists mainly of investment grade corporate bonds issued globally. We aim to create a portfolio for High Grade Corporate Bond Fund which consists

mainly of investment grade bonds, fixed income securities, debt securities, fixed and floating rate securities and other similar instruments, denominated in any currency and issued by corporations anywhere in the world. High Grade Corporate Bond Fund may also invest in bonds issued by governments, government agencies and supra-nationals worldwide. A bond is considered investment grade if it is rated BBB- or higher by Standard & Poor's or Fitch Inc, or Baa3 or higher by Moody's Investor's Service or given such other equivalent rating. High Grade Corporate Bond Fund may also hold part of its assets in liquid investments or cash for liquidity purposes. In its management of High Grade Corporate Bond Fund, we take an active approach to fund management. Through its disciplined research and investment processes, we will seek to optimise portfolio performance by focusing on and investing in selected sectors and individual credits that have the potential to outperform while maintaining adequate portfolio diversification. The investment process is driven by our assessment of the macro and technical factors which are important to the performance of High Grade Corporate Bond Fund. We may choose to increase High Grade Corporate Bond Fund's exposure to selected sectors that have the potential to outperform and reduce exposure to sectors that may underperform. This top-down approach is supplemented by bottom-up analysis to arrive at the final investment decision. High Grade Corporate Bond Fund's portfolio will be reviewed regularly.

The Fund may purchase fixed income securities issued or guaranteed by sovereign or other governmental, quasi-government or supranational entities or agencies. We may also make investments in fixed income securities issued by various organisations, companies and other entities that have a credit rating of at least Baa3 by Moody's Investors Service or BBB- by Standard and Poor's or an equivalent rating from any other reputable rating agency.

5.2 Disclosure on certain investments

- (a) We will employ various strategies to enhance the yield and capital growth of the Fund. We will:
 - (i) analyse the potential returns generated by exposure to the strategies and select those strategies with a high ratio of return to risk and/or volatility, and in particular, to target a return at a volatility that is less than that experienced in the general markets for that expected level of return;
 - (ii) allocate diversified strategy positions in a combination of asset classes with the objective of supporting regular income payouts and enhancing the yield and capital growth of the Fund; and
 - (iii) measure, monitor and manage the level of risks related to the Fund's exposure to such strategies.
- (b) To achieve its investment objective, the Fund may from time to time invest in FDIs, including options, warrants and swaps, which are selected by us.
- (c) We will employ rigorous research and analysis with the aim of achieving the following objectives:
 - (i) enhancing the yield and capital growth of the Fund while at the same time seeking to lower risk and volatility through the use of FDIs; and
 - (ii) to minimise, to the extent which we consider reasonable, risks in relation to any negative performance of any investment strategy which is carried out for the Fund.
- (d) To further mitigate the risks relating to use of the FDIs, we will enter into FDIs only with counterparties which are banks or financial institutions with a minimum long-term issuer credit rating of above BB+ by Standard and Poor's, an individual rating of above C or viability ratings of above bbb by Fitch Inc, a baseline credit assessment of above a3 by Moody's Investors Service or an equivalent rating from any other reputable rating agency.
- (e) Without prejudice to the generality of the foregoing, the Fund may invest in FDIs which are linked to the performances of various investment or trading strategies or indices (including without limitation commodity indices) selected by us. Where appropriate and consistent with our risk management procedures, we will employ ancillary techniques or instruments designed to limit the Fund's exposure to loss under the FDIs. The techniques and instruments used by us to limit loss may include hedging arrangements which are entered into in accordance with the provisions of the Code.

Examples of FDIs which may be entered into by the Fund:

- (i) The Fund may enter into unfunded index swaps with counterparties to seek to replicate proprietary trading strategies. Such proprietary trading strategies include, without limitation, strategies that: (a) take advantage of multi-asset arbitrage opportunities within and across various asset classes, for example, bond yields versus short-term interest rates, equity earnings yields versus short-term interest rates, interest rate differentials between different currencies or risk premium differences between implied and realized equity volatility; (b) invest into a portfolio of diversified financial indices (including commodity indices) aimed at providing stable risk-adjusted returns; (c) take advantage of the relative out-performance of a dynamically selected basket of currencies against a fixed basket of currencies; (d) take advantage of arbitrage opportunities from the early identification of trends in interest rates, interest rate differentials between long-term and short-term interest rates and interest rate spreads between different interest rate curves. One or a combination of strategies will be selected by us through a pre-determined process over short trading periods, with the makeup of each strategy being adjusted from time to time based on pre-defined risk-return adjusted criteria.
- (ii) The Fund may enter into funded swaps with various counterparties such that the investment amounts are swapped for the performance of an “underlying”. Examples of such underlyings may include a basket of pre-selected securities, or a combination of one or more proprietary indices or trading strategies which take advantage of multi-asset arbitrage opportunities within and across various asset classes such as equities, bonds, commodities, currencies, interest rates or other assets. Such underlyings may be adjusted from time to time based on pre-defined risk-return adjusted criteria.

We will monitor any downside performance of such FDIs, and may, in appropriate circumstances, take steps to limit losses through the use of options and other instruments in conjunction with the relevant instrument.

The above are only examples of FDIs which the Fund may invest into and shall not limit the ability of the Fund to invest in other FDIs and/or Authorised Investments.

- (f) The Fund may have exposure, through investing in FDIs, to the performance of commodities or commodity indices. Examples of the underlying commodities include, without limitation, oil, natural gas, coal, gold, silver, platinum, palladium, copper, aluminium, nickel, zinc, iron, steel, lead, tin, wheat, soya bean, cocoa, corn, coffee, sugar, cotton, hogs and cattle. The underlyings of such FDIs may comprise exchange-traded funds which track the performance of commodities or commodity indices.

Where the Fund has exposure to more than one commodity or commodity index at any time, some of the commodities and/or commodity indices may be highly correlated and therefore treated as giving exposure to the same commodity. As and when required, we apply an internal statistical model to monitor correlation between the commodities and/or commodity indices which the Fund is exposed to, using historical correlation data based on the returns of each commodity or commodity index. The objective is to measure the long term level of correlation between the same and to calculate a confidence interval around that level. Currently, the model determines the existence of high correlation between the commodities and/or commodity indices by examining 5 years of historical data and measuring and converting the historical correlation in the returns of each commodity or commodity index over the initial 4 years into normal distributions. This is compared against the resulting distributions with the correlation between the same commodities and/or commodity indices over the most recent 12 months (“**short-term correlation**”). Such period or periods may be adjusted at our discretion in the event that any historical data is not available. If the short-term correlation falls outside the relevant confidence level (computed on a one-tailed 99% confidence interval), we will regard such commodities and/or commodity indices as being “highly correlated” with each other and the Fund’s exposure to such commodities and/or commodity indices will be aggregated for the purpose of compliance with the Code.

As at 10 January 2017, the Fund may have exposure to (amongst others) (i) gold, (ii) energy, (iii) base metals, (iv) agricultural commodities and (v) diversified baskets of commodities (which include light, sweet crude, heating oil, aluminium, gold, corn and wheat), mainly through FDIs which underlyings comprise of exchange-traded funds. Based on the model above, we consider the Fund’s potential exposure to the commodities or the commodity indices comprised in or tracked by the following underlying exchange-traded funds to be highly correlated:

- (i) PowerShares DB Agriculture Fund (tracking the DBIQ Diversified Agriculture Index Excess Return™);
- (ii) PowerShares DB Energy Fund (tracking the DBIQ Optimum Yield Energy Index Excess Return™);

- (iii) PowerShares DB Base Metal Fund (tracking the DBIQ Optimum Yield Industrial Metals Index Excess Return™);
- (iv) PowerShares DB Commodity Fund (tracking the DBIQ Optimum Yield Diversified Commodity Index Excess Return™);
- (v) iShares S&P GSCI Commodity- Indexed Trust (tracking the S&P GSCI Total Return Index); and
- (vi) SPDR Gold Trust and CS ETF II (CH) on Gold (tracking Gold (London PM FIX)).

You should note that, depending on the commodity or commodity indices which the Fund is exposed to, the Fund's exposure to a particular commodity or to a group of highly correlated commodities may vary from time to time.

5.3 Distribution policy

In this paragraph:

“**Distribution Date**” shall mean any date on which a distribution is made (whether under sub-paragraph (a)(i) or sub-paragraph (a)(ii)).

“**Observation Date**” means:

- in respect of the first Observation Date, the Trade Date; and/or
- in respect of each subsequent Observation Date, the Distribution Date falling in June each year,

and/or on such other dates as we may from time to time determine.

“**Trade Date**” means 2 July 2007.

(a) We currently aim to make the following distributions to Holders:

(i) Regular distributions.

We aim to make regular bi-monthly distributions. The first distribution was made on the last Dealing Day of October 2007. Subsequent distributions will be made on the last Dealing Day of every alternate calendar month thereafter, or on such other dates as we may from time to time determine.

The distribution rate will be determined by us from time to time at our discretion. Currently, we aim to distribute, during each distribution period, up to 10% of the NAV per Unit calculated as of an Observation Date (net of any distributions made up to and including that date, including bonus distributions (if any)). In this sub-paragraph, a “**distribution period**” refers to the period commencing after the relevant Observation Date up to and including the next Observation Date.

See sub-paragraph (d) below for important notes on distributions.

(ii) Annual bonus distributions.

If the NAV per Unit on an Observation Date (the “**Relevant Date**”) is higher than the NAV per Unit on the previous Observation Date, the Fund will make a bonus distribution equal to 50% of the amount of increase (if any) in the NAV per Unit on the Relevant Date.

The calculation of NAV per Unit on any Observation Date for the purpose of determining annual bonus distributions shall be net of any distributions made by the Fund up to and including that date, including a distribution which is made under sub-paragraph (a)(i) on that Observation Date.

Illustrations:

If the NAV per Unit on the Trade Date is S\$1.00 and the NAV per Unit on the next Observation Date (net of any other distributions) is S\$1.50, the bonus distribution will be $(50\% \times \{1.50 - 1.00\})$ S\$0.25 per Unit.

If the NAV per Unit on the Trade Date is S\$1.00 and the NAV per Unit on the next Observation Date (net of any other distributions) is S\$0.95, no bonus distribution will be made.

See sub-paragraph (d) below for important notes on distributions.

- (b) Distributions shall be based on the number of Units held by each Holder as at the Distribution Date as evidenced by the Register. Distributions will be paid to Holders within 30 Business Days from the relevant Distribution Date.
- (c) A Holder may at the time of an initial application for Units make a request in writing (a “**Distribution Reinvestment Mandate**”) to elect for the automatic reinvestment of all (but not part) of the net amount of distributions to be received by him in the purchase of further Units (including fractions of Units, if any). A Distribution Reinvestment Mandate once made shall apply to all of the Units then held by the same Holder at any particular time and such Distribution Reinvestment Mandate may only be withdrawn by the Holder giving us not less than 30 days’ notice in writing prior to the date of any particular distribution. If a Holder has withdrawn the Distribution Reinvestment Mandate, the distribution to be made to such Holder shall be the relevant amount in cash available for distribution in respect of such Holder’s holding of Units.
- (d) *The making of distributions is at our absolute discretion and is not guaranteed. Distributions are not in any way a forecast, indication or projection of the future performance of the Fund. The making of any distribution does not mean that further distributions will be made. We reserve the right to vary the frequency and/or amount of distributions and the discretion to determine whether distributions will be paid out or reinvested. Distributions from the Fund may be made out of income and/or net capital gains, and if income or net capital gains are insufficient, out of capital. You should also note that the declaration and/or payment of distributions (whether out of capital or otherwise) may have the effect of lowering the NAV of the Fund. Moreover, distributions out of capital may amount to a return of part of your original investment and may result in reduced future returns.*

5.4 Product suitability

The Fund is only suitable for investors who:

- (a) seek capital growth;
- (b) also seek regular income; and
- (c) are comfortable with the greater volatility and risks of a fund which invests in a wide range of instruments including FDIs (such as swaps) linked to the performance of various investment or trading strategies or indices.

