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## PRIVATE OFFERING MEMORANDUM

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### **Complus Asia Rates Dragon Fund Ltd**

an exempted company incorporated with limited liability under the laws of  
the Cayman Islands with registration number 265750

**Complus Asset Managers Ltd**  
Manager

**Complus Asset Management Limited**  
Investment Manager

February 2012

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This Private Offering Memorandum is strictly confidential. It is being provided to a restricted number or class of potential investors. It is intended to be read by the potential investor to whom it has been addressed, and is made available on the understanding that it will not be passed on to any other person.

The distribution of this Private Offering Memorandum and the offering or purchase of shares in the Fund may be restricted in certain jurisdictions. No person receiving a copy of this Private Offering Memorandum, or the accompanying Application Form, in any such jurisdiction may treat this Private Offering Memorandum or such Application Form as constituting an invitation to subscribe for shares in the Fund unless in the relevant jurisdiction such an invitation may be lawfully made without compliance with any registration or other legal requirements.

Prospective investors should carefully review this Private Offering Memorandum and obtain their own professional advice before subscribing for shares in the Fund. In particular, prospective investors should consult with their legal and financial advisers to determine the possible tax and other consequences of purchasing, holding or redeeming shares in the Fund.

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## NOTICE

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### THIS PRIVATE OFFERING MEMORANDUM

This Private Offering Memorandum ("Memorandum") relates to the offering of Class A Shares and Class B Shares (the "Shares") in Complus Asia Rates Dragon Fund Ltd (the "Fund"), an open-ended exempted company incorporated with limited liability under the Companies Law (Revised) of the Cayman Islands.

The Directors, whose names appear in the Directory, accept responsibility for the information contained in this Memorandum. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Memorandum is strictly confidential and intended to be read only by the person to whom it has been delivered to enable that person to evaluate an investment in the Fund. It is not to be reproduced or distributed to any other persons except that a prospective investor may provide a copy to its professional advisors.

### RELIANCE ON THIS MEMORANDUM

The Shares are offered only on the basis of the information contained in this Memorandum. Any further information or representations given or made by any dealer, broker or other person should be disregarded and accordingly, should not be relied upon. No person has been authorised to give any information or to make any representations in connection with the offering of the Shares other than those contained in this Memorandum and, if given or made, such information or representations must not be relied on as having been authorised by the Directors.

Statements in this Memorandum are based on the law and practice in force in the Cayman Islands at the date of this Memorandum and are therefore subject to change should that law or practice change. Neither the delivery of this Memorandum nor the issue of the Shares shall under any circumstances create any implication or constitute any representation that the affairs of the Fund have not changed since the date of this Memorandum.

### INVESTOR RESPONSIBILITY

No representations or warranties of any kind are intended or should be inferred with respect to the economic return from, or the tax consequences of an investment in the Fund. No assurance can be given that existing laws will not be changed or interpreted adversely. Prospective investors should not construe this Memorandum as legal, investment or tax advice. No person is authorised to make any representations concerning the Fund which are inconsistent with those contained in this Memorandum.

Before making an investment in the Fund, prospective investors should review this Memorandum carefully and in its entirety and consult with their legal, tax and financial advisors in relation to: (i) the legal and regulatory requirements within their own countries for the purchase, holding, redeeming or disposing of the Shares; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the purchase, holding, redeeming or disposing of the Shares; and (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, redeeming or disposing of the Shares.

### DISTRIBUTION AND SELLING RESTRICTIONS

Neither this Memorandum nor the Shares described in it have been qualified for offer, sale or distribution under the laws of any jurisdiction governing the offer or sale of mutual fund equity interests or other securities. The distribution of this Memorandum and the offering or purchase of the Shares may be restricted in certain jurisdictions. No persons receiving a copy of this Memorandum or the application form in any such jurisdiction may treat this Memorandum or the

application form as constituting an invitation to them to subscribe for the Shares, nor should they in any event use the application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Memorandum and any persons wishing to apply for the Shares pursuant to this Memorandum to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdiction.

Cayman Islands: No invitation may be made to the public in the Cayman Islands to subscribe for the Shares.

France: The Shares may not be offered or sold directly or indirectly in the Republic of France and neither this Memorandum, which has not been submitted to the *Autorité des Marchés Financiers*, nor any offering material or information contained therein relating to the Fund, may be supplied in the Republic of France nor used in connection with any offer for subscription or sale of the Shares to the public in the Republic of France.

Hong Kong: WARNING: The contents of this Memorandum have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document you should obtain independent professional advice. This Memorandum has not been registered by the Registrar of Companies in Hong Kong. The Fund is a collective investment scheme as defined in the Securities and Futures Ordinance of Hong Kong (the “Ordinance”) but has not been authorised by the Securities and Futures Commission pursuant to the Ordinance. Accordingly, the Shares may only be offered or sold in Hong Kong to persons who are “professional investors” within the meaning of the Ordinance or in circumstances which are permitted under the Companies Ordinance of Hong Kong and the Ordinance. In addition, this Memorandum may not be issued or possessed for the purposes of issue, whether in Hong Kong or elsewhere, and the Shares may not be disposed of to any person unless such person is outside Hong Kong, such person is a “professional investor” within the meaning of the Ordinance or as otherwise may be permitted by the Ordinance.

Italy: The Shares may not be offered, sold or delivered and this Memorandum, or any circular, advertisement or other document or offering material relating to the Shares, may not be published, distributed or made available in the Republic of Italy unless: (i) the Shares have been previously registered with the Bank of Italy and, as appropriate, with the Italian Securities and Exchange Commission (Consob); and (ii) the offering, sale or delivery of the Shares and publication or distribution of this Memorandum or of any other document or offering material is made in accordance with relevant Italian laws and regulations.

Luxembourg: This Memorandum and the Shares referred to herein have not been registered with any Luxembourg authority. This Memorandum does not constitute and may not be used for or in connection with a public offer in Luxembourg of the Shares referred to herein.

Spain: The Fund has not been authorised by or registered with the Spanish Securities Market Commission as a foreign collective investment scheme in accordance with section 15.2 of Law 35/2003 of 4 November 2003 on Collective Investment Schemes. Accordingly, the Shares of the Fund may not be offered or sold in Spain by means of any marketing activities as defined in section 2 of Law 35/2003, as amended by Law 25/2005, of 24 November 2005.

Switzerland: The Fund has not been authorised for public distribution in or from Switzerland pursuant to the Swiss Collective Investment Schemes Act of 23 June 2006 (the “CISA”) and its implementing regulations. Accordingly, the Shares may only be offered and this Memorandum may only be distributed in or from Switzerland to “qualified investors” (as this term is defined in the CISA and its implementing regulations).

## **REGULATION**

The Fund is not a regulated mutual fund for the purposes of the Mutual Funds Law. Pursuant to section 4(4) of the Mutual Funds Law (2009 Revision) of the Cayman Islands ("Mutual Funds Law"), a mutual fund is not required to be registered with the Cayman Islands Monetary Authority ("CIMA") where the equity interests in the fund are held by not more than fifteen investors, the majority of whom are capable of appointing and removing the operator (which, in the case of the Fund, means its Directors) of such fund. It is not expected that the Fund will have more than fifteen investors and the Articles provide for the appointment and removal of the Directors by the investors. Accordingly the Fund is not required to be registered with CIMA. Neither CIMA nor any other regulatory authority in the Cayman Islands has approved this Memorandum or the offering of the Shares.

## **CONFIDENTIALITY**

Any information forwarded to the Fund by a potential investor will be treated on a confidential basis except as outlined in the Data Protection policy in the Application Form. Such information may be passed on to a relevant third party where so required by law or regulation and each applicant for the Shares shall be deemed to have consented to such release of such confidential information pursuant to the terms of Clause 3(2)(b)(i) (or any amendment thereto) of the Confidential Relationships (Preservation) Law (Revised) of the Cayman Islands.

## **RISKS**

Investment in the Fund carries substantial risk. There can be no assurance that the Fund's investment objective will be achieved and investment results may vary substantially over time. The value of the Shares may go down as well as up and investors may not get back the amount invested. An investment in the Fund is only suitable for sophisticated investors who are able to bear the loss of a substantial portion or even all of their investment in the Fund. An Investment in the Fund is not intended to be a complete investment programme for any investor.

Prospective investors should carefully consider the risk factors set out in the section headed "Certain Risk Factors" when considering whether an investment in the Fund is suitable for them in light of their circumstances and financial resources. Investors are advised to seek independent professional advice on the implications of investing in the Fund.

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## DIRECTORY

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### Complus Asia Rates Dragon Fund Ltd

#### Directors

KAM Kwok Ching, Chester  
Patrick HARRIGAN  
TUNG Cheng-I

#### Registered Office

Ogier Fiduciary Services (Cayman) Limited  
89 Nexus Way  
Camana Bay  
Grand Cayman KY1-9007  
Cayman Islands

#### Manager

Complus Asset Managers Ltd  
Ogier Fiduciary Services (Cayman) Limited  
89 Nexus Way  
Camana Bay  
Grand Cayman KY1-9007  
Cayman Islands

#### Investment Manager

Complus Asset Management Limited  
Suite 15, Unit A, 20/F,  
9 Queen's Road Central  
Central  
Hong Kong

#### Administrator

Citi Fund Services (Asia) Limited  
39/F, Citibank Tower  
Citibank Plaza  
3 Garden Road  
Central  
Hong Kong

#### Transfer Agent

Citibank N.A., Singapore Branch  
Citi Singapore Campus (CSC)  
3 Changi Business Park Crescent  
# 07-00  
Singapore 486026

#### Prime Brokers and Custodians

Deutsche Bank AG  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
England

#### Auditors

Ernst & Young  
18/F, Two International Finance Centre  
8 Finance Street  
Central,  
Hong Kong

#### Credit Suisse Securities (Europe) Limited

One Cabot Square  
London E14 4QJ  
England

#### Legal Advisors as to matters of Cayman Islands law

Ogier  
11/F, Central Tower  
28 Queen's Road Central  
Hong Kong

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## DEFINITIONS

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In this Memorandum the following words and phrases have the meanings set out below:

<b>“Administration Agreement”</b>	the agreement between the Fund and the Administrator, as described in the section headed “Management and Administration” below;
<b>“Administrator”</b>	Citi Fund Services (Asia) Limited or such other person as may be appointed administrator of the Fund from time to time;
<b>“Application Form”</b>	an application to subscribe for Shares in such form as the Directors may determine from time to time;
<b>“Articles”</b>	the Memorandum and Articles of Association of the Fund;
<b>“Auditors”</b>	Ernst & Young or such other person or firm as may be appointed as auditors of the Fund from time to time;
<b>“Business Day”</b>	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are authorised to open for normal banking business and/or such other day or days as the Directors may determine, either generally or in any particular case, provided that where, as a result of a Number 8 Typhoon Signal, Black Rainstorm Warning or similar event, the period during which banks in Hong Kong are open on any day are reduced, such day shall not be a Business Day;
<b>“CIMA”</b>	the Cayman Islands Monetary Authority;
<b>“Class”</b>	any class of participating, redeemable, non-voting shares designated by the Directors pursuant to the Articles;
<b>“Class A Share”</b>	a Class A-NV Share and/or a Class A-V Share, as the context requires;
<b>“Class B Share”</b>	a Class B-NV Share and/or a Class B-V Share, as the context requires;
<b>“Class A-NV Share”</b>	a participating, redeemable, non-voting share of par value US\$0.01 in the Fund designated as a Class A-NV Share;
<b>“Class B-NV Share”</b>	a participating, redeemable, non-voting share of par value US\$0.01 in the Fund designated as a Class B-NV Share;
<b>“Class A-V Share”</b>	a participating, redeemable, voting share of par value US\$0.01 in the Fund designated as a Class A-V Share;
<b>“Class B-V Share”</b>	a participating, redeemable, voting share of par value US\$0.01 in the Fund designated as a Class B-V Share;
<b>“Companies Law”</b>	the Companies Law (2010 Revision) of the Cayman Islands, as modified, amended or re-enacted from time to time, and any subordinate legislation or regulations made from time to time under that law;



