

**Item 1 – Cover Page**

**GaoTeng Global Asset Management Limited**  
**(“GAOTENG”)**

**Investment Adviser Brochure**

**Form ADV Part 2A**

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This brochure provides information about the qualifications and business practices of GaoTeng Global Asset Management Limited, called “GAOTENG” and is a registered investment adviser. The fact that GAOTENG is registered investment adviser does not imply that GAOTENG or any of its employees have achieved a certain level of skill or training. If you have any questions about the contents of this brochure, please contact our Compliance Officer at (852) 3892 8900 or by e-mail at [compliance@gaotengasset.com](mailto:compliance@gaotengasset.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about GAOTENG is also available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 - Material Changes**

Since the last brochure dated November 2021, the sole UCITS fund under GAOTENG's investment management was resolved to be winded up.

GAOTENG has been licensed with the Hong Kong Securities and Futures Commission for Type 1 license (Dealing in Securities) \* with effective on 16 January 2024.

\* For Type 1 regulated activity, the licensee shall only carry on the business of dealing in collective investment schemes. The terms “collective investment scheme” and “dealing” are as defined under the Securities and Futures Ordinance.

Our Brochure may be requested by contacting GAOTENG at [info@gaotengasset.com](mailto:info@gaotengasset.com)

Additional information about GAOTENG is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Item 3 – Table of Contents

	<b>Page Number</b>
Item 1 – Cover Page.....	1
Item 2 - Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 - Advisory Business.....	4
Item 5 - Fees and Compensation.....	7
Item 6 – Performance-Based Fees and Side-By-Side Management .....	10
Item 7 – Types of Clients.....	13
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	14
Item 9 – Disciplinary Information .....	28
Item 10 – Other Financial Industry Activities and Affiliations .....	29
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .	30
Item 12 – Brokerage Practices .....	36
Item 13 – Review of Accounts.....	40
Item 14 – Client Referrals and Other Compensation.....	41
Item 15 – Custody .....	42
Item 16 – Investment Discretion.....	43
Item 17 – Voting Client Securities.....	44
Item 18 – Financial Information .....	47

## Item 4 - Advisory Business

### The Firm

Milvus Capital Limited was founded in 2015. In 2017, a joint venture of Hillhouse Capital and Tencent acquired Milvus Capital Limited and changed the name to GaoTeng Global Asset Management Limited (“GAOTENG”). GAOTENG is wholly owned by GaoTeng Asset Management Holdings. GAOTENG is an asset management company invested by Hillhouse Capital Group and Tencent Holdings Limited. It has a team with extensive domestic and overseas asset management experience. GaoTeng is awarded as Asian Rising Star by Asia Asset Management and Asian Supernova of the Year by Insights & Mandate in 2020. The company is ranked No.1 by The Asset as the Top Investment House in Asian G3 Bonds for 2020 (Hong Kong, Asset Managers). Headquartered in Hong Kong, GaoTeng is licensed by The Securities and Futures Commission to conduct Type 1(Dealing in Securities) \*, Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities. By leveraging Hillhouse Capital's excellent investment capability and Tencent's leading Internet technology, the company is committed to providing high-quality and easily-accessible asset management products and services to investors around the globe.

\*For Type 1 regulated activity, the licensee shall only carry on the business of dealing in collective investment schemes. The terms “collective investment scheme” and “dealing” are as defined under the Securities and Futures Ordinance.

### Assets under Management

As of December 31, 2023, client regulatory assets under GAOTENG management totaled approximately US\$2.226 billion. The breakdown of discretionary and non-discretionary assets are as follows:

(in US\$)	GAOTENG
Discretionary assets	US\$2.222 billion
Non-discretionary assets	US\$4 million

As some of our funds invest into our own funds (which may be managed by GAOTENG), the market value of cross holdings amounted to approximately US\$10.5 million and this adjusted regulatory assets under GAOTENG management totaled approximately US\$2.226 billion.

### Investment Philosophy

GAOTENG generally employs an investment philosophy of buying securities that appear underpriced based upon an analysis of the financial statements, management, current health and competitive advantages of the issuer of the securities when compared to its competitors and markets. This approach is commonly referred to as “value investing”.

GAOTENG employs a top down macro research and active trading approach, along with quant

models used for market timing. Second, it conducts a valuation analysis. Third, it allocates the investment and trade size. Fourthly, it applies quant-driven trading and finally checks the portfolio alignment and monitors for risk.

GAOTENG seeks alpha from theme identification & security selection, while balancing beta from risk budgeting and portfolio alignment by macro scan for risk budgeting, theme identification for sector allocation, fundamental and valuation analyses for security selection, allocation strategy and trade sizing, and check the portfolio alignment and risk monitor.

GAOTENG provides investment management and advisory services for institutional clients and investors, corporations and Professional Investors (as defined in the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules) in Asia Pacific, Europe and the United States. GAOTENG product suite currently includes both equities, fixed income and alternative investments to Professional Investors. GAOTENG concentrates its investment expertise regarding securities traded in Asia Pacific, Europe as well as United States.

#### Advisory Services

GAOTENG serves as a discretionary investment manager, sub-investment manager and/or investment advisor, focusing in Asia, mainly to:

- privately placed, pooled investment vehicles (“Private Funds”);
- collective investment funds authorized by the Hong Kong Securities and Futures Commission (“SFC Authorized Funds”); and
- segregated accounts (“Segregated Accounts”).

**The disclosures contained in GAOTENG’s Part 2 of Form ADV (the “Brochure”) are designed solely to provide information about GAOTENG and the investment management/advisory business it conducts. None of the discussions regarding the SFC Authorized Funds or Private Funds ( “Funds”) shall constitute a solicitation of an offer to buy or an offer to sell the securities of the Funds.**

#### Private Funds and SFC Authorized Funds (collectively, the “Funds”)

GAOTENG manages the Funds in accordance with each Fund’s investment objective, strategy and guidelines. A description of the investment objective, strategy and risk factors of each Fund is set forth in each Fund’s offering document. For Private Funds, the offering document consists of a confidential private placement memorandum (“PPM”) and for the SFC Authorized Funds, these descriptions are contained in the explanatory memorandum (“EM”) or prospectus (“Prospectus”). The Funds are not tailored to the individual needs of any particular investor and all investors are cautioned to consider whether a Fund meets their individual investment objectives and risk tolerance prior to investing.

#### Segregated Accounts

GAOTENG also provides investment management or advisory services to Segregated Accounts

which are tailored to meet each client's stated investment objectives, strategies, restrictions or guidelines. These are all specified in the investment management/advisory contract between GAOTENG and the client.

Each Segregated Account serviced by GAOTENG may be referred to herein as a "Segregated Account Client" or "Client" throughout the brochure.

Segregated Account Clients may impose additional investment guidelines and restrictions upon GAOTENG pursuant to the client agreement with GAOTENG. These can include guidelines designed to reduce risk e.g. derivatives are used for hedging purpose only, single issuer concentration limit or sector restrictions. Clients are required to inform GAOTENG in writing of these guidelines and restrictions, and these are then coded in Bloomberg AIM to ensure investment compliance.

#### Side Letter Arrangements

GAOTENG or its associates or its Funds may enter into side letter arrangements with investors granting an investor preferred economic and other terms as compared to other shareholders. These may include, but are not limited to, rebates of fees and/or charges payable to GAOTENG and the reservation of capacity in the Funds. GAOTENG may agree to consult with or obtain prior approval from particular investors before taking certain actions with respect to the Funds.

## **Item 5 - Fees and Compensation**

### Fund's Fees and Compensation

The fees paid to GAOTENG are detailed in each Fund's investment management/advisory agreement and in each Fund's EM, Prospectus or PPM. The fees generally include:

- an annual or annualized management fee expressed as a percentage of the Fund's assets under management with GAOTENG; and
- incentive or performance-based fees or compensation calculated based:
  - a. in the case of Private Funds, on absolute performance, will be calculated in respect of the High Water Mark; or
  - b. in the case of SFC Authorized Funds, on absolute performance, typically calculated by reference to the highest net asset value achieved by the relevant SFC Authorized Fund as at the end of a performance period.

See the "Fee Schedules" below and in Item 6 for more information on the range of these fees and information regarding fees.

Investors bear subscription and redemption charges that are separate payments due at the time of subscription to and redemption from a Fund, respectively. Investors in Funds also bear indirectly as charges against Fund assets expenses relating to securities transactions, account custody and administrative fees. Investors should refer to each Fund's EM, Prospectus or PPM for details prior to investing and fees are applied fairly to all investors of the same class.

Funds may maintain multiple class structures with different fees paid by each class. Additionally, investors in a Fund that employs a sub-manager or investment adviser may be required to pay fees which are higher than the fees paid to GAOTENG by that Fund.

### **Fee Schedules for Funds**

- a. Private Funds
  - Management Fee: up to 2% annually
  - Performance Fee: up to 25% of new net gain
- b. SFC Authorized Funds
  - Management Fee: up to 2% annually

### Segregated Accounts' Fees and Compensation

With respect to Segregated Accounts, fees charged to Clients may be negotiated depending on a number of factors including, but not limited to: the type of client, size of the accounts, the complexity of the mandate, the extent of reporting requirements, the potential for additional account deposits, the nature, longevity and size of the overall client relationship and other business considerations. These fees are agreed upon by the Client and GAOTENG prior to account opening. GAOTENG generally receives management fees and incentive fees. Management or advisory fees are typically calculated as a fixed percentage of the assets under management in the relevant account at the valuation date(s) specified in the investment management/advisory agreement. These fees are typically paid monthly or quarterly.

