



**Hillhouse Capital Advisors, Ltd.**

**Form ADV, Part 2A –  
Investment Advisory  
Brochure**

This Brochure provides information about the qualifications and business practices of Hillhouse Capital Advisors, Ltd. If you have any questions about the contents of this Brochure, please contact us at [hcainfo@hillhousecap.com](mailto:hcainfo@hillhousecap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Hillhouse Capital Advisors, Ltd. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Hillhouse Capital Advisors, Ltd. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 20, 2013

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## **ITEM 2: MATERIAL CHANGES**

We have made updates to reflect: (a) client engagements and the related update to our assets under management as of December 31, 2012 in Item 4; (b) additional disclosure regarding our participating affiliates in Item 10; and (c) our policy regarding soft dollar arrangements in Item 12. These items address the only material changes since this brochure was last filed on November 7, 2012.

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## **ITEM 4: ADVISORY BUSINESS**

### **Overview**

Founded in October 2012, Hillhouse Capital Advisors, Ltd. ("Hillhouse") provides investment advice with respect to securities and other investment instruments that are permitted to be acquired by persons licensed as a Qualified Foreign Institutional Investor ("QFII") by the China Securities Regulatory Commission ("CSRC"), including securities and investment instruments traded on exchanges within the People's Republic of China ("QFII Investments"). As of December 31, 2012, we had \$618,420,980 client assets under management. We provide our advisory services and manage all client assets on a non-discretionary basis, although we expect that we will, in the future, provide advisory services on both a discretionary and non-discretionary basis. We are a wholly owned subsidiary of Hillhouse Capital Group Limited, which is a wholly owned subsidiary of Hillhouse Capital Group Holdings Limited. Mr. Lei Zhang owns 100% of Hillhouse Capital Group Holdings Limited.

### **Investment Philosophy**

Our investment philosophy is to seek long-term, risk-adjusted returns through bottom-up analysis and fundamental proprietary research. As part of our bottom-up analysis, we perform both qualitative and quantitative assessments of potential investments with a particular focus on opportunities upon which we can gain insights and discover value in an ever-changing world. This fundamental research persistence allows us to be patient, long-term investors.

### **Advisory Services**

We provide portfolio advisory services and manage client accounts and funds on a non-discretionary basis, although we expect that we will, in the future, provide advisory services on both a discretionary and non-discretionary basis. We specialize our advisory services in QFII Investments. Such QFII Investments are made primarily through each client's own QFII license to trade QFII Investments. We have a select and limited number of clients and, thus, we consult with each client on its investment objectives and then tailor our services and advice to those objectives. Our role is to assist our clients in the selection of QFII Investments most suited to their investment objectives, and then to monitor and provide additional investment advice as required in connection with the advisory relationship. We may mutually agree to construct a QFII Investments custom portfolio or structured product.

Our focus on QFII Investments places unique limits on our investment advice and represents a particularized portfolio available to our clients. The QFII Investment market possesses substantially different characteristics from other large equity markets. Denominated in renminbi ("RMB"), the QFII Investment market is subject to very limited access by foreign investors. Foreign investors may participate through two channels: first, investors may apply directly for a QFII "license," after which they may apply and obtain a quota of RMB with which to trade on the market; second, investors may obtain QFII Investment exposure through derivative products offered by certain investment banks. However, such derivative products may be subject to limited availability and cost. Moreover, QFII status is only granted to investors who are able to

meet stringent asset and strategy requirements, including a minimum quota of at least \$50,000,000. These requirements and restrictions substantially limit the pool of our potential clients.

Investors in QFII Investments also operate under a number of other investment constraints. For example, there is limited opportunity to short equities on the applicable markets, and little ability to engage in derivative transactions. In addition, the QFII program offers limited ability to rebalance and repatriate funds. The unique restrictions, limits, and characteristics of the QFII Investment portfolio make our investment advisory services particularized and appropriate for investors with a QFII license. In addition, certain of our clients may place specific investment or other limits on our investment advice.

Though our investment advice is limited to QFII Investments, the types of securities that fall within permitted QFII Investment transactions may vary and could include: share capital; common stock; preferred stock; shares of beneficial interest; partnership interests and similar financial instruments; bonds, notes, and debentures (whether subordinated, convertible, or otherwise); commodities; currencies; interest rate, currency, commodity, equity, and other derivative products, including, without limitation, (i) futures contracts (and options on futures contracts) relating to stock indices, currencies, other financial instruments, and all other commodities, (ii) swaps, options, warrants, caps, collars, floors, and forward rate agreements, (iii) spot and forward currency transactions, and (iv) agreements relating to or securing such transactions; loans; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual funds; money market funds; structured securities; repurchase agreements; obligations of governments and instrumentalities; commercial paper; certificates of deposit; bankers' acceptances; trust receipts; choses in action; investments in other physical assets; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature; in each case, of any person, corporation, government, or other entity whatsoever.

