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## **E FUND MANAGEMENT (HONG KONG) CO., LIMITED**

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[www.efunds.com.hk](http://www.efunds.com.hk)

**This brochure (the “Brochure”) provides information about the qualifications and business practices of E Fund Management (Hong Kong) Co., Limited (hereinafter referred to as “EFUNDHK”). If you have any questions about the contents of this Brochure, please contact us at (852) 3929-0960. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**EFUNDHK is registered as an investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information that enables you to determine whether to hire or retain an adviser.**

**Additional information about EFUNDHK is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

March 20, 2021

## **ITEM 2 – MATERIAL CHANGES**

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We have not made any material changes to this Brochure since the last annual updating amendment on March 20, 2020.

Additional information about EFUNDHK is also available via the SEC's web site, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Pursuant to SEC rules, we will provide you with a summary of any material changes to this and subsequent Brochures within 120 days of the close of the Adviser's fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, this Brochure may be requested by contacting Kwok Wah Ho, the Chief Compliance Officer of EFUNDHK, at (852) 3929-0988 or via email at [HK\\_Compliance@efunds.com.hk](mailto:HK_Compliance@efunds.com.hk).

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## **ITEM 4 – ADVISORY BUSINESS**

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### **Principal Owners**

E Fund Management (Hong Kong) Co., Limited (hereinafter referred to as “EFUNDHK”) was established in August 2008. It is a wholly-owned subsidiary of E Fund International Holdings Limited, which in turn is a wholly-owned subsidiary of E Fund Management Co., Limited (“EFUND”), and its objective is to strategically develop EFUND’s offshore business and investment capabilities. In the United States we presently offer investment advice to SEC-registered investment companies on a discretionary basis. EFUNDHK expects to provide investment management or investment advisory services to a range of institutional clients in the United States over time.

EFUND was established in April 2001 as one of the first nation-wide fund management companies in China. As of December 2020, EFUND is one of the top three largest fund management companies in terms of mutual fund assets under management in China. “Mutual funds” as referenced herein do not refer to SEC-registered mutual funds, as the only SEC-registered investment companies that EFUND or EFUNDHK manages are exchange traded funds. EFUNDHK manages and advises over RMB 65.7 billion in assets for both retail and institutional clients in multiple jurisdictions.

### **Types of Advisory Services**

EFUNDHK provides investment advisory services to US-based, SEC-registered investment companies, including exchange traded funds (“ETFs”). EFUNDHK also provides discretionary investment management, investment advisory and related support services to a wide-range of non-U.S. institutional clients, including foundations/charities, pooled investment vehicles and corporations. As noted above, EFUNDHK expects to provide investment management or investment advisory services to a range of institutional clients in the United States over time.

In addition to its registration with the SEC, EFUNDHK is licensed and regulated by the Securities and Futures Commission in Hong Kong to carry on regulated activities of the following types:

- Type 1 (dealing in securities – distribution of collective investment schemes)
- Type 4 (advising on securities)
- Type 9 (asset management)

EFUNDHK is also licensed with the Central Bank of Ireland as the investment manager to manage Irish authorized collective investment schemes. In addition, EFUNDHK is licensed with the Korea Financial Investment Association, and the Australian Securities & Investments Commission.

### **Investment Restrictions**

The goals and objectives for EFUNDHK's clients are documented in investment management agreements/advisory agreements. Clients may impose restrictions on investing in certain securities or types of securities. With regards to any SEC-registered investment company that we advise, the investment company is our client and we do not tailor investment advice to the individual needs of any of the underlying investors in the investment company.

### **Wrap Fee Programs**

EFUNDHK does not participate in wrap programs.

### **Assets Under Management**

EFUNDHK had \$10,107,344,092 (USD) in discretionary assets under management related to its clients worldwide as of 31 December 2020.

## **ITEM 5 – FEES AND COMPENSATION**

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### **Fee Schedules**

EFUNDHK generally charges a fee calculated as a percentage of the total assets under management in the client's account. The compensation method is explained to the client and agreed upon before any services are rendered and the compensation method will be clearly stated in the offering document for SEC-registered investment companies and mainly depend on the strategy of the fund. Management fees may be billed monthly or quarterly in arrears pursuant to the written investment management agreement. Fees are subject to negotiation with each client.

