

# **Income Partners Asset Management (HK) Limited**

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This Brochure provides information about the qualifications and business practices of Income Partners Asset Management (HK) Limited. If you have any questions about the contents of this Brochure, please contact us at +852 2169 2100 or by email at [sspoon@incomepartners.com](mailto:sspoon@incomepartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Registration of an investment adviser does not imply that Income Partners Asset Management (HK) Limited or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Income Partners Asset Management (HK) Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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There has been no material changes applicable at this time. Material changes relating to the material contained in this brochure will be included in subsequent filings.

**Item 3: Table of Contents**

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**Item 4: Advisory Business**

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**Our Firm**

Income Partners Asset Management (HK) Limited (“Income Partners”, “we” or the “Firm”) is a Hong Kong Limited Company incorporated on 29 June 1993. Income Partners is licensed by the Hong Kong Securities and Futures Commission (the “SFC”) and is applying to the SEC to become a registered investment adviser. Income Partners provides advisory services to privately pooled investment vehicles (the “Funds”) and to segregated managed accounts (“SMA”) (Funds and SMAs shall be collectively referred to as “Portfolios”).

The Firm is a specialist fixed income investment adviser with a specific focus on Asian fixed income instruments and markets. The Funds and SMAs advised and managed by Income Partners have a range of different investment strategies and mandates and may invest across a wide range of asset classes including credit, rates, foreign exchange, commodities and equities. The Funds are exempt from registration under the Investment Company Act of 1940.

**Principal Owners**

Income Partners Asset Management (HK) Limited is majority owned and controlled by Mr. Emil Nguy. Mr. Francis Tjia, a venture / private equity fund managed by Sequoia Capital China and another undisclosed independent wealth advisor each hold indirect minority interests in the Firm.

**Types of Services Offered**

Income Partners provides investment advisory and management services to the Funds and SMAs based on specific investment objectives and strategies. The Funds’ offering documents (as amended and supplemented from time to time) set forth the investment guidelines and/or the types of investments in which the assets of the Funds may invest.

As of 31 December 2020, the Firm managed approximately (i) US\$1.915 billion of regulatory assets on a discretionary basis, and (ii) advised on a further US\$156 million of regulatory assets on a non-discretionary basis.

**Ability to Tailor Services and Impose Restrictions**

Income Partners will make investment decisions for Portfolios based on the investment objectives and strategy for each specific Fund and SMA as described in the Funds offering documents and the SMA’s client agreements. Income Partners will tailor specific investment solutions for SMAs depending on the clients’ specific needs and circumstances.

**Item 5: Fees and Compensation**

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**Management Fee**

The fees applicable to each Fund are set forth in detail in each Fund’s offering documents; with respect to all share classes, the Firm receives an annual management fee ranging up to 2% per annum in respect of the net asset value (“NAV”) of the Funds (“Management Fee”). Depending on the Fund, Management Fee payments range from monthly to quarterly in arrears.

The Funds pay for organizational and initial offering expenses as well as ongoing operating expenses, including but not limited to, accounting, auditing, tax preparation, legal, administration, and applicable trading costs. The Funds may incur brokerage and other transaction costs. Fund expenses are

generally accrued daily and settled monthly. For further details on the Firm's brokerage practices refer to Item 12 of this Brochure.

Fees and compensation are generally deducted from the assets of each Fund on a monthly or quarterly basis.

Compensation via Management fees is as noted above.

Clients with SMAs negotiate their fees entirely independent to the Fund Management Fees, which may or may not be similar to the Fund fees as stated above.

### **Brokerage Fees**

The Funds are responsible for paying any and all brokerage fees including, without limitation, commissions, annual fees, brokerage charges, bank charges, registration fees, clearing and settlement charges, option premiums, taxes and/or duties.

It should be noted that the Funds do not enter into any commission-sharing/rebates or soft dollar agreements with brokers, but reserve the right to do so.

### **Item 6: Performance-Based Fees**

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Some of the Funds managed by Income Partners may charge a fee based on the performance of the Fund ("Performance Fees"). Performance Fees typically are subject to a high water mark, and range up to 15% per annum of the increase in NAV attributable to investment performance. Performance Fees are calculated on a monthly basis, but paid quarterly when earned.