## **ITEM 5: FEES AND COMPENSATION**

### **General**

Our clients typically compensate us, in part, on the basis of asset management fees/allocations calculated as a percentage of a client's assets under management. We bill clients for asset management fees/allocations on a quarterly basis. Asset management fees/allocations are payable by clients in advance of the beginning of each calendar quarter. Clients also compensate us under performance-based allocation arrangements. In those cases, capital appreciation over a threshold amount, if any, triggers performance-based fees/allocations, for which we bill clients on an annual basis.

Neither we nor any of our "supervised persons" (as defined in the glossary of terms to SEC Form ADV) accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

All of our investment advisory services are provided on a non-discretionary basis, but we anticipate that we will, in the future, provide our advisory services and manage client assets on both a discretionary and non-discretionary basis.

### **Performance-Based Compensation**

We negotiate performance-based fees/allocations with clients before entering into advisory relationships. We charge all of our clients both asset-based fees and performance-based fees/allocations. We do not participate in advisory relationships in which we charge some of our clients only performance-based fees/allocations while at the same time charging other clients only asset-based fees (a practice referred to as "side-by-side management"). Should we enter into such advisory relationships, such performance-based fees/allocations may create a conflict of interest because they create an incentive to allocate the best-performing assets into client accounts on which we charge performance-based fees/allocations. To ensure fairness in the allocation of investment opportunities among our clients, we allocate investment opportunities with consideration of net asset value, market exposure, cash availability, industry sector exposure, and the suitability of such investments for each of our clients. For this determination, we consider a number of factors, the most important being the client's investment objectives and strategies, existing portfolio composition, net asset value, and cash levels. Where an investment opportunity is suitable for two or more clients, we seek to allocate such investment opportunity equitably to ensure that our clients have equal access to investment opportunities.

### **Refunds and Fee Waivers**

In the event of the termination of a client's advisory contract during a quarterly period, the client, without request, will receive a pro rata refund of the portion of the asset management fee paid in advance for the remaining balance of the quarter. Additionally, we assess a pro rata fee to any client account created on any date other than the first day of any calendar quarter.

We may, in our sole discretion, waive all or part of any fees or expenses payable by or attributable to our clients or their assets.

### **Other Costs**

Clients will incur brokerage and other transaction costs. Please see "Brokerage Practices" below for a discussion of certain brokerage expenses. We have no affiliated broker-dealers.

### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Please see "Fees and Compensation" above for information on our performance-based fees. As described above, we do not participate in side-by-side management.

## **ITEM 7: TYPES OF CLIENTS**

We provide investment advice to investment account holders that hold QFII licenses to trade in QFII Investments. Our clients include endowments and foundations, and we also expect to advise pensions, trusts, family offices, and corporations.

### **Minimum Account Size**

We do not have a minimum account size, but our managed accounts are \$50,000,000 or more, since QFII quotas require investment of at least \$50,000,000. We generally do not require clients to maintain a minimum investment to continue an advisory relationship, but we do reserve the right to terminate an account based on its size if the account has decreased because of substantial client withdrawals.

### **Advisory Agreements**

All clients must enter into a written investment advisory agreement before establishing an advisory relationship with us. We may not assign such agreements.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

### **Methods of Analysis**

Our research process is focused on developing a deep fundamental understanding of businesses and industries through rigorous due diligence and analysis. To identify opportunities, we spend substantial time conducting fundamental, bottom-up analysis and research on a company-by-company basis. Our methods of analysis include: fundamental analysis, quantitative analysis, and qualitative analysis, including cyclical analysis. We evaluate the upside and downside of the companies and opportunities identified and monitor them closely. On-site visits, cross-checks, and detailed financial analysis on investment opportunities are conducted. In some circumstances, we may recommend that our clients short sell investments in companies with the intention to increase return or hedge. Recommendations to short sell are also primarily based upon the outcomes of the bottom-up analysis and may be limited by CSRC regulation.

### **Sources of Information**

Hillhouse incorporates local expertise stemming from grassroots research to generate powerful independent and proprietary views that drive our investment recommendations. We generally adhere to an exhaustive research framework, including face to face communication with management, analysis of publications and other media, site visits, and dialogue with suppliers, customers, and competitors.

### **Investment Strategies**

**General Strategy.** Our recommendations are focused on capital appreciation derived from investments in publicly-traded equity securities across multiple industries. Our

recommendations target reasonably priced companies that provide substantial long-term growth prospects. Although we monitor macro-economic factors and market trends, we avoid market-timing strategies and focus primarily on bottom-up opportunities. Our investment recommendations are based on bottom-up analysis and research.