EFUNDHK's actual fees, minimum fees, and minimum account sizes may, in certain specific situations, vary from the fees described above. A client may pay more or less fees depending on the particular circumstances of the client, size, early investment, liquidity terms, additional or differing levels of servicing or as otherwise agreed with specific clients. With respect to SEC-registered investment companies advised by EFUNDHK (each a "Public Fund"), the applicable fees and expenses and the timing of such payments are as set forth in such Public Fund's subscription agreement, investment management agreement and/or other governing agreement, as well as the Public Fund's Prospectus.

### **Billing Methods**

Clients typically are billed monthly or quarterly in arrears for fees incurred. Upon termination of any account, any earned, unpaid fees will be due and payable.

### **Other Fees and Expenses**

In addition to EFUNDHK's fees, clients will incur brokerage and other transaction costs (see "Brokerage Practices"). In addition, clients may pay other fees and expenses in connection with EFUNDHK's advisory services, such as custodian fees to their custodians, wire and electronic fund fees, and other charges, taxes or fees mandated by applicable law.

### **Prepaid Fees**

EFUNDHK currently does not require clients to pay fees in advance.

### **Compensation for the Sale of Securities**

In the U.S., currently neither EFUNDHK nor its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of investment funds.

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

Performance-based fees are negotiated with certain clients, with fees based on a share of capital gains on or capital appreciation of the assets of a client relative to an agreed formula.

Such fees are subject to individualized negotiation with each such client. Performance-based fee arrangements may create an incentive for EFUNDHK to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. These fee arrangements also create an incentive for EFUNDHK to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. EFUNDHK has procedures designed and implemented to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **ITEM 7 – TYPES OF CLIENTS**

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EFUNDHK's U.S.-based clients currently include, or are expected to include, SEC-registered investment companies and pooled investment vehicles. EFUNDHK may provide investment management or investment advisory services to a range of institutional clients in the United States in the future.

EFUNDHK's non-U.S. based clients include investment companies, foundations/charities, pooled investment vehicles, and corporations.



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

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### **General Description**

EFUNDHK believes detailed analysis is a necessary ingredient for successful investing. EFUNDHK's investment team conducts fundamental research by assessing key quantifiable and qualitative drivers and risks. The investment process is a combination of bottom-up stock selection and top-down macro and sector overlay.

The bottom-up approach means that each stock is selected on its individual merits. The investment team uses fundamental analysis, which involves an assessment of a company's potential for success in light of factors including its financial condition, earnings growth potential and outlook, profit generating capability, corporate strategy, experienced management, industry position and/or favorable valuation. EFUND group has a team of in-house dedicated sector and stock analysts who cover Chinese stocks by carrying out rigorous fundamental research and analysis, including on-site visits, supplier/distributor surveys, management interviews and proprietary financial valuation models. The research output will be summarized into internal ratings with key financial forecasts of each stock for the portfolio managers' consideration in the portfolio construction process. The portfolio managers then combine the internal research with their investment skill and experience to build portfolios that are aimed to deliver returns.

In the top-down macro and sector overlay, the investment team will conduct analysis of macroeconomic factors, government policies, consensus corporate earnings growth, market valuation and liquidity to formulate asset allocation and sector allocation strategies. The team will also conduct thematic analysis to identify cross-sector opportunities in a systematic way. During the bottom-up stock selection, the portfolio managers will also consider these top-down strategies and recommendations to determine the overall equity exposure and adjust unintended sector exposures.

### **Material Risks for Significant Investment Strategies and Securities**

EFUNDHK intends to provide its discretionary investment management strategy to SEC-registered investment companies through the RQFII or QFII investment quota granted to EFUNDHK by the State Administration of Foreign Exchange of the PRC (the "SAFE") and the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect program.

Primary risk controls and risk monitoring processes as they pertain to investment and portfolio risk are embedded within EFUNDHK's portfolio construction processes. These processes ensure that only the 'best' ideas generated by EFUNDHK's investment teams are translated into active bets in our clients' portfolios, whilst EFUNDHK is still able to deliver a final portfolio that is broadly representative of the investment universe in terms of characteristics and risk factors (such as defined ranges for tracking error and, where appropriate, internal or client-defined limits on deviations versus benchmark exposures to sectors and individual securities guidelines and constraints, etc.).