Upon Client agreement, an incentive or performance fee may be charged that permits GAOTENG to receive a share of the capital appreciation of the assets within a Client's account. Performance fees are typically calculated as a percentage of an account's positive investment performance for the relevant quarter or year and are subject to the highest asset value achieved by the account as at the end of a performance period.

Clients also bear other expenses such as expenses relating to securities transactions and account custody. Clients can refer to the relevant investment management/advisory agreement for details. See the "Fee Schedules" below for more information on the range of these fees.

Fees may change over time and different fee schedules may apply if GAOTENG accepts clients other than those described herein. Additionally, fees may be negotiated and GAOTENG may in its sole and absolute discretion, waive or reduce fees charged to clients by rebate or otherwise, for any reason, such as a significant investment in the Fund. Consequently, some Clients may pay more or less than other clients for the same or similar investment management services.

### **Fee Schedule for Segregated Accounts**

Management/Advisory Fee: up to 1.5% annually  
Performance Fee: up to 20% of new net gain

### **Fund Manager Compensation**

The remuneration for fund managers is mainly structured by fixed monthly salary and a year-end variable compensation component. To ensure the alignment of interest, the year-end variable compensation is based on, but not limited to, portfolio performance measurements, and the adoption of high conviction ideas in respective portfolios.

### **Fees and Compensation upon Termination for Funds**

A Fund may terminate on a certain date or upon the occurrence of specified events, as described in the relevant EM, Prospectus, or PPM. Specific requirements, procedures and restrictions apply to withdrawals and terminations by an investor in the Funds. GAOTENG, may impose minimum redemption amount and require the maintenance of a minimum capital account size in the event of a partial withdrawal by an investor in the Funds. Typically, an investor in a Fund may withdraw all or part of its interest in the Fund on a daily (for SFC Authorized Funds) and monthly basis (for Private Funds), on a date specified in the Fund's EM, Prospectus or PPM and subject to prior written notice (generally 0 to 30 days). In addition, where the withdrawal requests exceed 10% of the total number of shares or total interest in issue on any dealing day for which subscription and redemption

of the shares/interest are being dealt with, such withdrawal may be deferred to the next dealing day. However, GAOTENG may, in its sole discretion, allow for withdrawals at other times and/or waive any applicable notice requirements and may also require an investor to redeem all or part of its interest in a Fund upon provision of reasonable notice, or without such notice if necessary to ensure that the Fund remains in compliance with applicable law.

#### Fees and Compensation upon Termination for Segregated Accounts

GAOTENG's investment management agreements for Segregated Accounts generally provide for termination without penalty by either party upon prior written notice to the other party.

## Item 6 – Performance-Based Fees and Side-By-Side Management

### Performance-Based Fees

A substantial portion of GAOTENG's income with respect to Funds is derived from performance fees. GAOTENG also charges performance fees in Segregated Accounts upon agreement with the clients.

Generally, a high watermark methodology is used in calculating and charging GAOTENG's performance fees. The highest net asset value ("NAV") of the invested assets achieved by a Fund or a Segregated Account as at the end of a performance period is known as the "high watermark". Using this methodology, if the NAV of a specific Fund or a Segregated Account as at the end of a performance period is lower, no performance fee would be payable to GAOTENG. If the NAV as at the end of a performance period subsequently increases back to the high watermark (but no higher), the performance fee is not payable in this circumstance. Generally, only if the NAV as at the end of a performance period increases over the high watermark would entitle GAOTENG to a performance based fee with respect to a Fund or Segregated Account. Note that all fee arrangements will include performance fees and not all performance fee arrangements will include such provisions. Performance fees may be calculated and accrued or paid more or less frequently or in a different manner, as specified in the relevant EM, Prospectus, PPM or investment management/advisory agreement.

There are also potential risks attendant to use of a high watermark methodology in calculating performance fees. Since fees are calculated based on the value of the assets, GAOTENG may inflate the valuation of the investments (*e.g.* through inflating the value of illiquid or hard-to-value investments), thus increasing the net asset value of the assets managed. In addition, the performance fees may create an incentive for GAOTENG to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. The management fee and performance fee payable to GAOTENG are based in part upon unrealized gains (as well as unrealized losses), and that such unrealized gains and losses may never be realized by the accounts. To mitigate this potential risk, the following procedures are implemented:

- **Valuation Policy.** Valuation of assets of Funds and Segregated Accounts are performed by administrators/custodians who are independent reputable banks. For listed investments, prices are obtained from external sources and reconciliation is done between GAOTENG's internal records against administrators'/custodians' record to ensure accuracy. For unlisted/unquoted investments, the valuation should be based on their fair value by reference to comparable recent third-party transactions in similar investments, exercising professional judgement and prudence in selecting appropriate comparable transactions and in assessing the reasonableness of the resulting valuation. Upon acquisition, this can be either the cost or the last sale price. Thereafter, if necessary, GAOTENG may engage at least one qualified independent third party pricing provider to provide valuations. If the unlisted investment valuations are obtained from independent valuer based on their own pricing models, the valuations are subject to review by GAOTENG based on reasonableness. A list of investments with prolonged stale price (which includes prolonged suspended stocks, bonds with no trading volume) should be reported to COO, who will decide if the investments should be revalued and if an independent valuer should be appointed by considering, including but not limited to, the following factors:

- Trading status (i.e. normal, suspended, not frequently traded)
- Position size relative to fund size
- Announcement on Exchange and relevant market news
- Period of prolonged stale price
- Market place / exchange where the securities are traded
- Relevant index movement
- Fund managers' view on the investments
- Consultation with the trustee or custodian of the fund

If an independent valuer is appointed, COO will decide if a revaluation is required based on the valuation report issued by the independent valuer. All valuation approvals and all deviations from the independent valuer's conclusion should be properly justified with justification reasons documented for record keeping purpose.

Notwithstanding the above, COO may initiate any valuation review whenever the members think fit.

#### Potential Conflicts – Side-By-Side Management

Some investment professionals at GAOTENG manage multiple types of portfolio including private funds, Segregated accounts and mutual funds, according to the same or a similar investment strategy (i.e. side-by-side management). This simultaneous management of these different accounts, some of which are charged a performance fee, creates certain conflicts of interest. For example, these investment professionals may have an incentive to favor accounts that charge a higher performance fee by allocating better investment opportunities to these accounts.

As a fiduciary, GAOTENG exercises due care to ensure that client accounts are all treated in a fair and equitable manner over time, regardless of their strategy or fee arrangements. GAOTENG has adopted the following approach related to the fair allocation of investment opportunities:

- **Employee and Firm Interests.** Accounts in which our employees or affiliates have a beneficial interest, or in which GAOTENG has a conflict of interest, do not receive preferential treatment.
- **Order Allocation.** Executions for aggregated orders are combined to determine one average price. Generally speaking, executed shares are allocated among clients on a pro-rata basis (subject to rounding). If there is insufficient executed amount to fulfill the minimum requirement for all accounts in a multi-fund order, the executed portion will be broken down into portions that fulfill both the de-minimus requirement and lot size of the security being traded, and randomly allocated to applicable accounts under that multi-fund order. As no rigid formula will always lead to a fair and equitable result, a degree of flexibility to adjust to specific circumstances is necessary. Therefore, under certain circumstances, allocation on a basis other than strict pro-rata is permitted if GAOTENG believes that such allocation is fair and equitable to all funds that participate in the order.
- **Aggregation of trades.** For accounts that are managed in similar styles, GAOTENG may seek to acquire or dispose of the same securities for multiple accounts contemporaneously

and may aggregate into a single trade order when different accounts trade orders for the same security to facilitate best execution and to reduce brokerage commissions and/or other costs. However there may be cases when orders cannot be aggregated due to legal or operational limitations or restrictions.

## **Item 7 – Types of Clients**

### Private Funds

Each Private Fund offered to US investors (each, a “US Private Fund”) managed/advised by GAOTENG is typically organized as an exempted open-ended investment company with limited liability in the Cayman Islands or another appropriate jurisdiction or as an offshore entity. US Private Funds are established to qualify for exemption from the definition of “investment company” under the Investment Company Act of 1940, as amended, (“1940 Act”) under Section 3(c)(7) and offer their interests to investors pursuant to Section 4(a)(2) of, or Regulation D or Regulation S, under the Securities Act of 1933, as amended (“1933 Act”). Also, GAOTENG manages the US Private Funds to qualify for appropriate exemptions from registration with the CFTC. Currently, GAOTENG is not registered with the Commodity Futures Trading Commission (“CFTC”) as a futures commission merchant (“FCM”), a commodity pool operator (“CPO”) or a commodity trading advisor (“CTA”). GAOTENG has made exemption filings with the CFTC pursuant to CFTC Rules 4.13(a)(3) and 4.14(a)(8)(iii).

In respect of potential U.S. investors, only Permitted U.S. Persons may invest in GAOTENG for whom an investment in GAOTENG does not constitute a complete investment program and who fully understand and are willing to assume the risks involved in the investment program of the Company. The investment practices of GAOTENG, by their nature, may be considered to involve a substantial degree of risk. Each Permitted U.S. Person must be an Accredited Investor and a Qualified Purchaser.