Our investment advice is limited to QFII Investments. We focus on understanding fundamental risks, uncovering long-term growth potential, and targeting industries that we understand and monitor.

***Limited Short Sale Strategy.*** Current QFII Investment regulations place limits on the ability to engage in short sales. These limits may or may not be revised in the future. To the extent allowed by regulations and in addition to seeking out attractively priced investments, we may, from time to time, recommend that our clients short sell overvalued companies facing events that we believe will result in declining market valuations. Similar to our long investment recommendations, the short portfolio recommendations are constructed on the basis of intensive bottom-up research. We are cognizant of the risks of trading short and monitor exposure carefully.

## **Risk of Loss**

**Clients should be aware that any investment in securities involves a high degree of risk and is suitable only for investors of substantial means who have no need for liquidity with respect to the amount invested and can afford to lose all of their investment. There can be no assurances that our clients will receive a return of or on their capital.**

Investment risks a client should be aware of include, but are not limited to, the following:

***International Investments.*** We primarily recommend QFII Investments. International investments involve a broad range of political, economic, legal, tax, and financial risks. Many of these risks are not typically associated with investments in securities of companies in economies that have developed and been regulated over a longer period. These risks include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) foreign exchange controls. Moreover, non-United States ("U.S.") companies may not be subject to uniform accounting, auditing, and financial reporting standards, practices, and requirements comparable to those applicable to U.S. companies. Further, investing in securities of non-U.S. entities that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the U.S. government or entities organized or domiciled in the U.S. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, and greater price volatility.

***Emerging Markets.*** Investing in an emerging market involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Emerging economies differ from other large economies in many respects, including the level of development, growth rate, and allocation of resources. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic, and political uncertainty, including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity, and smaller capitalization of securities markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (ix) differences in auditing and financial reporting standards, which may result in the unavailability of material information about issuers; (x) less extensive regulation of the securities markets; (xi) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (xii) less protection through registration of assets; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and protection of shareholders and other interest holders; and (xiv) less developed laws regarding internal controls designed to ensure the accuracy of financial reporting and third party attestation of the effectiveness of those controls. Moreover, the value of investments recommended by us may be adversely affected by uncertainties associated with international political developments. Changes in political, economic, and social conditions and government policies in the People's Republic of China ("PRC") and elsewhere in Asia may have a substantial detrimental impact on our clients' investments. These changes may include: (a) promulgation of new laws, regulations, and economic policies; (b) changes in the interpretation or enforcement of laws or regulations; (c) introduction of measures to control inflation or stimulate growth; (d) changes in the rate or method of taxation; and (e) the imposition of additional restrictions on currency conversion and remittances abroad.

***Availability of Suitable Investment Opportunities and Investment Risk.*** For our investment strategies to be successful, we must be able to identify and select appropriate investment opportunities. Additionally, we compete for investment opportunities with operating companies, financial institutions, and other institutional investors, which may negatively impact our clients' ability to take advantage of suitable investment opportunities. Successful implementation of the investment strategy adopted by us requires accurate assessments of general economic conditions, the detailed analysis of individual companies or industries, the relationship between a security and its derivatives, the risk correlation between a wide variety of investments, and the future behavior of other financial market participants. Even with the most careful analysis, the direction of the financial markets is often driven by unforeseeable economic, political, and other events and the reaction of market participants to these events. There can be no assurance that our strategy will be successful and an unsuccessful strategy may result in significant losses to our clients' investments. Our clients should be aware that the value of their investments and the return derived from them may fluctuate. There can be no assurance that the recommended investments will achieve our clients' investment objectives. Additionally, though investments are monitored in accordance with our policies, as well as restrictions and risk management policies in prospectuses or investment advisory agreements, there can be no guarantee that losses will be avoided at all times. There is a risk that QFII Investments or other investments made



pursuant to our recommendations will be lost entirely or in part. Past performance may not be construed as an indication of the future results of an investment monitored or recommended by us.

**Strategy Risks.** Fundamental analysis, by itself, does not attempt to anticipate market movements. This presents a potential risk and, although we consider overall market conditions in our investment strategies, the price of a security may move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the investment. Likewise, by implementing our long-term growth recommendations, our clients may not take advantage of short-term gains that could be profitable. If our predictions are incorrect, a security may decline sharply in value before client investments are sold.

**Equity Risk.** Because of the nature of our investment strategies, clients are subject to the risk that prices will fall over short or extended periods of time, and clients could lose all, or a substantial portion, of the value of their investments.

**Business Risk.** QFII Investments or other investments that we recommend may report poor results and industry and/or economic trends and developments could have a greater impact on certain companies in comparison to the market as a whole. The prices of these companies' securities may decline in response.

**Interest Rate Fluctuations.** The prices of some of the financial derivative instruments that we may recommend may be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of our clients' long and short portions to move in directions that were not initially anticipated. Additionally, interest rate increases generally will increase the costs of borrowing. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose our clients to losses.