5.5 Authorised Investments

- (a) The authorised investments of the Fund (“**Authorised Investments**”) are as follows:
 - (i) any Quoted Investment which is selected by us for the purpose of investment of the Deposited Property;
 - (ii) any Investment in respect of which an application for listing or permission to deal has been made to a Recognised Market and the subscription for or purchase of which is either conditional upon such listing or permission to deal being granted within a specified period not exceeding twelve weeks (or such other period as may be agreed between the Trustee and us) or in respect of which we are satisfied that the subscriptions or other transactions will be cancelled if the application is refused;
 - (iii) any Unquoted Investment which is selected by us for the purpose of investment of the Deposited Property;
 - (iv) any Investment which is a unit in any unit trust scheme or a share or participation in an open-ended mutual fund or other collective investment scheme;
 - (v) the currency of any country or any contract for the spot purchase or sale of any such currency or any forward contract of such currency;

- (vi) any Investment denominated in any currency;
- (vii) any Investment which is a future, option, forward, swap, collar, floor or other derivative; and
- (viii) any Investment which is not covered by sub-paragraphs (i) to (vii) above selected by us and approved by the Trustee.

The Investments described in sub-paragraphs (v) and (vii) above shall be used for the purposes of hedging existing positions in a portfolio, efficient portfolio management, optimising returns of the Fund and/or the underlying fund, High Grade Corporate Bond Fund, or a combination of these purposes.

See the Deed for the full meaning of the terms **Quoted Investment, Recognised Market, Unquoted Investment** and **Investment**.

The Fund intends to use or invest in FDIs. Further information is set out in paragraphs 5.2 and 5.7 of this Prospectus.

5.6 Investment restrictions

- (a) The investment guidelines and borrowing limits set out under Appendix 1 of the Code apply to the Fund and the underlying fund, High Grade Corporate Bond Fund.
- (b) Currently, the Fund does not intend to carry out securities lending or repurchase transactions but may do so in the future in accordance with the provisions of the Code. Accordingly, the Fund may at such time in the future become subject to the provisions on securities lending and repurchase transactions as set out in the Code.

5.7 Risk management procedures of the Managers relating to the use of FDIs

- (a) The Fund and the underlying fund, High Grade Corporate Bond Fund may each use or invest in FDIs for the purposes of hedging existing positions in a portfolio, efficient portfolio management, optimising returns, or a combination of these purposes.
- (b) We will use the commitment approach to determine the Fund's global exposure to FDIs by converting its positions in the FDIs into equivalent positions in the FDIs' underlying assets. Such exposure will be calculated in accordance with the provisions of the Code. We will ensure that the global exposure of the Fund to FDIs or embedded FDIs will not exceed 100% of the Fund's NAV.
- (c) Below is a description of risk management and compliance procedures and controls adopted by us:
 - (i) We will implement various procedures and controls to manage the risk of the Fund's assets. Our decision to invest in any particular security or instrument on behalf of the Fund will be based on our judgment of the benefit of such transactions to the Fund and will be consistent with the Fund's investment objective in terms of risk and return.
 - (ii) *Execution of trades.* Prior to each trade, we will ensure that the intended trade will comply with the stated investment objective, focus, approach and restrictions (if any) of the Fund, and that best execution and fair allocation of trades are done. Our middle office department will conduct periodic checks to ensure compliance with the investment objective, focus, approach and restrictions (if any) of the Fund. If there is any non-compliance, our middle office department is empowered to instruct the relevant officers to rectify the same. Any non-compliance will be reported to higher management and monitored for rectification.
 - (iii) *Liquidity.* If there are any unexpectedly large realisations of Units, it is possible that the assets of the Fund may be forced to be liquidated at below their fair and expected value, especially in illiquid public exchanges or over-the-counter markets. We will ensure that a sufficient portion of the Fund will be in liquid assets such as cash and cash-equivalents to meet expected realisations, net of new subscriptions.
 - (iv) *Counterparty exposure.* The Fund may have credit exposure to counterparties by virtue of positions in FDIs and other financial instruments held by the Fund. To the extent that a counterparty defaults on its obligations and the Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its assets and in its

income stream and incur extra costs associated with the exercise of its financial rights. Subject to the provisions of the Code, we will restrict our dealings with counterparties to entities that have a minimum long-term issuer credit rating of above BB+ by Standard and Poor's, an individual rating of above C or viability ratings of above bbb by Fitch Inc., a baseline credit assessment of above a3 by Moody's Investors Service or an equivalent rating from any other reputable rating agency. If any approved counterparty fails this criterion subsequently, we will take steps to unwind the Fund's position with that counterparty as soon as practicable.

- (v) *Volatility.* To the extent that the Fund has exposure to FDIs that allow a larger amount of exposure to a security for no or a smaller initial payment than the case where the investment is made directly into the underlying security, the value of the Fund's assets will have a higher degree of volatility. One of the Fund's aims is to target a return at a volatility that is less than that experienced in the general markets for that expected level of return. The Fund may use FDIs for hedging purposes to reduce the overall volatility of the value of its assets. At the same time, we will ensure that the global exposure of the Fund to FDIs and embedded FDIs will not exceed the NAV of the Fund, as stated in sub-paragraph (b) above.
- (vi) *Valuation.* The Fund may have exposure to over-the-counter FDIs that are difficult to value accurately, particularly if there are complex positions involved. We will ensure that independent means of verifying the fair value of such instruments are available, and will conduct such verification at an appropriate frequency.
- (vii) *Fixed income securities.* The Fund may invest directly or indirectly in fixed income securities and will be subject to the risks that are typical of such instruments, such as interest rate risks and default risk. Interest rate risks will arise from unexpected changes in the term structure of interest rates, which are in turn dependent on general economic conditions. In addition, such investments are subject to the specific ability of the issuers of such securities to meet their debt obligations and are hence dependent on the financial health of the issuers, which may change adversely over time due to their specific business conditions and general market conditions. We will restrict investments in fixed income securities to those issued or guaranteed by sovereign or other governmental, quasi-government or supranational entities or agencies, or those issued by organisations, companies and other entities that have a credit rating of at least Baa3 by Moody's Investors Service, BBB- by Standard and Poor's, or an equivalent rating from any other reputable rating agency.
- (viii) *Foreign exchange/Currency risk.* The Fund may have exposure, either directly or indirectly to a wide range of currencies, some of which may be restricted in terms of convertibility. We may hedge the exposure to these currencies to the SGD, possibly leading to a reduced overall gain or greater loss on currency swap transactions entered into by the Fund. The Fund may also employ strategies to invest in certain currencies while borrowing in other currencies, and this may result in losses if the net movements of the various currencies pairs move in unfavourable directions. We will select transactions in currencies that are likely to yield favourable returns to the Fund based on their historical trends.
- (ix) *Cash assets.* The cash assets of the Fund will be invested in one or more of the following:
 - (1) government or other public body securities with a minimum credit rating of A3 by Moody's Investors Service or A- by Standard and Poor's;
 - (2) certificates of deposit rated A and above by either Fitch, Standard and Poor's or Moody's Investors Service;
 - (3) commercial paper which are issued by issuers with a minimum short-term credit rating of F2 by Fitch Inc or A2 by Standard and Poor's or P2 by Moody's Investors Service;
 - (4) repurchase agreements with counterparties which have, or which are guaranteed by third parties with, ratings of A2 by Standard and Poor's or P2 by Moody's Investors Service;
 - (5) daily dealing money market funds which have a minimum short-term credit rating of F2 by Fitch Inc or A2 by Standard and Poor's, or long-term ratings of A by Fitch Inc or A by Moody's Investors Service or A by Standard and Poor's; or

- (6) deposits with Singapore-incorporated banks licensed under the Banking Act (Chapter 19 of Singapore) or financial institutions with either a minimum short-term issuer credit rating of F2 by Fitch Inc or A2 by Standard and Poor's, or a minimum short-term bank deposit rating of P2 by Moody's Investors Service,

or, in each case, with an equivalent rating from any other reputable rating agency.

- (d) We will ensure that the risk management and compliance procedures and controls adopted by us are adequate and have been implemented, and that we have the necessary expertise to control and manage the risks relating to the use of FDIs. We may modify the risk management and compliance procedures and controls as we deem fit and in the interests of the Fund, but subject always to the requirements under the Code.
- (e) The Fund may net its over-the-counter derivative positions with a counterparty through bilateral contracts for novation or other bilateral agreements with the counterparty, provided that such netting arrangements satisfy the relevant conditions described in the Code, and that we will obtain, or have obtained (as applicable), the legal opinions as stipulated in the Code.
- (f) Where the Fund uses or invests in FDIs on commodities, all such transactions shall be settled in cash at all times.
- (g) We have adopted the same risk management and compliance procedures and controls in respect of High Grade Corporate Bond Fund.

6. FEES AND CHARGES

6.1 The fees and charges payable by you and the Fund are as follows:

Payable by you	
Subscription Fee	Currently 5%; maximum 5%.
Realisation Fee	Currently 0%; maximum 2%.
Switching Fee ⁽¹⁾	Currently 1%; maximum 1%.
Payable out of the Fund to the Managers, the Trustee and other parties	
Management Fee	Currently 1.5% p.a.; maximum 2% p.a..
Trustee Fee	Currently not more than 0.05% p.a. (subject always to a minimum of S\$5,000 p.a.); maximum 0.1% p.a..
Registrar and transfer agent fee	The higher of S\$15,000 p.a. or 0.125% p.a., subject always to a maximum of S\$25,000 p.a..
Valuation and accounting fees	0.125% p.a..
Audit fee, custodian fee, transaction costs ⁽²⁾ and other fees and charges ⁽³⁾	<p>Subject to agreement with the relevant parties. Each fee or charge may amount to or exceed 0.1% p.a., depending on the proportion that it bears to the NAV of the Fund.</p> <p>Based on the audited accounts and the average NAV of the Fund for the financial year ended 30 June 2016:</p> <ul style="list-style-type: none"> • Audit fee: 0.24%. • Custodian fee: less than 0.1%. • Transaction costs: less than 0.1%. • Other fees and charges: 0.56%

⁽¹⁾ If you switch your Units to units of another fund managed by us ("New Fund"), we will charge you the Switching Fee instead of the subscription fee for the New Fund. If the subscription fee for the New Fund is more than the Switching Fee, you are effectively receiving a discount on the New Fund's subscription fee.

⁽²⁾ Transaction costs (which do not include the transaction fees mentioned below) include all expenses relating to the purchase and sale of financial instruments.

- (3) Other fees and charges include transaction fees payable to the custodian (the amount of which will depend on the number of transactions carried out and the place at which such transactions are effected), printing costs, professional fees, goods and services tax and other out-of-pocket expenses. The Fund may also invest in FDIs from time to time and fees may be payable by the Fund for such investments.

6.2 The fees and charges applicable to the Fund's investment in High Grade Corporate Bond Fund are as follows:

Payable by the Fund	
Subscription fee	Waived.
Realisation fee	Waived.
Switching fee	Waived.
Payable out of the High Grade Corporate Bond Fund to its managers, trustee and other parties	
Management fee	Currently 1% p.a.; maximum 2% p.a.. Currently rebated to the Fund in the form of cash and/or units in High Grade Corporate Bond Fund.
Trustee fee	Currently not more than 0.05% per annum (subject always to a minimum of S\$5,000 p.a.); maximum 0.1% p.a..
Administration fee	0.125% p.a..
Registrar and transfer agent fee	The higher of S\$15,000 p.a. or 0.125% p.a., subject always to a maximum of S\$25,000 p.a..
Valuation and accounting fees	0.125% p.a..
Audit fee, custodian fee, transaction costs and other fees and charges	Subject to agreement with the relevant parties. Each fee or charge may amount to or exceed 0.1% p.a., depending on the proportion that it bears to the NAV of the High Grade Corporate Bond Fund.