GAOTENG generally prefers a minimum initial investment in Private Funds from US\$100,000 to as specified in the Fund’s PPM. For certain Funds, GAOTENG may, in its sole discretion, waive such minimum investment requirements.

### SFC Authorized Funds

Investors in the SFC Authorized Funds generally include non- US investors. GAOTENG mainly distributes these products through local financial intermediaries, including banks, licensed corporations and distributing agencies by means of distribution agreements. GAOTENG generally prefers a minimum initial investment in SFC Authorized Funds ranging from Nil as specified in the SFC Authorized Fund’s EM or Prospectus. For certain Funds, GAOTENG may, in its sole discretion, waive such minimum investment requirements.

### Segregated Accounts

Segregated Account Clients generally include institutions and corporations.

The terms and conditions of investment in Segregated Accounts are negotiated with the client on a case-by-case basis depending on the size of the Segregated Account, the complexity of the mandate, the extent of reporting requirements and other factors.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

GAOTENG employs Funds' and segregated accounts' investment approach on portfolio construction is two prong: (i) top down analysis for risk budgeting and theme identification; and (ii) bottom up analysis for research and valuation. The investment process of a Fund is methodical. The first step is risk budgeting based on continual assessment of global markets. Then investment themes are derived that would channel resource deployment. Upon identification, securities that best benefit such themes are selected, deep dives on the credits are conducted and relative valuations are compared to determine trade size and allocation strategy. Lastly, positions are reviewed periodically to align portfolio risk to return targets.

GAOTENG seeks alpha from theme identification & security selection, while balancing beta from risk budgeting and portfolio alignment by macro scan for risk budgeting, theme identification for sector allocation, fundamental and valuation analyses for security selection, allocation strategy and trade sizing, and check the portfolio alignment and risk monitor.

GAOTENG strongly believes that credit cycle, trend and seasonality drive price actions of the investment products and hence understanding their influencing factors is paramount in setting risk budget dynamically to suit different market conditions. The Manager also believes that the biggest risk to investing in fixed income is default risk, and hence sets pinnacle criteria in recruiting investment professionals with sound fundamental credit training. The Manager masters the investment principles of 5Cs (Character, Capacity, Capital, Collateral and Conditions) and 2Ps (Payment Ability and Payment Willingness) in making credit evaluation, whereby Character and Payment Willingness would require cross cycle experience.

Although GAOTENG utilizes information, reports and data from various external sources, its investment decision-making with respect to the accounts it manages is based primarily upon its proprietary research and analytical capabilities, including the research and analytical experiences and expertise of its investment staff. For those individuals who are involved in the investment management function of GAOTENG, a college degree with at least two years' working experience in the investment sector is preferred.

GAOTENG is committed to contributing to green finance globally and enhancing value for our clients. GAOTENG is committed to taking climate risks into consideration in its investment and risk management processes. GAOTENG has in place a governance structure to assess the impact of climate risks on assets under its management and formulate appropriate policies to address such risks. Our investment team currently considers climate risks as relevant but not material to all the funds or strategies managed by GAOTENG. Our comprehensive risk management framework covers the monitoring of climate risks as well as the steps to identify, assess and monitor changing climate risks. GAOTENG employs a variety of tools to make ongoing assessments on the relevance and materiality of climate risks to our funds or strategies. GAOTENG also has policies to provide guidance to the investment team on integrating climate risk considerations into the investment management process, including guidance applicable to specific strategies.

GAOTENG offers a broad spectrum of investment solutions:

- Equities
- Fixed income

- Alternatives

Regardless of strategies, GAOTENG's investment process is always methodical including risk budgeting, formulating investment themes, valuation and fundamental analyses as well as portfolio alignment.

For fixed income strategies, GAOTENG strongly believes that credit cycle, trend and seasonality drive price actions of the investment products and hence understanding their influencing factors is paramount in setting risk budget dynamically to suit different market conditions. The Manager also believes that the biggest risk to investing in fixed income is default risk, and hence sets pinnacle criteria in recruiting investment professionals with sound fundamental credit training. The Manager masters the investment principles of 5Cs (Character, Capacity, Capital, Collateral and Conditions) and 2Ps (Payment Ability and Payment Willingness) in making credit evaluation, whereby Character and Payment Willingness would require cross cycle experience.

Although GAOTENG utilizes information, reports and data from various external sources, its investment decision-making with respect to the accounts it manages is based primarily upon its proprietary research and analytical capabilities, including the research and analytical experiences and expertise of its investment staff.

During the strategy design stage, GAOTENG would identify and pre-empt investors of any associated risk of loss.

**General risks are as below:**

***Market risk***

Market risk includes such factors as changes in economic environment, consumption pattern, lack of publicly available information of investments and their issuers and investors' expectations, which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the relevant Fund. The price of Units and the distributions from them (if any) may go down as well as up.

There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. The value of investments and the income derived from such investments may fall as well as rise and investors may not recoup the original amount invested in the Funds. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies. In falling equity markets, there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons and as a result, may have adverse impact to the relevant Fund and its investors.

***Equity investment risks***

A Fund may invest directly or indirectly in equity securities. Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment

performance of equity securities depends upon factors which are difficult to predict. As a result, the market value of the equity securities that it invests in may go down as well as up. Factors affecting the equity securities are numerous, including but not limited to general market risks, changes in investment sentiment, political environment, economic environment, issuer-specific factors and the business and social conditions in local and global marketplace. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the relevant Fund to losses.

### ***Volatility risk***

Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national/regional and international political and economic events, and the inherent volatility of the market place. A Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

### ***Risk relating to small- and mid-capped companies***

A Fund may invest in the securities of small and/or mid-capped companies. Investing in these securities may expose such Fund to risks such as lower liquidity, greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle.

### ***Risks of investing in IPO securities***

A Fund may invest in initial public offers ("IPOs") securities. The prices of securities involved in initial public offers ("IPOs") are often subject to greater and more unpredictable price changes than more established securities. There is the risk that there are inadequate trading opportunities generally or allocations for IPOs as wishes or is able to participate in. Furthermore, the liquidity and volatility risks associated with investments or potential investments in IPO securities may be difficult to assess, due to the lack of trading history of such IPO securities. These risks may have adverse impact on the relevant Fund and its investors.

### ***Risks relating to debt securities:***

#### ***Credit risk***

Investment in bonds or other debt securities involve credit risk of the issuers and/or the guarantors (if applicable). An issuer or a guarantor (if applicable) suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security, its issuer or its guarantor (if applicable) may also affect the security's liquidity, making it more difficult to sell. A Fund's investment is also subject to the risk that issuers may not make timely payments on principal and/or interests of the securities they issue, or that guarantors (if applicable) may not honour their obligations in respect of the securities they guarantee. If the issuers and the guarantors (if applicable) of any of the securities in which the Fund's assets are invested default, the performance of the Fund will be adversely affected.

The debt securities that a Fund invests in may be offered on an unsecured basis without collateral. In such circumstances, the relevant Fund will rank equally with other unsecured creditors of the relevant issuer and the relevant guarantor (if applicable). As a result, if the issuer and the guarantor (if applicable) become bankrupt, proceeds from the liquidation of the assets of the issuers and the guarantors (if applicable) will be paid to holders of the relevant fixed income instrument issued by it only after all secured claims have been satisfied in full. The relevant Fund is therefore fully exposed

to the credit/insolvency risk of its counterparties as an unsecured creditor.

A Fund may hold cash and deposits in banks or other financial institutions and the extent of governmental and regulatory supervision may vary. The Fund might suffer a significant or even total loss in the event of insolvency of the banks or financial institutions.

### ***Credit ratings risk***

The ratings of debt securities by Moody's Investor Services, Standard & Poor's and Fitch's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint and do not guarantee the creditworthiness of the securities and/or issuers or guarantors (if applicable) at all times. The rating of an issuer or a guarantor (if applicable) is heavily weighted by past performance and does not necessarily reflect probable future conditions. Rating agencies might not always change their credit rating of an issuer or a guarantor (if applicable) in a timely manner to reflect events that could affect the ability of the issuer or the guarantor (if applicable) to honour their obligations. In addition, there may be varying degrees of difference in credit risk of securities within each rating category.

### ***Mainland credit rating agency risk***

In relation to securities rated by Mainland China rating agencies, it should be noted that the appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Therefore credit ratings given by Mainland rating agencies may be different from those given by other international rating agencies.

### ***Credit rating downgrading risk***

The credit rating assigned to a security, an issuer or a guarantor (if applicable) may be re-evaluated and updated based on recent market events or specific developments. As a result, investment grade securities may be subject to the risk of being downgraded to below investment grade securities. Similarly, an issuer or a guarantor (if applicable) having an investment grade rating may be downgraded, for example, as a result of deterioration of its financial conditions. In the event of downgrading in the credit ratings of a security, an issuer or a guarantor (if applicable) relating to a security, a Fund's investment value in such security may be adversely affected. In the event of investment grade securities being downgraded to below investment grade securities and such securities continued to be held by the Fund, the Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

### ***Below investment grade and unrated securities risk***

A Fund may invest in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities and may be subject to greater fluctuation in value and higher chance of default. If the issuer and the guarantor (if applicable) of securities default, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Fund's prices may be more volatile.