**Market Risk and Disruptions.** The price of a security may decline in response to certain tangible and intangible events and conditions, including conditions directly involving the issuers of the securities; general economic conditions; overall market changes; local, regional, or global political, social, or economic stability; governmental responses to economic conditions; and currency, interest rate, and commodity price fluctuations. Such events are beyond our control and may be independent of a security's particular underlying circumstances. Further, the global financial markets have undergone and may further undergo pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has, in certain cases, been implemented on a sudden and "emergency" basis. This has substantially limited the ability of market participants to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action, these interventions may be perceived as unclear in scope and application and such perceptions can contribute to general uncertainty in the markets. Clients may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships (on which we may base our recommendations) become materially distorted. The risk of loss from pricing distortions is

compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. Market disruptions may from time to time cause dramatic losses for our clients, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on our strategies.

***Regulatory Change.*** The regulation of the non-U.S. securities markets, investment advisers, and pooled investment vehicles has undergone substantial change in recent years, and such change may continue in the foreseeable future. The effect of regulatory change on us and our clients, while impossible to predict, could be substantial and adverse.

***Investment Regulations.*** At present, the securities market and the regulatory framework for the securities industry in the PRC is at an early stage of development. The CSRC is responsible for supervising the national securities markets and producing relevant regulations. Certain investment regulations that regulate repatriation and currency conversion are new and the QFII system was introduced in 2002. Thus, the application and interpretation of such investment regulations are somewhat uncertain. Additionally, such investment regulations give CSRC and the PRC State Administration of Foreign Exchange ("SAFE") discretion, which may result in uncertainty as to how this discretion may be exercised. Such investment regulations may be varied in the future and may negatively impact us and our clients. Investment quotas may be subject to review from time to time by CSRC and SAFE.

***PRC Laws and Regulations.*** The PRC legal system is based on written statutes. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organization and governance, foreign investment, commerce, taxation, and trade. Therefore, some degree of uncertainty exists in connection with whether existing laws and regulations will apply to certain events or circumstances and, if so, the manner of such application. Precedents on the interpretation, implementation, and enforcement of PRC laws and regulations are somewhat limited and the binding nature of decisions of the PRC courts may vary. The administration of the PRC laws and regulations may be subject to a certain degree of discretion by executive authorities. In particular, as mentioned above, new investment regulations have a shorter operating history. Because these laws, regulations, and legal requirements are relatively recent, their interpretation and enforcement involve significant uncertainty. In addition, the PRC laws governing business organizations, bankruptcy, and insolvency may provide less protection to security holders than that provided by the laws of other countries.

***PRC Enterprise Income Tax.*** According to the Enterprise Income Tax Law of the People's Republic of China of March 16, 2007 (the "Enterprise Income Tax Law"), dividends, interest, rents, royalties, capital gains, and other income from PRC sources recognized by non-PRC tax resident enterprises is generally subject to PRC withholding tax at a rate of 20%. The Implementation Rules of the Enterprise Income Tax Law of December 6, 2007 reduced the rate of withholding tax imposed by the Enterprise Income Tax Law from 20% to 10% for PRC sourced income recognized by non-PRC tax resident enterprises. According to the Notice on

Issues relating to Withholding Tax of Dividends and Interests Paid by a Resident Enterprise to a Qualified Foreign Institutional Investor, issued on January 23, 2009 (the "QFII Withholding Tax Notice"), PRC tax authorities confirmed that QFIIs will be subject to withholding tax of 10% on dividends and interest they derive from the PRC (subject to reduction by applicable tax treaties). PRC resident enterprises who distribute dividends or pay interest to QFIIs withhold this 10% withholding tax.

The QFII Withholding Tax Notice does not address PRC tax consequences for capital gains generated by QFIIs. Technically, a 10% withholding tax should be imposed on such gains (subject to reduction by applicable tax treaties) pursuant to the general provisions of the Enterprise Income Tax Law and its implementation rules. In addition, since there is no PRC tax law precedent or practice to generally exempt interest or gains with respect to debt instruments, income from the holding or disposition of such investments by QFIIs is also technically subject to this 10% withholding tax, except with respect to certain qualifying government bonds that are specifically exempt from this tax. However, PRC tax authorities have never formally levied the 10% capital gains withholding tax on any QFII. The imposition of this tax has been in a pending status for several years. Historically, PRC tax authorities have considered the capital gains taxing rules each year, but have yet to impose such a tax. Our clients' QFII Investments may be impacted if such a tax is imposed in the future.