- 6.3 The Fund may also invest in other underlying funds (each of which we currently do not intend to exceed 10% of the Fund's NAV) for which fees and charges may be imposed at the underlying fund level.
- 6.4 As required by the Code, all marketing, promotional and advertising expenses in relation to the Fund will not be paid from the Deposited Property.
- 6.5 Any Subscription and Realisation Fees will be retained by us for our own benefit and will not form part of the Deposited Property. All or part of the Subscription Fee may also be paid to or retained by our authorised agents or distributors. We will also pay any other commission, remuneration or sum payable to such authorised agents or distributors in respect of the marketing of Units. Moreover, the authorised agents and distributors through whom you subscribe for Units may (depending on the specific nature of services provided) impose other fees and charges that are not disclosed in this Prospectus, and you should check with the relevant agent or distributor on such fees and charges, if any.
- 6.6 We may at any time differentiate between investors as to the amount of the Subscription Fee, Realisation Fee, Switching Fee and other charges (if any) payable to us upon the issue, realisation or switch of Units, or apply such discounts or waivers as we think fit (provided that such discounts will be borne by us and not by the Fund).

7. RISKS

7.1 General risks

You should consider and satisfy yourself as to the risks of investing in the Fund.

Generally, some of the risk factors that you should consider are market risks, interest rate risks, derivatives risks, underlying risks, counterparty risks, foreign exchange risks, political risks and exceptional market conditions risks. Further, some of the markets or exchanges on which the Fund may invest in may prove to be illiquid or highly volatile from time to time and this may affect the price at which the Fund may liquidate its positions to meet realisation requests.

You should be aware that the price of Units and the income accruing from them may fall or rise and you may not get back your original investment. There is no guarantee that the investment objective of the Fund will be achieved.

Investment in the Fund is not meant to produce returns over the short term and you should not expect to obtain short-term gains from such investment.

The general and specific risks described in this paragraph 7 are not exhaustive and you should be aware that the Fund may be exposed to other risks of an exceptional nature from time to time.

7.2 Specific risks

(a) Market risk

The Fund and the underlying fund, High Grade Corporate Bond Fund, may invest in, or enter into FDIs which allow participation in the performance of, listed and unlisted securities and their FDIs. You should consider and satisfy yourself as to the usual risks of investing and participating in such securities and FDIs. Prices of securities may go up or down in response to changes in economic conditions, interest rates and the market's perception of securities, which in turn may cause the value of Units to rise or fall.

Investments in bonds and other fixed income securities are subject to interest rate fluctuations and credit risks, such as risk of default by issuers.

Bond prices may go up or down in response to interest rates with increases in interest rates usually leading to falling bond prices.

Investments in fixed income securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal.

In light of current fiscal conditions and concerns on sovereign debt of certain European countries, the Fund may also be subject to risks arising from a potential crisis in the Eurozone such as political risk, liquidity risk, currency risk and exceptional market conditions (as disclosed below in greater detail). Such risks may affect the performance of the Fund and the value of the Units of the Fund.

(b) Interest rate risk

Interest rates are determined by factors of supply and demand in the international money markets which are influenced by macroeconomic factors, speculation and central bank and government intervention. Fluctuations in short term and/or long term interest rates may affect the value of the Fund. Fluctuations in interest rates of the currencies in which investments of the Fund are denominated and/or fluctuations in interest rates of the currencies in which the underlying assets comprised in the investments of the Fund are denominated may affect the value of the Fund.

(c) Risks associated with commodities

If the Fund has exposure to commodities or commodity indices (through its investments in FDIs or otherwise), it will be affected by changes in the prices of commodities. The prices of commodities are influenced by, among other things, various macro-economic factors such as changing supply and demand relationships, climatic and geopolitical conditions, disease, and other natural phenomena, agricultural, trade, fiscal, monetary, and exchange control programmes and policies of governments (including government intervention in certain markets) and other unforeseeable events.

The volatility of the Fund may be affected by the correlation between different commodities or commodity indices to which the Fund is exposed and which may vary from time to time. Should two or more commodities or commodity indices to which the Fund is exposed become highly correlated, their performance will have a greater impact on the performance of the Fund as the value of such investments may be subject to greater or more rapid fluctuations than would be the case if they were not highly correlated.

We will use the statistical model described in paragraph 5.2(f) to monitor the correlation between the different commodities/commodity indices to which the Fund is exposed. Such model may be used as a guide but as it is based on historical data, there is no guarantee that future correlation between commodities/commodity indices will be in line with our predictions. The model and the parameters used in the model may also change if we deem another model or other parameters to be more appropriate in monitoring correlation.

(d) Derivatives risk

The Fund may enter into FDIs, which are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. The FDIs may include options, warrants and swaps and the underlying assets, rates and indices may include bonds, stocks, interest rates, currency exchange rates, and bond, stock and commodity indices.

While the prudent and judicious use of FDIs by professional investment managers can be beneficial, FDIs involve risks different from, and, in some cases, greater than, the risks presented by more traditional securities investments. Some of the risks associated with FDIs are market risk, management risk, credit risk, liquidity risk and leverage risk.

An investment in an FDI may require the deposit of an initial margin and additional deposit of margin on short notice if the market moves against the investment position. If the required margin is not provided for in time, the investment may be liquidated at a loss. Therefore, it is essential that such investments in FDIs are monitored closely. We have controls for investments in FDIs and have in place systems to monitor the FDI positions of the Fund. See [paragraph 5.7](#) for more information on our risk management procedures on the use of FDIs.

The FDIs entered into by the Fund may be terminated in certain circumstances, including (but not limited to) the Fund's value falling below a threshold amount, the counterparty failing to maintain a specified minimum credit rating or for regulatory and other reasons. If a FDI is terminated, we will seek to replace it with another FDI providing, in our opinion, the same or substantially similar terms as the FDI being terminated. There is no guarantee that the Fund will be able to enter into such a replacement instrument, as this depends on various factors such as the size of the Fund, the pool of available counterparties which satisfy the Fund's criteria and legal and regulatory requirements.

We may utilise a variety of techniques or instruments (such as options) to limit the Fund's exposure to loss under the FDIs entered into by the Fund. However, there can be no assurance that the Fund will be able to enter into such "stop loss" arrangements, or that the techniques or instruments used in such arrangements will be effective. Limitations on the effectiveness of techniques or instruments used in the Fund's "stop loss" arrangements could interfere with the ability of the Fund to execute certain aspects of its investment strategies, including its ability to hedge certain exposures and execute transactions to implement its risk management policies and any such limitations may adversely affect the performance of the Fund.

Investments in "over-the-counter" ("OTC") FDIs may be illiquid and are sometimes subject to larger spreads than exchange-traded FDIs. Participants in such OTC markets are typically subject to less regulatory oversight than members of exchange-based markets. Therefore, the use of OTC instruments may lead to increase in volatility and may increase counterparty and settlement risks. Although we will endeavour to ensure that the OTC transactions entered into are governed by standardised documentation produced by the International Swaps and Derivatives Association (ISDA), there is no guarantee that this will be achieved. Further, transactions entered under an ISDA agreement may be subject to cross-product obligations, payment and collateral netting provisions, events of default provisions, no-fault termination events and other provisions, which may subject the OTC transactions to early termination. If such provisions are triggered, the Fund may incur losses or fail to recover from its counterparty in full. The close-out and valuation procedures provided under the ISDA agreement do not always function well, particularly in adverse market conditions.

(e) Underlying risk

An investment in the Fund is subject to the volatility of any FDI employed by the Fund and/or any assets, securities, investment/trading strategies and/or indices underlying the FDI. You should note that distributions will be linked to the performance of the FDIs and the underlying assets, securities, investment/trading strategies and/or indices.

Exposure of the Fund through an Instrument to assets, rates or indices can be volatile and move dramatically over short periods of time. Whilst some FDIs offer diversified exposure to multiple asset classes, rates and/or indices, and may restrict weighting in which it takes notional trading positions, there can be no assurance that these trading positions will not be subject to substantial loss. Profits earned may therefore be reduced or eliminated entirely due to movements in any of these market parameters.

In addition, exposure of the Fund may be calculated in a currency other than SGD. The underlying assets, securities, investment/trading strategies and/or indices of any Instrument may also be denominated in other currencies. Accordingly, movements in the foreign exchange rate will also have an impact on the value of the Fund. It should be noted that since foreign exchange rates are unpredictable, such movements could well have a material adverse impact on the value of the Fund and the price of Units.

(f) Counterparty risk

The Fund may enter into over-the-counter transactions involving FDIs or other instruments, which exposes the Fund to the credit risk of counterparties and their ability to satisfy the terms of such instruments. The Fund is exposed to the risk that a counterparty may default on its obligations to perform under a particular contract. If a counterparty becomes bankrupt or insolvent, the Fund could experience delays in liquidating an investment and may therefore incur significant losses, including losses resulting from a decline in the value of the investment during the period in which the Fund seeks to enforce its rights. The Fund may also be unable to realise any gains on the investment during such period and may incur fees and expenses to enforce its rights. There is also a risk that the counterparty contracts may be terminated earlier due to, for instance, bankruptcy, supervening illegality or change in the tax or accounting laws relative to those laws existing at the time the contracts were entered into.

(g) Foreign exchange risk

The Fund is denominated in SGD. Where the Fund makes investments which are denominated in foreign currencies, fluctuations of the exchange rates of other foreign currencies against the SGD may affect the value of the Units. In our management of the Fund, we may hedge the foreign currency exposure and may adopt an active currency management approach. However, the foreign currency exposure of the Fund may not be fully hedged depending on the circumstances of each case. Such circumstances include but are not limited to the outlook, hedging costs and market liquidity of the relevant currency.

(h) Political risk

The Fund's investments may be adversely affected by political instability as well as exchange controls, changes in taxation, foreign investment policies, restrictions on repatriation of investments and other restrictions and controls which may be imposed by the relevant authorities in the relevant countries. In particular, exposure of the Fund to any underlying assets, securities, investment/trading strategies and/or indices of an Instrument which is, as the case may be, located in or focused on any particular market may in turn expose the Fund to the political risks of that market.

(i) Exceptional market conditions risk

Under certain market conditions such as during volatile markets or crisis situations or where trading on the relevant stock exchange is suspended, restricted or otherwise impaired, it may be difficult or impossible to liquidate or rebalance positions. During such times, the Fund may be unable to dispose of certain assets due to thin trading or lack of a market or buyers. Placing a stop-loss order may not necessarily limit the Fund's losses to intended amounts as market conditions may make it impossible to execute such order at the ideal price. In addition, such circumstances may force the Fund to dispose of assets at reduced prices, thereby adversely affecting the Fund's performance. Investments may also be difficult to value with any degree of accuracy or certainty. The dumping of securities in the market could further deflate prices. If the Fund incurs substantial trading losses, the need for liquidity could rise sharply at the same time that access to liquidity is impaired. Further, in a market downturn, the financial conditions of the Fund's counterparties could be weakened, thereby increasing the Fund's credit risk.

(j) Actions of institutional investors

The Fund may accept subscriptions from institutional investors and such subscriptions may constitute a large portion of the total investments in the Fund. While these institutional investors will not have any control over the investment decisions for the Fund, the actions of such investors may have a material effect on the Fund. For example, substantial realisations of Units by an institutional investor over a short period of time could necessitate the liquidation of the Fund's assets at a time and in a manner which does not provide maximum economic advantage to the Fund and which could therefore adversely affect the value of the Fund's assets.

(k) Risk of using rating agencies and other third parties

Credit ratings of instruments invested into by the Fund represent our and/or the rating agencies' opinion regarding the credit quality of the instrument or the institution and are not a guarantee of quality. Rating methodologies generally rely on historical data, which may not be predictive of future trends and adjustments to credit ratings in response to subsequent changes in circumstances may take time.

We may rely, without independent investigation, upon pricing information and valuations furnished to the Fund by third parties, including pricing services and independent brokers/dealers. Their accuracy depends on these parties' methodology, due diligence and timely response to changing conditions. We will not be responsible for any failures by such parties in their valuations.

(l) Broker risk

We may engage the services of third party securities brokers and dealers to acquire or dispose the investments of the Fund and to clear and settle its exchange traded securities trades. In selecting brokers and dealers and in negotiating any commission involved in our transactions with them, we consider, amongst other things, the range and quality of the professional services provided by such brokers and dealers and their credit standing and licensing or regulated status.