The value of lower-rated or unrated corporate bonds may be affected by investors' perceptions. When economic conditions appear to be deteriorating, below investment grade or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

***Interest rates risk***

Changes in interest rates may affect the value of a debt security as well as the financial markets in general. Debt securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by a Fund fall in value, the Fund's value will also be adversely affected.

***Valuation risk***

The value of debt securities that a Fund invests may be subject to the risk of mispricing or improper valuation, i.e. operational risk that the debt securities are not priced properly. Valuations of quoted or listed debt securities are primarily based on the valuations from independent third party sources where the prices are available. However, in the case where independent pricing information may not be available such as in extreme market conditions or break down in the systems of third party sources, the value of such debt securities may be based on certification by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee. Valuations in such circumstance may involve uncertainty and judgmental determination.

In the event of adverse market conditions where it is not possible to obtain any reference quotation from the market at the relevant time of valuation, the latest available quotations of the relevant debt securities may be used to estimate the fair market value. Alternatively, after consultation with the Trustee may, permit some other method of valuation to be used to estimate the fair market value of such debt securities including the use of quotation of other debt securities with very similar attributes. Such valuation methodology may not equal to the actual liquidation price due to liquidity and size constraints. If valuation is proven to be incorrect, this will affect the Net Asset Value calculation of the relevant Fund.

The valuation of unlisted debt securities is more difficult to calculate than listed debt securities. Normally, unlisted debt securities are valued at their initial value thereof equal to the amount expended out of the relevant Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other acquisition expenses) provided that the value of any such unlisted debt securities shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such unlisted debt securities. Such professional person may value the unlisted debt securities by reference to the prices of other comparable unlisted debt securities. The trading of unlisted debt securities may not be transparent and the prices of unlisted debt securities may not be openly displayed. There is a risk that such professional person is not aware of all the trading in unlisted debt securities and may use prices which may be historical only and may not reflect recent trading in the debt securities concerned. In such circumstance, the valuation of the unlisted debt securities may not be accurate as a result of incomplete price information. This would have impact on the calculation of the Net Asset Value of the relevant Fund.

***Unlisted debt securities risk***

The debt securities in which a Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the relevant Fund may need to hold the debt securities until their maturity date. If

sizeable redemption requests are received, the relevant Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the relevant Fund may suffer losses in trading such securities.

### ***Risks of investing in other funds***

A Fund may invest in underlying funds which are not regulated by the SFC and will be subject to the risks associated with the underlying funds. In addition to the expenses and charges charged by such Fund, investor should note that there are additional fees involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the relevant Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Manager and the selection and monitoring of the underlying funds. These factors may have adverse impact on the relevant Fund and its investors. If a Fund invests in an underlying fund managed by the Manager or connected person of the Manager, potential conflict of interest may arise.

### ***Borrowing Risks***

The Trustee, on the instruction of the Manager, may borrow for the account of a Fund for various reasons, such as facilitating redemptions or to acquire investments for the account of the relevant Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the relevant Fund will be able to borrow on favourable terms, or that the relevant Fund's indebtedness will be accessible or be able to be refinanced by the relevant Fund at any time.

### ***Emerging markets risks***

Certain countries/regions in which a Fund may invest are considered as emerging markets. Investments in emerging markets will be sensitive to any change in political, social or economic development in the country/region. Many emerging countries/regions have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk.

The securities markets of some of the emerging countries/regions in which a Fund's assets may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. The securities markets of developing countries/regions are not as large as the more established securities markets and have a substantially lower trading volume. Investment in such markets will be subject to risks such as market suspension, restrictions on foreign investment and control on repatriation of capital.

There are also possibilities of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Funds' investments. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging country/region.

Underlying investments of emerging market funds may also become illiquid which may constrain

the Manager's ability to realise some or all of the portfolio. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries/regions in which a Fund may invest may differ from those applicable in developed countries/regions, for example, less information is available to investors and such information may be out of date.

### ***Mainland China market risks***

Investing in Mainland China is subject to the risks of investing in emerging markets generally and the risks specific to Mainland China.

Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Mainland Chinese economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. The investments in Mainland China may be affected by the changes in government policies, promulgation of foreign currency and monetary policies and tax regulations.

The regulatory and legal framework for capital markets and joint stock companies in Mainland China is still developing. Accounting standards and practices in Mainland China may deviate significantly from international accounting standards. The settlement and clearing systems of the securities markets in Mainland China may not be well tested and may be subject to increased risks of error or inefficiency.

Investors should also be aware that changes in the Mainland China taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the relevant Fund. Laws governing taxation will continue to change and may contain conflicts and ambiguities.

### ***Renminbi currency risk***

A Fund may invest in securities denominated in Renminbi (or RMB) and therefore, it may be subject to Renminbi currency risks.

Starting from 2005, the exchange rate of the Renminbi is no longer pegged to the US dollar. The Renminbi has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the Renminbi against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for Renminbi against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. The possibility that the appreciation of Renminbi will be accelerated cannot be excluded. On the other hand, there can be no assurance that the Renminbi will not be subject to devaluation. Any devaluation of the Renminbi could adversely affect the value of investors' investments in the Fund. Further, the PRC government's imposition of restrictions on the repatriation of Renminbi out of Mainland China may limit the depth of the Renminbi market outside Mainland China and reduce the liquidity of a Fund (insofar as the Fund is required to convert currencies to or from RMB) or meet realisation requests in Renminbi (if required). In addition, under the current regulations, the rate at which Renminbi may be exchanged outside Mainland China (in the case of Hong Kong, the "CNH" rate) may be different from the exchange rate within Mainland China (the "CNY" rate) and such divergence may increase due to supply and demand. In calculating the value of non-RMB

denominated or settled assets and the prices of Units, the Manager will normally apply the CNH rate, and the value of the Fund thus calculated will be affected by fluctuations in the CNH rate.

It should be noted that the Renminbi is currently not a freely convertible currency as it is subject to foreign exchange control policies of the PRC government. The PRC government's policies on exchange control and repatriation restrictions are subject to change, and a Fund's or the investors' position may be adversely affected. Under exceptional circumstances, payment of redemptions may be delayed due to exchange controls and restrictions applicable to Renminbi.

#### **Sovereign/government risks**

Certain developing countries/regions and certain developed countries/regions are especially large debtors to commercial banks and foreign governments. Investment in debt obligations issued or guaranteed by governments or their agencies of such countries/regions may involve a high degree of risk. The willingness or ability of a governmental entity to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due and the relative size of the debt service burden to the economy as a whole.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others agencies abroad to reduce principal and arrearage on their debts. However, failure to implement economic reforms or achieve a required level of economic performance or repay debts when due may result in the cancellation of these third parties' commitments to continuously lend funds to a governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis.

In case of default, holders of sovereign/government debts (including a Fund) may be requested to participate in the rescheduling of such debt and to extend further loans to the relevant governmental entities. In addition, a Fund may invest in securities issued or guaranteed by the government of a country/region with a sovereign/government credit rating below investment grade. The performance and value of the Fund could deteriorate should there be any adverse credit events in the sovereign/government, in particular if there is downgrading of the sovereign/government credit rating or a default or bankruptcy of a sovereign/government occurs. There are no bankruptcy proceedings by which sovereign/government debt on which a governmental entity has defaulted may be recovered in whole or in part.

#### ***Concentration risk***

A Fund may invest only in a specific country/region/sector/asset class. A Fund's portfolio may not be well diversified in terms of the number of holdings and the number of issuers of securities that the Fund may invest in. Such Fund may be adversely affected by or depend heavily on the performance of those securities. Investors should also be aware that such Fund is likely to be more volatile than a broad-based fund, such as a global or regional equity or bond fund, as they are more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in their respective country/region/sector/asset class.

#### ***Settlement risk***

Settlement procedures in emerging countries/regions are frequently less developed and less reliable and may involve the relevant Fund's delivery of securities, or transfer of title to securities, before receipt of payment for their sale. A Fund may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. A Fund may incur substantial losses if its counterparty fails to pay for securities such Fund has delivered, or for any reason fails to complete

its contractual obligations owed to such Fund. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of securities. Such delays could result in substantial losses for a Fund if investment opportunities are missed or if a Fund is unable to acquire or dispose of a security as a result.

### ***Custodial risk***

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Fund may even be unable to recover all of its assets. The costs borne by a Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

### ***Counterparty risk***

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to a Fund. A Fund may be exposed to the risk of a counterparty through investments such as bonds, futures and options. To the extent that a counterparty defaults on its obligations and a Fund is prevented from exercising its rights with respect to the investment in its portfolio, a Fund may experience a decline in the value and incur costs associated with its rights attached to the security. The Fund may sustain substantial losses as a result.

### ***Currency and foreign exchange risk***

A Fund may also issue Classes denominated in a currency other than the Base Currency of that Fund. A Fund may be invested in part in assets quoted in currencies other than its Base Currency or the relevant Class Currency. The performance of such Fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the Base Currency of such Fund or the relevant Class Currency. These risks may have adverse impact on the relevant Fund and its investors.

A Fund may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on the relevant Fund and its investors.

Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in a Fund may be suspended if the relevant Fund is unable to repatriate funds for the purpose of making payments on the redemption of Units.