***PRC Stamp Tax.*** A PRC stamp tax is generally imposed on the purchase and sale of shares of PRC publicly traded companies at a rate of 0.1% of the purchase/sales consideration. According to regulations effective from September 18, 2008, the purchase of shares of PRC-listed companies will not be subject to stamp tax and only the selling party will be subject to the stamp tax. The holder of a QFII license is subject to this tax on each sale it makes in a PRC-listed security, which may impact our clients' QFII Investments.

***PRC Business Tax.*** A PRC business tax is imposed, generally at a rate of 5%, on the gross consideration received by a service provider of specified services and by a transferor with respect to the transfer of immovable property or intangible property. Certain qualifying financial institutions in the PRC are subject to the business tax on interest and capital gains from securities based on special business tax rules that classify financial activities such as the buying, holding, and selling of securities as a service that are subject to the business tax. On December 1, 2005, the Ministry of Finance and State Administration of Taxations issued the QFII Business Tax Policy Circular, holding that QFIIs are not subject to the business tax with respect to gains derived from their securities trading activities. This circular did not address the business tax consequences of other income such as interest. Therefore, some degree of uncertainty exists in connection with the application of the business tax in certain circumstances.

***Securities Markets.*** The PRC securities markets, including the Shanghai Stock Exchange and Shenzhen Stock Exchange, are undergoing a period of growth and change that may lead to difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations. In addition, there is regulation and enforcement activity in the PRC securities markets that may not be equivalent to markets in countries that are members of the Organization for Economic Co-operation and Development ("OECD"), including the U.S. There may not be regulation and monitoring of the PRC security market and activities of investors,

brokers, and other participants equivalent to that in certain OECD markets. The QFII Investment market is a developing financial market and, therefore, client investments may be disrupted if changes are adopted in any applicable law or regulations such that it becomes illegal for the issuers to issue certain instruments. As we recommend QFII Investments, our clients may suffer substantial losses in the event that this is the case.

***Liquidity Risk.*** Some companies or investments we recommend may not be well known, may have few shares outstanding, or can be significantly susceptible to political and economic events. Securities issued by these companies may be difficult to buy or sell and the value of such securities may rise and fall substantially.

***Trading Volumes and Volatility.*** The Shanghai Stock Exchange and Shenzhen Stock Exchange have lower trading volumes than most OECD exchanges and the market capitalizations of listed companies are small compared to those on more developed exchanges. The listed equity securities of many companies in the PRC are accordingly materially less liquid, subject to greater dealing spreads, and experience materially greater volatility than most securities in OECD countries. Government supervision and regulation of the PRC securities market and of quoted companies may be considered less developed than in some OECD countries. The PRC stock market has in the past experienced substantial price volatility and no assurance can be given that such volatility will not occur in the future.

***Currency Risk; Liquidity and Exchange Controls.*** Changes in currency prices may adversely affect the base currency value of a client's portfolio investments and gains and losses on the sale of portfolio investments. Clients may also incur costs in converting investment proceeds from one currency to another. At present, RMB is a restricted currency and is not freely convertible. The conversion is subject to approval from SAFE. Our clients may be exposed to exchange control risk in connection with their investments. The PRC authorities may change the current exchange control such that it may adversely impact the payments of our clients' investments and an active secondary market may not be developed or maintained.

## **ITEM 9: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or the integrity of our management.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither we nor any members of our management are registered, or have an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant ("FCM"), commodity pool operator ("CPO"), a commodity trading advisor ("CTA"), or an associated person of a registered FCM, CPO, or CTA.

We are under common control with Hillhouse Capital Management Pte. Ltd., Hillhouse Capital Management Limited, and Hillhouse (Beijing) Advisory Limited (each, an "Affiliated Advisory Business"). We maintain service agreements with each Affiliated Advisory Business, which assists us in conducting operations in certain foreign jurisdictions. Similarly, we are affiliated

through common ownership with Hillhouse Capital Management, Ltd. ("HCM"). HCM currently serves as an investment manager solely to private funds, with full discretion to invest in securities on a global basis. HCM-advised funds follow a substantially more diversified strategy compared to ours and have greater ability to engage in short sales where allowed on global exchanges.

Hillhouse Capital Management Limited, Hillhouse Capital Management Pte. Ltd. and Hillhouse (Beijing) Advisory Limited are affiliates of HCA that operate principally in Hong Kong, Singapore, and the PRC. These entities are "Participating Affiliates" of HCA (as this term has been used by the SEC's Division of Investment Management in various no-action letters granting relief from the registration requirements under the Investment Advisers Act of 1940 (the "Advisers Act") for certain affiliates of registered investment advisers). Certain employees of these entities may, from time to time, provide certain research services for HCA, which HCA may use for its clients. HCA deems these entities and certain of their employees as associated persons of HCA within the meaning of Section 202(a)(17) of the Advisers Act, because such entities may, through such employees, contribute to HCA's research process and may have access to information concerning which securities are being recommended to HCA's clients prior to the effective dissemination of such recommendations.