It is possible that the brokers or dealers engaged for the Fund may encounter financial difficulties that may impair the Fund's operational capabilities. If a broker or dealer fails or becomes insolvent, there is a risk that the Fund's orders may not be transmitted or executed and its outstanding trades made through the broker or dealer may not settle.

(m) Concentration of investments in High Grade Corporate Bond Fund

The Fund will have a large concentration of investments in High Grade Corporate Bond Fund and could consequently be subject to significant losses where High Grade Corporate Bond Fund declines in value or is otherwise adversely affected. Some of the key risks in relation to the Fund's investment in High Grade Corporate Bond Fund include:

- (i) Liquidity risk - The managers of High Grade Corporate Bond Fund anticipate some liquidity risk in the fixed income markets owing to the portfolio size of High Grade Corporate Bond Fund relative to the size of the markets. A less liquid market may restrict the ease with which such securities may be bought or sold.
- (ii) Risk associated with lower-rated debt securities - The lower credit ratings of certain debt securities reflect the greater possibility that adverse changes in the financial condition of the issuer, or rising interest rates, may impair the ability of the issuer to make payments to holders of these securities. Given that High Grade Corporate Bond Fund may continue to hold debt securities that are downgraded to below investment grade following their purchase, High Grade Corporate Bond Fund may have exposure to securities which are subject to greater market and credit risks than higher rated securities.
- (iii) High Grade Corporate Bond Fund may enter into FDIs and the risks relating to the Fund's use of FDIs as described in the preceding paragraphs may also apply to High Grade Corporate Bond Fund.

The prospectus for High Grade Corporate Bond Fund, which includes more details on the risks of High Grade Corporate Bond Fund, may be obtained from our authorised agents or distributors or through our website at uobam.com.sg. This prospectus is not to be construed as an offer of units in High Grade Corporate Bond Fund.

(n) Risks relating to distributions

Where the Fund makes distributions to Holders, such distributions are at our absolute discretion and are not guaranteed. Distributions may be made from dividend/interest income and net capital gains derived from the investments of the Fund. Dividend/interest income may be adversely affected by events such as (but not limited to) investee entities suffering unexpected losses and/or paying lower than expected dividends, and adverse currency exchange rate fluctuations. Distributions may also be made out of capital. The declaration

and/or payment of distributions (whether out of income, net capital gains, capital or otherwise) may have the effect of lowering the NAV of the Fund. Moreover, distributions out of capital may amount to a reduction of your original investment and may also result in reduced future returns to you.

(o) Investment management risk

Investment performance depends on the portfolio management team and the team's investment strategies. If the investment strategies do not perform as expected, if opportunities to implement those strategies do not arise, or if the team does not implement its investment strategies successfully, an investment portfolio may underperform or suffer significant losses.

8. SUBSCRIPTION OF UNITS

8.1 How to subscribe and pay for Units

How to subscribe for Units:	<p>You may apply for Units through the following channels:</p> <ul style="list-style-type: none"> • authorised agents and distributors • ATMs (as and when available) • designated websites • other sales channels made available by us <p>You should include all required documents and subscription monies in full with your application, failing which your application may be rejected.</p>
How to pay for Units:	<ul style="list-style-type: none"> • By cheque in favour of the payee set out in the relevant application form. • By telegraphic transfer to the account set out in the relevant application form or as may be prescribed by us. All bank charges will be borne by you. • <u>SRS monies</u>: You should check with your SRS operator bank if you can invest in the Fund using SRS monies. You must indicate that you are using SRS monies in the relevant application form, which also contains your instructions to your SRS operator bank to withdraw the relevant subscription monies from your SRS account.
Other salient terms:	<ul style="list-style-type: none"> • We may, acting in consultation with the Trustee and in the best interests of the Fund, accept or reject any application for Units at our absolute discretion. • Generally, Units will not be issued until the Trustee receives the relevant subscription monies in cleared funds in the relevant currency, although we may at our discretion issue Units before the Trustee receives full payment in cleared funds or, if required, conversion to the relevant currency. • We and our authorised agents and distributors may request for such information or documents as may be necessary to verify your identity or to comply with any applicable laws, regulations or guidelines (including anti-money laundering laws).

8.2 Minimum subscription amounts and minimum holding

Minimum initial subscription*	Minimum subsequent subscription*	Minimum holding
S\$1,000 (or if subscribing in USD, US\$1,000)	S\$500 (or if subscribing in USD, US\$500)	1,000 Units or such number of Units as may be subscribed for S\$1,000 (or if subscribing in USD, US\$1,000) or its equivalent in such other currencies as we may decide or such other number of Units or amount as may from time to time be determined by us.

* or its equivalent in such other currencies at the applicable Rate of Exchange, as we may decide.

We may from time to time revise the minimum initial or subsequent subscription amounts upon giving prior notice to the Trustee.

Our authorised agents and distributors may impose a higher minimum initial or subsequent subscription amount. Please check with the relevant authorised agent or distributor before submitting your subscription application.

8.3 Issue of Units

Dealing Deadline:	<p>3 p.m. Singapore time on any Dealing Day.</p> <p>For applications received and accepted by us or our authorised agents or distributors by the Dealing Deadline of a Dealing Day, Units will be issued at the issue price applicable to that Dealing Day.</p> <p>For applications received and accepted after the Dealing Deadline or on a day which is not a Dealing Day, Units will be issued at the issue price applicable to the next Dealing Day.</p>
Pricing basis:	Units are issued on a forward pricing basis.
Issue price:	<p>The issue price per Unit shall be ascertained by:</p> <p>(a) calculating the NAV as at the applicable Valuation Point in relation to the particular Dealing Day on which such issue occurs of the proportion of the Deposited Property represented by one Unit; and</p> <p>(b) truncating the resultant amount to 3 decimal places.</p> <p>We may use another method of determination or adjustment or number of decimal places with the approval of the Trustee.</p> <p>Any adjustments shall be retained by the Fund.</p>
Deduction of Subscription Fee:	A Subscription Fee may be deducted from the Gross Investment Amount and the Net Investment Amount will be applied towards your subscription of Units.
Conversion of issue price:	<p>Currently, we accept cash subscriptions in SGD and USD, and SRS subscriptions in SGD only.</p> <p>We will quote the issue price in SGD and its equivalent in USD at an exchange rate determined by us. Your Units will be issued at the SGD issue price if you subscribe in SGD and at the USD issue price if you subscribe in USD.</p> <p>Any currency exchange cost to convert a foreign currency subscription to the Fund currency will be borne by you.</p> <p>If we decide to accept subscriptions in any other currency in the future, we will quote the issue price in such currency at the applicable Rate of Exchange.</p> <p>Acceptance of subscriptions in currencies other than SGD is at our discretion and subject to such additional terms as we may impose from time to time.</p>
Confirmation of purchase:	A confirmation of your purchase will be sent to you within 5 Business Days for cash applications, and 11 Business Days for SRS applications, from the date of issue of Units.
Other salient terms:	<ul style="list-style-type: none"> • You shall bear any costs incurred (including currency exchange costs) if you pay for your Units in a currency other than the Fund currency. • We may, in consultation with the Trustee, make fixed price offers of Units from time to time in accordance with the provisions of the Deed. • No certificates for Units will be issued. • Subject to the prior approval of the Trustee, we may change the method of determining the issue price and the Trustee shall determine if the affected Holders should be informed of such change.

8.4 Numerical example of calculation of Units allotted

The number of Units you will receive with an investment of S\$1,000.00 will be calculated as follows:

S\$1,000.00	-	S\$50.00	=	S\$950.00
Gross Investment Amount		Subscription Fee (5%)*		Net Investment Amount
S\$950.00	÷	S\$1.000*	=	950.00**
Net Investment Amount		Issue price		Number of Units allotted

* Based on an issue price of S\$1.000 and a Subscription Fee of 5%. This example is a hypothetical and is not indicative of any future issue price. The actual issue price will fluctuate according to the NAV of the Fund.

** The number of Units to be issued will be rounded down to 2 decimal places. We may use another method of calculation and adjustment or number of decimal places with the approval of the Trustee.

8.5 Cancellation of subscription

Subject to the provisions of the Deed and the terms and conditions for cancellation of subscription in the cancellation form provided together with the application form for Units, you may cancel your subscription for Units by giving written notice or by submitting the cancellation form (whichever is applicable) to us or our authorised agents or distributors within 7 calendar days². However, you will take the risk of any change in the price of your Units since the date of your subscription and pay any bank charges, administrative or other fees imposed by the relevant authorised agent or distributor.

Instead of cancelling your subscription, you may choose to realise your Units in accordance with paragraph 10, but you will not enjoy the benefits of cancellation under this paragraph (i.e. the Subscription Fee will not be refunded and a Realisation Fee (if any) may be imposed). Further, the Net Realisation Proceeds may be lower than the cancellation proceeds if any appreciation in the value of the Units is less than the aggregate of the Subscription Fee and Realisation Fee (if any) imposed.

See the terms and conditions for cancellation of subscriptions in the cancellation form before subscribing for Units.

9. REGULAR SAVINGS PLAN

Currently, RSPs are only offered and operated directly by our authorised agents and distributors. Please check for availability with the relevant authorised agent or distributor.

Salient terms relating to RSPs:

Minimum holding to invest in a RSP:	The minimum holding as set out in <u>paragraph 8.2</u> .
Minimum investment sum:	S\$100 monthly or S\$500 quarterly.
Method of payment:	<ul style="list-style-type: none">• <u>Cash</u>: You must complete an Interbank GIRO form authorising periodic RSP payments and submit it together with the relevant application form as required by the authorised agent or distributor.• <u>SRS monies</u>: You must submit the relevant application form as required by the authorised agent or distributor. Before investing, you should check with your SRS operator bank on whether a RSP using SRS monies is available.

² (or such longer period as we and the Trustee may agree or such other period as the Authority may prescribe). Where the last day of such time period falls on a Sunday or public holiday in Singapore, the time period shall be extended to the next calendar day that is not a Sunday or public holiday in Singapore.

When payment is debited:	<p>Payment will be debited from the relevant account on:</p> <ul style="list-style-type: none"> • <u>for monthly RSP subscriptions</u>: the 25th calendar day of each month; • <u>for quarterly RSP subscriptions</u>: the 25th calendar day of the last month of each calendar quarter. <p>If the 25th calendar day is not a Business Day, payment will be debited on the next Business Day.</p>
Allotment of Units:	Your investment will be made on the same Business Day (or the next Dealing Day if that day is not a Dealing Day) after payment has been debited, with the allotment of Units made normally within 2 Business Days after the debit.
Unsuccessful debits:	<p>If a debit is unsuccessful, no investment will be made for that month or quarter (as the case may be).</p> <p>After 2 consecutive unsuccessful debits, the RSP will be terminated.</p> <p>You will not be notified of any unsuccessful debit or termination.</p>
Termination of RSP by you:	You may terminate your participation in any RSP without penalty by giving 30 days' prior written notice to the authorised agent or distributor from whom you applied for the RSP.
Termination of RSP by us:	We or our authorised agents and distributors reserve the right to terminate or suspend the RSP at any time in our absolute discretion by giving at least 30 days' prior written notice to the affected Holders.

The terms of RSPs offered by each authorised agent or distributor may vary from the above and may be subject to changes from time to time. You should contact the relevant authorised agent or distributor for details before applying.

We will not assume any liability for any losses attributable to your participation in any RSP.

10. REALISATION OF UNITS

10.1 How to realise Units

How to request for realisation:	<p>You may request to realise your Units through the following channels:</p> <ul style="list-style-type: none"> • authorised agents and distributors through whom your Units were originally purchased • ATMs (as and when available) • designated websites • other channels made available by us
Minimum realisation amount:	<p>100 Units per request.</p> <p>You may not realise part of your holding of Units if, as a result of the realisation, your holding would be less than the minimum holding set out in <u>paragraph 8.2</u>.</p>
Dealing Deadline:	<p>3 p.m. Singapore time on any Dealing Day.</p> <p>For requests received and accepted by us or our authorised agents or distributors by the Dealing Deadline of a Dealing Day, Units will be realised at the realisation price applicable to that Dealing Day.</p> <p>For requests received and accepted after the Dealing Deadline or on a day that is not a Dealing Day, Units will be realised at the realisation price applicable to the next Dealing Day.</p>
Pricing basis:	Units are realised on a forward pricing basis.