Clients with SMAs may pay higher or lower Performance Fees as stated above.

### **Item 7: Types of Clients/ Eligible Investors**

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Income Partners provides investment advice to the Funds and SMAs. Investors in the Funds primarily consist of institutional investors, high net worth individuals, family offices, and fund of funds. Other clients include pension funds, insurance companies, and may include charitable foundations, endowments, and other sophisticated investors.

Subject to applicable laws and regulations, the minimum initial investment amount for the Funds ranges from US\$1,000 to US\$500,000 and the minimum subsequent investment amount ranges from US\$1,000 to US\$100,000. In certain circumstances, minimum investment amounts may be amended by directors in consultation with the Firm.

All SMA clients will be required to enter into a separate management agreement with the Firm. The Firm may require a minimum account size to be determined on a case by case basis.

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

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**Investment Strategy and Objective**

The Funds managed by Income Partners offer a range of different investment objectives and strategies. The offering documents of each Fund will describe the specific investment objective and investment strategy of the relevant Fund in detail.

The Firm specializes in the Asian fixed income asset class. Income Partners has defined its own segmentation of this asset class into three sub-classes, namely:

1. US dollar bonds – these are bond obligations denominated in US dollars and issued by Asian entities, including governments, banks & financial institutions, corporate entities and other issuers.
2. Local markets bonds – these are bonds that trade in local domestic capital markets of the various Asian economies. In the majority of the Asian local markets, government bonds make up the bulk of the local bonds. Local bonds are always issued in local currencies and as such also follow the domestic interest rate cycle.
3. Renminbi bonds – these are bonds denominated in the Chinese yuan (also known as the renminbi). Some renminbi bonds trade offshore, primarily in Hong Kong, and are known as dimsum bonds. The majority of renminbi bonds trade onshore in the local domestic Chinese bond market. The Firm distinguishes the Chinese local bond market from the other Asian domestic bond markets by virtue of its enormous size.

Broadly speaking, the Firm seeks to achieve long term capital appreciation for its clients by deploying funds in the asset classes as described above, and utilizing one of two investment strategies, namely:

1. Long Only: under this strategy, Income Partners will select and buy bonds the Firm believes offer good relative value compared to peers in the market. The Firm will sell bonds from the portfolios managed by it when such bonds are fully valued in the opinion of Income Partners (“Long Only”).
2. Absolute Return: this strategy utilizes the same technique and approach as the Long Only strategy in terms of selecting and buying bonds, but in addition to buying bonds, Income Partners will also sell bonds short, with the aim to buy them back at a later date and at a lower price. Additionally, the Absolute Return strategy seeks to make money regardless of whether markets are moving up or down, and as such the Absolute Return strategy will usually employ a number of hedging techniques to enhance or reduce certain market risks, including credit risk, currency risk, and interest rate risk.

The two investment strategies above may also be augmented by additional more nuanced strategies involving hedging of certain risks, or seeking further positive returns by overlaying additional risk such as interest rates or currency positions. Income Partners refers to this as a “macro overlay”.

**Risk Factors**

The investment strategies employed by the Firm are speculative, and are not intended as a complete investment program. These strategies are suitable only for sophisticated investors who can assume the risks of losing a substantial part of their capital. Prospective investors should carefully evaluate the following considerations, which set forth some, but not all, of the risks before making an investment in the Funds.

**Market Risk** – Investors should be aware that the value of securities in which the Funds invests, and the return derived from them can fluctuate. The Funds invests in and actively trades securities utilizing strategies and investment techniques with significant risk characteristics, including risks arising from

the volatility of fixed income investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as actions by various governmental agencies and domestic or international economic and political developments, may cause sharp market fluctuations, which could significantly and adversely affect the results of the Funds and hence the Fund's activities and the value of its investments. In addition, the value of the Fund's portfolio may fluctuate as the general level of interest rates fluctuates.

**Leverage Risk** – The Funds may employ leverage by borrowing and may also engage in investment strategies that constitute leverage should the Funds consider this necessary or desirable. Such strategies may include the borrowing and short selling of securities and the acquisition and disposal of certain types of derivative securities and instruments, such as swaps, forwards, futures and options. Whilst leveraging creates an opportunity for greater total returns it also exposes the Funds to a greater risk of loss arising from adverse price changes.