<b>“Directors”</b>	the members of the board of directors of the Fund for the time being and any duly constituted committee of the board and any successors to such members as may be appointed from time to time;
<b>“Fund”</b>	Complus Asia Rates Dragon Fund Ltd, an exempted company incorporated with limited liability under the Companies Law with registration number 265750;
<b>“High Water Mark”</b>	in relation to any Share, the greater of the Net Asset Value per Share of the relevant Class at the time of issue of that Share, and the highest Net Asset Value per Share of the relevant Class in respect of which a Performance Fee has been paid at the end of any previous Performance Period (if any) during which such Share was in issue;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“Initial Offer Period”</b>	in relation to any Class, the period determined by the Directors during which Shares are first offered for subscription, which will commence at 9:00 a.m. (Hong Kong time) on 13 February 2012 and end at 5:00 p.m. (Hong Kong time) on 14 February 2012 or the last Business Day in the month in which an application for Shares of the relevant Class is accepted, if later, or such other day or time as the Directors may determine;
<b>“Investment Management Agreement”</b>	the agreement between the Fund, the Manager and the Investment Manager, as described in the section headed “Management and Administration” below;
<b>“Investment Manager”</b>	Complus Asset Management Limited or such other person as may be appointed by the Manager to provide discretionary investment management services in respect of the assets of the Fund from time to time;
<b>“Key Man Event Notice”</b>	a written notice to be given by the Fund to each Shareholder within five (5) Business Days of Chester KAM Kwok Ching, Chief Investment Officer of the Investment Manager, ceasing to perform investment management duties in relation to the Fund on a full-time basis, by reason of resignation, death, incapacitation or otherwise;
<b>“Management Agreement”</b>	the agreement between the Fund and the Manager, as described in the section headed “Management and Administration” below;
<b>“Management Fee”</b>	the management fee payable to the Manager pursuant to the Management Agreement;
<b>“Management Share”</b>	a non-participating, voting share of par value US\$1.00 in the Fund designated as a Management Share;
<b>“Manager”</b>	Complus Asset Managers Ltd or such other person as may be appointed by the Fund as manager from time to time;

<b>“Material Contracts”</b>	the Administration Agreement, the Transfer Agency Agreement, the Management Agreement, the Investment Management Agreement and the agreements with the Prime Brokers;
<b>“Memorandum”</b>	this Private Offering Memorandum and any supplement or addendum to this Private Offering Memorandum;
<b>“Minimum Holding”</b>	Shares with an aggregate Net Asset Value per Share of not less than US\$1,000,000 or such lesser amount as the Directors may determine, either generally or in any particular case;
<b>“Mutual Funds Law”</b>	the Mutual Funds Law (2009 Revision) of the Cayman Islands, as modified, amended or re-enacted from time to time, and any subordinate legislation or regulations made from time to time under that law;
<b>“Net Asset Value per Share”</b>	in respect of a Share of any Class, the Net Asset Value of the relevant Class divided by the number of Shares of such Class in issue;
<b>“Net Asset Value”</b>	the Net Asset Value of the Fund or the relevant Class, as the case may be, determined using the valuation principles described in the section headed “Net Asset Value” below;
<b>“Non-Voting Shares”</b>	the Class A-NV Shares and the Class B-NV Shares;
<b>“Performance Fee”</b>	the performance fee payable to the Manager pursuant to the Management Agreement;
<b>“Performance Period”</b>	a period of 12 calendar months commencing on each 1 January, provided that the first Performance Period in respect of any Class will be the period commencing on the Business Day immediately following the close of the Initial Offer Period and ending on the next following 31 December;
<b>“Prime Broker”</b>	Credit Suisse Securities (Europe) Limited, Deutsche Bank AG and/or such other person as may be appointed prime broker of the Fund from time to time;
<b>“Redemption Day”</b>	the first Business Day of each calendar month and/or such other day or days as the Directors may determine, either generally or in any particular case;
<b>“Redemption Price”</b>	the Net Asset Value per Share of the relevant Class prevailing on the Valuation Day immediately preceding the relevant Redemption Day;
<b>“Redemption Request”</b>	a request for the redemption of Shares which shall be in such form as the Directors may determine from time to time;
<b>“Relevant Percentage”</b>	in the case of Class A Shares, 17.5 per cent and in the case of Class B Shares 20 per cent;
<b>“Share”</b>	a Class A Share and/or a Class B Share, as the context requires;
<b>“Shareholder”</b>	a holder of a Share or Shares;

<b>“Subscription Day”</b>	the first Business Day of each calendar month after the end of the Initial Offer Period and/or such other day or days as the Directors may determine, either generally or in any particular case;
<b>“Subscription Price”</b>	the Net Asset Value per Share of the relevant Class on the Valuation Day immediately preceding the relevant Subscription Day;
<b>“Transfer Agency Agreement”</b>	the agreement between the Fund and the Transfer Agent as described in the section headed “Management and Administration” below;
<b>“Transfer Agent”</b>	Citibank N.A., Singapore Branch or such other person as may be appointed transfer agent of the Fund from time to time;
<b>“United States” or “U.S.”</b>	the United States of America, its territories and possessions including the States and the District of Columbia;
<b>“US\$”, “USD” or “US Dollars”</b>	the lawful currency of the United States of America;
<b>“Valuation Day”</b>	the Business Day immediately preceding each Redemption Day and each Subscription Day and/or such other day or days as the Directors may determine, either generally or in any particular case;
<b>“Valuation Point”</b>	the close of business in the last market relevant to the Fund to close on each Valuation Day or such other time as the Directors may determine;
<b>“Voting Shares”</b>	the Class A-V Shares and the Class B-V Shares.

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## SUMMARY

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The following summary should be read in conjunction with the full text of this Memorandum, the Articles and the other documents referred to in this Memorandum and is qualified in its entirety by reference to such documents:

### **The Fund**

Complus Asia Rates Dragon Fund Ltd is an exempted company incorporated with limited liability under the Companies Law. The Fund was incorporated on 20 January 2012.

Shares of the Fund may be issued in different Classes. The Directors have initially designated four Classes, being Class A-NV Shares, Class A-V Shares, Class B-NV Shares and Class B-V Shares, which are being offered under the terms of this Memorandum. The Directors may from time to time designate further Classes which may be issued on different terms and/or denominated in different currencies.

### **Investment objective and strategies**

The investment objective of the Fund is to achieve superior total returns over the medium to long-term by investing in global fixed income, commodities and currency markets. There can be no assurance that the investment objective will be achieved.

The Investment Manager will seek to achieve the investment objective by employing a macro-economic fundamental analysis, market momentum and technical analysis to devise directional, derivatives and relative value strategies.

The Fund may trade and invest in securities, instruments and derivatives of any kind but will invest primarily in liquid securities and instruments, including, without limitation, debt related securities, currencies, commodities, futures, options (including options on futures), contracts for difference, swaps and exchange traded and over-the-counter derivatives. The Fund may engage in short sales. The Fund may invest globally but will invest primarily in liquid markets of both developed and developing economies, with an emphasis on pan-Asia.

### **Management**

The Directors, whose names appear in the directory, have overall responsibility for the management and administration of the Fund. However the Directors have delegated to the Manager, all investment management responsibilities and have delegated to the Administrator and Transfer Agent certain administrative functions.

The Manager has appointed the Investment Manager to manage and invest the assets of the Fund, subject to the control and review of the Directors and the Manager.

### **Offering**

Shares are being offered during the Initial Offer Period at a fixed price of US\$100 per Share. After the close of the Initial Offer Period, Shares will be available for subscription on each Subscription Day at the relevant Subscription Price. Shares subscribed during the Initial Offer Period will be issued on the Business Day following the end of the Initial Offer Period. Thereafter, Shares will be issued on the relevant Subscription Day.

Unless the Directors determine otherwise, Class A Shares will not be available for subscription after the expiry of a period of 6 months following the close of the Initial Offer Period or after the Valuation Day on which the Net Asset Value of the Fund first exceeds US\$250 million, if earlier. In the event that subscriptions are received in respect of a Subscription Day which would result in the Net Asset Value of the Fund exceeding US\$250 million, the Directors may reduce subscriptions for Class A Shares rateably and pro rata amongst all applicants for Class A Shares. In such circumstances, applicants will have the option of having the balance of their subscription monies returned or receiving Class B Shares in lieu of Class A Shares.

#### **Minimum Investment**

The minimum initial investment per applicant is US\$1,000,000 or such lesser amount as the Directors may determine, either generally or in any particular case.

The minimum amount of subsequent subscription by a Shareholder is US\$1,000,000 or such lesser amount as the Directors may determine, either generally or in any particular case. Subsequent subscriptions must be made in multiples of US\$100,000 or such lesser amount as the Directors may determine, either generally or in any particular case.

#### **Redemptions**

Shares will be redeemable at the option of the Shareholder on any Redemption Day. A completed redemption request must be received by the Transfer Agent no later than 5:00 p.m. (Hong Kong time) on a Business Day falling at least 30 calendar days (or such lesser period as the Directors may permit, either generally or in any particular case) prior to the relevant Redemption Day. Shares will be redeemed at the relevant Redemption Price. A redeeming Shareholder may receive additional redemption proceeds if an Equalisation Credit paid at the time of subscription has not been fully applied.

Partial redemptions will only be permitted if the value of a redeeming Shareholder's remaining Shares will be not less than the Minimum Holding.

A redemption fee will be payable on the redemption of Shares which have been in issue for less than 12 calendar months. The Directors may waive any redemption fee in whole or in part.

The Fund may compulsorily redeem Shares in certain circumstances.

Redemption proceeds will be paid in cash by electronic transfer at the Shareholder's risk and expense.

#### **Restrictions on sale and transfer**

Shares may only be sold or transferred to persons who are Eligible Investors. Shares may not be transferred without the prior written consent of the Directors.

#### **Dividends**

It is not envisaged that any income or gains will be distributed by way of dividend. This does not preclude the Directors from declaring a distribution at any time in the future if they consider it appropriate to do so.

<b>Fees and Expenses</b>	<p>The Fund will pay the Manager a Management Fee of one twelfthth (<math>\frac{1}{12}</math>) of 1.75 per cent per month of the Net Asset Value of the Class A Shares and (<math>\frac{1}{12}</math>) of 2 per cent per month of the Net Asset Value of the Class B Shares (in each case, before deduction of that month's Management Fee and before making any deduction for any accrued Performance Fees) as at the last Valuation Day in each month.</p> <p>The Manager will also be entitled to receive a Performance Fee from the Fund in respect of each Class, calculated on a Share-by-Share basis in respect of each Performance Period. For each Performance Period, the Performance Fee in respect of each Share will be equal to the Relevant Percentage of the appreciation in the Net Asset Value per Share of the relevant Class during the Performance Period above the High Water Mark. The Performance Fee in respect of each Performance Period will be calculated by reference to the Net Asset Value before deduction for any accrued Performance Fee.</p> <p>The Fund will pay all costs of its operation and management, including the fees of the Administrator, the Transfer Agent, the Prime Brokers, the Auditors and any legal advisers appointed in respect of the Fund.</p>
<b>Risk Factors</b>	<p>An investment in the Fund entails certain risks. Prospective investors should review carefully the discussion under the section headed "Certain Risk Factors" below.</p>
<b>Reporting</b>	<p>Each Shareholder will be provided with an annual report that will include audited financial statements as at the end of each financial year of the Fund.</p>
<b>Financial Year</b>	<p>The financial year of the Fund will end on 31 December in each year, with the first financial year ending 31 December 2012.</p>
<b>Tax</b>	<p>The Fund is not subject to tax in the Cayman Islands (other than an annual registration fee) under the current laws of the Cayman Islands. Prospective investors should consult their own advisors as to the particular tax consequences to them of their proposed investment in the Fund.</p>

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## THE FUND

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### STRUCTURE

The Fund is an exempted company incorporated with limited liability in the Cayman Islands under the Companies Law. The Fund was incorporated on 20 January 2012. The location of the registered office of the Fund appears in the Directory.

The Fund has been structured as an open-ended investment fund to allow Shareholder to collectively invest in accordance with the investment objectives and strategies set out in this Memorandum.

### SHARES

Up to 4,990,000 Shares are available for issue. The Directors may reject any application for Shares without giving any reason for doing so. Shares will be issued only to Eligible Investors. Shares will be issued in registered form only. No certificates will be issued unless the Directors agree otherwise.

If the Fund does not receive subscriptions for Shares during the Initial Offer Period of at least US\$50 million, the Directors may determine that the Fund will not launch. In such circumstances, subscription proceeds will be returned to applicants (without interest) by telegraphic transfer (at the risk of, and cost to, the applicant) as soon as possible following the end of the Initial Offer Period.

The Management Shares, which are the voting shares in the Fund, are held by the Investment Manger.

Shares of the Fund may be issued in different Classes. The Directors have initially designated four Classes, being Class A-NV Shares, Class A-V Shares, Class B-NV Shares and Class B-V Shares, which are being offered under the terms of this Memorandum. The Directors may designate further Classes in the future and may differentiate between Classes on various bases, including as to the currency of denomination or each Class, the level of fees payable in respect of each Class, and the redemption or information rights in respect of each Class. All Classes are attributable to the single underlying portfolio of the Fund.

### OPERATIONAL CURRENCY

The Directors may designate a Class in an operational currency. Subscriptions and redemptions will be processed in the operational currency of the Class, and the Net Asset Value per Share of the Class will be calculated and quoted in such operational currency. The operational currency of the Shares is the US Dollar.