Realisation price:	<p>The realisation price per Unit shall be ascertained by:</p> <p>(a) calculating the NAV as at the Valuation Point in relation to the Dealing Day on which the realisation request is received and accepted by us of the proportion of the Deposited Property then represented by one Unit; and</p> <p>(b) truncating the resultant amount to 3 decimal places.</p> <p>We may use another method of determination or adjustment or number of decimal places with the approval of the Trustee.</p> <p>Any adjustments shall be retained by the Fund.</p>
Deduction of Realisation Fee:	A Realisation Fee may be deducted from the Gross Realisation Proceeds and the Net Realisation Proceeds will be paid to you.
Conversion of realisation price:	<p>We may convert the realisation price to any foreign currency at the applicable Rate of Exchange. The cost of the currency exchange, if any, will be borne by you.</p> <p>Currently, we permit realisations in SGD and USD, and we will quote the realisation price in SGD and its equivalent in USD at the applicable Rate of Exchange.</p> <p>If we decide to permit realisations in any other currency in the future, we will quote the realisation price in such currency at the applicable Rate of Exchange.</p>
When will Net Realisation Proceeds be paid to you:	<p>Within 4 Business Days after the relevant Dealing Day, or such other period as may be permitted by the Authority. There may be delays in cases where the realisation of Units has been limited or suspended in accordance with paragraphs 10.3 or 13.</p> <p>Proceeds will be paid by cheque or (where applicable) credited to your designated bank account or SRS account.</p>
Other salient terms:	<ul style="list-style-type: none"> You will bear all bank charges incurred for any telegraphic transfer of realisation proceeds to your designated bank account. If you are resident outside Singapore, we will deduct from your Gross Realisation Proceeds any expenses actually incurred by us over the amount of expenses which we would have incurred if you had been resident in Singapore. If we receive and accept a realisation request for Units before the Trustee receives your subscription monies for such Units, we may refuse to realise such Units until the next Dealing Day after the Dealing Day on which your subscription monies for such Units are received by the Trustee. Subject to the prior approval of the Trustee, we may change the method of determining the realisation price and the Trustee shall determine if the Holders should be informed of such change.

10.2 Numerical example of calculation of Net Realisation Proceeds

The Net Realisation Proceeds payable to you on the realisation of 1,000 Units will be calculated as follows:

1,000 Units	x	S\$0.900*	=	S\$900.00
Your realisation request		realisation price		Gross Realisation Proceeds
S\$900.00	-	S\$0.00	=	S\$900.00
Gross Realisation Proceeds		Realisation Fee (0%)*		Net Realisation Proceeds

* Based on a realisation price of S\$0.900. There is currently no Realisation Fee payable for the Fund. This example is a hypothetical and is not indicative of any future realisation price. The actual realisation price will fluctuate according to the NAV of the Fund.

10.3 Limitation on realisation

We may, with the approval of the Trustee and subject to the provisions of the Deed, limit the total number of Units to be realised by the Holders or cancelled by us on any Dealing Day to 10% of the total number of Units of the Fund then in issue. Such limitation will be applied proportionately to all Holders who have validly requested realisations on such Dealing Day and to us.

Any Units which are not realised or cancelled will be realised or cancelled on the next Dealing Day, provided that if the number of Units to be realised or cancelled still exceeds such limit, we may continue to carry forward the realisation/cancellation requests in the same manner, until such time as the total number of Units to be realised or cancelled on a Dealing Day falls within such limit.

If realisation requests are so carried forward and you are affected, we will notify you within 7 days. Realisation requests which have been carried forward from an earlier Dealing Day shall be dealt with in priority to later requests.

10.4 Compulsory realisations

We may compulsorily realise your holding of Units in certain circumstances. See [paragraph 20.2](#) for further details.

11. SWITCHING OF UNITS

How to switch your Units:	You may request to switch your Units for units of any other Group Fund by giving us or our authorised agents or distributors a switching request in the prescribed form.
When switches are made:	Switches will only be made on a day (“ Common Dealing Day ”) which is both a Dealing Day for your Units and a dealing day for the units of the Group Fund. For requests received and accepted by us or our authorised agents or distributors by the Dealing Deadline of a Common Dealing Day, Units will be switched on that Common Dealing Day. For requests received and accepted after the Dealing Deadline or on a day that is not a Common Dealing Day, Units will be switched on the next Common Dealing Day.
How switches are carried out:	A switch of Units will be effected as follows: (a) your Units will be surrendered to us; (b) the surrendered Units will be valued at a price not lower than the realisation price calculated in accordance with paragraph 10 ; (c) we will pay to the managers of the Group Fund a sum representing the value of the surrendered Units (after deducting any Switching Fee payable) in consideration for the Group Fund issuing units of the same value to you.

Other salient terms:	<ul style="list-style-type: none"> • Switches will be at our discretion. • You may withdraw a switching request only with our consent. • Switching is subject to the terms of the Deed, including the provisions relating to the issue and realisation of Units. • Switches will not be allowed if it results in you holding Units below any applicable minimum holding. • Switches will not be allowed during any period where the realisation of Units has been limited or suspended in accordance with <u>paragraphs 10.3 or 13</u>. • Units purchased with cash or SRS monies (as the case may be) may only be switched to units of a Group Fund which may be purchased with the same payment method. • Neither we nor the Trustee shall have responsibility or liability to ensure that the provisions of the constitutive documents of the Group Fund relating to the issue, realisation or switching of units are complied with.
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12. OBTAINING PRICES OF UNITS

You may obtain indicative prices of Units:

- from our authorised agents and distributors; or
- by calling our hotline at 1800 22 22 228 from 8 a.m. to 8 p.m. daily (Singapore time).

The actual prices quoted will generally be published 2 Business Days after the relevant Dealing Day in SGD and USD. Prices may be published in local or foreign publications such as The Straits Times and The Business Times, and on our website at uobam.com.sg or any other website designated by us. Publication frequency depends on the policies of the relevant publisher.

Except for our own publications, we do not accept any responsibility for errors made by any publisher, whether in the published prices or for any non-publication or late publication of prices. We will not be liable in respect of any action taken or loss suffered by you arising from any publication by such publishers.

13. SUSPENSION OF DEALINGS

13.1 Subject to the provisions of the Code and the Deed, the Trustee or us may, with the prior written approval of the other, suspend the issue and realisation of Units during:

- (a) any period when the Recognised Market on which any Authorised Investments forming part of the Deposited Property for the time being are listed or dealt in is closed (otherwise than for public holidays) or during which dealings are restricted or suspended;
- (b) the existence of any state of affairs which, in the Trustee's and our opinion, might seriously prejudice the interests of the Holders as a whole or of the Deposited Property;
- (c) any breakdown in the means of communication normally employed in determining the price of any of such Authorised Investments or the current price on the relevant Recognised Market or when for any reason the prices of any of such Authorised Investments or the amount of our liability and/or the liability of the Trustee for the account of the Fund cannot be promptly and accurately ascertained (including any period when the fair value of a material portion of the Authorised Investments cannot be determined);
- (d) any period when remittance of moneys which will or may be involved in the realisation of such Authorised Investments or in the payment for such Authorised Investments for the time being constituting the Deposited Property cannot, in the Trustee's and our opinion, be carried out at normal rates of exchange;
- (e) any period, whereby subject to the approval of the Trustee, dealing of Units has to be suspended to effect the subdivision or consolidation of Units;

- (f) any period when the dealing of Units is suspended pursuant to any order or direction of the Authority;
- (g) any 48-hour period (or such longer period as may be agreed between the Trustee and us) prior to the date of any meeting of Holders (or any adjourned meeting thereof);
- (h) any period when the Trustee's or our business operations in relation to the operation of the Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolutions, civil unrest, riots, strikes or acts of God;
- (i) exceptional circumstances, where we have determined that such suspension is in the best interest of the Holders; or
- (j) such other circumstances, as may be required under the provisions of the Code.

13.2 Subject to the provisions of the Code, we and/or the Trustee (as the case may be) may from time to time also suspend the issue and/or realisation of Units in certain situations as set out in the Deed.

13.3 Subject to the provisions of the Code, any such suspension will take effect upon our written declaration to the Trustee (or vice versa, as the case may be) and will end as soon as practicable when the condition giving rise to the suspension no longer exists and no other condition under which suspension is authorised under this [paragraph 13](#) or the applicable provisions of the Deed exists upon our (or, as the case may be, the Trustee's) written declaration of the same and in any event, within such period as may be prescribed by the Code. The period of suspension may be extended in accordance with the Code. Any payment for any Units realised before the commencement of any such suspension which has not been paid before the commencement thereof may, if we and the Trustee agree, be deferred until immediately after the end of such suspension.

14. PERFORMANCE OF THE FUND

14.1 Performance of the Fund

The past performance of the Fund as at 27 December 2016 and its expense ratio are set out below.

Inception date: 2 July 2007	1 year (%)	3 years (%)	5 years (%)	10 years (%)	Since inception (%)	Expense ratio (%) ⁽³⁾
(NAV-NAV) ⁽¹⁾	4.44	2.52	3.60	N.A.	-1.29	3.38
(NAV-NAV [^]) ⁽²⁾	-0.78	0.78	2.54	N.A.	-1.82	

Notes:

Source: Lipper, a Thomson Reuters Company.

[^] Taking into account the Subscription Fee.

⁽¹⁾ Calculated in S\$ on a NAV-to-NAV basis as at 27 December 2016, with all dividends and distributions reinvested (net of reinvestment charges). Figures for one year show the percentage change, while figures for more than one year show the average annual compounded return.

⁽²⁾ Calculated in S\$ on a NAV-to-NAV basis as at 27 December 2016, taking into account the Subscription Fee and Realisation Fee (if any), with all dividends and distributions reinvested (net of reinvestment charges). Figures for one year show the percentage change, while figures for more than one year show the average annual compounded return.

⁽³⁾ The expense ratio is calculated in accordance with the requirements in the Investment Management Association of Singapore's guidelines on the disclosure of expense ratios (the "IMAS Guidelines") and is based on the Fund's latest audited accounts for the financial year ended 30 June 2016. The following expenses (where applicable) as set out in the IMAS Guidelines (as may be updated from time to time), are excluded from the calculation of the expense ratio:

- (a) brokerage and other transaction costs associated with the purchase and sales of investments (such as registrar charges and remittance fees);

- (b) interest expense;
- (c) foreign exchange gains and losses of the Fund, whether realised or unrealised;
- (d) front-end loads, back-end loads and other costs arising from the purchase or sale of a foreign unit trust or mutual fund;
- (e) tax deducted at source or arising from income received, including withholding tax; and
- (f) dividends and other distributions paid to Holders.

There is no benchmark against which the performance of the Fund is measured, as there is no benchmark which can accurately reflect the investment objective, focus and approach of the Fund.

The past performance of the Fund is not necessarily indicative of its future performance.

14.2 Turnover ratio of the Fund

The turnover ratio of the Fund for the financial year ended 30 June 2016 is 16.09%.

The turnover ratio is calculated based on the lesser of purchases or sales of the Fund's underlying investments expressed as a percentage of the daily average NAV of the Fund.

14.3 Turnover ratio of High Grade Corporate Bond Fund

The turnover ratio of the underlying fund, High Grade Corporate Bond Fund, for the financial year ending 31 December 2015 is 422.16%.

The turnover ratio is calculated based on the lesser of purchases or sales of High Grade Corporate Bond Fund's underlying investments expressed as a percentage of the daily average NAV of High Grade Corporate Bond Fund.