**Interest Rate Risk** – Changes in market interest rates will affect the value of securities held by the Funds. Generally, the prices of debt instruments rise when interest rates fall, whilst their prices fall when interest rates rise. Long-term securities are generally more sensitive to changes in interest rates and are therefore subject to a greater degree of market price volatility. To the extent the Funds hold long-term fixed income securities, its net asset value will be subject to a greater degree of fluctuation than if it held fixed income securities of a shorter duration.

**Credit and Counterparty Risk** – Investment in fixed income instruments is subject to the credit and counterparty risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest.

In the event that any issuer of the fixed income instruments in which the Funds invest defaults, becomes insolvent or experiences financial or economic difficulties, this may affect the value of the relevant fixed income instrument. In times of financial instability, there may be increased uncertainty surrounding the creditworthiness of issuers of the fixed income instruments, and market conditions may lead to increased instances of default amongst issuers.

The value of the Funds may be affected if any of the financial institutions with which the cash of the Funds is invested or deposited suffers insolvency or other financial difficulties.

There is no certainty in the credit worthiness of issuers of debt securities. Unstable market conditions may mean there are increased instances of default amongst issuers.

It should also be noted that investment in securities issued by corporations may represent a higher credit risk than investment in securities issued by governments.

The fixed income instruments that the Funds invest in may be offered on an unsecured basis without collateral. In such circumstances, the Funds will rank equally with other unsecured creditors of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets 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 Funds are therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

In general, debt instruments that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments, the Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

**Credit Ratings Risk** – The ratings of fixed-income securities by Moody's and Standard & Poor's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an

investor's standpoint. The rating of an issuer is heavily weighted by past performance and does not necessarily reflect probable future conditions. There is frequently a lag between the time the rating is assigned and the time it is updated. In addition, there may be varying degrees of difference in credit risk of securities within each rating category. In the event of a down-grading of the credit rating of a security or an issuer relating to a security, the value of the Fund investing in such security may be adversely affected.

In general, debt instruments that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments, the Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Fund may also encounter difficulties or delays in enforcing its rights against the issuers of fixed income instruments if such issuers are incorporated outside Hong Kong and subject to foreign laws.

**Liquidity Risk** – The market for some securities in which the Funds may invest may be relatively illiquid and the liquidity of the Asian debt markets generally has fluctuated substantially over time. Liquidity relates to the ability of the Funds to sell an investment in a timely manner. The market for relatively illiquid securities and loans tends to be more volatile than the market for more liquid securities. Investment of the Fund's assets in relatively illiquid securities and loans may restrict the ability of the Fund to dispose of its investments at a price and time that it wishes to do so. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market in such contracts and the bid and offer prices will be established solely by dealers in these contracts.

Not all securities or investments held by the Fund will be listed or rated or actively traded and consequently liquidity may be low. Moreover, the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavorable prices. The Funds may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity. There is also no guarantee that market making arrangements will be in place to make a market and quote a price for all fixed income instruments. In the absence of an active secondary market, the Funds may need to hold the fixed income instruments until their maturity date. If sizeable redemption requests are received, the Funds may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Funds may suffer losses in trading such instruments. Even if a secondary market is developed, the price at which the fixed income instruments are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates.

Further, the bid and offer spread of the price of the relevant instruments may be high and the Funds may therefore incur significant trading costs and may even suffer losses when selling such instruments. The Firm seeks to control the liquidity risk of the investment portfolio by a series of internal management measures in order to meet shareholders' redemption requests.

**Foreign Currency Risk** – The Funds will have exposure to fluctuations in currency exchange rates where it invests in obligations denominated in currencies other than US dollars. It 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 specialized 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, convertibility risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency.

**Economic and Political Risks** – The economics of individual countries in Asia in which the Funds may invest directly or indirectly may differ favorably or unfavorably from the economies of more developed countries in such respects as growth of gross domestic product, rate of inflation, currency



depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. With respect to any emerging country, there is the possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of the Fund's investments in such countries. In addition, it may be difficult to obtain and enforce a judgement in a court in an emerging country.