### ***Derivative and structured product risk***

A Fund may invest in derivatives such as options, futures and convertible securities, and in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities or indices such as participation notes, equity swaps and equity linked notes,

which are sometimes referred to as “structured products”. Investment in these instruments can be illiquid, if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Fund.

These instruments will also be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through structured products may lead to a dilution of performance of such Funds when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the relevant Fund to the possibility of a loss exceeding the original amount invested.

#### ***Over-the-counter markets risk***

Over-the-counter (“OTC”) markets are subject to less governmental regulation and supervision of transactions (in which many different kinds of financial derivative instruments and structured products are generally traded) than organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with transactions carried out on OTC markets. Therefore, a Fund entering into transactions on OTC markets will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that a Fund will sustain substantial losses as a result.

In addition, certain instruments traded on the OTC markets (such as customised financial derivatives and structured products) can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments. These risks may have adverse impact on the relevant Fund and its investors.

#### ***Hedging risk***

Hedging techniques is permitted such as using futures, options and/or forward contracts to attempt to offset market and currency risks. There is no guarantee that hedging techniques will fully and effectively achieve their desired result. The success of hedging much depends on the Manager’s expertise and hedging may become inefficient or ineffective. This may have adverse impact on the relevant Fund and its investors.

While a Fund may enter into such hedging transactions to seek to reduce risks, unanticipated changes in currency, interest rates and market circumstances may result in a poorer overall performance of a Fund. A Fund may not obtain a perfect correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the relevant Fund to risk of loss.

Any expenses arising from such hedging transactions, which may be significant depending on prevailing market conditions, will be borne by the relevant Fund in relation to which they have been incurred.

#### ***Risks relating to hedging and currency hedged classes***

Some Funds may offer currency hedged classes of Units. Investors who wish to invest in such classes should note that the returns may differ due to various factors including interest rate differentials between the Class Currency and the relevant Fund's Base Currency and transaction costs.

Further, there is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy will fully and effectively eliminate the fluctuation between the Base Currency and the relevant Class Currency. Investment in the currency hedged classes may preclude Unitholders from benefiting from an increase in the value of the Fund's Base Currency.

### ***Liquidity risk***

Some of the markets in which a Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the relevant Fund's ability to acquire or dispose of such securities at their intrinsic value. As a result, this may have adverse impact on the relevant Fund and its investors.

### ***Difficulties in valuation of investments***

Securities acquired on behalf of a Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Fund's portfolio securities is available (for example, when the secondary markets on which a security is traded has become illiquid) the Manager may apply valuation methods to ascertain the fair value of such securities.

In addition, market volatility may result in a discrepancy between the latest available issue and redemption prices for the Fund and the fair value of the Fund's assets. To protect the interest of investors, the Manager may, after consultation with the Trustee, adjust the Net Asset Value of Fund or the Units, if in the circumstances it considers that such adjustment is required to reflect more accurately the fair value of the Fund's assets.

Valuation of a Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Fund may be adversely affected.

### ***Restricted markets risk***

A Fund may invest in securities in jurisdictions (including Mainland China) which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the relevant Fund may be required to make investments in the relevant markets directly or indirectly. In either case, legal and regulatory restrictions or limitations may have adverse effect on the liquidity and performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers.

### ***Legal, tax and regulatory risk***

Legal, tax and regulatory changes could occur in the future. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in their regulation or taxation may adversely affect the value of derivative instruments. Changes to the current laws and regulations will lead to changes in the legal requirements to which the relevant Fund may be subject, and may adversely affect the relevant Fund and its investors.

***Risk of termination***

A Fund may be terminated in certain circumstances, including where, on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than HK\$50 million or its equivalent or in relation to a Fund, the aggregate Net Asset Value of the Units outstanding thereunder shall be less than HK\$ 50 million or its equivalent (or other amounts disclosed in the Appendix). In the event of the termination of a Fund, such Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Fund. It is possible that at the time of such sale or distribution, certain investments held by the relevant Fund will be worth less than the initial cost of acquiring such investments, resulting in a loss to the Unitholders. Moreover, any organisational expenses (such as establishment costs) with regard to the relevant Fund that had not yet been fully amortised would be debited against the Fund's assets at that time.

***Risks associated with securities financing transactions:******Risks relating to securities lending transactions***

Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner. In this event, the relevant Fund could experience delays in recovering its securities and may possibly incur a capital loss. The value of the collateral may fall below the value of the securities lent out.

***Risks relating to sale and repurchase transactions***

A Fund may enter into sale and repurchase transactions with respect to securities. Sale and repurchase transactions involve credit risk to the extent that the Fund's counterparties may avoid such obligations in bankruptcy or insolvency proceedings, thereby exposing the relevant Fund to unanticipated losses. The amount of credit risk incurred by the relevant Fund with respect to a particular sale and repurchase transaction will depend in part on the extent to which the obligation of the Fund's counterparty is secured by sufficient collateral. In the event of the failure of the counterparty with which collateral has been placed, the relevant Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

***Risks relating to reverse repurchase transactions***

A Fund may enter into reverse repurchase transactions. If the seller of securities to the Fund under a reverse repurchase transaction defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the relevant Fund will seek to dispose of such securities, which action could involve costs or delay. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the relevant Fund's ability to dispose of the underlying securities may be restricted or the Fund may have difficulty in realising collateral. It is possible, in a bankruptcy or liquidation scenario, that the relevant Fund may not be able to substantiate its interest in the underlying securities.

In the event of the failure of the counterparty with which cash has been placed, the relevant Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

In addition, if a seller defaults on its obligation to repurchase securities under a reverse repurchase

transaction, the relevant Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

***Risks Associated with Collateral Management and Re-investment of Cash Collateral***

Where a Fund enters into a securities financing transaction or an OTC derivative transaction, collateral may be received from or provided to the relevant counterparty.

Notwithstanding that a Fund may only accept non-cash collateral which is highly liquid, the relevant Fund is subject to the risk that it will be unable to liquidate collateral provided to it to cover a counterparty default. The relevant Fund is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Where collateral is provided by a Fund to the relevant counterparty, in the event of the insolvency of the counterparty, the relevant Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

Finance charges received by a Fund under a securities lending transaction may be reinvested in order to generate additional income. Similarly cash collateral received by a Fund may also be reinvested in order to generate additional income. In both circumstances, the Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which reinvestment is made. The relevant Fund will be exposed to market risk and may incur a loss in reinvesting the financing charges and cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made. A decline in the value of investment of the cash collateral would reduce the amount of collateral available to be returned by the relevant Fund to the securities lending counterparty at the conclusion of the securities lending contract. The relevant Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the relevant Fund.

Under a sale and repurchase transaction, the relevant Fund retains the economic risks and rewards of the securities which it has sold to the counterparty and therefore is exposed to market risk in the event that it must repurchase such securities from the counterparty at the pre-determined price if that pre-determined price is higher than the value of the securities at the time of repurchase. If the Fund chooses to reinvest the cash collateral received under the sale and repurchase transaction, it is also subject to market risk arising in respect of such investment.

If the additional income which is generated through finance charges imposed by a Fund on the counterparty of a reverse repurchase transaction is reinvested, the relevant Fund will assume market risk in respect of such investments.

***Distributions risk***

Distributions may be made in respect of the Distribution Classes. However, there is no guarantee that such distributions will be made nor will there be a target level of distributions payout. A high distribution yield does not imply a positive or high return.

Please note that there are many other circumstances not described here that could adversely affect the investment and prevent the portfolio from reaching its objective. The risks of investing in our

Funds are detailed in the PPM or EM or prospectus of each Fund.

**Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an adviser or the integrity of the adviser's management. Adviser has no information applicable to this Item 9.

## **Item 10 – Other Financial Industry Activities and Affiliations**

GAOTENG does not have any relationships or arrangements that are material to GAOTENG's advisory business with any of the following related persons listed below:

- (i) broker-dealer, municipal securities dealer, or government securities dealer or broker;
- (ii) an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);
- (iii) other investment adviser or financial planner;
- (iv) futures commission merchant, commodity pool operator, or commodity trading advisor;
- (v) banking or thrift institution;
- (vi) accountant or accounting firm;
- (vii) lawyer or law firm;
- (viii) insurance company or agency;
- (ix) pension consultant;
- (x) real estate broker or dealer; and
- (xi) sponsor or syndicator of limited partnerships

GAOTENG may also have proprietary interest in certain Funds. However GAOTENG's policies take steps to avoid or mitigate these potential conflicts. Please refer to Item 11 on the details of potential conflicts and how GAOTENG addresses such conflicts.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### Code of Ethics

All GAOTENG employees must comply with GAOTENG's Code of Ethics. The Code of Ethics contains provisions reasonably designed to deter misconduct and conflict of interests and to detect violations of the Code of Ethics and applicable law. The Code of Ethics includes the following:

- Standard of Conduct – sets out the minimum standard expected of all staff and includes honesty and fairness, skill, care and diligence, fiduciary duty and other standards;
- Insider Trading – designed to prevent any trading or tipping based on material, non-public information and other types of market misconduct;
- Staff Dealing – sets out the procedures to be followed for trading in their own or associates' accounts by staff. The procedures include, but are not limited to, initial and semi-annual disclosure, prior approval from fund managers and Compliance Team for securities transactions for staff and associates, prior approval from Compliance Team for opening of broker accounts, submission of trade confirmation and account statements from staff or their brokers and a minimum holding period of 60 days for securities;
- Anti-bribery and Corruption – sets out the procedures to be followed for receiving or offering of gifts and benefits in connection with the affairs or business of a client;
- Data Privacy – sets out the procedures to be followed for handling GAOTENG's trading information and client information and about privacy of client information; and
- Whistle-blowing policy – illustrates the types of activities that may justify whistle-blowing and to explain the operation of the procedures.