15. **SOFT DOLLAR COMMISSIONS/ARRANGEMENTS**

Subject to the provisions of the Code, we may from time to time receive or enter into soft dollar commissions/arrangements in our management of the Fund and/or the underlying fund, High Grade Corporate Bond Fund. We will comply with applicable regulatory and industry standards on soft dollars. The soft dollar commissions/arrangements may include specific advice as to the advisability of dealing in, or the value of any investments, research and advisory services, economic and political analyses, portfolio analyses including valuation and performance measurements, market analyses, data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis, and custodial service in relation to the investments managed for clients.

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

We will not accept or enter into soft dollar commissions/arrangements unless (a) such soft dollar commissions/arrangements can reasonably be expected to assist us in the management of the Fund, (b) best execution is carried out for the transactions, and (c) no unnecessary trades are entered into in order to qualify for such soft dollar commissions/arrangements.

We do not, and are not entitled to, retain cash or commission rebates for our own account in respect of rebates earned when transacting in securities for account of the Fund and/or the underlying fund, High Grade Corporate Bond Fund.

16. **CONFLICTS OF INTEREST**

We are of the view that there is no conflict of interest in our management of other funds and the Fund because of the following structures in place:

- (a) Investment decisions for each fund are made impartially. There are no preferred customers or funds and all accounts are treated equally.

- (b) All investment ideas are shared equally among fund managers.
- (c) We subscribe to the Code of Ethics and the Standards of Professional Conduct as prescribed by the Chartered Financial Analyst Institute (“**CFA Institute**”) in the United States of America. The CFA Institute is the primary professional organisation for security analysts, investment managers and others who are involved in the investment decision-making process. All charter holders of the CFA Institute and candidates who are in pursuit of the charter, including those from Singapore, are expected to comply with CFA Institute standards. The Code of Ethics and the Standards of Professional Conduct are in place to ensure high ethical and professional standards of investment professionals as well as fair treatment of the investing public.
- (d) Despite the possible overlap in the scope of investments, none of the funds are identical to one another and investment decisions are made according to the individual risk-return characteristic of the relevant fund.
- (e) Most importantly, our usual fair and unbiased practice is to allocate investments proportionately between various funds which place the same orders simultaneously. However, if there are any potential conflicts of interests due to competing orders for the same securities, we will adopt an average pricing policy whereby orders that are partially fulfilled on a particular day will be allotted proportionately among the funds based on their respective initial order size and such quantity allotted will be at the average price of such investments on that particular day.

We and the Trustee shall conduct all transactions with or for the Fund on an arm’s length basis.

Our associates and/or the associates of the Trustee may be engaged to provide banking, brokerage or financial services to the Fund or buy, hold and deal in any investments, enter into contracts or other arrangements with the Trustee or us and make profits from these activities. Such services to the Fund, where provided, and such activities with the Trustee or us, where entered into, will be on an arm’s length basis.

We and our related entities, officers or employees may from time to time invest and deal in Units in the Fund for each of our respective individual accounts or (in our case and in the case of our related entities) for the account of another person (including, without limitation, our and our related entities’ other clients).

In such an event, we will have regard to our obligations to the Fund and, in particular, our obligation to act in the best interests of the Fund and its Holders so far as practicable, having regard to applicable laws and our obligations to our other clients. If a conflict of interest does arise, we will endeavour to ensure that such conflict is resolved fairly.

Subject to the provisions of the Code, we may from time to time:

- (i) invest monies of the Fund in the securities of any of our related corporations (as defined in Section 4 of the Companies Act, Chapter 50 of Singapore) (each, a “**related corporation**”);
- (ii) invest monies of the Fund in other collective investment schemes managed by us or our related corporations; and
- (iii) deposit monies of the Fund in the ordinary course of business of the Fund with our related corporations which are banks licensed under the Banking Act, Chapter 19 of Singapore, finance companies licensed under the Finance Companies Act, Chapter 108 of Singapore, merchant banks approved as financial institutions under Section 28 of the Monetary Authority of Singapore Act, Chapter 186 of Singapore or any other deposit-taking institution licensed under an equivalent law in a foreign jurisdiction.

We will endeavour to ensure that such investments and deposits are made on normal commercial terms and are consistent with the investment objective, focus and approach of the Fund.

17. REPORTS

The financial year-end of the Fund is 30 June.

The reports and accounts of the Fund will be sent or made available to Holders by post or by such electronic means as may be permitted under the Code within the following periods or such other periods as may be permitted by the Authority:

Report/account	Availability
(a) Annual report, annual audited accounts and the auditors' report on the annual accounts	Within 3 months of the end of the financial year.
(b) Semi-annual report and semi-annual accounts	Within 2 months of the end of the period to which the report and accounts relate.

If such reports and accounts are sent or made available to Holders by electronic means, the Trustee will also make available or cause to be made available hardcopies of the reports and accounts to any Holder who requests for them within 2 weeks of such request (or such other period as may be permitted by the Authority). Holders may also at any time choose to receive hardcopies of all future accounts and reports at no cost to them by notifying the relevant authorised agent or distributor in writing.

18. QUERIES AND COMPLAINTS

If you have any enquiries about the Fund, you may contact us at:

Hotline No : 1800 22 22 228
Operating hours : 8 a.m. to 8 p.m. daily (Singapore time)
Fax No : 6532 3868
Email : uobam@uobgroup.com

19. OTHER MATERIAL INFORMATION

19.1 Market timing

The Fund is not designed and managed to support short-term investments. In this regard, we take a serious view of, and strongly discourage the practice of market timing (that is, investors conducting short-term buying or selling of Units to gain from inefficiencies in pricing) as such practices may cause an overall detriment to the long-term interests of other investors.

In addition, short-term trading in Units increases the total transaction costs of the Fund, such as trading commission and other costs which are absorbed by all other investors. Moreover, the widespread practice of market timing may cause large movements of cash in the Fund, which may disrupt the investment strategies to the detriment of long-term investors.

For the reasons set out above, we may implement internal measures to monitor and control the practice of market timing. If any internal measure to restrict the practice of market timing amounts to a significant change to the Fund (as provided in the Code), we will inform the Trustee and provide notice to Holders of such internal measure not later than one month before its implementation. We intend to review our policy on market timing from time to time in a continuous effort to protect the long-term interests of investors in the Fund.

19.2 Information on investments

At the end of each quarter, you will receive a statement showing the value of your investments in the Fund. If you conduct any transaction(s) within a particular month, you will receive an additional statement at the end of that month.

20. PROVISIONS OF THE DEED

Some of the provisions of the Deed are set out below. *See the Deed for the full terms and conditions of the Fund.*

20.1 Valuation

Except where otherwise expressly stated in the Deed and subject always to the requirements of the Code, the value of the assets comprised in the Deposited Property with reference to any Authorised Investment which is:

- (a) a Quoted Investment, shall be calculated, as the case may be, by reference to the official closing price, the last known transacted price or the last transacted price (or, with the prior approval of the Trustee, the last bid price) as at the last official close on the relevant Recognised Market (or at such other time as the Managers may from time to time after consultation with the Trustee determine). Where such Quoted Investment is

listed, dealt or traded in more than one Recognised Market, the Managers (or such person as the Managers may appoint for the purpose) may in their absolute discretion select any one of such Recognised Market for the foregoing purposes and, if there be no such official closing price, last known transacted price or last transacted price, the value shall be calculated by reference to the last available prices quoted by responsible firms, corporations or associations on a Recognised Market at the time of calculation (or at such other time as the Managers may from time to time after consultation with the Trustee determine);

- (b) an Unquoted Investment, shall be calculated by reference to, where applicable: (i) the initial value thereof being the amount expended in the acquisition thereof; (ii) the price of the relevant Investment as quoted by a person, firm or institution making a market in that Investment, if any (and if there shall be more than one such market maker then such market maker as the Managers may designate), as may be determined to represent the fair value of such Investment; or (iii) the sale prices of recent public or private transactions in the same or similar Investments, valuations of comparable companies or discounted cash flow analysis, as may be determined to represent the fair value of such Authorised Investment. In the valuation of such Investment the Managers may take into account relevant factors including without limitation significant recent events affecting the issuer such as pending mergers and acquisitions and restrictions as to saleability or transferability;
- (c) cash, deposits and similar assets shall be valued by an approved valuer at their face value (together with accrued interest) unless, in the opinion of the Managers (after consultation with the Trustee), any adjustment should be made to reflect the value thereof;
- (d) a unit or share in a unit trust scheme or mutual fund or collective investment scheme shall be valued at the latest published or available net asset value per unit or share, or if no net asset value per unit or share is published or available, then at their latest available realisation price; and
- (e) an Investment other than as described above shall be valued by an approved valuer in such manner and at such time as the Managers after consultation with the Trustee shall from time to time determine.

Provided that, if the quotations referred to in paragraphs 20.1(a) to 20.1(e) above are not available, or if the value of the Authorised Investment determined in the manner described in paragraphs 20.1(a) to 20.1(e) above, in the opinion of the Managers, is not representative of the value of such Authorised Investment, then the value shall be such value as the Managers may with due care and in good faith consider in the circumstance to be fair and is approved by the Trustee and the Managers shall notify the Holders of such change if required by the Trustee. For the purposes of this proviso, the “**fair value**” shall be determined by the Managers in consultation with a stockbroker or an approved valuer and with the approval of the Trustee in accordance with the Code. Where the fair value of a material portion of the Deposited Property cannot be determined, the Managers shall, subject to the provisions of the Code, suspend valuation and dealing in the Units.

20.2 Compulsory realisations

The Managers have the right (in consultation with the Trustee) to compulsorily realise any holdings of Units held by:

- (a) any Holder:
 - (i) whose subscription for or holding of Units, in the opinion of the Managers, is or may be in breach of any applicable law or regulation in any jurisdiction; or
 - (ii) where such realisation is, in the opinion of the Managers, necessary or desirable for the compliance of the Managers or the Fund with any applicable law or regulation in any jurisdiction (including any regulatory exemption conditions); or
- (b) any Holder whose holdings, in the opinion of the Managers:
 - (i) may cause the Fund to lose its authorised or registered status with any regulatory authority in any jurisdiction; or
 - (ii) may cause the offer of the Units of the Fund, the Fund, this Prospectus, the Deed, the Managers or the Trustee to become subject to any authorisation, recognition, approval or registration requirements under any law or regulation in any other jurisdiction; or

- (c) any Holder whose holdings, in the opinion of the Managers:
 - (i) may cause a detrimental effect on the tax status of the Fund in any jurisdiction or on the tax status of the Holders of the Fund; or
 - (ii) may result in the Fund or other Holders of the Fund suffering any other legal or pecuniary or administrative disadvantage which the Fund or Holders might not otherwise have incurred or suffered; or
- (d) any Holder who fails any anti-money laundering, anti-terrorist financing or know-your-client checks, or where information and/or documentary evidence requested by the Managers and/or the Trustee for the purposes of any anti-money laundering, anti-terrorist financing or know-your-client checks cannot be obtained from the Holder (or the Holder has failed to provide the same) in a timely manner; or
- (e) any Holder, where information (including but not limited to information regarding tax status, identity or residency), self-certifications or documents as may be requested by the Managers and/or the Trustee pursuant to laws, regulations, guidelines, directives or contractual obligations with other jurisdictions' authorities (including, without limitation, the FATCA and/or any Singapore laws, regulations, guidelines and directives implemented as part of any IGA entered into between the U.S. and Singapore in connection with FATCA) cannot be obtained from the Holder, or the Holder has failed to provide the same, in a timely manner; or
- (f) any Holder who does not consent, or withdraws his consent, for the Managers or the Trustee to collect, use and/or disclose information or data relating to the Holder, where (in the opinion of the Managers or the Trustee) such information or data is necessary or desirable for the Managers, the Trustee, their respective related corporations and/or other service providers to perform their respective services and/or duties to or in respect of the Fund and/or the Holder.

Any compulsory realisation under this paragraph may be carried out by the Managers on any Dealing Day, with prior notice to the relevant Holder, and shall be carried out in accordance with, and at the Realisation Price determined under, the applicable provisions on realisations in the Deed.