The economic and political risks described above may also adversely impact the value of derivative instruments and securities that are linked to the performance of emerging markets.

**Settlement Risks** – The Funds will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default. Market practices in Asian markets in relation to the settlement of securities transactions and custody of assets may increase such risk. Although Asian markets have grown rapidly over the last few years, the clearing, settlement and registration systems available to effect trades on such markets are significantly less developed than those in more mature world markets which can result in delays and other material difficulties in settling trades and in registering transfers of securities. Problems of settlement in these markets may affect the value and liquidity of the Funds.

**Custody Risks** – Assets deposited with the prime broker which are fully paid (being those not held by the prime broker as margin) will be held in segregated safe custody in accordance with the agreement between the Funds and the prime broker. Assets held as collateral by the prime broker in relation to facilities offered to the Funds and assets deposited as margin with either the prime broker or with executing brokers need not be segregated from the assets of the prime broker or such executing brokers. Such assets may therefore be available to the creditors of such persons in the event of their insolvency.

**Short Selling Risk** – The Funds may sell securities of an issuer short. If the price of the issuer's securities declines the Firm may then cover the short position with securities purchased in the market. The profit realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale plus any relevant borrowing costs.

The possible losses from selling short a security differ from losses that could be incurred from a cash investment in the security; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling activities are also subject to restrictions imposed by the various national and regional securities exchanges, which could limit the investment activities of the Firm.

**Limitations of Hedging Techniques Risk** – The Funds may in certain cases employ various hedging techniques to reduce the risk of investment positions. A substantial risk remains, nonetheless, that such techniques will not always be available and when available, will not always be effective in limiting losses. In some circumstances, the Funds may take substantial unhedged positions.

The above key risks associated with the Funds and the shares are not, nor is it intended to be, a complete or exhaustive enumeration or explanation of all risks involved in an investment in the Funds. Investors are encouraged to read the Funds' offering documents and consult their own advisers before deciding whether to invest in the Funds. Investment should only be made if the nature of investments and risks of investment are understood. No assurance can be given that profits will be achieved or that substantial losses will not be incurred.

**Item 9: Disciplinary Information**

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Income Partners has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of Income Partners have been subject to such action.

**Item 10: Other Financial or Industry Affiliations**

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**Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

Income Partners is registered as a Commodity Pool Operator and Commodity Trading Adviser with the Commodity Futures Trading Commission and the National Futures Association.

Income Partners has a wholly foreign owned entity registered in Shanghai Free-Trade Zone which has obtained private fund manager registration with the Asset Management Association of China (AMAC) of China, a subsidiary of the China Securities Regulatory Commission (CSRC). The private fund manager registration status allows the wholly foreign owned entity to conduct onshore China private fund management activities.

**Other Material Relationships**

Income Partners does not have other relationships or arrangements that are material to Income Partners' advisory business or to its clients that the Firm or any of its management persons have with any of the following related persons: (i) a broker-dealer, municipal securities dealer, or government securities dealer or broker; (ii) an investment company or other pooled investment vehicle; (iii) a futures commission merchant, commodity pool operator, or commodity trading advisor; (iv) a banking or thrift institution; (v) an accountant or accounting firm; (vi) a lawyer or law firm; (vii) an insurance company or agency; (viii) a pension consultant; and (ix) a real estate broker or dealer sponsor or syndicator of limited partnerships. Income Partners has maintained system to identify, prevent, manage and monitor potential conflicts of interest. Reported or identified potential conflict of interest will be documented and analysed to ensure transactions conducted are in good faith at arm's length and in the best interest of its clients.

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

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**Participation or Interest in Client Transactions**

Employees, their affiliates and relatives may invest into the Funds. As a result, we and our employees may have a financial interest in the Funds through a direct investment interest in the Funds. As such, Income Partners could be considered to have recommended to investors that they buy or sell credit or investments in which Income Partners or a related person has some financial interest.

SMA accounts will be traded on a pari passu basis with the Funds. The trading and investment will be done so as not to disadvantage the Funds over the SMA clients or vice versa. This is disclosed to the SMA clients prior to the execution of the management agreement.