### REGULATION

The Fund is not a regulated mutual fund for the purposes of the Mutual Funds Law. Pursuant to section 4(4) of the Mutual Funds Law, a mutual fund is not required to be registered with CIMA where the equity interests in the fund are held by not more than fifteen investors, the majority of whom are capable of appointing and removing the operator (which, in the case of the Fund, means its Directors) of such fund. It is not expected that the Fund will have more than fifteen investors and the Articles provide for the appointment and removal of the Directors by a majority of investors. Accordingly the Fund is not required to be registered with CIMA. Neither CIMA nor any other regulatory authority in the Cayman Islands has approved this Memorandum or the offering of the Shares.

If the circumstances of the Fund change, the Directors may register the Fund with CIMA pursuant to the Mutual Funds Law. If the Directors choose, or are obliged to register the Fund with CIMA,

the Director's continuing obligations under the Mutual Funds Law will be (i) to file with CIMA a copy of this Memorandum and prescribed details of any changes to this Memorandum, (ii) to file annually with CIMA accounts audited by an approved auditor, and (iii) to pay a prescribed annual fee.

#### **ADDITIONAL INFORMATION**

This Memorandum does not purport to be and should not be construed as a complete description of the Articles or the Material Contracts. Before investing in the Fund each prospective investor should examine this Memorandum, the Application Form, the Articles and the Material Contracts and satisfy itself that an investment in the Fund is appropriate. Additionally, and prior to a prospective investor purchasing any Shares, the Fund will make available to the prospective investor or his or her representative, the opportunity to (i) ask questions of and receive written answers from representatives of the Manager concerning any aspect of an investment in the Fund, and (ii) obtain any additional non-proprietary information, to the extent that the Fund possesses such information or can acquire it without unreasonable effort or expense.

An investment in the Fund may be considered speculative and is not intended as a complete investment program. It is designed only for experienced and sophisticated investors who are able to bear the risk that all or a substantial part of their investment in the Fund may be lost.



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## **INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS**

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### **INVESTMENT OBJECTIVE**

The investment objective of the Fund is to achieve superior total returns over the medium to long-term by investing in global fixed income, commodities and currency markets. There can be no assurance that the investment objective will be achieved.

### **INVESTMENT STRATEGY**

The Investment Manager will seek to achieve the investment objective by employing a macro-economic fundamental analysis, market momentum and technical analysis to devise directional, derivatives and relative value strategies.

Subject to the Investment Restrictions below, the Fund may trade and invest in securities, instruments and derivatives of any kind but will invest primarily in liquid securities and instruments, including, without limitation, debt related securities, currencies, commodities, futures, options (including options on futures), contracts for difference, swaps and exchange traded and over-the-counter derivatives. The Fund may engage in short sales. The Fund may invest globally but will invest primarily in liquid markets of both developed and developing economies, with an emphasis on pan-Asia.

The Investment Manager may use derivatives and other instruments to hedge principal, credit or currency risk. However, the Investment Manager is not obligated to seek to hedge against fluctuations in the value of the Fund's portfolio positions as a result of changes in market interest rates or any other developments. The Investment Manager has sole discretion in determining when or whether to engage in hedging strategies.

The Fund has flexibility to invest in a wide range of instruments including, but not limited to convertible securities, debt securities and obligations (which may be below investment grade), currencies, commodities, futures, options, warrants, swaps and other derivative instruments. Derivative instruments may be exchange-traded or over-the-counter. The Fund may engage in short sales, margin trading, hedging and other investment strategies. The Fund may retain amounts in cash or cash equivalents (including money market funds) pending reinvestment, for use as collateral or as otherwise considered appropriate to the investment objective.

### **INVESTMENT RESTRICTIONS**

None of the assets of the Fund will be invested in equities or equity related instruments. The Fund will not invest in any collective investment scheme or other investment vehicle unless any fees or expenses charged by such collective investment scheme or other investment vehicle are waived.

Save for the above, the Directors have not imposed any particular restrictions in regard to the investment of the assets of the Fund.

### **LEVERAGE**

When deemed appropriate, the Fund may employ leverage including, without limitation, through borrowing cash, securities and other instruments and entering into derivative transactions and repurchase agreements. The Fund may pledge assets as security for borrowings. The use of leverage by the Fund will increase the risk of an investment in the Fund. There is no limit on the amount of leverage which may be employed.

The Fund may borrow for the purposes of satisfying redemption requests or paying expenses, if required.

## **DISTRIBUTION POLICY**

It is not envisaged that any income or gains derived will be distributed by way of dividend. This does not preclude the Directors from declaring a dividend at any time in the future if they consider it appropriate to do so. To the extent that a dividend may be declared, it will be paid in compliance with applicable law.

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## MANAGEMENT AND ADMINISTRATION

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### DIRECTORS

The Directors are responsible for the overall management and control of the Fund. However, the Directors have delegated responsibility for making day-to-day investment decisions to the Manager pursuant to the Management Agreement and responsibility for day-to-day administrative functions to the Administrator and Transfer Agent pursuant to the Administration Agreement and the Transfer Agency Agreement. The Directors will review the operations and investment performance of the Fund at regular meetings.

The current Directors are:

- **Patrick HARRIGAN**

In January 2007, Patrick co-founded HF Fund Services Ltd., a Cayman Islands-based company licensed in the Cayman Islands to provide independent directors to alternative investment funds and investment management companies. He currently serves as an independent director on several Cayman Islands-based alternative investment funds and investment management companies. In April 2007, he co-founded a representative office based in Singapore, HF Fund Services Singapore Private Limited, to serve HF's Asian clients. In 1996, Patrick founded Oxford Advisors Ltd, a Cayman Islands-based mutual fund management company. From 1996 to 2006, he was responsible for the creation of a family of 11 funds, including a multi-manager fixed income fund, a market neutral fund of funds, and several alternative fund of funds. He served on the board of directors of each of these companies. He increased Oxford's assets under management from US\$25 million in 1996 to US\$4.5 billion in 2006. In November 2006, he sold the funds' management shares to a large financial institution.

- **KAM Kwok Ching, Chester**

Chester Kam was the Chief Investment Officer of Alphadyne Investment Strategies - Asia Rates Fund and oversaw the investment strategies for Alphadyne Asset Management in Asia from 2006 to 2010. Prior to joining Alphadyne, Chester spent 19 years at JP Morgan, most recently as Managing Director and Asia Pacific Head of Credit and Rates Trading. He was a member of JP Morgan's Asia Pacific Management Committee, and the Chairman of the Asia Risk Management Committee of the Investment Bank. Among his other roles in the region for JP Morgan were Head of Emerging Market Proprietary Trading, Asia, (1998-1999) and Head of Asia Local Markets (1994-1997). Chester joined JP Morgan in 1987 in Hong Kong. He relocated to Singapore in 1993 to set up JP Morgan's local market business in Asia and served in the Singapore Foreign Exchange Executive Committee (SFEMC) (2002-2004). Chester returned to Hong Kong in 2004 to speed up the building of JP Morgan's Credit and Rates business in China. Chester earned his BBA from the Chinese University in Hong Kong and MBA in Finance from the Indiana University, Bloomington, Indiana, USA.

- **TUNG Cheng-I**

From 1990 to 2008, Mr Tung held various positions at JP Morgan Chase, including working in the Asian Rates Market group in Singapore developing new products for the Asian markets, on the Emerging Markets Proprietary Trading desk in Singapore and on the Fixed Income Trading desk in both Singapore and Tokyo. Prior to joining JP Morgan Chase, Mr Tung was an associate at McKinsey & Company, Inc., working on management consulting projects for clients in Taiwan. Mr Tung has an MBA in Finance and Accounting from University of Chicago, Graduate School of Business and a BBA in Management Information Systems from the National Taiwan University.

There is no provision for the retirement of Directors on their attaining a certain age and the Articles do not provide for retirement of Directors by rotation.

The Directors are entitled to be indemnified by the Fund against any and all liabilities, obligations, losses, damages, penalties, actions, judgements, suits, costs, expenses (including, without limitation, legal fees and expenses incurred in defence of any demands, claims or legal proceedings) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against any such Director or other officer in the performance of his or her functions and duties for the Fund and/or for any person connected with the Fund to the fullest extent permitted by applicable law and regulation (all of the foregoing being the “Indemnified Amounts”). However, the Fund shall not have any obligation to indemnify any Director or other officer in respect of any Indemnified Amounts to the extent any such Indemnified Amounts resulted from the gross negligence, wilful default or fraud of such Director or other officer.

For the purposes of this memorandum, the address of all the Directors is the registered office of the Fund.

## **MANAGER**

The Fund has appointed Complus Asset Managers Ltd to act as manager of the Fund pursuant to the Management Agreement. The Manager is an exempted company incorporated with limited liability in the Cayman Islands.

Under the Securities Investment Business Law (2010 Revision) of the Cayman Islands (“SIBL”), a person conducting securities investment business is not required to be licensed if it carries on such business exclusively (whether directly or indirectly) for sophisticated persons or high net worth persons. The Manager intends to manage its business in such a way that it is not required to be licensed and accordingly is not subject to regulation by the Cayman Islands Monetary Authority.

The current directors of the Manager are TUNG Cheng-I and KAM Kwok Ching, Chester, whose biographies appear under “Directors” above.

Under the Management Agreement, the Manager has agreed to act as investment manager of the Fund and has full discretion to manage and invest the assets of the Fund. The Manager may delegate any of its powers under the Management Agreement to any other person or persons as the Manager considers appropriate. The Manager has delegated power to manage and invest the assets of the Fund to the Investment Manager. The Manager will be responsible for the payment of the fees of the Investment Manager.

The Management Agreement provides that in the absence of gross negligence, wilful default or fraud, the Manager shall not be liable for any loss or damage arising out of the performance of its obligations and duties under the Management Agreement. The Management Agreement provides further that the Fund shall indemnify the Manager and each of its directors, officers and employees for any loss suffered by the Manager in the performance of its obligations and duties under the Management Agreement unless such loss arises out of or in connection with the gross negligence, wilful default or fraud of the person seeking to rely on the indemnity.

The Manager has warranted in the Management Agreement that it is not currently, and has not within the past three years, engaged in any litigation or arbitration and so far as the directors of the Manager are aware, no litigation or claim is pending or threatened against it.

The Management Agreement may be terminated by any party on 90 days’ written notice. The Management Agreement is governed by the laws of the Cayman Islands.

## **INVESTMENT MANAGER**

The Manager has appointed Complus Asset Management Limited to provide asset management services in respect of the Fund pursuant to the Investment Management Agreement. The Investment Manager is a company incorporated under the laws of Hong Kong with limited liability.

The Investment Manager is licensed for type 9 (asset management) regulated activities by the SFC under the SFO with CE number AWX256.

Under the Investment Management Agreement, the Investment Manager has full discretion and authority to manage and invest the assets of the Fund in accordance with the investment objective, strategy and restrictions set out in this Memorandum.

The Chief Investment Officer of the Investment Manager, KAM Kwok Ching, Chester, whose biography appears under “Directors” above will have sole responsibility for the management of the assets of the Fund.

The Investment Management Agreement provides that in the absence of gross negligence, wilful default or fraud, the Investment Manager shall not be liable for any loss or damage arising out of the performance of its obligations and duties under the Investment Management Agreement. The Investment Management Agreement provides further that the Fund shall indemnify the Investment Manager for any loss suffered by the Investment Manager in the performance of its obligations and duties under the Investment Management Agreement unless such loss arises out of or in connection with any gross negligence, wilful default or fraud by the Investment Manager in the performance of its obligations and duties under the Investment Management Agreement.

The Investment Manager has warranted in the Investment Management Agreement that it is not currently, and has not within the past three years, engaged in any litigation or arbitration and so far as the directors of the Investment Manager are aware, no litigation or claim is pending or threatened against it.

The Investment Management Agreement may be terminated by either party on 90 days’ written notice. The Investment Management Agreement is governed by the laws of the Cayman Islands.

## **ADMINISTRATOR**

The Fund has appointed Citi Fund Services (Asia) Limited as Administrator pursuant to administration agreement between the Fund and the Administrator (the “Administration Agreement”).

Pursuant to the Administration Agreement, the Administrator will be responsible, under the ultimate supervision of the Directors, for the following matters:

- preparing and maintaining the Fund's financial and accounting records and statements;
- determining the Net Asset Value;
- assisting in preparing the audited financial statements;
- arranging for the provision of accounting, clerical and administrative services; and
- disbursing payments of fees and expenses, if any.

The Administration Agreement provides that in the absence of fraud, wilful default, bad faith or negligence, the Administrator will not be liable for any loss incurred by the Fund as a result of any act or omission of the Administrator in the performance of its services and duties under the Administration Agreement.