Any person not in compliance with the Code of Ethics may be subject to disciplinary action, including summary dismissal. GAOTENG will provide a copy of its Code of Ethics to any client or prospective client upon request.

### Employee Personal Trading

Personal securities transactions by an employee of GAOTENG may raise a potential conflict of interest when that employee owns or trades in a security that is owned or considered for purchase or sale by a Fund. The Code of Ethics imposes certain restrictions in personal securities trading. All employees should obtain consent from the Compliance Team for any securities account opening. Preclearance from Compliance Team is also required prior to any personal securities transaction except for certain exempted securities e.g. external collective investment schemes. Non-exempted securities purchased by employees must be held for at least 60 days.

### Outside Business Interests

Outside business activities of an employee of GAOTENG may raise potential conflicts of interest depending on the employee's position within GAOTENG and GAOTENG's relationship with the activity in question. Outside business activities may also create a potential conflict of interest if they cause a GAOTENG employee to choose between that interest and the interests of GAOTENG or any client of GAOTENG. GAOTENG employees may not take up any directorship or employment or part-time commercial duties (paid or unpaid) without prior written approval from the Compliance Team. Approval will be given only in circumstances where the interests of GAOTENG and its clients will not be prejudiced.

### Political Contributions

GAOTENG policies prohibit staff from making, soliciting or coordinating any political or charitable contributions for the purpose of obtaining or retaining potential or existing public clients or their personnel. Employees are permitted to make personal political contributions in accordance with applicable law and GAOTENG's policies. Employees are required to obtain pre-approval before they (or their immediate family members) make, solicit, or coordinate any contributions to a political candidate, government official, political party or political action committee. No political contributions were made in the US by our employees.

### Participation or Interests in Client Transactions

GAOTENG may participate or have an interest in client transactions in ways as below:

**Cross Trade.** GAOTENG may undertake sale and purchase transactions between client accounts, where:

- (a) the sale and purchase decisions are in the best interests of both clients and fall within the investment objective, restrictions and policies of both clients;
- (b) the trades are executed on arm's length terms at current market value;
- (c) the trades will not adversely affect the liquidity of both clients;
- (d) the reasons for such trades are documented prior to execution; and
- (e) such activities are disclosed to the client.

Cross trades between house accounts and client accounts should be prohibited. Cross trades between staff personal accounts and client accounts should also be prohibited.

- **Firm and Employee Investments.** GAOTENG and its directors/officers may invest in the Funds which are managed by GAOTENG and hold, dispose or otherwise deal with them with the same rights as other owners. These investments pose a risk that employees with influence over investment decisions will favor the portfolios in which they have a personal interest. However, GAOTENG Code of Ethics and trade allocation policies manage these risks. Also

GAOTENG requires proper disclosure in the Fund's offering documents regarding the directors or officers' ownership. No preferential treatment is granted in the subscription process to these related parties, apart from rebate of fees at GAOTENG's own expense.

GAOTENG acts as investment manager to numerous Funds and Segregated Accounts. GAOTENG or its staff may give advice and take action with respect to any Funds or Segregated Accounts it manages or an account of a staff member that may differ from action taken by GAOTENG on behalf of other Funds or Segregated Accounts. GAOTENG is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that GAOTENG or staff may buy or sell for their own accounts or for other Funds or Segregated Accounts GAOTENG manages. Additionally, GAOTENG's personnel may invest, either directly or indirectly, in Funds which, in turn, may invest in securities held in other Funds and Segregated Accounts managed by GAOTENG. From time to time, GAOTENG's officers and employees may have interests in securities owned or sold by or recommended to the Funds and Segregated Accounts.

All of these situations represent a potential conflict of interest for GAOTENG in relation to its Segregated Account Clients and the investors in the Funds it manages. To address these potential conflicts of interest, GAOTENG maintains procedures relating to personal securities transactions and insider trading that are designed to reasonably detect and prevent actual conflict of interests. GAOTENG personnel supervise the execution of policies and procedures, including adopting its Code of Ethics, intended to avoid conflict of interests with investors and Clients and resolve such conflicts appropriately if they occur. GAOTENG's officers and employees are not obligated to refrain from investing in securities held in the Funds and Segregated Accounts it manages except to the extent such investment would be contrary to the Code of Ethics.

- **Initial Account Funding.** GAOTENG may purchase and sell securities for accounts funded with our own assets, which is known as "seed capital". These accounts are intended to establish a performance history for a new fund. GAOTENG may earn a profit on its seed capital investments and hence a conflict of interest arises. To address the conflict, these transactions are segregated from clients' transactions and considered as proprietary transactions until there's external client money investing in the new fund.

## **Other Potential Conflicts**

- **Allocation of Investment Opportunities.**

GAOTENG (which includes its officers, employees "GAOTENG") provides investment management/advisory services and engages in functions with respect to various Funds, Segregated Accounts and other clients, that may have similar or different investment objectives and policies. GAOTENG and its affiliates may retain any profit or benefit made in connection with its investment management/advisory and other services.

To mitigate these conflicts, GAOTENG attempts to ensure fair treatment to all Funds and Segregated Accounts, including but not limited to fair basis of allocation of investment opportunities among the Funds and Segregated Accounts. Allocation of investment opportunities is on pro rata basis across the appropriate accounts.

In allocating investment opportunities among multiple Funds and Segregated Accounts, GAOTENG will determine the intended allocation prior to execution of the transaction(s). In determining and recording, the intended basis of allocation between different Funds and Segregated Accounts, GAOTENG will primarily consider the following:

- the investment objectives and investment focus of each account;
- the weighting within each account;
- the amount of excess cash available in each account (both in absolute terms and in percentage terms);
- the size of each account;
- the sector weighting; and
- cost effectiveness.

Executed trades are promptly allocated between the relevant Funds and Segregated Accounts in accordance with the intended allocation unless allocating the transaction(s) in another manner does not disadvantage any Fund or Segregated Account and GAOTENG clearly documents the basis for the revised allocation.

In certain cases, staff or may co-invest at the same time along with Funds and Segregated Accounts. There is risk that fund managers may give lesser allocation to the Funds and Segregated Accounts and therefore increase the allocation remaining for their own.

To mitigate any conflict, GAOTENG has procedures in place that require that priority must always be given to Funds and Segregated Accounts for participation in investment opportunities.

If any of the staff come into possession of any material non-public information regarding any security, they must report to the Compliance Team immediately. The Compliance Team shall place the security on the firm wide restricted list and all Funds and Segregated Accounts, will be prohibited to trade that securities until information becomes public. The Compliance Team periodically reviews staff account dealings with a view to identifying any pattern of staff account securities transactions that suggest any actual or potential conflict of interests or abuse of such person's position of trust and responsibility within GAOTENG or GAOTENG's clients.

All of these situations represent a potential conflict of interest for GAOTENG in relation to its Segregated Account Clients and the investors in the Funds it manages. To address these potential conflicts of interest, GAOTENG maintains procedures relating to personal securities transactions and insider trading that are designed to reasonable detect and prevent actual conflict of interests. GAOTENG personnel supervise the execution of policies and procedures, including adopting its Code of Ethics, intended to avoid conflict of interests with investors and Segregated Account Clients and resolve such conflicts appropriately if

they occur.

- **Investment in affiliated funds**

As permitted by the relevant investment guidelines and applicable laws, Funds and Segregated Accounts may invest in funds managed by GAOTENG, as part of the Account's investment strategy, or when GAOTENG otherwise believe it is in the relevant Client's best interest to do so. Under certain conditions, GAOTENG may offset, rebate or otherwise reduce our fees or other compensation with respect to investments in GAOTENG's funds; however, this reduction or rebate, if available, will not necessarily eliminate the conflict, and GAOTENG may nevertheless have a financial incentive to favor investments in GAOTENG funds (for example, to increase the assets under management of, or otherwise provide support to, certain funds, products or lines of business). Furthermore, Clients should not expect us to have better information with respect to such GAOTENG funds than other investors have as GAOTENG may not be permitted to act upon it in a way that disadvantages the other investors in such funds.

- **Investment which GAOTENG staff has interest**

Funds and Segregated Accounts may invest in securities/related securities in any company for which the directors or officers of GAOTENG have a board seat, acts as an officer or is a committee member. There is risk that such transaction may not be at arm's length and conflict of interests will arise. To mitigate this, GAOTENG has policies in place that require all such transactions must be at arm's length and are subject to prior approval from the Compliance Team.

- **Related Party Transactions**

GAOTENG and the service providers may contract or enter into any financial, banking or other transaction with one another or with any client or any company or anyone whose investments form part of the Funds or Segregated Accounts or is interested in such contract or transaction. Also, the monies of the Funds and Segregated Accounts may be borrowed or deposited with any connected persons of GAOTENG, its affiliates or its service providers which is duly licensed to accept such deposits. There is risk that such transaction may not be at arm's length and conflict of interests may arise.