Our investment advisory clients are limited to QFII license holders that are eligible to invest in QFII Investments, and our advice is provided on a non-discretionary basis, although we expect that we will, in the future, provide advisory services on both a discretionary and non-discretionary basis. HCM and its clients do not have QFII licenses and, therefore, are precluded from investing in QFII Investments directly. As a result, HCM may only access QFII Investments through derivative products. Many companies that list QFII Investments also offer other classes of securities in jurisdictions or on exchanges outside of the PRC ("Parallel China Shares"). Investors in funds advised by HCM may obtain indirect exposure to QFII Investments through derivative instruments, Parallel China Shares, investing in other classes of securities issued by companies that also issue QFII Investments, or other arrangements, subject to availability of the aforementioned products. We and HCM may, in some instances, follow the same strategies with respect to QFII Investments or similar securities, although there is no obligation for us and HCM to act at the same time or in the same manner. Therefore, investment results may differ as between our clients and HCM's clients. To address these potential conflicts of interests, we have adopted policies and procedures, including a Code of Ethics. Please see "Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading" below for a discussion of our Code of Ethics.

In some instances, both we and HCM use shared personnel for certain services. Shared personnel may include back office personnel as well as professionals who provide portfolio advice. Such shared personnel of Hillhouse and HCM may have conflicts of interests in allocating their time and resources between us and HCM. Different performance or management compensation structures or incentives may apply to shared personnel, which may also create a conflict of interest. We have adopted policies and procedures, including a Code of Ethics, to address these potential conflicts of interests.

Different performance and management fees may be charged for substantially similar products managed or advised by us, which may also create a conflict of interest. Please see "Fees and Compensation" above for information regarding how our clients compensate us, the potential conflict of interest created by allocating investment opportunities among client accounts, and how Hillhouse addresses the potential conflict of interest.

We do not recommend or select other investment advisers for our clients. Neither we nor HCM receives compensation directly or indirectly from each other for any recommendation of the other. In addition, neither we nor HCM, directly or indirectly, pays or receives compensation to or from third parties in connection with recommending advisory services. Other than as referenced above, we are not aware of any other material affiliations.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### **General Code of Ethics**

Our employees are responsible for maintaining the very highest ethical standards when conducting business. In keeping with these standards, our employees must always place our clients' interests ahead of their own. Moreover, our employees should adhere to the spirit as well as the letter of the law and be vigilant in guarding against anything that could skew their judgment. Accordingly, Hillhouse has adopted a Code of Ethics (the "Code") and detailed Compliance Manual. You may obtain a copy of the Code by writing to Hillhouse Capital Advisors, Ltd., Attn: Chief Compliance Officer at the address on the cover page of this Brochure. The Code sets forth, among other things, standards for the purpose of deterring wrongdoing and promoting: (i) honest and ethical reporting; (ii) full, fair, accurate, timely, and understandable disclosure in reports and documents; (iii) compliance with applicable laws, rules, and regulations; (iv) prompt internal reporting of violations of the Code; and (v) accountability for adherence to the Code.

### **Interest in Client Transactions**

Please see "Fees and Compensation" and "Other Financial Industry Activities and Affiliations" above for a discussion of the potential conflict of interest created by allocating investment opportunities among client accounts and how Hillhouse addresses the potential conflict of interest.

### **Personal Trading**

The Code is designed to assure that the personal securities transactions, activities, and interests of our employees do not interfere with their judgment in advising our clients. We discourage our employees from personal trading due to the conflicts of interest (real and apparent) that such trading may present. All employees must receive pre-clearance for all securities transactions and must provide post-trading details of all trades. All employees also must provide us with detailed information regarding their securities holdings, which is updated on a quarterly basis. Although employees are not prohibited from personal trading, employees are prohibited from short-term

trading or speculation, and employees must provide Hillhouse with all investment opportunities suitable for any investment strategy of the clients prior to engaging in any transaction related thereto. To minimize the risk of potential conflicts of interests, employees and their immediate family members may not, directly or indirectly, make trades in any security, company, asset, or investment product (i) located in or having a substantial business relation to the PRC, Hong Kong, or Taiwan or (ii) under research, traded in, or contemplated to be traded in by Hillhouse.

## **ITEM 12: BROKERAGE PRACTICES**

We may recommend brokers to non-discretionary accounts and choose brokers for discretionary accounts for more efficient and/or less expensive transactions, or for non-financial relationship reasons. We endeavor to recommend brokers that provide the best execution for securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances ("Best Execution"). We consider the full range and quality of a broker-dealer's services in recommending brokers. Please note that Best Execution is not necessarily determined by the lowest possible commission costs. In recommending brokers to our non-discretionary accounts or choosing brokers for discretionary accounts, Hillhouse considers a number of factors, including execution capability, commission rates, financial responsibility, the value of the broker-dealer's research, and responsiveness. We do not consider whether we receive referrals from a broker-dealer or third party in selecting or recommending a broker. In any event, non-discretionary account clients are not under any obligation to select the broker that we have recommended.