The Fund has agreed to indemnify the Administrator and to defend and hold the Administrator harmless, against all demands, claims, actions or causes of action, assessments, losses, damages, costs, liabilities, expenses, and Taxes (as defined in the Administration Agreement) arising directly or indirectly out of the performance of its duties under the Administration Agreement provided that the Administrator shall not be indemnified against or held harmless from any liability arising out of the Administrator's negligence, wilful default or fraud.

The Administration Agreement will continue in force unless and until terminated by one party on 90 days' notice in writing to the other party. The Administration Agreement may be terminated immediately by either party on written notice if the other party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if the other party is dissolved or otherwise enters into insolvency proceedings.

The Administrator is a service provider to the Fund and will not have any decision-making discretion relating to the Fund's investments. The Administrator is not responsible for the preparation of this Memorandum and therefore accepts no responsibility for any information contained in this Memorandum other than information relating specifically to the Administrator.

The Fund may change the administration arrangements described above by agreement with the Administrator and/or appoint an alternative administrator.

## **TRANSFER AGENT**

The Fund has appointed Citibank N.A., Singapore Branch, as transfer agent of the Fund pursuant to transfer agency agreements between the Fund and the Transfer Agent (the "Transfer Agency Agreement").

Pursuant to the Transfer Agency Agreement, the Transfer Agent will be responsible, under the ultimate supervision of the Directors, for the following matters:

- processing subscriptions, redemptions and transfer for Shares;
- ensuring compliance with all applicable anti-money laundering rules and regulations; and
- maintaining the register of Shareholders.

The Transfer Agency Agreement provides that in the absence of fraud, wilful default, bad faith or negligence, the Transfer Agent will not be liable for any loss incurred by the Fund as a result of any act or omission of the Transfer Agent in the performance of its services and duties under the Transfer Agency Agreement.

The Fund has agreed to indemnify the Transfer Agent and to defend and hold the Transfer Agent harmless, against all demands, claims, actions or causes of action, assessments, losses, damages, costs, liabilities, expenses, and Taxes (as defined in the Transfer Agency Agreement) arising directly or indirectly out of the performance of its duties under the respective Transfer Agency Agreement provided that the Transfer Agent shall not be indemnified against or held harmless from any liability arising out of the Transfer Agent's negligence, wilful default or fraud.

The Transfer Agency Agreement will continue in force unless and until terminated by one party on 90 days' notice in writing to the other party. The Transfer Agency Agreement may be terminated immediately by either party on written notice if the other party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if the other party is dissolved or otherwise enters into insolvency proceedings.

The Transfer Agency is a service provider to the Fund and will not have any decision-making discretion relating to the Fund's investments. The Transfer Agent is not responsible for the preparation of this Memorandum and therefore accepts no responsibility for any information contained in this Memorandum other than information relating specifically to the Transfer Agent.

The Fund may change the transfer agency arrangements described above by agreement with the Transfer Agent and/or appoint an alternative transfer agent.



## PRIME BROKERS AND CUSTODIANS

The Fund has appointed Deutsche Bank AG, acting through its London branch, and Credit Suisse Securities (Europe) Limited as Prime Brokers. The allocation of assets between the Prime Brokers will be determined by the Investment Manager according to the nature and type of transaction. The Fund may change the prime brokerage arrangements described below and/or appoint additional or alternative prime broker(s) and custodian(s) without prior notice to Shareholders.

### Credit Suisse Securities (Europe) Limited

Credit Suisse Securities (Europe) Limited ("Credit Suisse"), a subsidiary of the Credit Suisse Group AG and based in London, will provide prime brokerage services to the Fund. These services may include the provision to the Fund of margin financing, clearing, settlement and foreign exchange facilities. The Fund may also utilise Credit Suisse, other members of the Credit Suisse Group ("Affiliates") and other brokers and dealers for the purposes of executing transactions for the Fund.

Credit Suisse is authorised and regulated by The Financial Services Authority of the United Kingdom ("FSA") in the conduct of its investment business.

Pursuant to the Master Prime Brokerage Terms (the "CS Agreement") entered into between the Fund and Credit Suisse, on behalf of itself and the Affiliates (each and together "CS"), Credit Suisse may hold investments of the Fund in custody ("Collateral") and, any such Collateral will be subject to a security interest in favour of Credit Suisse (and which Credit Suisse will also hold as trustee for the benefit of Affiliates). Credit Suisse may, at its option and instead of holding Collateral in custody, also take full legal and beneficial ownership of investments transferred to it by the Fund (also, "Collateral") in which case any such Collateral will be held by Credit Suisse absolutely as its property pursuant to the Agreement, in order to collateralise the Fund's obligations to CS. Any such Collateral transferred to CS in this manner will not be segregated from other investments belonging to Credit Suisse and may be available to creditors of Credit Suisse in the event of its insolvency.

Any Collateral may be sold, lent or otherwise used by CS for its own purposes in which event the Fund will have a right against CS for the return of assets equivalent to the Collateral so used. To the extent so used, any such Collateral will not be segregated from other assets belonging to CS and may be available to creditors of CS in the event of its insolvency. The total value of such Collateral will not exceed 150% of the value of the Fund's obligations to Credit Suisse.

To the extent that Credit Suisse holds any investments in custody, Credit Suisse may appoint sub-custodians (which may include Affiliates) ("Sub-Custodians") of such investments and Credit Suisse will, in accordance with the FSA rules, identify, record and hold the Fund's investments held by it in its capacity as custodian in such a manner that the identity and location of the investments can be identified at any time and that such investments are readily identifiable as belonging to a customer of Credit Suisse and are separately identifiable from Credit Suisse's own investments, and should therefore be unavailable to the creditors of Credit Suisse in the event of its default. However, where, due to the nature of the law or market practice of jurisdictions outside the United Kingdom, it is in the Fund's best interests so to do or it is not feasible to do otherwise, any such investments may be registered in the name of Credit Suisse and will not be segregated from Credit Suisse's own investments and in the event of Credit Suisse's default may not be as well protected.

Any cash which Credit Suisse holds or receives on the Fund's behalf will not be treated by Credit Suisse as client money and will not be subject to the protections conferred by the FSA Client Money Rules. As a consequence, the Fund's cash will not be segregated from Credit Suisse's own cash and will be used by Credit Suisse in the course of its investment business, and the Fund will therefore rank as one of Credit Suisse's general creditors in relation thereto.

Credit Suisse will exercise due care and diligence in the selection and appointment of each Sub-Custodian and in carrying out appropriate periodic reviews of each Sub-Custodian. Credit Suisse

will not be responsible or liable for the solvency, acts or omissions of any Sub-Custodians who is not an Affiliate save to the extent that any loss arises directly from the negligence of Credit Suisse and/or its Affiliates in the selection, appointment and periodic review of any such Sub-Custodian or other third party. The Fund has indemnified Credit Suisse and its Affiliates against any loss, claim, damage or expense (including legal fees, accountant's fees special, direct and consequential damages, fines and penalties) incurred or suffered by, or asserted against them.

The appointment of Credit Suisse will continue unless and until terminated by either party upon 7 business days (as defined in the Agreement) written notice. Upon such notice becoming effective, Credit Suisse may refuse to settle any transactions for the Fund, and the Fund shall, subject to the discharge of its obligations to CS, instruct Credit Suisse to transfer its assets elsewhere.

Credit Suisse is a service provider to the Fund and is not responsible for the preparation of this Memorandum or the activities of the Fund and therefore accepts no responsibility for any information contained in this Memorandum. Credit Suisse is not an investment or other adviser to the Fund and will not participate in the investment decision-making process.

### **Deutsche Bank AG**

The Fund has also appointed Deutsche Bank AG, acting through its London branch ("Deutsche Bank"), as a prime broker and custodian and to provide fixed income and foreign exchange prime brokerage services to the Fund under agreements entered into between the Fund and Deutsche Bank AG (collectively the "DB Agreement"). The functions which Deutsche Bank will perform as prime broker and custodian include the provision of custody, settlement, financing and reporting services to the Fund regarding the purchase and sale of securities (as defined in the DB Agreements) entered into by the Fund with either third parties, Deutsche Bank or affiliates of Deutsche Bank. Financing purchases and sales includes both cash and securities advances to the Fund at the discretion of Deutsche Bank. The services to be provided by Deutsche Bank AG also include intermediation of (i) interest rate swap transactions, (ii) spot, tom next and forward foreign exchange transactions, and (iii) vanilla option transactions and single barrier event option transactions in currencies and interest rates between certain counterparties and the Fund's accounts at Deutsche Bank AG. Additionally, Deutsche Bank AG will provide certain clearing and execution services in connection with exchange traded futures, options, contracts for differences and spot or forward contracts.

Deutsche Bank will be responsible for the safekeeping of all securities delivered to it in accordance with the applicable rules of the Bundesanstalt für Finanzdienstleistungsaufsicht ("BAFin") and the terms of the DB Agreement.

Deutsche Bank will be granted a security interest over the interests in and rights in relation to the Securities recorded in the Securities Account (as defined in the DB Agreement) as being held for the benefit of the Fund (other than Securities appropriated by Deutsche Bank for its own account). The beneficial ownership thereof will remain vested in the Fund and such interests in and rights in relation to securities will be held in one or more segregated securities accounts, separately from Deutsche Bank's own assets and should (subject to any conflicting local legal and regulatory requirements in the jurisdiction of any relevant sub-custodian), whilst so held, be unavailable to the creditors of Deutsche Bank in the event of its insolvency.

Where Deutsche Bank arranges for Securities to be held through sub-custodians in overseas jurisdictions, there may be different settlement, legal and regulatory requirements that may apply from those applying in the United Kingdom, together with different practices for the separate identification of such Securities, and the Fund's rights relating to those Securities may differ accordingly.

Any cash transferred to or held by Deutsche Bank will not be treated as client money, but will be held as collateral and will not be subject to the client monies protections conferred by the rules of the Financial Services Authority of the United Kingdom ("FSA") rules relating to client money. As a consequence, the Fund's money will be held by Deutsche Bank as banker and not as a trustee or agent and Deutsche Bank will not be required to place the Fund's money in a segregated client



account; the Fund's money will instead be used by Deutsche Bank in the course of its business, and the Fund will therefore rank as one of Deutsche Bank's general creditors in relation thereto.

Interests in and rights in relation to Securities recorded in the Securities Account as being held for the benefit of the Fund (other than Securities appropriated by Deutsche Bank for its own account) may be pooled with Securities belonging to other customers of Deutsche Bank, but will be held on trust for the Fund and will be readily identifiable as such and as being separate from Deutsche Bank's own Securities. Deutsche Bank may (subject to local legal and regulatory requirements) hold Securities with a sub-custodian in a single account that is identified as belonging to customers of Deutsche Bank. Deutsche Bank will identify in its books and records that part of the Securities held by a sub-custodian as is held for the Fund.

Deutsche Bank may, at all times, appropriate for its own account and deal with Securities recorded in the Securities Account as being held for the benefit of the Fund provided that the total value of Securities appropriated will not exceed 150% of the value of the Fund's obligations to Deutsche Bank. Securities so appropriated will continue to be recorded in the Securities Account as being held for the benefit of the Fund. Such Securities will become proprietary assets of Deutsche Bank, and Deutsche Bank will be contractually obliged to deliver equivalent securities to the Fund pursuant to the Agreement. The Fund will rank as an unsecured creditor in relation thereto, and in the event of the insolvency of Deutsche Bank, may not be able to recover such equivalent securities in full.

Deutsche Bank will exercise reasonable skill, care and diligence in the selection of any sub-custodian, and shall be responsible to the Fund for the duration of the sub-custody agreement for satisfying itself as to the ongoing suitability of the sub-custodian to provide custodial services to the Fund. The level of assessment conducted with regard to the selection and supervision of an affiliated company as sub-custodian will be at least as rigorous as that performed on any non-affiliated company when determining its suitability. Deutsche Bank will maintain an appropriate level of supervision over the sub-custodian and will make appropriate enquiries periodically to confirm that the obligations of the sub-custodian continue to be competently discharged.

Deutsche Bank will be responsible for the acts of any sub-custodian or nominee which is an affiliated company (and therefore for losses to the Fund arising as a result of such acts) to the same extent as for its own acts, including any act or omission, fraud, negligence or wilful default. Where Deutsche Bank has appointed a sub-custodian which is not an affiliated company, it will not be liable for any act or omission, or for the insolvency, of such sub-custodian or for any loss arising therefrom unless Deutsche Bank has failed to discharge its obligations under the rules of the FSA, or has been negligent or acted in bad faith in appointing or monitoring the performance of such sub-custodian.

The Fund has agreed to indemnify Deutsche Bank and its affiliates against any taxes, claims, proceedings, expenses, costs, losses, damages and liabilities which Deutsche Bank may sustain in connection with providing services under the DB Agreements, except where the same are incurred as a direct result of a breach of the Agreement or of applicable law or regulation by an indemnified person, or the negligence, bad faith or wilful default of an indemnified person. No party shall be liable to the other party for any indirect, special or consequential damages except where such damages arise as a result of the negligence, fraud, bad faith or wilful default of the relevant party.