To mitigate this, GAOTENG has policies in place that require all such transactions must be at arm's length and are subject to prior approval from the Compliance Team. For deposits or loan with any connected person of GAOTENG, its affiliates or its service providers, GAOTENG requires that interest rate must be not worse off than the prevailing commercial rate for the deposit or loan of that size and term.

- **Gifts and Benefits**

GAOTENG's staff may receive gifts and benefits from brokers, other service providers (such as distributors, custodians) and clients. The acceptance of gifts and benefit arguably may compromise the staff's position in his/her dealings with the donor. To mitigate this conflict, GAOTENG has adopted policy which prohibits its staff from receiving excessive

gifts or benefits in connection with the affairs or business of a client which is likely to significantly conflict with the duties owed to clients. Donation or receipt of gifts is permitted only if they are small in value and customary in nature. In addition, prior approval from the Compliance Team is required if gifts or benefits exceed a certain amount.

## Item 12 – Brokerage Practices

GAOTENG has the authority to determine without consultation or obtaining specific investor or Segregated Account Client consent on a transaction by transaction basis, the securities to be bought or sold and the amount of securities to be bought or sold, subject to and in accordance with the investment objective and restrictions of the Fund or Segregated Account. In addition, GAOTENG generally has discretionary authority with respect to the selection of such brokers and dealers (unless otherwise specified by the Segregated Account Client).

GAOTENG allocates portfolio transactions to brokers and dealers while seeking best execution with respect to the Funds' and Segregated Accounts' portfolio transactions. The Funds or Segregated Account Clients pay the transaction charges associated with the execution of their trades. The brokers and dealers that GAOTENG utilizes for trade execution are selected by GAOTENG's trading personnel and portfolio managers based on the standards described below.

### Broker Selection

The best net results, giving effect to transaction costs (including brokerage commissions and spreads which may not be the lowest available but which ordinarily will not be higher than the generally prevailing rate) is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant, and recognizing that different broker-dealers may have different execution capabilities with respect to different types of securities and transactions.

These factors include the following:

- pricing of the trades (*e.g.* transaction costs, including commission rates);
- investment-related services which include:
  - a. research and investment ideas that may be provided (*e.g.* quality of research and other information provided by broker-dealer, introduction to potential investee companies, providing access to investment opportunities and initial public offerings and placements and access to primary markets); and
  - b. service standard (*e.g.* technological capabilities, accommodation of client's needs);
- execution quality (*e.g.* timing of trades, price and speed and certainty of execution); and
- security (*e.g.* the broker's ability to provide confidentiality and the quality of systems used by broker-dealer).

The weighting given to investment-related services is greater than the weight of each of the other factors and the aggregate of all other factors; although, the weighting of each factor may vary from time to time.

Investment managers and the Dealing Team evaluate the services of various brokers using a scoring system on a semi-annual basis and whenever they consider necessary. After each

evaluation, brokers are categorized into different groups with different allocations of brokerage volumes. GAOTENG uses the scoring information from these evaluations as a guide in determining which broker to allocate securities orders. However, in limited circumstances and subject to periodic review by the Compliance Team, brokers that have not been categorized using the scoring system may receive orders if they provide research in relation to a specific investment or access to an investment opportunity.

### Soft Dollar Benefits

GAOTENG may enter into soft dollars / commission sharing arrangements with brokers through which brokerage transactions are entered on behalf of clients' accounts under GAOTENG's management. GAOTENG may receive, and are entitled to retain, research products and services, known as soft dollar benefits, which provide demonstrable benefit to the Funds and Segregated Accounts (as may be permitted under applicable rules and regulations) from brokers or other persons through whom investment transactions are carried out. Soft dollars may be received from them provided that the quality of transaction execution is consistent with best execution standards and brokerage rates are not in excess of the customary full-service brokerage rates.

Such soft dollar benefits may include research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services and software incidental to the above goods and services; clearing and custodian services and investment related publications. For the avoidance of doubt, soft dollar benefits do not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employee salaries or direct money payments.

GAOTENG will consider many judgmental factors deemed relevant in determining whether a broker will provide best execution. In general, investment orders will be allocated to brokers based on the range and overall quality of services offered by the broker. The core factors in determining the quality of services are the execution performance and capability of the broker. Other factors, such as the quality and quantity of research and investment ideas offered, access to potential investee companies and commission rate charges, would also be taken into consideration. Soft dollar benefits received from brokers should not be a determinant factor on allocating orders among brokers. GAOTENG has implemented policies and procedures to ensure that transactions executed with brokers pursuant to a soft dollar commission sharing arrangement are conducted in the best execution standard. Soft dollars benefits received by GAOTENG are used to facilitate in GAOTENG's investment management process, such benefits assist GAOTENG in fulfilling its overall duty to clients and may be used in servicing any or all of GAOTENG's client accounts over which GAOTENG exercises investment discretion. GAOTENG does not usually attempt to allocate / attribute the soft dollar benefits to individual client account, as goods and services obtained may be beneficial to all clients in general, including those client accounts that do not generate credit to acquire the soft dollar benefits.

GAOTENG's practices with regard to soft dollar benefits are intended to comply with regulations of Hong Kong. These practices and regulations are generally consistent with Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, although they may diverge in some instances. (Section 28(e) provides a "safe harbor" that allows an investment adviser to pay for research and

brokerage services with the commission dollars generated by client account transactions subject to certain conditions).

The above soft dollars / commission sharing arrangements do not apply to our US clients. No soft dollar benefits would be generated by our US clients.

### Aggregation of Trades

The securities held in various accounts managed by GAOTENG will vary based upon the variety of investment objectives, risk tolerances and available assets within the accounts. As a result of the variety of characteristics affecting each account, it may be appropriate for GAOTENG to purchase or sell a security for one account prior to other accounts managed by GAOTENG. This could occur, for example, as a result of the specific client investment objectives, different cash requirements as well as differing cash resources arising from contributions or withdrawals or other factors.

Accounts that are managed in similar styles, however, may have similar portfolio compositions and weightings. For this reason, GAOTENG may seek to acquire or dispose of the same securities for multiple accounts contemporaneously and may aggregate into a single trade order if several client trade orders for the same security.

Consistent with each client's investment agreement, GAOTENG may, but is not required to aggregate the orders, in order to "bunch" or batch together purchases or sales for several accounts (including Segregated Accounts and Funds). GAOTENG will allocate the batched trades in a fair manner, taking into account the size of the order placed for each participating account and the amount and timing of the executions and any other factor that GAOTENG deems relevant to the fair treatment of each account participating in the order.

GAOTENG seeks to aggregate trade orders in a manner that is consistent with its duty to:

- seek best execution of client orders;
- treat all clients fairly; and
- avoiding systematically to advantage or disadvantage any single client or group of clients.

When GAOTENG batches trades, it is possible that a participating account may pay a price which is higher, or sell at a price which is lower, than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone. In addition, because of limitations in the trading volumes of particular securities in particular regions in the Asian securities markets, there also may be price disadvantages or liquidity difficulties when the participating accounts simultaneously seek to acquire or dispose of common securities. Instances also may arise in which GAOTENG determines an investment opportunity to be suitable for the participating accounts, but in which the market is too illiquid to enable each to participate fully. While GAOTENG will attempt to deal with such situations in a fair manner, if and when they arise, any particular resolution may not be advantageous to a participating account or may be less advantageous to a participating account than if it had acted alone.

### Use of Prime Brokerage by Funds

A Fund's use of a prime broker or custodian may yield increased administrative ease and, therefore, increase profitability for GAOTENG. A prime broker may also introduce investors to the Private Fund. To the extent a Private Fund's size increases as a result of such capital contributions, the amount of GAOTENG's management fee will increase. Additionally, because an increase in the size of the Private Fund would likely result in increased compensation to a prime broker, a prime broker therefore benefits from introducing potential investors to the Private Fund.

### Algorithmic Trading

Where GAOTENG uses a broker to execute orders, such execution may also be achieved through the use of algorithmic trading, in which an order is traded in line with specific parameters using a proprietary platform provided by that broker. GAOTENG does not engage in algorithmic trading ourselves but utilize broker-supplied algorithms. GAOTENG does not engage in high frequency trading.

### **Item 13 – Review of Accounts**

GAOTENG strives to ensure compliance with clients' investment guidelines consistent with its fiduciary responsibility to manage the clients' portfolio in the best interest of the clients. Each Fund and Segregated Account has a portfolio manager who is typically a senior investment team member. Each portfolio manager may be responsible for reviewing more than one Fund or Segregated Account. The portfolio manager's periodic review consists of an analysis of the Fund's or Segregated Account's performance to date in light of its investment objective and an evaluation of any appropriate changes which should be made to its portfolio. Such reviews are performed no less frequently than annually and more often as the portfolio manager considers necessary.

GAOTENG utilized Bloomberg AIM ("AIM") that captures investment parameters from each portfolio guidelines and perform pre-trade checking and post-trade monitoring for compliance with those parameters. AIM is a straight-through processing and trading system which includes the Order management system, Execution management system and Compliance checking system. GAOTENG regularly reviews accounts for compliance with each Fund's or client's investment objectives, policies and restrictions with the assistance from AIM. Alerts are generated to indicate guideline breaches and these alerts are monitored by compliance personnel who would follow up with the portfolio managers.