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors may be exposed to the following investment risks:

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good and bad times. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Emerging Market Risk:** Investing in emerging market involves certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax economic, foreign exchange, liquidity and regulatory risk.
- **Equity Securities Risk:** An investment in an ETF involves risks similar to those of investing in any fund holding equity securities, such as market fluctuations, changes in interest rates and perceived trends in stock prices. Equity securities are subject to volatile changes in value, and their values may be more volatile than other asset classes.
- **Secondary Market Trading Risk:** Trading in ETF shares may be halted by the exchange on which they are traded because of market conditions or other reasons. If a trading halt occurs, a shareholder may temporarily be unable to purchase or sell shares of the ETF. In addition, although ETF shares are listed on an exchange, there can be no assurance that an active trading market for those shares will develop or be maintained. The value of the securities in an ETF's portfolio may change on days when shareholders will not be able to purchase or sell those

ETF shares.

- **Shares May Trade at Prices Other than NAV:** Although market prices for ETF shares generally are expected to closely correspond to an ETF's NAV, it is expected that, as with all ETFs, there will be times when the market price of an ETF's shares are higher or lower than the NAV of such shares. The risk that shares of an ETF may trade at prices other than NAV is heightened in times of market stress or volatility.

- **China Risk:** Investments in China are subject to special risks. China is a developing market, and as a result, investments in securities of companies organized and listed in China may be subject to significantly higher volatility from time to time than investments in securities of more developed markets. China may be subject to considerable government intervention and varying degrees of economic, political and social instability. Internal social unrest or confrontations with other neighboring countries, including military conflicts in response to such events, could have a significant impact on the economy of China (and the world). Reduction in spending on Chinese products and services, institution of tariffs or other trade barriers, or a downturn in any of the economies of China's key trading partners may have an adverse impact on the Chinese economy. There is no guarantee that the Chinese government will not revert from its current open-market economy to the economic policy of central planning that it implemented prior to 1978. These factors may result in, among other things, a greater risk of stock market, interest rate, and currency fluctuations, as well as inflation. Additionally, the Chinese legal system differs significantly from the U.S. system and provides fewer legal protections for investors. Reporting, accounting and auditing standards in China may differ significantly from those in the U.S., and may not, in certain cases, be sufficient to identify significant audit or accounting control failures. As China's securities market is newer and less developed than the U.S. securities markets, foreign investments may be restricted and valuing securities of Chinese companies may be more difficult than valuing other types of securities. A small number of companies and industries represent a relatively large portion of the greater China market as a whole.

- **Risk of Investments in A-Shares:** ETFs advised by EFUNDHK will be invested in A-Shares listed on the Shanghai and Shenzhen Stock Exchanges. The ETFs intend to invest directly in A-Shares through EFUNDHK's RQFII or QFII quota, and will also invest in eligible A-Shares through the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect program. Therefore, the size of each ETF's direct investment in A-Shares is limited by both the size of EFUNDHK's RQFII and QFII quota and any trading limits or other restrictions applicable to A-Shares traded through Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect program. This places practical limitations on the size of an ETF and may have a negative impact on trading of the ETF's shares. In addition, EFUNDHK's RQFII or QFII quota may be reduced or revoked by the Chinese regulators if, among other things, EFUNDHK fails to comply with applicable Chinese regulations. If EFUNDHK's RQFII or QFII quota was, or RQFII or QFII quotas generally were, reduced or eliminated, an ETF advised by

EFUNDHK could be required to dispose of a portion of its A-Shares holdings. This would likely have a material adverse impact on its performance and its ability to meet its investment objective.

- **Risk of Investing through Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect:** ETFs advised by EFUNDHK may invest in China A-Shares listed and traded on the Shanghai Stock Exchange through the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect program. Among other restrictions, investors in securities obtained via the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect program are generally subject to Chinese securities regulations and Shanghai Stock Exchange rules. Securities obtained via the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect program generally may only be sold, purchased or otherwise transferred through the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect program in accordance with applicable rules. Although the Fund is not subject to individual investment quotas, daily and aggregate investment quotas apply to all participants in the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect program, which may restrict or preclude the ability of the Fund to invest in securities obtained via the program. Trading via the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect program is subject to trading, clearance and settlement procedures that are untested in China.
- **Sanctions Risk:** US persons, including SEC-registered investment companies, may be ineligible to participate in the profits and losses arising from investments in various companies due to recent Executive Orders and sanctions. A “US person” for purposes of certain Executive Orders and sanctions includes any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States. If a US person is ineligible to participate in certain investments due to recent Executive Orders and sanctions, EFUNDHK will carve out such US Person from the relevant portion of the portfolio and the US person will not participate in the profits and losses arising out of the investment. EFUNDHK’s non-US clients that are eligible to participate in the profits and losses arising out of the investment will continue to do so.