Deutsche Bank will not provide investment advisory or discretionary management services to the Fund. The DB Agreement may be terminated on the giving of at least 30 business days' written notice by either party. DB is authorised by the BaFIN and regulated by the FSA for the conduct of UK business.

## **RISK MANAGEMENT AND OPERATIONAL FUNCTIONS**

The Fund and/or the Investment Manager may appoint specialist third party service providers to perform certain functions in respect of the Fund, including, without limitation, independent risk monitoring functions, risk reporting functions and certain operational functions. The fees of any such service provider will be charged to the Fund.

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## SUBSCRIPTION FOR SHARES

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### OFFERING OF SHARES

Up to 4,990,000 Shares are available for issue. No part of the initial offer has been underwritten or guaranteed.

Unless the Directors determine otherwise, Class A Shares will not be available for subscription after the expiry of a period of 6 months following the close of the Initial Offer Period or after the Valuation Day on which the Net Asset Value of the Fund first exceeds US\$250 million, if earlier. In the event that subscriptions are received in respect of a Subscription Day which would result in the Net Asset Value of the Fund exceeding US\$250 million, the Directors may reduce subscriptions for Class A Shares rateably and pro rata amongst all applicants for Class A Shares. In such circumstances, applicants will have the option of having the balance of their subscription monies returned or receiving Class B Shares in lieu of Class A Shares.

Non-Voting Shares will not be issued if, at any time, the number of holders of Non-Voting Shares would be equal to or exceed the number of holders of Voting Shares.

The Directors may, at any time, resolve to close the Fund or any Class to new subscriptions, either for a specified period or until it otherwise determines and either in respect of all investors or new investors only.

### OFFER PRICE AND ISSUANCE

Shares are being offered during the Initial Offer Period at a fixed price of US\$100 per Share.

Following the close of the Initial Offer Period, Shares will be available for subscription at the relevant Subscription Price on each Subscription Day. The Subscription Price will be equal to the Net Asset Value per Share of the relevant Class as at the Valuation Day immediately preceding the Subscription Day on which the application is effective. An applicant for Shares may also be required to pay an additional amount as an Equalisation Credit.

### MINIMUM INVESTMENT

The minimum initial investment per applicant is US\$1,000,000 or such lesser amount as the Directors may determine, either generally or in any particular case.

The minimum amount of subsequent subscription by a Shareholder is US\$1,000,000 or such lesser amount as the Directors may determine, either generally or in any particular case. Subsequent subscriptions must be made in multiples of US\$100,000 or such lesser amount as the Directors may determine, either generally or in any particular case.

### PAYMENT

Payment for Shares must be made in cash by electronic transfer, net of bank charges, and is due in cleared funds in the operational currency of the Class being subscribed. Any bank charges incurred in respect of electronic transfers will be deducted from subscriptions monies and only the net amount will be invested in Shares.

All subscription monies must originate from an account held in the name of the applicant. No third party payment will be permitted. Interest on subscription monies will accrue to the Fund.

## **ELIGIBLE INVESTORS**

Each applicant for Shares will be required to represent and warrant to the Fund that, amongst other things, it is able to acquire and hold Shares without violating applicable laws.

Shares may not be offered, issued or transferred to any person in circumstances which, in the opinion of the Directors, might result in the Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund might not otherwise incur or suffer, or would result in the Fund being required to register under any applicable US securities laws.

Shares may generally not be issued or transferred to any US Person (as defined in Regulation S of the U.S. Securities Act of 1933, as amended). Shares may not be issued or transferred to any person if such issue or transfer would cause any assets of the Fund to be “plan assets” for the purposes of the U.S. Employee Retirement Income Security Act of 1974, as amended.

Each applicant for Shares will be required to warrant that it has the knowledge, expertise and experience in financial matters to evaluate the risks of investing in the Fund, is aware of the risks inherent in investing in the assets in which the Fund will invest and the method by which these assets will be held and/or traded, and can bear the loss of its entire investment in the Fund.

## **PROCEDURE**

Applicants for Shares during the Initial Offer Period must send their completed Application Form so as to be received by the Transfer Agent by no later than 5:00 p.m. (Hong Kong time) on the Business Day which is three (3) Business Days before the last Business Day of the Initial Offer Period. Cash subscription monies must be sent by electronic transfer, net of bank charges, so that cleared funds are received in the bank account of the Fund by no later than 5:00 p.m. (Hong Kong time) on the last Business Day of the Initial Offer Period.

After the Initial Offer Period, applicants for Shares and Shareholders wishing to apply for additional Shares must send their completed Application Form so as to be received by the Transfer Agent by no later than 5:00 p.m. (Hong Kong time) on the Business Day which is three (3) Business Days prior to the applicable Subscription Day. Applications received after this time will be dealt with on the next Subscription Day unless the Directors determine otherwise. Cash subscription monies must be sent by electronic transfer, net of bank charges, so that cleared funds are received in the bank account of the Fund by no later than 5:00 p.m. (Hong Kong time) on the Business Day prior to the applicable Subscription Day.

Applications may be sent by facsimile provided the original follows promptly. None of the Fund, the Manager or the Transfer Agent accept any responsibility for any loss caused as a result of non-receipt or illegibility of any application sent by facsimile or for any loss caused in respect of any action taken as a consequence of such facsimile instructions believed in good faith to have originated from properly authorised persons.

Applications for Shares will not be dealt with, and Shares will not be issued, until the Transfer Agent has received the original completed Application Form and notification that cleared funds have been received. If the completed Application Form and cleared funds are not received by the applicable time referred to above, unless the Directors decides otherwise, the application will be held over to the Subscription Day following receipt of the outstanding documentation, information and/or cleared fund, as the case may be. Shares will then be issued at the relevant Subscription Price on that Subscription Day. Subject to this, Shares are deemed to be issued immediately following the close of the Initial Offer Period and subsequently on the relevant Subscription Day.

Fractions of a Share will, if necessary, be issued (to 4 decimal places). Subscription monies representing a smaller fraction of a Share will be retained for the benefit of the Fund.

The Fund may reject any application in whole or part and without giving any reason for doing so. If an application is rejected, the subscription monies paid, or the balance thereof, as the case may be, will be returned (without interest) as soon as practicable to the account from which the subscription monies were originally remitted, at the risk and cost of the applicant.

Once a completed Application Form has been received by the Transfer Agent it is irrevocable. Written confirmation detailing the Shares which have been issued will be sent to successful applicants as soon as practicable after the last day of the Initial Offer Period or the relevant Subscription Day, as the case may be.

## **PREVENTION OF MONEY LAUNDERING**

To ensure compliance with applicable statutory requirements relating to anti-money laundering and anti-terrorism initiatives, the Fund, or the Transfer Agent, on behalf of the Fund, will require verification of identity, address and source of funds from all applicants. Depending on the circumstances of each application and the anti-money laundering policies and procedures of the Administrator, a detailed verification might not be required where:

- (i) the applicant is a licensed entity or financial institution regulated in a country recognized as having an adequate anti-money laundering regime;
- (ii) the applicant is an entity or financial institution listed on the Cayman Islands or other approved stock exchange; or
- (iii) the subscription funds have been paid from an account held in the name of the applicant from a financial institution based in a country recognized as having an adequate anti-money laundering regime.

The Fund may require such evidence as is necessary to verify the identity and source of funds of an applicant. In the event of delay or failure by the applicant to produce any evidence required for verification purposes, the Fund may refuse to accept the application and any subscription monies received will be returned without interest to the account from which such subscription monies were originally debited. Shares will not be issued to an applicant until all evidence required for verification purposes is received from the applicant.

By subscribing for Shares, an applicant consents to the disclosure by the Fund, the Manager, the Transfer Agent and their delegates, agents and affiliates, of any information provided by the applicant to government agencies, regulatory bodies and other relevant persons in connection with anti-money laundering requirements and similar matters.

If, as a result of any information or other matter which comes to his or her attention during the course of his or her business, trade, profession or employment, any person resident in the Cayman Islands (including the Fund and the Directors) knows or suspects that payment to the Fund (by way of subscription or otherwise) is the proceeds of criminal conduct or that any transaction is connected in any way with money laundering or terrorist financing, such person is required to report such knowledge or suspicion pursuant to the Proceeds of Crime Law, 2008. Such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

## **FORM OF SHARES**

All Shares will be issued in registered form only, meaning that a Shareholder's entitlement will be evidenced by an entry in the register of shareholders of the Fund and not by a certificate. A Share may be registered in a single name or in up to two joint names. Where Shares are registered in joint names, the joint holders may authorise the Transfer Agent to act upon the sole written instructions of any one of the joint holders in respect of the transfer or redemption of all or any of such Shares. Unless so authorised, the Transfer Agent will only act upon the written instruction of all the joint holders. No certificates will be issued unless the Directors determine otherwise.

## **SUSPENSION**

The Directors may declare a suspension of the issue of Shares in certain circumstances as described under "Net Asset Value - Suspension of calculation of Net Asset Value and/or dealings". No Shares will be issued during any such period of suspension.

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## REDEMPTION AND TRANSFER OF SHARES

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### PROCEDURE

Shares will be redeemable at the option of the Shareholder on any Redemption Day. Shareholder wishing to redeem their Shares should send a completed Redemption Request to the Transfer Agent, so as to be received by the Transfer Agent no later than 5:00 p.m. (Hong Kong time) on a Business Day falling at least 30 calendar days (or such shorter period as the Directors may generally or in any particular case permit) prior to the relevant Redemption Day. Unless the Directors agree otherwise, any Redemption Request received after this time will be held over and dealt with on the next Redemption Day.

The Redemption Request may be sent by facsimile but redemption proceeds will not be paid until the original Redemption Request is received by the Transfer Agent. None of the Directors, the Fund or the Transfer Agent accept any responsibility for any loss caused as a result of non-receipt or illegibility of any Redemption Request sent by facsimile or for any loss caused in respect of any action taken as a consequence of such facsimile instructions believed in good faith to have originated from properly authorised persons.

The minimum redemption amount will be US\$1,000,000 or such lesser amount as the Directors may either generally or in any particular case determine. Partial redemptions will only be permitted if the value of a redeeming Shareholder's remaining Shares will be not less than the Minimum Holding. Shares of the relevant Class will be redeemed on a "first issued, first redeemed" basis.

The Transfer Agent will confirm, in writing, receipt of all Redemption Requests that are received in good order. A Shareholder who does not receive a confirmation within five (5) Business Days should contact the Transfer Agent to confirm receipt.

Once given, a Redemption Request may not be revoked by the Shareholder save where redemptions have been suspended by the Directors in the circumstances set out in "Net Asset Value - Suspension of calculation of Net Asset Value and/or dealings" below or except as otherwise agreed by the Directors.

### PREVENTION OF MONEY LAUNDERING

The Fund, or the Transfer Agent on the Fund's behalf, may refuse to process a Redemption Request or delay payment of any redemption proceeds to a Shareholder until receipt of any outstanding information or documentation requested in connection with anti-money laundering requirements or similar matters. None of the Directors, the Fund or the Transfer Agent accepts any responsibility for any loss arising as a result of a failure to process a Redemption Request or any delay in payment of any redemption proceeds if such information and documentation as has been requested by the Directors and/or the Transfer Agent has not been provided by the Shareholder.

The Fund may refuse to process a Redemption Request or pay redemption proceeds to a Shareholder if any of the Directors or the Transfer Agent suspects or is advised that the payment of any redemption proceeds to such Shareholder might result in a breach or violation of any applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure the compliance by the Fund and/or the Transfer Agent with any such laws or regulations in any relevant jurisdiction.

### REDEMPTION PROCEEDS

Shares will be redeemed at the relevant Redemption Price. The Redemption Price of a Share will be equal to the Net Asset Value per Share of the relevant Class as at the Valuation Day immediately preceding the relevant Redemption Day. A redeeming Shareholder may receive



additional redemption proceeds if an Equalisation Credit paid at the time of subscription has not been fully applied.

## **REDEMPTION FEE**

A redemption fee of 3 per cent of the redemption proceeds will be payable on the redemption of Shares which have been in issue for less than 12 calendar months. No redemption fee will be payable on the redemption of Shares which have been in issue for 12 calendar months or more. The Directors may waive the payment of all or part of the redemption fee. The redemption fee will be retained by the Fund.

If on any particular Redemption Day, the Fund also receives subscriptions, the redemption fee shall be adjusted so that, on an aggregate basis, it does not exceed 3 per cent of the amount by which the aggregate of all redemption proceeds exceeds the aggregate of all subscriptions received. Any resulting reduction in the redemption fee shall be applied on a pro rata basis to all redeeming Shareholders who are subject to a redemption fee.