### **Directed Brokerage**

Clients may sometimes request that we use a particular broker-dealer to effect transactions in recognition of services the clients receive from the broker-dealer or from a third party. Any request to do so must be preapproved by our Chief Compliance Officer. Clients' direction of brokerage services may cost clients more money and may prevent the client from receiving the most favorable execution of the client's transactions.

### **Soft Dollar Arrangements**

We currently have arrangements in place whereby we may receive research or other products or services (other than execution) from a broker or other third party in connection with client securities transactions, known as "soft dollar benefits." These soft dollar benefits may be received in connection with commission fees paid to those brokers to execute client transactions. These research products and services are intended to help us provide valuable research and services to us that we would otherwise have to produce or purchase from third parties with our own funds.

Any transaction in which soft dollar benefits would be received is carefully evaluated to determine that the transaction complies with our duty to seek Best Execution. However, as a result of the soft dollar benefits, we may have an incentive to select or recommend a broker based on receipt of soft dollar benefits.

All transactions in which we obtain soft dollar benefits should comply with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934. This requires, among other things, that we make a good faith determination that the amount of commission paid is reasonable and that the soft dollar benefits we receive are limited to brokerage services and research products or services that aid in our investment decision-making responsibilities. Products and services we receive from soft dollar arrangements may include, without limitation, third party research, data service, seminar and conference fees, performance measurement, and certain investment publications. Before broker commissions are incurred, we make a good faith determination as to whether the commission paid is reasonable in relation to the value of the brokerage services and research products or services provided by that broker.

We believe that the products or services we obtain through soft dollar arrangements benefit all of our relevant client accounts, rather than benefitting just one account. We currently do not require soft dollar benefits to be allocated proportionately to the amount of soft dollar benefits generated by each client account. Therefore, it is possible that such soft dollar benefits may provide a benefit to some clients who have not generated a proportionate share of commissions used to pay for these benefits. However, it is also possible that individual clients may benefit from these arrangements to a greater extent than the commissions they generated.

We have instituted certain procedures governing soft dollar benefits. Soft dollar benefits may be received from a broker in consideration of directing transaction business on behalf of a client to the broker only if:

1. The soft dollar products or services are of demonstrable benefit to our clients;
2. We maintain documentation that the soft dollar product or service assists in the investment decision-making process;
3. Transaction execution is consistent with Best Execution standards and brokerage rates are not in excess of customary full-service brokerage rates;
4. Disclosure is made of our practices for receiving the soft dollar products or services; and
5. The client(s) has consented in writing to the receipt of soft dollar products or services.

### **Trade Aggregation**

We do not aggregate or bunch client orders, since QFII Investment orders must be processed separately through each QFII quota and may not be combined or aggregated with QFII quotas held by other clients.

### **ITEM 13: REVIEW OF ACCOUNTS**

We review and evaluate our clients' investment objectives and performance on a quarterly basis. We also review strategies to ensure compliance with investment objectives and restrictions. Reviews are primarily conducted by the relevant portfolio manager and may periodically be conducted by an "Investment Committee" that is comprised of our Chief Investment Officer and other senior members of our research team.



Following research and analysis, a review of potential investments is conducted by the Investment Committee. The Investment Committee meets regularly to consider fundamental changes, industry dynamics, and the competitive advantages of companies and their people and businesses. Target reviews are performed regularly by the Investment Committee, so upside, downside, and fair value can be considered by the Investment Committee based on earnings forecasts.

## **Client Reports**

Within 150 days after the end of each fiscal year or as soon thereafter as is reasonably possible, Hillhouse or one of our affiliates delivers written reports to clients and, to the extent provided in our agreement with the client or required by law, our former clients, including: (i) a copy of the balance sheet of the client's account, together with statements of net capital appreciation or net capital depreciation and changes in the underlying investor's capital, all in reasonable detail, prepared in accordance with the laws, rules, and regulations then prevailing; and (ii) such tax information as is necessary for the client to prepare and file federal and applicable state income tax returns and any other reporting or filing requirements. Within 30 days after the end of each calendar month or as soon thereafter as is reasonably possible, Hillhouse or one of our affiliates delivers an unaudited statement of an estimate of the client's account and account balance(s) and any capital contributions or withdrawals by the client since the preceding month-end.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

No person, other than our clients, provides us with an economic benefit for providing advisory services to our clients. Neither Hillhouse nor a related person of Hillhouse directly or indirectly compensates any person who is not under the supervision of Hillhouse for client referrals.