If the Managers and/or the Trustee are required to account to any duly empowered fiscal authority of Singapore or elsewhere for any income or other taxes, charges or assessments whatsoever on the value of any Units held by a Holder, the Managers (in consultation with the Trustee) shall be entitled, at any time with prior notice to that Holder, to realise such number of Units held by that Holder as may be necessary to discharge the liability arising. The Managers and/or the Trustee (as the case may be) shall be entitled to apply the proceeds of such realisation in payment, reimbursement and/or set-off against the liability.

The Managers, the Trustee and their respective delegates, agents or associates shall not be liable for any loss (whether direct or consequential and including, without limitation, loss of profit or interest) or damage suffered by any Holder or any party arising out of or caused in whole or in part by any actions which are taken by the Managers, Trustee and/or any of their respective delegates, agents or associates under this paragraph 20.2.

20.3 Custody of Deposited Property

- (a) The Trustee shall be responsible for the safe custody of the Deposited Property. Any Authorised Investments forming part of the Deposited Property shall, whether in registered or bearer form, be paid or transferred to the order of the Trustee forthwith on receipt by the Managers and be dealt with as the Trustee may think proper for the purpose of providing for the safe custody thereof. The Trustee may act as custodian itself or may appoint such persons (including any Associate of the Trustee) as custodian or joint custodian (with the Trustee if acting as custodian or with any other custodian appointed by the Trustee) of the whole or any part of the Deposited Property and (where the Trustee is custodian) may appoint or (where the Trustee appoints a custodian) may empower such custodian or joint custodian (as the case may be) to appoint, with prior consent in writing from the Trustee, sub-custodians. The fees and expenses of any such custodian, joint custodian or sub-custodian shall be paid out of the Deposited Property.
- (b) The Trustee may at any time procure that:
 - (i) the Trustee;

- (ii) any officer of the Trustee jointly with the Trustee;
- (iii) any nominee appointed by the Trustee;
- (iv) any such nominee and the Trustee;
- (v) any custodian, joint custodian or sub-custodian appointed pursuant to paragraph 20.3(a) above;
- (vi) any company operating a depository or recognised clearing system in respect of the Authorised Investments involved; or
- (vii) any broker, financial institution or other person (or in each case, its nominee) with whom the same is deposited in order to satisfy any requirement to deposit margin or security,

takes delivery of and retains and/or is registered as proprietor of any Authorised Investment in registered form held upon the trusts of the Deed.

- (c) Notwithstanding anything contained in the Deed:
 - (i) the Trustee shall not incur any liability in respect of or be responsible for losses incurred through the insolvency of or any act or omission of any depository or clearing system with which Authorised Investments may be deposited or any broker, financial institution or other person (or in each case its nominee) with whom Authorised Investments are deposited in order to satisfy any margin requirement (each a “**Depository**”), except where (I) the Trustee is responsible for procuring the Depository and the Trustee has failed to exercise reasonable skill and care in the procurement of such Depository in respect of the Authorised Investment involved, or (II) the Trustee is in wilful default;
 - (ii) the Trustee shall not incur any liability in respect of or be responsible for losses incurred through the insolvency of or any act or omission of any nominee, custodian, joint custodian or sub-custodian appointed by the Trustee except where the (I) Trustee has failed to exercise reasonable skill and care in the selection, appointment and monitoring of such appointee (having regard to the market in which the relevant appointee is located) or (II) the Trustee is in wilful default; and
 - (iii) the Trustee shall not incur any liability in respect of or be responsible for losses through the insolvency of or any act or omission of any sub-custodian not appointed by it, except where the Trustee has failed to exercise reasonable skill and care in the procurement of such sub-custodian.

20.4 Termination of the Fund

- (a) The Fund is of indeterminate duration and may be terminated as provided in the Deed and as summarised in this paragraph 20.4.
- (b) Either the Managers or the Trustee may in their absolute discretion terminate the Fund by not less than one month’s notice to the other given so as to expire at the end of the Accounting Period current at the end of the 5th year after the date of the Deed or any year thereafter.
- (c) Notwithstanding paragraph 20.4(b), the Fund may be terminated by the Trustee if:
 - (i) any law is passed or any direction is given or any authorisation granted to the Fund is revoked by the relevant authority which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund; or
 - (ii) within the period of 2 months after the date on which the Trustee gave notice in writing to the Managers that it wishes to retire pursuant to Clause 38.2 of the Deed, a new trustee has not been appointed in accordance with that Clause; or
 - (iii) new managers have not been appointed in accordance with Clause 37.3 of the Deed within the period of 3 months after the date on which the Trustee gave notice in writing to the Managers pursuant to Clause 37.1 of the Deed; or

- (iv) new managers have not been appointed in accordance with Clause 37.3 of the Deed within the period of 3 months after the date on which the Managers retire pursuant to Clause 37.5 of the Deed; or
- (v) if the Authority revokes or withdraws the authorisation of the Fund under Section 288 of the SFA.

The decision of the Trustee in any of the events specified in this paragraph 20.4(c) shall be final and binding upon the Managers and the Holders but the Trustee shall be under no liability on account of any failure to terminate the Fund pursuant to this paragraph 20.4(c) or otherwise.

- (d) Notwithstanding paragraph 20.4(b), the Fund may be terminated by the Managers:
 - (i) on any date if on such date the aggregate of the Value of the Deposited Property is less than S\$5,000,000; or
 - (ii) if the Trustee is no longer an approved trustee pursuant to Clause 38.3 of the Deed and a new trustee of the Fund has not been appointed in accordance with the terms of the Deed; or
 - (iii) if any law is passed or any direction is given or any authorisation granted to the Fund is revoked by the relevant authority which renders it illegal or in the opinion of the Managers impracticable or inadvisable to continue the Fund; or
 - (iv) if the Authority revokes or withdraws the authorisation of the Fund under Section 288 of the SFA; or
 - (v) if in the opinion of the Managers it becomes impracticable or inadvisable to continue the Fund in the interest of Holders.

The decision of the Managers in any of the events specified in this paragraph 20.4(d) shall be final and binding upon the Trustee and the Holders but the Managers shall be under no liability on account of any failure to terminate the Fund pursuant to this paragraph 20.4(d) or otherwise.

- (e) The party terminating the Fund shall give notice thereof to the Holders in the manner provided in the Deed and by such notice fix the date at which such termination is to take effect which date shall not be less than one month or such other period as may be determined by the Managers with the Trustee's approval after the service of such notice.
- (f) Without prejudice to Clause 40.6 of the Deed, the Fund may at any time be terminated by the Holders by Extraordinary Resolution and such termination shall take effect on the date on which the Extraordinary Resolution is passed or on such later date (if any) as the Extraordinary Resolution may provide.
- (g) The Managers shall give written notice of the termination of the Fund to the Authority at least 7 days before termination of the Fund (or such other number of days as may be permitted by the Authority).
- (h) Provided the Holders of Units of the Fund or Class have been circulated with the particulars of a scheme of reconstruction or amalgamation to be entered into with the managers and the trustee of some other unit trust scheme or open-ended investment company and an Extraordinary Resolution of such Holders of Units of the Fund or Class has been duly passed authorising and directing the Managers and the Trustee to enter into the said scheme, then the said scheme shall take effect upon the passing of such Extraordinary Resolution or upon such later date as the scheme may provide, whereupon (i) the Deed shall, to the extent inconsistent with the scheme, be amended by the terms of the scheme, and (ii) the terms of such scheme shall be binding upon all the Holders of Units of the Fund or Class who shall be bound to give effect thereto accordingly and the Managers and the Trustee shall do all such acts and things as may be necessary for the implementation thereof.

20.5 Voting

Subject to the relevant provisions of the Deed, the Managers may exercise or refrain from exercising any rights of voting conferred by any part of the Deposited Property in what they may consider to be in the best interests of the Holders.

However, notwithstanding the above, in respect of voting rights where the Managers may face conflicts of interests, the Managers shall cause such voting rights to be exercised in consultation with the Trustee.

The phrase “**rights of voting**” or the word “**vote**” used in this paragraph 20.5 shall be deemed to include not only a vote at a meeting but any consent to or approval of any arrangement, scheme or resolution or any alteration in or abandonment of any rights attaching to any part of the relevant Deposited Property and the right to requisition or join in a requisition to convene any meeting or to give notice of any resolution or to circulate any statement.

See the Deed for other provisions relating to voting.

UNITED ENHANCED INCOME FUND

(Constituted in Singapore pursuant to the Deed of Trust dated 9 May 2007, as amended)

FIRST SUPPLEMENTARY PROSPECTUS DATED 29 MARCH 2017

A copy of this First Supplementary Prospectus has been lodged with the Monetary Authority of Singapore, which assumes no responsibility for its contents.

This First Supplementary Prospectus is lodged pursuant to Section 298 of the Securities and Futures Act (Chapter 289 of Singapore) and is supplemental to the prospectus relating to the United Enhanced Income Fund registered on 9 March 2017 (the "**Prospectus**").

Terms used in this First Supplementary Prospectus will have the meaning and construction ascribed to them in the Prospectus and unless otherwise specified references to "**paragraph**" are to the paragraphs of the Prospectus. This First Supplementary Prospectus is to be read and construed in conjunction and as one document with the Prospectus.

This First Supplementary Prospectus sets out the amendments made to the Prospectus in relation to, inter alia, (i) the change of trustee, custodian, administrator and registrar of the Fund; and (ii) the removal of Cheo Chai Hong as a director of the Managers.

1. The following amendments will take effect from the date of this First Supplementary Prospectus:

- 1.1 The address of the operating office of the Managers in the **DIRECTORY** of the Prospectus is amended by deleting the words "6th Storey" and replacing them with "3rd Storey".
- 1.2 The section headed "**Foreign Account Tax Compliance Act**" in the **IMPORTANT INFORMATION** section of the Prospectus is deleted in its entirety and replaced with the following:

"Foreign Account Tax Compliance Act and the Common Reporting Standard ("CRS")

FATCA

FATCA was enacted in 2010 by the United States Congress as part of the U.S. Hiring Incentives to Restore Employment (HIRE) Act to target non-compliance with tax laws by U.S. Taxpayers using overseas accounts. Under FATCA, financial institutions outside of the U.S. are required to regularly submit information on financial accounts held by U.S. Taxpayers to the U.S. tax authorities. Failure to comply with FATCA may, amongst other things, subject the Fund to U.S. withholding tax on certain types of payments made to the Fund. Accordingly, it is intended that the Fund complies with FATCA.

For the purpose of complying with FATCA, we, the Trustee and/or other service providers of the Fund may be required to report and disclose information on certain investors in the Fund to the U.S. tax authorities and/or such Singapore authority as may be required under Singapore laws and regulations to be implemented as part of any IGA entered into between the U.S. and Singapore¹ in connection with FATCA and/or withhold certain payments to such investors.

CRS

CRS, endorsed by the Organisation for Economic Co-operation and Development (OECD) and the Global Forum for Transparency and Exchange of Information for Tax Purposes, is an internationally agreed standard for the automatic exchange of information on financial accounts between jurisdictions with the objective of detecting and deterring tax evasion through the use of offshore bank accounts.

In Singapore, the Income Tax (International Tax Compliance Agreement) (Common Reporting Standard) Regulations 2016 require financial institutions such as us to conduct due diligence (including the collection, review and retention of financial account information) and report financial account information relating to specified

¹ Pursuant to the IGA entered into between Singapore and the U.S. on 9 December 2014, Singapore-based financial institutions (such as us) will report information on financial accounts held by U.S. Taxpayers to the Inland Revenue Authority of Singapore (IRAS), which will in turn provide the information to the U.S. tax authorities.

persons from jurisdictions with which Singapore has a "competent authority agreement" ("CAA") to the Inland Revenue Authority of Singapore (IRAS). Such information may subsequently be exchanged with Singapore's CAA partners. Singapore may enter into further IGAs, or the relevant authorities may enact further legislation or impose further requirements, which will form part of the CRS.

* * *

You are required to:

- (a) provide such information, documents and assistance in connection with the above as we and/or the Trustee may require from time to time; and
- (b) notify us or any of our authorised agents or distributors in writing immediately if you are or become a U.S. Taxpayer, or are holding Units for the account of or benefit of a U.S. Taxpayer.