**Code of Ethics and Personal Account Dealing**

Pursuant to Rule 204A-1 of the Advisers Act, Income Partners has adopted a written compliance manual and code of ethics that establishes various procedures with respect to investment transactions

in accounts in which employees of Income Partners or related persons have a beneficial interest or accounts over which an employee has investment discretion.

The compliance manual and code of ethics were adopted to avoid possible conflicts of interest, avoid inappropriate use of material, non-public information and ensure the propriety of employees' and partners' (or similar) trading activities.

The underlying principles of the Code of Ethics are:

- Employees of Income Partners are expected to conduct themselves in a way that avoids conflicts of interest wherever possible;
- Employees must be free from conflicts of interest that could adversely influence their judgment, objectivity or loyalty to the company in conducting Income Partners' business activities;
- Employees of Income Partners must make sure that all personal securities transactions are conducted consistent with the policies set out in the compliance manual and code of ethics; and
- Employees of Income Partners should not take inappropriate advantage of their positions.

The personal account dealing (PAD) policy extends to the trading of employees, officers and directors of the Firm and their immediate family (together "Covered Persons"). Covered Persons must avoid serving their own personal interests ahead of the interests of clients. Covered Persons may not make personal investment decisions based on their knowledge of client holdings or transactions.

Covered Persons are required to disclose all accounts upon hiring and annually thereafter and seek approval upon opening of a new trading account upon which they exert any influence (personal or other). Covered Persons must arrange for the company accountant to receive directly from the executing broker dealer, bank, or other third-party institution monthly account statements for each such account clearly highlighting all transactions within the account that month. Annually, Covered Persons and Independent Directors must certify that they have read and understood the PAD policy and that they have complied with its requirements during the preceding year.

All employees are required to obtain prior written approval for employee trading from the Firm's management (COO & CCO), or such other person designated by management.

Prior management approval for an employee to conduct a trade in a security or derivative is to be obtained by completing and submitting a Personal Account Dealing Form to management .

Approval granted is valid for a specific amount of time subject to the conditions set out in the PAD policy, following which a fresh application for approval must be submitted and obtained. The Firm reserves the right to impose restrictions on personal account trading by an employee.

Transactions in securities or derivatives in which any of the Firm's clients have an interest are of particular concern, and are extremely unlikely to be approved.

The personal account dealing policy also stipulates that:

- trades are subject to a general 30 calendar days minimum holding period;
- securities may not be traded if they are on the Firm's restricted list;
- investments in general partnerships, limited partnerships, and privately placed securities are subject to prior approval from the COO/CCO.
- Employees are prohibited from trading securities or derivatives on the Firm's "restricted list". No exceptions are granted.

If a Covered Person holds securities in a company that has announced that it will engage in an Initial Public Offering (“IPO”), he or she must immediately notify the CCO. A Covered Person should be prohibited from participating in an IPO available to clients and should not use their position to gain access to IPO for themselves or any other persons.

Any request for an exception under this PAD policy must be submitted in writing to the CCO with sufficient information for consideration.

## **Item 12: Brokerage Practices**

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### **Best Execution**

The Firm will regularly review the brokers’ performance to ensure best execution of trades in the interests of clients. The broker selection review policy is maintained as a standalone policy by the Firm. The Firm will execute client orders on the best available terms, taking into account the relevant market at the time for transactions of the kind and size concerned.

In selecting brokers for trade execution, the Firm will consider such factors as execution ability, administration and settlement ability, stock-lending capability, quality of research produced, specialists’ research skills, quality of information services, quality and frequency of client contact, ability to deal in specific markets and financial strength. These factors are general guidelines only and are not exhaustive.

### **Trade Allocation**

The Firm will ensure that all client orders are allocated fairly and make a record of intended basis of allocation before a transaction is effected and ensure that an executed transaction is allocated promptly in accordance with the stated intention, except where the revised allocation does not disadvantage a client and the reasons for the re-allocation are clearly documented. The original intentions of the trade and the portfolio allocations are captured and consistently carried through regardless of whether a trade is fully or partially fulfilled. As part of the trade action process, the investment team sends a Trade Action email that effectively “locks in” all trade details including client allocations prior to execution. Post Execution a “Trade Execution” email likewise “locks in” the post-trade details and allocations can be confirmed. Any deviation from the Trade Action details must be detailed and explained in the Trade Execution email. There is a complete trade audit trail through the Order Management system process.