### **Material Risks for Particular Types of Securities**

EFUNDHK does not recommend primarily a particular type of security. The material risks involved in EFUNDHK’s general investment strategies are described above. For a complete list of risk factors attributable to each fund, please refer to its respective prospectus.

**ITEM 9 – DISCIPLINARY INFORMATION**

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Neither EFUNDHK nor any management persons have ever been the subject of any disciplinary event or action.

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

### **Broker-Dealer Registration; Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

At this time, none of the EFUNDHK management persons are:

- Registered or about to register as a broker-dealer or a registered representative or other associated person of a broker-dealer; or
- Registered or have a pending application to register as a futures commission merchant, commodity pool operator or a commodity trading advisor or an associated person of any of the foregoing entities.

### **Other Material Relationships**

At this time, regarding EFUNDHK and its management persons, there are NO material relationships or arrangements with a related person that is:

- A broker-dealer, municipal or government securities dealer or broker;
- A banking or thrift institution;
- An accountant or accounting firm;
- A lawyer or law firm;
- An insurance company or agency;
- A pension consultant;
- A real estate broker or dealer;
- A sponsor or syndicator of limited partnerships; or
- A securities exchange, securities association or alternative trading system.

Related persons include advisory affiliates and any person (including a trust, company or association) that are under common control with EFUNDHK. Advisory affiliates include: (1) all of EFUNDHK's officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by EFUNDHK; and (3) all of EFUNDHK's current employees (other than employees performing only clerical, administrative, support or similar functions).

E Fund International Holdings Limited is the sole shareholder of EFUNDHK. E Fund Management Co., Limited is the sole shareholder of E Fund International Holdings. Guangdong Finance Trust Co., GF Securities Co., Limited, Infore Investments Holding Group Co., Ltd., Guangdong Rising Asset Management Co.,Ltd and Guangzhou Guangyong State-owned Assets Management Co., Ltd are shareholders of E Fund Management Co., Limited.

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

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### **Code of Ethics**

EFUNDHK has adopted a Code of Ethics as part of its compliance policy. All EFUNDHK employees must adhere to the compliance policy and all employee policies and procedures in place at the Advisor. In short, at EFUNDHK we are committed to maintaining the highest legal and ethical standards in the conduct of our business. We have built our reputation on client trust and confidence in our professional abilities and our integrity. As fiduciaries, we place our clients' interests above our own. Meeting this commitment is the responsibility of our firm and each and every one of our employees.

A copy of our Code of Ethics, as well as our compliance and policy manuals, are available to any client or prospective client upon request.

### **Participation or Interest in Client Transactions**

EFUNDHK does not buy or sell securities to or from client accounts on a principal basis except on rare occasions and only to the extent permitted by law and client guidelines and in accordance with its compliance procedures. EFUNDHK may effect "cross" transactions between client accounts. In these cases, one client will purchase a security held by another client. Neither EFUNDHK nor any related party receives any compensation in connection with a "cross" transaction. EFUNDHK effects these transactions pursuant to internal procedures in place only when it deems the transaction to be in the best interest of both buying and selling clients and at prices that EFUNDHK has determined reflect fair value. EFUNDHK in many instances purchases and sells, pursuant to its discretionary authority, the same securities for the accounts of related and unrelated persons. In those instances, EFUNDHK has internal procedures in place to allocate those securities to related and unrelated accounts on a fair and equitable basis over time.

EFUNDHK maintains policies and procedures regarding inside information that establish information barriers around certain internal groups that might be in possession or aware of material non-public information. The policy is designed to block the flow and potential misuse of that information. In addition, EFUNDHK has adopted other policies and procedures designed to minimize potential conflicts of interest of this nature and to address such conflicts in a manner that is most equitable to all accounts.

### **Participation or Interest in Personal Trading – Client Recommendations and Client Trading**

As noted above, EFUNDHK has adopted a Code of Ethics, as well as other policies and procedures, which seek to address potential conflicts involving personal trading by EFUNDHK's Covered Persons. Subject to compliance with such policies and procedures, Covered Persons may invest in the same or related securities that are purchased for client

accounts. However, the Code imposes limits on such transactions, including generally prohibiting transactions on the same day that a client is trading in such securities, or in circumstances where the Covered Person has access to material non-public information relating to the security or the issuer or the security. Except in limited circumstances, personal securities trading is subject to monitoring and oversight by EFUNDHK's compliance department.