No redemption fee will be payable in respect of a redemption made:

- (a) as a consequence of the issue of a Key Man Event Notice;
- (b) to comply with any relevant regulatory requirements including, without limitation, to ensure compliance by the Shareholder with the U.S Bank Holding Company Act of 1956, as amended and/or the U.S. Investment Company Act of 1940, as amended, or to ensure that the assets of the Fund will not be “plan assets” for the purposes of the U.S. Employee Retirement Income Security Act of 1974, as amended.

## **SETTLEMENT**

Subject to the following paragraph, payment of redemption proceeds will normally be made within 5 Business Days of the later of: (1) the determination of the relevant Redemption Price; and (2) the date on which the Transfer Agent has received the original of the Redemption Request and such other documentation as may be required. Payment will be made in the operational currency of the Shares being redeemed by direct transfer to an account in the name of the Shareholder.

If in respect of any Redemption Day, requests are received for the redemption of all the Shares then in issue, the Directors may determine to terminate the business of the Fund. In such circumstances, the Fund will hold back an amount equal to US\$1,000,000, which will be apportioned pro rata amongst all redeeming Shareholders, pending finalisation of the termination of the Fund. To the extent that such amount is not required to meet the costs of terminating the Fund, the Fund will pay to such Shareholders the balance, if any, of the amount to which such Shareholders are entitled.

## **DEFERRAL OF REDEMPTIONS**

In the event that redemption requests are received for the redemption of Shares representing in aggregate more than 25 per cent (or such higher percentage as the Directors determine, either generally or in respect of any particular Redemption Day) of the Net Asset Value of the Fund (the “Redemption Threshold”), the Fund is entitled to reduce the requests rateably and pro rata amongst all Shareholders seeking to redeem Shares on the relevant Redemption Day and to carry out only sufficient redemptions which, in aggregate, amount to the Redemption Threshold. Shares which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Redemption Day in priority to any other Shares for which redemption requests have been received (but subject to further deferral if the deferred requests themselves exceed the Redemption Threshold). Shares will be redeemed at the Redemption Price prevailing on the Redemption Day on which they are redeemed.

It is currently expected that no redemption request will be deferred on more than three consecutive Redemption Days. Accordingly, unless the Directors otherwise determines, Shares

in relation to which a redemption request has been submitted will be redeemed if such request has been deferred on three prior Redemption Days.

If the Directors determine that redemption requests will be deferred they shall, no later than two weeks after such determination, invite all Shareholders to a meeting to consult on any steps to be taken as a consequence of the deferral.

Redemption requests made as a consequence of the issue of a Key Man Event Notice will not be deferred.

## **COMPULSORY REDEMPTION**

Shareholders are required to notify the Fund and the Transfer Agent immediately if at any time they cease to be an Eligible Investor.

When the Fund becomes aware that a Shareholder (A) has ceased to be an Eligible Investor; (B) is holding Shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax, pecuniary or material administrative disadvantages for the Fund or its Shareholders; or (C) has failed to provide any information or declaration required by the Directors within 10 days of being requested to do so, the Directors may either (i) direct such Shareholder to redeem the relevant Shares or to transfer them to a person who is an Eligible Investor or (ii) redeem the relevant Shares.

The Fund may, with or without cause, by notice in writing to the Shareholder being redeemed, redeem all or any Shares on any day designated by the Directors, provided that any such day shall be not less than five (5) days from the date of such notice.

Shares will also be redeemed by the Fund to give effect to Performance Fee Redemptions as described under "Fees and Expenses" below.

The Directors may redeem Shares where during a period of six years no cheque in respect of any dividend on the Shares has been cashed and no acknowledgement has been received in respect of any confirmation of ownership of the Shares sent to the Shareholder and require the redemption proceeds to be held in a separate interest-bearing account. Any unclaimed dividends may be forfeited after six years and, on forfeiture, form part of the assets of the Fund.

## **TRANSFER OF SHARES**

Shares may not be transferred without the prior written consent of the Directors. The Directors may withhold their consent without giving any reason for doing so.

Shareholders wishing to transfer Shares must complete a transfer application which shall be in such form as the Directors may from time to time approve. The completed transfer application, duly stamped, if applicable, together with such evidence as the Directors may require to show the right of the transferor to make the transfer, must be sent to the Transfer Agent. The transfer will take effect upon the registration of the transferee in the register of Shareholders. If the transferee is not already a Shareholder, he will be required to complete an Application Form and comply with all eligibility and identification requirements for an applicant for Shares.

No transfer may be made which would result in either the transferor or the transferee remaining or being registered (as the case may be) as the holder of Shares valued at less than the Minimum Holding at the time of such intended transfer.

The Directors may suspend the registration of transfers for not more than a total of 30 days in any year. The Directors decline to register a transfer without giving any reason for doing so.

Notwithstanding the above, a Shareholder may transfer any or all of its Shares to an affiliated or associated entity without obtaining the prior written consent of the Directors provided that the transferee complies with all eligibility and identification requirements applicable to an applicant for Shares.

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## NET ASSET VALUE

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### DETERMINATION OF NET ASSET VALUE

The Net Asset Value and the Net Asset Value per Share of each Class will be calculated by the Administrator as at the Valuation Point on each Valuation Day.

In respect of each Class, a separate Class account (a “Class Account”) will be established in the books of the Fund. An amount equal to the proceeds of issue of each Share will be credited to the relevant Class Account. Any increase or decrease in the Net Asset Value of the portfolio of assets of the Fund attributable to the Shares (disregarding for these purposes any increase in the Net Asset Value due to new subscriptions or decreases due to redemptions or any designated Class adjustments (as defined below)) will be allocated to the relevant Class Account based on the previous Net Asset Value of each such Class Account. There will then be allocated to each Class Account the “designated Class Adjustments” being those costs, pre-paid expenses, losses, dividends, profits, gains and income which the Directors determines relate to a single Class. The costs and any benefit of hedging the foreign currency exposure of the assets attributable to any Class denominated in a currency other than the US Dollar will be allocated solely to the relevant Class Account.

### VALUATION OF ASSETS

Asset will be valued in accordance with the following principles:

- (A) any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon will be valued at its last traded price as at the Valuation Point or, if no trades occurred on such day, at the closing bid price if held long and at the closing offer price if sold short, as at the relevant Valuation Day, and as adjusted in such manner as the Directors thinks fit, having regard to the size of the holding, and where prices are available on more than one exchange or system for a particular security the price will be the last traded price or closing bid or offer price, as the case may be, on the exchange which constitutes the main market for such security or the one which the Directors determines provides the fairest criteria in ascribing a value to such security;
- (B) any security which is not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available will be valued at its probable realisation value as at the Valuation Point, as determined by the Directors having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue, and such other factors as the Directors deem relevant in considering a positive or negative adjustment to the valuation;
- (C) investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued as at the Valuation Point by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If there is no such price, then the average will be taken between the lowest offer price and the highest bid price as at the Valuation Point on any market on which such investments are or can be dealt in or traded, provided that where such investments are dealt in or traded on more than one market, the Directors may determine which market shall prevail;
- (D) investments, other than securities, including over-the-counter derivative contracts, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the valuation obtained from an independent pricing source, but where no such valuation is available for a particular investment, the



investment will be valued by comparing the latest available valuation provided by the relevant counterparty against the valuation provided by such other counterparties as the Directors deems appropriate, and in the event that the valuations provided respectively by the relevant counterparty and the other counterparties differ to an extent that the Directors considers to be material, the investment shall be valued on the basis of the average of all of the valuations but otherwise will be valued on the basis of the valuation provided by the relevant counterparty;

- (F) deposits will be valued at their cost plus accrued interest;
- (G) any value (whether of a security or cash) otherwise than in the base currency will be converted into the base currency at the rate (whether official or otherwise) which the Administrator deem appropriate to the circumstances having regard, inter alia, to any premium or discount which it considers may be relevant and to costs of exchange.

The Directors may permit any other method of valuation to be used if they consider that such method of valuation better reflects fair value generally or in particular markets or market conditions and is in accordance with good accounting practice.

The annual accounts of the Fund will be drawn up in accordance with IFRS. However, the above valuation policies may not necessarily comply with IFRS. For example, under IFRS, investments should be valued at fair value, with bid and offer pricing being considered representative of fair value for long and short listed investments respectively. Under the valuation basis described above, listed investments are expected to be valued at the last traded price instead of bid and offer pricing. To the extent that the valuation basis deviates from IFRS, the Directors may make necessary adjustments in the annual financial statements in order to comply with IFRS. If relevant a reconciliation note may be included in the annual financial statements to reconcile values shown in the annual accounts determined under IFRS to those arrived at by applying the valuation policies described above.

The Net Asset Value per Share on any Valuation Day will be calculated by dividing the Net Asset Value of the relevant Class by the number of Shares of such Class in issue as at the close of business on that Valuation Day, the resulting amount being rounded to 4 decimal places.

Subject to the discretions set out above, the Directors have delegated to the Administrator the calculation of the Net Asset Value and the Net Asset Value per Share.

## **SUSPENSION OF CALCULATION OF NET ASSET VALUE AND/OR DEALINGS**

The Directors may declare a temporary suspension of any or one or more of (i) the calculation of Net Asset Value of one or more Classes; (ii) the issue of Shares of one or more Classes (iii) the redemption of Shares of one or more Classes, and/or may suspend the payment of or extend the period for the payment of, redemption proceed, in respect of the whole or any part of a period during which:

- (A) any stock exchange on which a substantial part of the assets of the Fund are traded is closed, otherwise than for ordinary holidays, or dealings on such stock exchange are restricted or suspended;
- (B) there exists any state of affairs which constitutes a state of emergency as a result of which (i) disposal of a substantial part of the assets of the Fund would not be reasonably practicable and might seriously prejudice the interests of Shareholders or (ii) it is not reasonably practicable to determine the value of the assets of the Fund;
- (C) none of the redemption requests which have been made may lawfully be satisfied by the Fund in the operational currency of the relevant Class;
- (D) there is a breakdown in the means of communication normally used to determine the prices of a substantial part of the assets of the Fund;

(E) the business operations of the Manager or the Administrator or the Transfer Agent in respect of the Fund are substantially interrupted or closed as a result or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes, or acts of God; or

(F) the holders of the Management Shares have resolved to wind-up the Fund.

No Shares will be issued or redeemed on any Subscription Day or Redemption Day, as the case may be, when the determination of the Net Asset Value is suspended. In such a case, a Shareholder may withdraw his application for Shares or redemption request provided that a withdrawal notice is actually received by the Transfer Agent before the suspension is terminated. Unless withdrawn, applications for Shares and redemption requests will be acted upon on the first Subscription Day or Redemption Day, as applicable, after the suspension is lifted at the relevant Subscription Price or Redemption Price, as applicable, prevailing on that Subscription Day or Redemption Day, as the case may be.

Holders of Shares of the affected Class or Classes will be notified by the Administrator of the declaration of such suspension and such Shareholders will also be notified when the period of such suspension has ended.

If the Directors declare a suspension of the redemption of Shares they shall, no later than two weeks after such declaration, invite all Shareholders to a meeting to consult on any steps to be taken as a consequence of the suspension. If the suspension continues for more than 90 days, the Investment Manager shall provide Shareholder a plan for increasing transparency in the portfolio and returning cash to Shareholders.

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## FEES AND EXPENSES

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### FEES PAYABLE TO THE MANAGER

#### Management Fee

The Fund will pay the Manager a Management Fee of one twelfth ( $\frac{1}{12}$ ) of 1.75 per cent per month of the Net Asset Value of the Class A Shares and ( $\frac{1}{12}$ ) of 2 per cent per month of the Net Asset Value of the Class B Shares (in each case, before deduction of that month's Management Fee and before making any deduction for any accrued Performance Fees) as at the last Valuation Day in each month.

The Management Fee will be payable in US Dollars monthly in arrears. If the Manager is not acting as Manager for an entire calendar month, the Management Fee payable for such calendar month will be prorated to reflect the portion of such calendar month in which the Manager is acting as such.

If the Directors declare a suspension of the redemption of Shares and such suspension continues for more than 90 days, the Management Fee shall be reduced by 50 per cent for the period from the 91st day after the declaration of the suspension until the suspension has ended.

#### Performance Fee

The Manager will also be entitled to receive a Performance Fee from the Fund in respect of each Class calculated on a Share-by-Share basis so that each Share is charged a Performance Fee which equates with that Share's performance. This method of calculation ensures that (i) any Performance Fee paid to the Manager is charged only to those Shares which have appreciated in value above the Peak Net Asset Value of that Share, as defined below, (ii) all holders of Shares of the same Class have the same amount of capital per Share at risk in the Fund, and (iii) all Shares of the same Class have the same Net Asset Value per Share.