### **Principal Transactions/ Cross Trades**

In a “principal transaction,” an investment adviser, acting for its own account, buys a security from, or sells a security to, a client’s account. The Firm does not maintain “own accounts” / proprietary accounts. We may engage in cross trades between a client’s managed account and the pooled investment funds, where allowed. The reason / trade rationale for all cross trades are clearly documented during the trade action process and prior to trade execution. Clients are notified of Cross Trades when required.

### **Soft Dollars**

The Funds may obtain products or services other than the execution of securities transactions from brokers in exchange for the direction of brokerage transactions of the Fund to the broker (“Soft Dollars”). The Soft Dollars may include products or services from brokers or other third parties (for example through commission sharing agreement) such as (without limitation) research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software

incidental to the above soft dollars, clearing and custodian services and investment related publications. To the extent possible and appropriate, the Firm will use Soft Dollars for the benefit of the Funds, but may also use the Soft Dollars for other investment funds, client accounts and proprietary accounts it may manage in the future.

The Firm will generally use reasonable best efforts to ensure the use of Soft Dollars to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Exchange Act.

Currently, the Firm does not participate in Soft Dollar or Commission sharing agreements, but reserves the right to do so if required.

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**Item 13: Review of Accounts**

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**Review of Accounts**

The Funds and SMAs, if any, are reviewed and reconciled on a daily basis by the investment team to ensure that the structure and individual securities held are suitable and consistent with the Funds' objectives and strategies. In addition, Income Partners' operations team monitors the Funds to help ensure conformity with investment objectives and guidelines. Income Partners also performs daily trade and cash reconciliations.

Each Fund and SMA has also engaged an independent administrator to prepare monthly unaudited reports calculating the Funds' performance for the month.

**Reporting**

The Funds will be audited on an annual basis by an independent auditor. The Funds will prepare their respective annual financial statements in accordance with IFRS. The liquid Fund audits are completed annually by our external auditors by 31 March. Where required by the SEC, for the Funds with US investors and marketed to US investors, copies of the audited financial statements will be issued to all investors within 120 days of the Funds' fiscal year-end. The related annual report is sent to clients within one month of the signing of the audited accounts. The illiquid Fund audits are completed by our external auditors by May/June annually, with the annual report being sent out within a month thereafter to clients.

The Firm will prepare and issue an investor newsletter on a monthly basis. The administrator will issue monthly account statements to investors.

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**Item 14: Client Referrals and Other Compensation**

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Income Partners does not receive compensation from any sources other than from clients receiving investment advice.

The Firm may from time to time engage the services of others in marketing or selling or otherwise recommending the Funds or the Firm. Income Partners may compensate such third parties with fees paid on a retainer or on a success basis.

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**Item 15: Custody**

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As required by the Hong Kong Securities and Futures Commission, Income Partners does not maintain direct custody over client funds or securities. All assets are held at qualified custodians. The Funds each has its own fund administrator, prime broker and custodian who are independent of the Firm. Investors in the Funds receive monthly account statements from the fund administrators indicating the number of shares held by the investor, the price per share of each fund they own, and the total value of all the shares held by the investor.

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**Item 16: Investment Discretion**

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Income Partners possesses discretionary portfolio management authority over the Funds with respect to asset allocations and direct investments as per the advisory agreements and offering documents in place.

Income Partners has the authority to determine (i) the securities to be purchased and sold for the client account and (ii) the amount of securities to be purchased or sold for the client account.

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**Item 17: Voting Client Securities**

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Where the Firm has responsibility for voting proxies, the Firm will take measures reasonably designed to ensure that they are voted in the best interest of its clients, which generally means voting with a view to enhancing the value of client securities. Financial interest of clients is the primary consideration in determining how their proxies should be voted. The Firm may refrain from voting in certain circumstances.

Below are some voting principles that the Firm 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, the Firm will give considerable weight to management recommendations, except in the case of issues directly affecting the interests of management itself, such as management compensation;
- The Firm 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;
- The Firm favours having strong independent directors and supports the delegation of key functions (such as compensation, audit and nominating committees) to independent directors and the Firm will in general oppose classification of directors

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**Item 18: Financial Information**

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Income Partners has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.