You are also deemed to have consented to us, the Trustee and/or other service providers to the Fund carrying out our/their obligations in reporting and disclosing information on you and your investments to the relevant authorities as described above.

* * *"

- 1.3 The list of deeds in paragraph 1.3(a) is amended by inserting the following line immediately after the last line of the list:

"Supplemental Deed of Appointment and Retirement of Trustee 24 February 2017"

- 1.4 Notes (1) and (2) of the table in paragraph 14.1 are amended by deleting the words " in S\$".

2. The following amendments will take effect from 1 April 2017:

- 2.1 All references and disclosures relating to Cheo Chai Hong in the Prospectus are deleted.
- 2.2 The section headed "**Trustee / Registrar / Administrator**" in the **DIRECTORY** of the Prospectus is deleted and replaced with the following:

"Trustee
State Street Trust (SG) Limited
(Company Registration No. 201315491W)
168 Robinson Road
#33-01 Capital Tower
Singapore 068912"

- 2.3 The section headed "**Custodian**" in the **DIRECTORY** of the Prospectus is deleted and replaced with the following:

"Custodian / Administrator / Registrar
State Street Bank and Trust Company, acting through its Singapore Branch
168 Robinson Road
#33-01 Capital Tower
Singapore 068912"

- 2.4 The definition of "Trustee" in the "**DEFINITIONS**" section of the Prospectus is deleted in its entirety and replaced with the following new definition of "Trustee":

"Trustee State Street Trust (SG) Limited or any other person for the time being duly appointed as trustee of the Fund."

2.5 The seventh sub-paragraph of paragraph 2.1 is deleted and replaced with the following:

"We may delegate certain or all of our duties. Currently, we have delegated certain administration and valuation functions and certain transfer agency functions, in respect of the Fund, to the administrator, whose details are set out in paragraph 3.3 below."

2.6 Paragraph 3 is deleted in its entirety and replaced with the following:

"3. THE TRUSTEE, CUSTODIAN AND ADMINISTRATOR

3.1 The Trustee

The Trustee of the Fund is State Street Trust (SG) Limited, a trust company approved by the Authority under Section 289(1) of the SFA to act as a trustee for collective investment schemes which are authorised under Section 286 of the SFA and constituted as unit trusts. The Trustee is regulated in Singapore by the Authority.

Please refer to the Deed for details on the Trustee's role and responsibilities.

3.2 The custodian

The Trustee has appointed State Street Bank and Trust Company ("**SSBT**"), a trust company organised under the laws of the Commonwealth of Massachusetts and, in respect of such appointment, acting through its Singapore Branch, as the global master custodian of the Fund.

SSBT was founded in 1792 and is a wholly owned subsidiary of State Street Corporation. It is licensed and regulated by the Federal Reserve Bank of Boston. State Street Bank and Trust Company, Singapore Branch, holds a wholesale bank license issued by the Authority and is regulated by the Authority.

SSBT provides custodian services in over 100 markets by utilising its local market custody operations and through its network of sub-custodian banks. SSBT will appoint sub-custodians in those markets where the Fund invests where SSBT does not itself act as the local custodian. SSBT has processes for the initial selection, and ongoing monitoring of its sub-custodians, each of which is chosen based upon a range of factors including securities processing and local market expertise, and must satisfy specific operating requirements in terms of structure, communications, asset servicing and reporting capabilities. All sub-custodians appointed by SSBT must be licensed and regulated under applicable law to provide custodian and related asset administration services, and carry out relevant related or ancillary financial activities, in the relevant market jurisdiction. SSBT will typically seek to select local branches or affiliates of major global financial institutions that provide sub-custodian services in multiple markets, although unique market service requirements may result in the selection of an entity as sub-custodian that is more local in scope.

Other custodians may be appointed from time to time in respect of the Fund or any of its assets.

See paragraph 20.3 below for further details of the custodial arrangement in respect of the Deposited Property.

3.3 The administrator

The administrator of the Fund is State Street Bank and Trust Company, acting through its Singapore Branch, which has been appointed by the Managers to provide (i) certain administration and valuation services including accounting and net asset value calculation pursuant to an Administrative Services Agreement, and (ii) certain transfer agency services pursuant to a Transfer Agency and Services Agreement, to the Fund."

2.7 The first sub-paragraph of paragraph 4.1 is deleted and replaced with the following:

"State Street Bank and Trust Company, acting through its Singapore Branch, has been appointed by the Trustee as registrar of the Fund and will be responsible for keeping the Register. Any Holder may inspect the Register at 168 Robinson Road #33-01, Capital Tower, Singapore 068912 during normal business hours subject to such reasonable restrictions as the registrar may impose."

2.8 The table in paragraph 6.1 is amended by deleting the row headed "Trustee Fee" and replacing it with the following:

"Trustee fee	Currently not more than 0.05% p.a.; maximum 0.1% p.a.. (Subject always to a minimum of S\$5,000 p.a.)"
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2.9 The table in paragraph 6.2 is amended by deleting the row headed "Management fee" and replacing it with the following:

"Management fee	Currently 0.8% p.a.; maximum 2% p.a.. Currently rebated to the Fund in the form of cash and/or units in High Grade Corporate Bond Fund."
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2.10 The table in paragraph 6.2 is amended by deleting the row headed "Trustee fee" and replacing it with the following:

"Trustee fee	Currently not more than 0.05% p.a.; maximum 0.1% p.a.. (Subject always to a minimum of S\$5,000 p.a.)"
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2.11 The table in paragraph 6.2 is amended by deleting the row headed "Administration fee" and replacing it with the following:

"Administration fee	0.05% p.a."
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2.12 Paragraph 16 is deleted in its entirety and replaced with the following:

"16. CONFLICTS OF INTEREST

16.1 Managers' conflicts of interest disclosures

We are of the view that there is no conflict of interest in our management of other funds and the Fund because of the following structures in place:

- (a) Investment decisions for each fund are made impartially. There are no preferred customers or funds and all accounts are treated equally.
- (b) All investment ideas are shared equally among fund managers.
- (c) We subscribe to the Code of Ethics and the Standards of Professional Conduct as prescribed by the Chartered Financial Analyst Institute ("CFA Institute") in the United States of America. The CFA Institute is the primary professional organisation for security analysts, investment managers and others who are involved in the investment decision-making process. All charter holders of the CFA Institute and candidates who are in pursuit of the charter, including those from Singapore, are expected to comply with CFA Institute standards. The Code of Ethics and the Standards of Professional Conduct are in place to ensure high ethical and professional standards of investment professionals as well as fair treatment of the investing public.
- (d) Despite the possible overlap in the scope of investments, none of the funds are identical to one another and investment decisions are made according to the individual risk-return characteristic of the relevant fund.
- (e) Most importantly, our usual fair and unbiased practice is to allocate investments proportionately between various funds which place the same orders simultaneously. However, if there are any potential conflicts of interests due to competing orders for the same securities, we will adopt an average pricing policy whereby orders that are partially fulfilled on a particular day will be allotted proportionately among the funds based on their respective initial order size and such quantity allotted will be at the average price of such investments on that particular day.

We shall conduct all transactions with or for the Fund on an arm's length basis.

Save as provided in the Deed, our associates may be engaged to provide banking, brokerage, financial or other services to the Fund or buy, hold and deal in any investments, enter into contracts or other arrangements with the Trustee or us and make profits or derive benefits from these activities. Such services to the Fund, where provided, and such activities with the Trustee or us, where entered into, will be on an arm's length basis.

We and our related entities, officers or employees may from time to time invest and deal in Units in the Fund for each of our respective individual accounts or (in our case and in the case of our related entities) for the account of another person (including, without limitation, our and our related entities' other clients).

In such an event, we will have regard to our obligations to the Fund and, in particular, our obligation to act in the best interests of the Fund and its Holders so far as practicable, having regard to applicable laws and our obligations to our other clients. If a conflict of interest does arise, we will endeavour to ensure that such conflict is resolved fairly.

Subject to the provisions of the Code, we may from time to time:

- (i) invest monies of the Fund in the securities of any of our related corporations (as defined in Section 4 of the Companies Act, Chapter 50 of Singapore) (each, a "**related corporation**");
- (ii) invest monies of the Fund in other collective investment schemes managed by us or our related corporations; and
- (iii) deposit monies of the Fund in the ordinary course of business of the Fund with our related corporations which are banks licensed under the Banking Act, Chapter 19 of Singapore, finance companies licensed under the Finance Companies Act, Chapter 108 of Singapore, merchant banks approved as financial institutions under Section 28 of the Monetary Authority of Singapore Act, Chapter 186 of Singapore or any other deposit-taking institution licensed under an equivalent law in a foreign jurisdiction.

We will endeavour to ensure that such investments and deposits are made on normal commercial terms and are consistent with the investment objective, focus and approach of the Fund.

16.2 Trustee's conflicts of interest disclosures

The Trustee shall conduct all transactions with or for the Fund on an arm's length basis.

Save as provided in the Deed, the associates of the Trustee may be engaged to provide banking, brokerage, financial or other services to the Fund or buy, hold and deal in any investments, enter into contracts or other arrangements with the Trustee or the Managers and make profits or derive benefits from these activities. Such services to the Fund, where provided, and such activities with the Trustee or the Managers, where entered into, will be on an arm's length basis.

State Street Bank and Trust Company, acting through its Singapore Branch, a party related to the Trustee, has been appointed as custodian of the Fund. The custodian may also appoint related parties as sub-custodians. Cash will be placed with the custodian as banker or may, at the discretion of the Managers, be invested in certificates of deposit or banking instruments issued by a related party of the Trustee, including the custodian. Money may also be borrowed by the Fund from a State Street entity. In its capacities as custodian and banker, State Street will earn fees/interest for such services and may receive other benefits in connection with such services.

The Trustee, the registrar and the custodian may from time to time act as trustee, administrator, registrar or custodian or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund. Each will, at all times, have regard in such event to its obligations to the Fund and will endeavour to ensure that such conflicts are resolved fairly and taking into account Holders' interests.

The services of the Trustee provided to the Fund are not deemed to be exclusive and the Trustee shall be free to render similar services to others (including those that may compete with (or have a similar objective to) the business of the Fund) so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all appropriate fees and benefits. Conflicts of interest will likely arise from the fact that State Street is engaged in a wide variety of businesses and will provide services to many clients with the same or different objectives. The Trustee and its related parties shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund any fact or information which comes to the notice of the Trustee in the course of the Trustee rendering similar services to other parties or in the course of its business in any other capacity, otherwise than in the course of carrying out its duties under the Deed or as required by any applicable laws and regulations for the time being in force.

Where foreign exchange transactions, including but not limited to spot, forward or swap transactions (collectively "**foreign exchange transactions**"), are entered into for or on behalf of the Fund with an affiliate of the Trustee (a "**State Street counterparty**"), the State Street counterparty will enter into such transaction as principal counterparty and not as agent or fiduciary for the Trustee, the Managers or the Fund and such State Street counterparty shall be entitled to retain for its own use and benefit any benefit which it may derive from any such foreign exchange transactions or the holding of any cash in connection with such transactions. Foreign exchange transactions may also be entered into for or on behalf of the Fund with counterparties other than a State Street counterparty."

2.13 The following new paragraph 19.3 is inserted immediately after the existing paragraph 19.2:

"19.3 Indemnities

We and the Trustee are entitled to be indemnified out of or have recourse to the Deposited Property in accordance with the terms of the Deed. See the Deed for further details."

2.14 The following new paragraph 20.3A is inserted immediately before the existing paragraph 20.4:

"20.3A Additional indemnity

Any indemnity expressly given to the Managers or the Trustee in the Deed is in addition to and without prejudice to any indemnity allowed by law provided that no provision in the Deed shall in any case where the Trustee or the Managers have failed to show the degree of care and diligence required of them as trustee and managers of the Fund, exempt them or indemnify them against any liability for breach of trust."

大華增進收益基金

發售計劃說明書