## **ITEM 15: CUSTODY**

The term "custody" is defined as holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. We will adhere to applicable requirements of custodial regulations with respect to each client for which we act as a custodian. We do not have physical custody of any client funds and/or securities. Such funds and securities are held with a bank, broker-dealer, or other independent, qualified custodian. Our Chief Compliance Officer is responsible for ensuring that any qualified custodian with custody of client assets is properly qualified. Our clients receive account statements from the independent, qualified custodian holding their funds and securities at least quarterly. Our clients should carefully review account statements for accuracy.

Please see "Client Reports" above for a description of the content and frequency of reports to be delivered by Hillhouse or one of our affiliates to clients regarding client accounts. Clients should review such reports carefully and compare our account reports with the account statements from your qualified account custodian to reconcile the information reflected on each statement. Clients may direct additional questions regarding custody to Hillhouse Capital Advisors, Ltd., Attn: Chief Compliance Officer, at the address on the cover page of this Brochure.

## **ITEM 16: INVESTMENT DISCRETION**

We provide advisory services on a non-discretionary basis, although we expect that we will, in the future, provide advisory services on both a discretionary and non-discretionary basis. Our Chief Investment Officer, in consultation when appropriate with our Chief Compliance Officer, is primarily responsible for ensuring that the securities or other financial instruments recommended are consistent with the respective client's investment objectives and, in any event, the approval of both such officers will be required before Hillhouse assumes discretionary authority to manage a client's investments. As noted above under "Types of Clients," all clients must enter into written investment advisory agreements with Hillhouse before Hillhouse will enter into any advisory relationship with a prospective client. We only provide advice regarding securities or other financial instruments consistent with client objectives and we specialize our investment advisory services for clients with a QFII license to trade in QFII Investments.

Certain of our clients may place specific investment or other limits on our investment advice. Illiquid investments present unique suitability considerations. We may only recommend these investments with the approval of our Chief Investment Officer.

## **ITEM 17: VOTING CLIENT SECURITIES**

We may accept proxy voting authority to vote client securities. To ensure protection of our clients' interests in voting proxies, we take seriously our responsibility to exercise our votes and have adopted written policies and procedures to do so consistent with Rule 206(4)-6 promulgated under the Advisers Act. These policies and procedures are reasonably designed to ensure that proxies are voted in the best interest of our clients, which generally means voting proxies with a view to enhancing the value of client securities. The financial interest of our clients is the primary consideration in determining how proxies should be voted. Further, as the decision to invest in a company normally represents confidence in the company's management, Hillhouse will typically give serious consideration to management recommendations. Hillhouse will generally support management recommendations regarding internal operations and those without significant economic effects. Conversely, management proposals that are likely to have significant economic effects, involve management interests, or where we lack confidence in the management team will be subject to greater scrutiny on a case-by-case basis. The following is a brief summary of principles, rather than rules, that reflect the long-term approach that will guide (but does not obligate) our investment and proxy voting decisions regarding common proxy proposals.

1. Board of Directors: We will generally support resolutions that promote the effectiveness of boards in acting in the best interest of shareholders.
2. Auditors and Auditor Compensation: Where all members of a company audit committee are independent, we will generally support the election of directors, the appointment of auditors, and the approval of the auditor compensation recommended by the board of directors.
3. Changes in Capitalization: We recognize the need for the management of a company to have flexibility to issue or repurchase shares to meet changing financial conditions. We will generally support changes in capitalization when there is a demonstrable need for

change. We are, however, aware that new shares may dilute the ownership interest of shareholders, and we will not generally support changes resulting in excessive dilution of existing shareholder value.

4. Corporate Restructuring, Mergers, and Acquisitions: We believe proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, we will analyze such proposals on a case-by-case basis, weighing heavily the views of our research analysts that cover the company and our investment professionals managing the portfolios in which the stock is held.
5. Management Compensation: Our goal is to support compensation arrangements that are tied to long-term corporate performance and shareholder value. These arrangements should better align management's interests with those of shareholders and should induce management to purchase and hold equity in the company.
6. Other Issues: We will address business issues specific to a company or those raised by shareholders of a company on a case-by-case basis with a focus on the potential impact of the vote on value to our clients.

Procedurally, Hillhouse will take reasonable measures under the circumstances to obtain knowledge of meetings and other events giving rise to solicitation of proxies, assure that proxies are received in sufficient time for Hillhouse to take action, vote proxies, and return the proxies to the parties soliciting them in time to be counted. Clients may direct the vote of Hillhouse in a particular solicitation, obtain information from us about how we voted clients' securities, and obtain a copy of our proxy voting policies and procedures by writing to Hillhouse Capital Advisors, Ltd., Attn: Chief Compliance Officer, at the address on the cover page of this Brochure.

#### **ITEM 18: FINANCIAL INFORMATION**

There is no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.