For each Performance Period, the Performance Fee in respect of each Share will be equal to the Relevant Percentage of the appreciation in the Net Asset Value per Share of the relevant Class during that Performance Period above the High Water Mark of that Class. The Performance Fee in respect of each Performance Period will be calculated by reference to the Net Asset Value per Share before deduction for accrued Performance Fees. The Performance Fee will be calculated as at each Valuation Day.

The Performance Fee will be paid to the Manager in arrears as soon as reasonably practicable after the end of each Performance Period.

If Shares are redeemed during a Performance Period, the Performance Fee will be calculated as though the date of redemption were the end of a Performance Period and an amount equal to any accrued Performance Fee in respect of such Shares will be paid to the Manager. In the event of a partial redemption, Shares will be treated as redeemed on a first in, first out basis for the purpose of calculating the Performance Fee. The accrued Performance Fee in respect of those Shares will be paid to the Manager as soon as reasonably practicable after the date of redemption.

If the Management Agreement is terminated during a Performance Period, the Performance Fee in respect of the then current Performance Period will be calculated and paid as though the date of termination were the end of the relevant Performance Period.

#### Adjustments

If an applicant subscribes for Shares at a time when the Net Asset Value per Share of the relevant Class is other than the Peak Net Asset Value per Share of that Class, certain

adjustments will be made to reduce inequities that could otherwise result to the applicant or to the Manager. The "Peak Net Asset Value per Share" in respect of a Class is the greater of (i) the price at which Shares of that Class will be issued at the close of the Initial Offer Period and (ii) the highest Net Asset Value per Share of that Class in effect immediately after the end of the previous Performance Period in respect of which a Performance Fee (other than a Performance Fee Redemption, as defined below) was charged.

- (A) If Shares are subscribed for at a time when the Net Asset Value per Share is less than the Peak Net Asset Value per Share of the relevant Class, the Shareholder will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those Shares. With respect to any appreciation in the value of those Shares from the Net Asset Value per Share at the date of subscription up to the Peak Net Asset Value per Share, the Performance Fee will be charged at the end of each Performance Period by redeeming at par value such number of the Shareholder's Shares of the relevant Class as have an aggregate Net Asset Value (after accrual for any Performance Fee) equal to the Relevant Percentage of any such appreciation (a "Performance Fee Redemption"). An amount equal to the aggregate Net Asset Value of the Shares so redeemed will be paid to the Manager as a Performance Fee. The Fund will not be required to pay to the Shareholder the redemption proceeds of the relevant shares, being the aggregate par value thereof.

Performance Fee Redemptions are employed to maintain a uniform Net Asset Value per Share of each Class. As regards the Shareholder's remaining Shares of the relevant Class, any appreciation in the Net Asset Value per Share of those Shares above the Peak Net Asset Value per Share of that Class will be charged a Performance Fee in the manner described above. If a Shareholder redeems Shares during a Performance Period and an adjustment in accordance with the principles of this paragraph (A) is required in relation to such Shares, such adjustment shall be deducted from the redemption proceeds and will be paid to the Manager.

- (B) If Shares are subscribed for at a time when the Net Asset Value per Share is greater than the Peak Net Asset Value per Share of the relevant Class, the applicant will be required to pay an amount in excess of the then current Net Asset Value per Share of that Class equal to the Relevant Percentage of the difference between the then current Net Asset Value per Share of that Class (before accrual for the Performance Fee) and the Peak Net Asset Value per Share of that Class (an "Equalisation Credit"). At the date of subscription the Equalisation Credit will equal the Performance Fee per Share accrued with respect to the other Shares of the same Class (the "Maximum Equalisation Credit"). The Equalisation Credit is payable to account for the fact that the Net Asset Value per Share has been reduced to reflect an accrued Performance Fee to be borne by existing Shareholders; it serves as a credit against the Performance Fee that might otherwise be payable out of the assets of the Fund but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalisation Credit ensures that all holders of Shares of the same Class have the same amount of capital at risk per Share.

The Equalisation Credit will be at risk in the Fund and will appreciate or depreciate based on the performance of the Shares of the relevant Class subsequent to the issue of the relevant Shares, but will never exceed the Maximum Equalisation Credit. In the event of a decline as at any Valuation Day in the Net Asset Value per Share of those Shares, the Equalisation Credit will be reduced by an amount equal to the Relevant Percentage of the difference between the Net Asset Value per Share (before accrual for the Performance Fee) at the date of issue and as at that Valuation Day. Any subsequent appreciation in the Net Asset Value per Share of the relevant Class will result in the recapture of any reduction in the Equalisation Credit but only to the extent of the previously reduced Equalisation Credit up to the Maximum Equalisation Credit.

At the end of each Performance Period, if the Net Asset Value per Share (before accrual for the Performance Fee) exceeds the Peak Net Asset Value per Share of the relevant Class, that portion of the Equalisation Credit equal to the Relevant Percentage of the excess, multiplied by the number of Shares of the relevant Class subscribed for by the

Shareholder, will be applied to subscribe for additional Shares of the relevant Class for the Shareholder. Additional Shares of the relevant Class will continue to be so subscribed for at the end of each Performance Period until the Equalisation Credit, as it may have appreciated or depreciated in the Fund after the original subscription for Shares was made, has been fully applied.

If the Shareholder redeems Shares before the Equalisation Credit (as adjusted for depreciation and appreciation as described above) has been fully applied, the Shareholder will receive additional redemption proceeds equal to the Equalisation Credit then remaining multiplied by a fraction, the numerator of which is the number of Shares of the relevant Class being redeemed and the denominator of which is the number of Shares of that Class held by the Shareholder immediately prior to the redemption in respect of which an Equalisation Credit was paid on subscription.

## **General**

The Manager may from time to time, rebate part or all of the Management Fee and/or Performance Fee to some or all Shareholders out of its own resources. Any such rebates may be applied in paying up additional Shares to be issued to the Shareholder.

## **FEES PAYABLE TO THE INVESTMENT MANAGER**

The Manager will be responsible for payment of the Investment Manager's fees and expenses. The Investment Manager will not receive any compensation from the Fund.

## **ADMINISTRATION AND TRANSFER AGENCY FEES**

The Administrator and the Transfer Agent will receive a combined fee from the Fund for providing administration and transfer agency services of up to 0.11 per cent per annum of the Net Asset Value of the Fund, calculated as at each Valuation Day and payable monthly in arrears, subject to a minimum monthly fee of up to US\$9,000. An inception fee of US\$5,000 will be payable to the Administrator in relation to the commencement of the administration services.

The Administrator and the Transfer Agent will also be entitled to various transaction and processing fees and to be reimbursed for all out of pocket expenses properly incurred by it in the performance of its duties.

The fees payable to the Administrator and/or the Transfer Agent may be amended from time to time by agreement between the Fund and the Administrator and/or the Transfer Agent, as applicable, but will not exceed normal commercial rates.

## **PRIME BROKERAGE FEES**

Each Prime Broker will receive such fees as may be agreed between the Fund and the relevant Prime Broker from time to time. The fees charged by any Prime Broker for prime brokerage services will not exceed normal commercial rates and will be based on a combination of transaction charges and interest costs. A Prime Broker will not generally receive any separate fees for its custodial services.

## **FEES PAYABLE TO THE DIRECTORS**

The remuneration of the Directors is determined by a resolution of the Directors. HF Fund Services Ltd is currently entitled to receive a fee of US\$12,000 per annum from the Fund in respect of the provision of the services of Mr Harrigan as a Director. Mr Tung is paid a fee of US\$8,000 per annum from the Fund. Mr Kam has waived his entitlement to any directors' fees until further notice. The Directors may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Fund or in connection with the business of the Fund.

## **EXPENSES**

### **Preliminary Expenses**

The preliminary expenses of, and incidental to, the initial offering (including expenses relating to the establishment of the Fund in the Cayman Islands, the negotiation and preparation of the contracts to which it is a party, the costs of printing this Memorandum and the fees and expenses of its professional advisors) will be paid out of the proceeds of the initial issue of Shares. These preliminary expenses are estimated to amount to approximately US\$35,000 and will be amortised on a straight line basis over a period of five (5) years from the initial issue of Shares. The Directors may shorten the period over which such expenses are amortised.

Under IFRS, establishment costs should be expensed as incurred and amortisation is not consistent with IFRS. However, the Directors believe that the amortisation of establishment costs is more equitable than expensing the entire amount as they are incurred and is of the opinion that the departure is unlikely to be material to the overall financial statements of the Fund. To the extent that the preliminary expenses policy adopted by the Fund deviates from IFRS, the Fund may make certain adjustments in the annual accounts of the Fund in order to comply with IFRS

### **Operating Expenses**

The Fund will also pay the costs and expenses of (i) all transactions carried out by it or on its behalf and (ii) the operation and administration of the Fund, including (a) the charges and expenses of legal advisers, consultants, administrators and auditors, (b) brokers' commissions, (c) borrowing charges on securities sold short (d) any expenses related to buying and selling assets, including any issue or transfer taxes chargeable in connection with any securities transactions, (e) all taxes and corporate fees payable to governments or agencies, (f) interest on borrowings, including borrowings from any Prime Broker, (g) fees and expenses incurred by the Investment Manager in connection with the provision of its investment management services including, but not limited to, research related expenses, expenses related to monitoring investments, costs incurred in carrying out due diligence regardless of whether a particular transaction is consummated (including reasonable travel and accommodation costs) and fees paid to any service provider appointed to perform services including, without limitation, independent risk monitoring functions, risk reporting functions and operational functions; (h) fees and expenses of any custodian, escrow or transfer agent, risk management specialist and other investment related service providers appointed by the Fund, (i) communication expenses with respect to investor services, including all expenses of meetings of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, placement memoranda and similar documents, (j) Directors' fees (if any) and expenses, (k) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business (l) the cost of insurance (if any) against potential indemnification expenses, and (m) all other organisational and operating expenses.



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## CERTAIN RISK FACTORS

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*The nature of the investments of the Fund involves certain risks including, but not limited to, those listed below and the Manager and Investment Manager may utilize investment techniques which carry additional risks. An investment in the Fund therefore carries substantial risk. Prospective investors should carefully consider the following factors, among others, in determining whether an investment in the Fund is suitable for them:*

### **RISKS ASSOCIATED WITH THE STRUCTURE OF THE FUND**

**Absence of regulatory oversight:** The Fund is not a regulated mutual fund under the Mutual Funds Law and is not required to, and does not intend to, register under the laws of any other jurisdiction, and, accordingly, the provisions of statutes of certain jurisdiction (which may provide certain regulatory safeguards to investors) will not apply.

**Business and regulatory risks of hedge funds:** Legal, tax and regulatory changes could occur during the term of the Fund that may adversely affect the Fund. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments and the ability of the Investment Manager to obtain the leverage it might otherwise obtain or to pursue certain trading strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on the Fund could be substantial and adverse.

**Commissions and expenses:** The Fund is obligated to pay brokerage commissions and related transaction fees and costs, which can be substantial, regardless of whether their trading activities are profitable. The Fund also must pay its own fees and operating and administrative expenses. It will be necessary for the Fund to achieve gains in excess of these aggregate fees and costs in order for Shareholders to realise an increase in the Net Asset Value of their Shares. There can be no assurance that the Fund will be able to achieve such, or any, appreciation of its assets.

**Cross Class liability risk:** Although separate Class Accounts will be established for each Class and assets and liabilities will be allocated to the relevant Class Account, if the liabilities of a Class exceed its assets, creditors of the Fund may have recourse to the assets attributable to the other Classes.

**Dependence on key personnel:** The success of the investment strategy depend upon the experience and expertise of certain key individuals at the Manager and the Investment Manager. The loss of the services of any such key individual could have a material adverse effect on the performance of the Fund.

**Illiquidity of Shares:** There is no secondary market for Shares and it is not expected that such a market will develop. Shares can be transferred only with the approval of the Directors. Consequently, Shareholder may not be able to dispose of their Shares except by means of redemption. Redemptions may be subject to an overall limit by reference to the Net Asset Value of the Fund or the relevant Class at any one time and may be suspended in certain situations.

**Lack of operating history:** The Fund is newly established and do not have any prior operating history of their own for prospective investors to evaluate prior to making an investment in the Fund. Consequently, a prospective investor should evaluate the Fund's investment program on the basis that no one can guarantee that the Investment Manager's assessment of the short or long term prospects of the investment strategy will prove accurate, or that the Fund will achieve its investment objective.

**Limited rights of Shareholder:** Shareholders will have no right to participate in the day to day operations of the Fund. Consequently, Shareholders will not have any control over the management of the Fund or the appointment and removal of their service providers.