For Funds, monthly factsheets with commentaries are available to investors in the Funds which include performance updates for the portfolio. Also, audited accounts of the Funds are sent to investors on an annual basis. For Segregated Accounts, reports are made and delivered to Segregated Account Clients as agreed in the investment management/advisory agreement. Generally these would include a detailed inventory of all holdings, a performance summary, a written review of past and present strategy together with a current economic forecast and statistical portfolio analyses. Depending on the client preference, Clients receive the reports on a monthly or quarterly basis. GAOTENG also responds to special requests of Clients for ad hoc reports related to activity in their accounts.

GAOTENG also has Risk Management Committee that provides independent oversight of the portfolio risk management processes. Regular stress tests, scenario and liquidity analysis are carried out to assess overall risk of clients' portfolios.

In all cases, portfolios are reviewed when significant cash or securities are added to or withdrawn from the account or when GAOTENG is advised of a change in circumstances that warrants a change in management of the account. Other events that may trigger a review include significant model or investment strategy changes.

## **Item 14 – Client Referrals and Other Compensation**

### **Other Compensation**

No person who is not a client of GAOTENG provides an economic benefit to GAOTENG for providing investment advice or other advisory services to clients.

### **Compensation for Client Referrals**

Neither GAOTENG nor any related person directly or indirectly compensates any person who is not a supervised person of GAOTENG for client referrals.

## **Item 15 – Custody**

GAOTENG does not take actual custody of client assets. Rather, the client assets are custodied at third-party custodians.

### SFC Authorized and Private Funds

All assets of the Funds are held by licensed/registered trustee banks/custodians, and the Fund Administrator identified in the EM/Prospectus generally provides each investor with statements of account on a monthly basis reflecting the value of the account as of the last valuation date of the month and any transactions that have occurred during the period.

An audit is conducted annually by an independent accounting firm with copies of the audited accounts provided to each investor.

### Segregated Accounts

The assets of each Segregated Account are held by a custodian selected by the Segregated Account Client. The custodian is either a bank or prime broker(s) and the Client establishes the account in the client's name and provides discretionary third party trading authorization to GAOTENG as the manager. The custodian of the account provides monthly statements to the Client directly. GAOTENG charges the Client for all fees and charges and the client determines the source that they wish to settle the payment which could include directing the custodian to pay the fees. GAOTENG has no authority to and does not direct the custodian to deduct its fees from the Segregated Accounts.

Clients receive statements concerning their portfolios from fund administrators or their custodians. GAOTENG encourages clients to review the statements carefully and/or to compare the statements received from the custodians with those from GAOTENG.

## **Item 16 – Investment Discretion**

GAOTENG provides discretionary investment advisory services. The discretionary investment advisory services allow us to manage portfolios and make investment decisions without client consultation regarding the securities and other assets that are bought and sold for the account. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular fund or client account.

### Private Funds and SFC Authorized Funds

Pursuant to GAOTENG's agreements with the Funds, GAOTENG has investment discretion with respect to the investment of the assets within the Funds. The investment restrictions are stated in the PPM, Prospectus or EM.

### Segregated Accounts

GAOTENG is granted investment discretion pursuant to its agreement with each Segregated Account Client. GAOTENG generally receives discretionary authority from Segregated Account Clients to select, and to determine the quantity of, securities or financial instruments to be bought or sold for the Segregated Clients' portfolios. In exercising its discretionary authority to make investment decisions for a Segregated Account Clients' portfolios, GAOTENG adheres to the investment policies, limitations and restrictions of the portfolios. Any restraints on the investment discretion that GAOTENG may exercise are established by the Segregated Account Client and agreed by GAOTENG within the investment management agreement prior to the establishment of an advisory relationship. A Segregated Account Client may impose additional restrictions regarding the exercise of investment discretion by GAOTENG by providing restrictions in separate writing.

## Item 17 – Voting Client Securities

As a registered investment adviser that exercises discretionary authority over client securities, GAOTENG has a fiduciary duty to vote proxies in a timely manner and make voting decisions that are in the clients' best interests. GAOTENG would accept authority to vote client securities and would assume responsibility for voting proxies even the client agreement is silent as to proxy voting responsibility. GAOTENG has adopted a written "Proxy Voting Policies" as required by Advisor Act Rule 206(4)-6. These policies and procedures are reasonably designed to ensure that proxies are voted in the best interest of its clients, which generally means voting proxies with a view to enhancing the value of client securities. The financial interest of clients is the primary consideration in determining how their proxies should be voted. GAOTENG will take reasonable measures under the circumstances to:

- i. obtain knowledge of meetings and other events giving rise to solicitation of proxies;
- ii. assure that proxies are received in sufficient time for it to take action;
- iii. vote proxies; and
- iv. return the proxies to the parties soliciting them in time to be counted.

GAOTENG will endeavor to vote and fulfill our active ownership duties but may refrain from voting in limited circumstances. GAOTENG also incorporate findings from our fundamental research on our investees to vote in a manner that is to the best interest of our clients. GAOTENG may supplement its knowledge by reference to publications or other readily available public sources but GAOTENG does not expect to independently investigate facts relating to issues presented by proxy statements.

### General Guidelines

It is not possible to present a comprehensive roadmap for the voting of proxies. The following general guidelines set out GAOTENG's general approach but each situation must be judged on its own merit.

The decision to invest in a company normally represents confidence in the management of that company. Consequently, in the absence of evidence reducing GAOTENG's confidence in management, GAOTENG tends to give considerable weight (by no means conclusive weight) to management recommendations, except in the case of issues directly affecting the interests of management itself, such as management compensation.

Financial interest of clients is the primary consideration in determining how their proxies should be voted. GAOTENG may refrain from voting in the following circumstances:

- GAOTENG believes that the matters to be voted on have no significant effect on clients' interests or if there is a pending sell order for the security
- The costs of voting would be unreasonable
- GAOTENG is of the view that the proxy statement has not provided sufficient information to justify a vote in favor

Below are some voting principles that the Company may take into account in voting proxies whilst each situation must be judged on its own merits:

- In the absence of evidence to the contrary, GAOTENG will give considerable weight to management recommendations, except in the case of issues directly affecting the interests of management itself, such as management compensation;
- GAOTENG will in general support management recommendations about the internal operations of the company. Whilst proposal which is likely to have significant economic effect on the relevant company and its security-holders will be subject to greater scrutiny on a case-by-case basis;
- GAOTENG favours having strong independent directors and supports the delegation of key functions (such as compensation, audit and nominating committees) to independent directors and the Company will in general oppose classification of directors;
- Proposals for re-capitalizations, mergers, corporate restructuring and antitakeover will be under scrutiny to ascertain possible benefits and disadvantages to security-holders. Management recommendations with respect to such transactions will be reviewed in the light of possible management self-interests;
- Proposals regarding stock-option plans and other compensation issues will be carefully scrutinized. As the Company believes in long term capital appreciation, GAOTENG will take into account the relevant company's positioning for achievement of long-term goals as well as shorter-term performance;

The above principles are general guidelines only and not exhaustive which cannot cover all potential voting issues. GAOTENG may also make reference to third party research materials and reports on specific voting issues in order to vote in the best interests of clients.

#### Record Keeping

GAOTENG will maintain appropriate records regarding the proxies as follows:

- Copies of these proxy voting policies and procedures and any amendments to them;
- Proxy statements received regarding client securities;
- Records of how proxies were voted;
- Written client request for the company's proxy voting records and copies of the Company's written responses to such requests;
- Documents created by the company that were material to its decisions on how to vote proxies or that memorialized the bases for its decisions; and
- Documentation relating to the identification and resolution of conflicts of interests, if any.

Regardless of the issues presented, GAOTENG will be mindful of its duty to vote proxies in the best interest of its clients. GAOTENG may defer to instructions of its clients as to voting their securities with respect to specific issues as it deems appropriate.

#### Potential Proxy Conflicts

Under certain circumstances, the voting may present an actual or potential conflicts of interest between the Company as an investment manager or adviser and its clients, such as below:

- Business relationships, where GAOTENG has a substantial business relationship with a company and failure to vote in favor of management could harm the GAOTENG's relationship with that company;
- Personal relationships, where GAOTENG has a personal relationship with corporate directors or candidates for directorship; or
- Family relationships, where GAOTENG may have personal or business relationships relating to a company (e.g. a spouse or relative who serves as a director of a publicly traded company).

For any voting proposals where GAOTENG determines that it has a material conflict of interest, GAOTENG will take steps designed to ensure a decision to vote that is based on the clients' best interest and is not the product of the conflict, in which, GAOTENG may:

- refer the proposals to the clients and obtain instructions from the clients on how to vote the proxies relating to those proposals;
- determine how it proposes to vote the proposals on which it has a conflict, disclose the conflict to the clients and seek their consents before exercising a proxy;
- take such other action such as consulting an independent third party such as external legal counsel as GAOTENG reasonably deems appropriate.

#### Voting Transparency

Clients may obtain a copy of our Proxy Voting Policies and Procedures or information about how client proxies were voted by writing to GAOTENG upon request.

**Item 18 – Financial Information**

GAOTENG does not require prepayment of any fees. GAOTENG is not presently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, nor has GAOTENG has been the subject of bankruptcy petition during the past ten years.