## **ITEM 12 - BROKERAGE PRACTICES**

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### **Broker-Dealer Selection**

In the course of providing our services, we will execute trades for our clients through broker-dealers. When a client has given us broker discretion, there is no restriction on the brokers we may select to execute client transactions. Our general guiding principle is to trade through broker-dealers who offer the best overall execution under the particular circumstances. With respect to execution, we consider a number of factors, including if the broker has custody of client assets, the actual handling of the order, the ability of the broker-dealer to settle the trade promptly and accurately, the financial standing of the broker-dealer, the ability of the broker-dealer to position stock to facilitate execution, our past experience with similar trades, and other factors which may be unique to a particular order. Based on these judgmental factors, we may trade through broker-dealers that charge fees that are higher than the lowest available fees. In addition, EFUNDHK may cause a client to pay a commission that is higher than the lowest available commission if EFUNDHK believes that the value of the products and services, execution and other services rendered by the broker are reasonable in relation to the amount of the commission.

### **Research and Other Soft Dollar Benefits**

Consistent with obtaining best execution, brokerage commissions on client portfolio transactions may be directed to brokers in recognition of research services furnished by them, as well as for services rendered in the execution of orders by such brokers. As a general matter, such research services are used to service all of EFUNDHK's clients. However, each and every research service may not be used to service each and every client managed by EFUNDHK, and brokerage commissions paid by one account may apply towards payment for research services that may not be used in the service of that account.

EFUNDHK may, in its discretion, cause the client to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where EFUNDHK has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, EFUNDHK would not be required to place or attempt to place a specific dollar value on the brokerage or research services provided by such broker.

When EFUNDHK uses its client's brokerage commissions (or markups or markdowns) to obtain research or other products or services, EFUNDHK receives a benefit because it does not have to produce or pay for such research, products or services. EFUNDHK may have an incentive to select or recommend a broker-dealer based in its interest in receiving the research or other products or services, rather than on its clients' interest in receiving the most favorable execution.

## **Brokerage for Client Referrals**

Neither EFUNDHK nor any of its clients may select or recommend a broker-dealer based on whether EFUNDHK or a related person receives client referrals from a broker-dealer or third party.

## **Directed Brokerage**

In determining the appropriate brokers to use, the commission rates and other transaction costs to incur for client accounts, EFUNDHK seeks to obtain best execution. However, when a client for whom EFUNDHK provides discretionary investment management services requests or instructs EFUNDHK to direct a portion of the securities transactions effected for its account to a specified broker-dealer, EFUNDHK will treat the client direction as a decision by the client to retain, to the extent of the direction, the discretion that EFUNDHK would otherwise have in selecting broker-dealers and in negotiating commissions for the client's account. A client making such a direction also should understand that it may no longer receive the advantages that can result from aggregated orders (which are generally executed prior to directed trades) and the liquidity provided by the use of broker capital.

## **Aggregation of Trades**

EFUNDHK has the fiduciary duty to execute orders for its clients fairly and equitably. EFUNDHK follows written procedures pursuant to which it may, for clients who permit it, and to the extent consistent with best execution, combine purchase or sale orders for the same security for multiple clients (sometimes called “bunching”) so that they can be executed at the same time. The procedures followed by EFUNDHK may differ depending on the particular strategy or type of investment. EFUNDHK is not required to bunch or aggregate orders if: (1) portfolio management decisions for different accounts are made separately; or (2) EFUNDHK determines that bunching or aggregating is not practicable. EFUNDHK may be able to negotiate a better price and lower commission rate on aggregated trades than on trades for accounts that are not aggregated. Where transactions for a client's account are not aggregated with other orders, it may not benefit from the better price and lower commission rate. Because of prevailing trading activity, it may not be possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may, in EFUNDHK's discretion, be averaged and accounts will be charged or credited with the average price. The effect of such aggregation may operate on some occasions to an account's disadvantage.

With respect to securities purchased in an initial public offering or secondary public offering, it is recognized that, due to the limited availability of new issues, often it is not possible to achieve a complete allocation for all new issue-eligible accounts on every trade. EFUNDHK's policies provides that its portfolio manager and / or trader should ensure that no trade allocation unfairly advantages or disadvantages one or more clients

or investment strategies over another, and that over time such client accounts are all treated fairly.

## **ITEM 13 - REVIEW OF ACCOUNTS**

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### **General Description**

Client portfolios are reviewed on a continuous basis by the investment team. These reviews are designed to monitor and analyze the transactions, positions, investment levels and mandates of each account. Particular attention is given to changes in company fundamentals, industry outlook, market outlook, and price levels. In addition, client portfolios are formally reviewed on a monthly basis for compliance with investment guidelines. At a minimum, the Portfolio Manager and Chief Compliance Officer participate in the review.

EFUNDHK also performs reviews of its clients' accounts as appropriate based on, among other things, changes in market conditions, security positions or changes in a clients' investment objective or policies.

### **Client Reports**

All clients receive regular periodic reporting in relation to the performance and positioning of their account. In addition to written reports, clients also receive information about their accounts verbally. While written reports are typically generated and delivered on a monthly, quarterly and/or annual basis, verbal reporting is typically carried out on an ad hoc basis, as well as when the client requests. In both regards, the type of information contained and delivered in the client report will cover areas such as performance information (typically over several different and applicable time frames – e.g. 1 month, 12 months, 3 years, 5 years, etc.), portfolio holdings information (such as top ten over/under weights), portfolio positioning (such as sector and geographic exposure), portfolio activity for the reporting period and our views regarding the outlook for the markets in which we invest.

EFUNDHK seeks to tailor its reports to the specific needs of our clients. Accordingly, client's reporting requirements are discussed in detail during the client take on process. With regard to the ETFs that EFUNDHK advises, the client is the fund itself, and not the investors in the fund. As such, individual investors will not receive tailored advice. In addition to regular periodic reporting, EFUNDHK also seeks to provide other reports/commentary for clients, covering topical events in the markets within which we invest, on an ad hoc basis.

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

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### **Other Compensation**

EFUNDHK does not receive any benefits, economic or otherwise, from non-clients for providing investment advice or other advisory services.

### **Compensation for Client Referrals**

EFUNDHK may compensate its own personnel or employees who refer potential clients to EFUNDHK. Any such compensation will be paid by EFUNDHK from its assets and will not be charged to its clients. To the extent required by law, any arrangements with a solicitor will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

## **ITEM 15 - CUSTODY**

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As an investment advisor to investment companies, EFUNDHK does not have custody over client assets. To the extent that manages U.S. accounts over which it is deemed to have custody, EFUNDHK will comply with Rule 206(4)-2 under the Advisers Act (the “Custody Rule”).

## **ITEM 16 – INVESTMENT DISCRETION**

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EFUNDHK routinely accepts discretionary authority to manage securities on behalf of its clients. When a client grants EFUNDHK investment discretion, EFUNDHK is authorized to invest, sell, and reinvest proceeds in the client's account without obtaining the client's prior confirmation of any proposed action. EFUNDHK does, however, manage the account in accordance with the investment guidelines and/or restrictions that have been provided by the client.

When selecting securities and determining amounts, EFUNDHK observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to EFUNDHK in writing.

## **ITEM 17 – VOTING CLIENT SECURITIES**

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### **Proxy Voting Policies – Authority to Vote**

Unless directed otherwise by contract, EFUNDHK generally is responsible for voting proxies with respect to securities held in client portfolios. As part of our Compliance Policy we have implemented a proxy voting policy which is designed to ensure that we vote proxies in the best interest of our Clients and Funds.

From time to time, proxy voting proposals may raise conflicts between the interests of our clients' portfolios and the interests of EFUNDHK. EFUNDHK takes certain steps designed to ensure, and demonstrate that those steps resulted in a decision to vote the proxies that was based on the clients' best interests and was not the product of such conflicts. Those steps may include voting a proxy according to a third party's recommendations, or requesting that a client direct us as to the manner of voting the proxy.

A copy of our Proxy Voting Policy is available to upon request. Clients may also request information regarding how we voted on a particular proxy upon request.

### **Proxy Voting Policies - No Authority**

Some of our clients maintain the authority to vote their own proxies. In these circumstances, the client receives proxies directly from the custodian. EFUNDHK will sometimes forward our view and recommendation on a particular proxy or solicitation to a client for their consideration, but the client is under no obligation to consider our views. Alternatively, EFUNDHK also respond to proxy questions from clients as needed



## **ITEM 18 - FINANCIAL INFORMATION**

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### **Balance Sheet, Financial Conditions, Bankruptcy Petition**

EFUNDHK is required in this Item to provide you with certain financial information or disclosures about our financial condition. EFUNDHK has no financial condition that impairs our ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.