**No separate counsel:** Ogier acts as legal counsel to the Manager and Investment Manager as to matters of Cayman Islands laws. The Directors do not have counsel separate and independent from counsel to the Manager and Investment Manager. Neither does Ogier represent investors in the Fund, and no independent counsel has been retained to represent investors in the Fund. This Memorandum was prepared based on information furnished by the Directors, the Manager and Investment Manager. Ogier has not independently verified such information.

**Performance based compensation:** The Manager will receive a Performance Fee (which it will share with the Investment Manager) based on the appreciation in the Net Asset Value. The Performance Fee will increase with regards to unrealised appreciation, as well as realised gains. Accordingly, a Performance Fee may be paid on unrealised gains which may subsequently never be realised. The Performance Fee may provide an incentive for the Manager and/or the Investment Manager to make investments for the Fund, which are riskier than would be the case in the absence of a fee based on the performance of the Fund.

**Possible effect of substantial redemptions:** Substantial redemptions of Shares could require the Fund to liquidate its positions more rapidly than otherwise desired in order to raise the cash necessary to fund the redemptions. Illiquidity in certain securities could make it difficult for the Fund to liquidate positions on favourable terms, which could result in losses or a decrease in the Net Asset Value. The Fund is permitted to borrow cash necessary to make payments in connection with redemption of Shares. The Fund is also authorised to pledge portfolio assets as collateral security for the repayment of such loans. In these circumstances, the continuing Shareholder will bear the risk of any subsequent decline in the value of the Fund's assets.

**Side letters:** The Directors may enter into side letters with certain prospective or existing Shareholders whereby such Shareholders may be subject to terms and conditions that are more advantageous than those set out in this Memorandum. Such terms and conditions may, for example, provide for special rights to make future investments in the Fund; more favourable transfer rights or the right to receive reports in relation to the Fund on a more frequent or detailed basis and such other rights as may be agreed by the Directors and such Shareholder. The terms and conditions are solely at the discretion of the Directors and may, among other things, be based on the size of the Shareholder's investment in the Fund, an agreement by a Shareholder to maintain such investment in the Fund for a significant period of time, or other similar commitment by the Shareholder.

## **RISKS ASSOCIATED WITH THE INVESTMENT STRATEGY**

**Availability of investment strategies:** Identification and exploitation of the investment strategies to be pursued in respect of the Fund involves a high degree of uncertainty. No assurance can be given that the Investment Manager will be able to locate suitable investment opportunities in which to deploy all of the monies held. Market factors including, but not limited to, a reduction in the volatility and pricing inefficiency of the markets in which the Investment Manager seeks to invest the assets of the Fund will reduce the scope of the investment strategies.

**Borrowing:** The Fund may use borrowings for the purpose of making investments. The use of borrowing may significantly increase the investment risk of the Fund. Borrowing creates an opportunity for greater yield and total return but, at the same time, will increase the exposure of the Fund to capital risk and interest costs. Any investment income and gains earned on investments made through the use of borrowings that are in excess of the interest costs associated therewith may cause the Net Asset Value of the Shares to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the Net Asset Value of the Shares may decrease more rapidly than would otherwise be the case. The use of borrowing also exposes the Fund to additional risks including the risk of margin calls or interim margin requirements which may force premature liquidation of investment positions. This may cause the Fund to suffer significant losses even if the value of such investments recovers subsequently.



**Commodity futures trading:** Commodity futures trading is speculative and commodity futures prices can be highly volatile. Price movements of commodity futures contracts are influenced by, among other things, changing supply and demand relationships, governmental, trade programs and policies, and national and international political and economic events. Changing prospects occasioned by unexpected events make it difficult to forecast supplies of commodities. Similarly, demand is also difficult to forecast due to such factors as variable world production patterns, unexpected purchases by countries and continued changes in domestic needs. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.

**Concentration of investments:** The Fund is not subject to any requirement to diversify its investments and may from time to time hold relatively few investments. Although the Investment Manager will follow a general policy of seeking to spread the assets of the Fund among a number of investments, the Investment Manager may depart from such policy from time to time and may hold a few, relatively large securities positions in relation to the value of the Fund. The result of such concentration of investments is that a loss in any such position could materially reduce the value of the Fund.

**Counterparty and settlement risk:** The Fund is subject to the risk of the inability of any counterparty (including any Prime Broker) to perform with respect to transactions, whether due to insolvency, bankruptcy or other circumstances. The Fund is subject to the risk that counterparties may not have access to finance and/or assets at the relevant time and may fail to comply with their obligations under the relevant sale and repurchase agreements. Recent well-publicised weaknesses in certain financial institutions may be indicative of increased counterparty risk. In the event of any counterparty (including a Prime Broker) entering an insolvency procedure, the Fund could experience delays in liquidating its positions and incur significant losses, including the loss of that portion of the Fund's portfolio financed through such a transaction, a decline in value of its investment during the period in which the Fund seeks to enforce its rights, an inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. During an insolvency procedure (which may last many years) the use by the Fund of assets held by or on behalf of the relevant Prime Broker, custodian or counterparty may be restricted and accordingly (a) the ability of the Investment Manager to fulfil the investment objective may be severely constrained, (b) the Fund may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Shares, and/or (c) the Net Asset Value may be otherwise affected. During such a procedure, the Fund is likely to be an unsecured creditor in relation to certain assets (including those in respect of which it had previously been a secured creditor) and accordingly the Fund may be unable to recover such assets from the insolvent estate of the relevant Prime Broker, custodian or counterparty in full, or at all.

**Currency exposure:** Assets of the Fund may be invested in securities and other investments which are denominated in currencies other than the currency or currencies in which Shares are denominated. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Fund may seek to hedge its foreign currency exposure but will necessarily be subject to foreign exchange risks and there can be no assurance that any hedges which are put in place will be effective. Prospective investors whose assets and liabilities are predominantly in currencies other than the currency in which their Shares will be denominated should take into account the potential risk of loss arising from fluctuations in value between the currency in which their Shares will be denominated, the currency of investment and the currencies of their assets and liabilities.

**Debt securities:** The Fund may invest in fixed income securities which may be unrated by a recognised credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than rated or higher-rated debt securities. Because investors generally perceive that there are greater risks associated with unrated and below investment grade securities, the yields and prices of such securities may fluctuate more than those for higher-rated securities. The market for unrated or non-investment grade securities may be smaller and less active than that for rated or higher-rated securities, which may adversely affect

the prices at which these securities can be sold and result in losses to the Fund. The Fund may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The issuers of debt securities may default on their obligations, whether due to insolvency, bankruptcy, fraud or other causes and their failure to make the scheduled payments could cause the Fund to suffer significant losses. The Fund will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

**Derivative instruments:** The Fund may utilise both over-the-counter and exchange traded and derivatives including, but not limited to, futures, options, forward contracts, warrants and swaps. Derivative instruments can be highly volatile and expose investors to a high risk of loss. The use of derivative instruments exposes the Fund to various risks, including the following:

- (i) *Tracking* – When a derivative instrument is used for hedging purposes, there may be an imperfect or variable degree of correlation between price movements of the derivative instrument and the investment or market sector being hedged which may negate the intended hedging effect. In particular, the pricing relationships between derivatives and the underlying instruments on which they are based also may not conform to anticipated or historical correlation patterns, resulting in unanticipated losses. In highly volatile markets, predictions of correlation based on historical data can diverge dramatically from observed market moves. An inaccurate estimation of the correlation may lead to a faulty hedge and a consequent loss in the portfolio.
- (ii) *Liquidity* – Derivative markets often have limited liquidity, particularly when derivative instruments are traded in large amounts. In circumstances of low liquidity, the Fund may not be able to close out a position without incurring a substantial loss. In addition, daily limits on price fluctuations and speculative positions limits on exchanges on which the Fund may conduct transactions in certain derivative instruments may prevent prompt liquidation of positions, subjecting the portfolio to the potential of greater losses.
- (iii) *Leverage* – The low initial margin deposits normally required to establish a position in derivative instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In the event that a call for further margin exceeds the amount of cash available in the Fund, the Fund will be required to close out the relevant contract. The risks associated with the high degree of leverage which can be embedded in derivative instruments can be materially increased by the limited liquidity which often characterises the derivatives markets.
- (iv) *Over-the-Counter-Trading* – Over-the-counter instruments, unlike exchanged-traded instruments, are two-party contracts where price and other terms are negotiated by the buyer and the seller. Transactions in over-the-counter instruments may involve additional risk as there is no exchange market on which to close out an open position. Consequently it may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange. The risk of non-performance by the relevant counterparty can be significantly greater in the case of over-the-counter instruments as opposed to exchange-traded instruments. Many of the protections afforded to participants in a regulated environment may not be available in connection with transactions in over-the-counter instruments. Contractual asymmetries and inefficiencies, such as break clauses whereby a counterparty can terminate a transaction on the basis of a certain reduction in Net Asset Value, can also increase risk.

**Difficult market for investment opportunities:** The activity of identifying, completing and realizing on attractive investments involves a high degree of uncertainty. There can be no assurance that the Investment Manager will be able to locate and complete investments which satisfy the investment objective of the Fund or that the Investment Manager will be able to invest fully the subscribed capital of the Fund in a manner consistent with its investment strategy. The Fund competes with other hedge funds and market participants (such as public or private investment funds and the proprietary desks of investment banks) for investment opportunities. The number of such hedge funds and market participants and the scale of the assets managed by such entities is increasing. Such competitors may be substantially larger and have considerably greater financial, technical and marketing resources than are available to the Fund or they may also have a lower cost of capital and access to funding sources that are not available to the Fund, which may create competitive disadvantages with respect to investment opportunities. The net effect of these developments may be to reduce the opportunities available for the Investment Manager to generate returns and/or reduce the quantum of these returns. Historic opportunities for some or all hedge fund strategies may be eroded over time whilst structural and/or cyclical factors may reduce investment opportunities for the Investment Manager temporarily or permanently reducing the potential returns of the Fund.

**Emerging markets:** The Fund may invest in securities of companies incorporated in, or whose business operations are in, emerging markets and therefore additional risks may be encountered. These include:

- (i) *Political and economic factors* - Investing in emerging markets involves certain risks not typically associated with investing in the securities of issuers in more established markets, including: (i) political and economic risks, such as greater risks of expropriation, nationalisation and lower social, political and economic stability; (ii) a greater level of government involvement in and control over the economy; (iii) substantially higher rates of inflation; (iv) certain national policies which may restrict the investment opportunities of the Fund, including restrictions on investing in issuers or industries deemed sensitive to the national interest; and (v) bureaucratic restraints relating to investment in the country.
- (ii) *Developing legal system* - At present, the securities market and the regulatory framework for the securities industry in many emerging markets is at an early stage of development. Tax and associated laws are also evolving on a continuing basis. As these laws, regulations and legal requirements are relatively recent, interpretation and enforcement involve significant uncertainty. In particular, laws governing business organisations, bankruptcy and insolvency in emerging markets may provide substantially less protection to security holders, such as the Fund, than that provided by the laws of more developed countries.
- (iii) *Market considerations* - As emerging markets are at an early stage of development, they typically have less volume, are less liquid and experience greater volatility than more established markets. Settlement of transactions may be subject to delay and administrative uncertainties.
- (iv) *Currency* - The currencies in which investments are denominated or priced may be unstable and/or subject to significant depreciation. Such currencies may not be freely convertible. The imposition of currency controls may negatively impact performance and liquidity in the Fund as capital may become trapped in the relevant jurisdiction.
- (v) *Custody risk* - Custodians are not able to offer the level of service and safe-keeping in relation to the settlement and administration of securities that is customary in more developed markets. In particular, there is a risk that the Fund will not be recognised as the owner of securities held on its behalf by a sub-custodian.
- (vi) *Disclosure* - Less complete and reliable fiscal and other information may be available to investors.

**Forward foreign exchange contracts:** The Fund may enter into forward foreign exchange contracts. A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not uniform as to the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Fund will be subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Fund to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

**Hedging:** Although the Fund may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, swaptions, caps and floors, futures and forward contracts generally for risk management purposes (the Fund may also utilize them for speculative purposes), there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance and increased (rather than reduced) risk for the Fund than if it did not engage in any such hedging transactions. Moreover, the Fund will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties). In addition, the Fund may choose not to enter into hedging transactions with respect to some or all of its positions.

**Market risks and liquidity:** The profitability of a significant portion of the investment program of the Fund depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Investment Manager will be able to predict accurately these price movements. Although the Investment Manager may attempt to mitigate market risk through the use of long and short positions or other methods, there is always some, and occasionally a significant, degree of market risk.

Furthermore, the Fund may be adversely affected by a decrease in market liquidity for the instruments in which the Investment Manager invests, which may impair the Investment Manager's ability to adjust position. The size of positions may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall market leverage, deleveraging as a consequence of a decision by a prime broker to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect the Fund's portfolio. Some investments may not be actively traded and there may be uncertainties involved in the valuation of such investments.

**Options:** The Fund may buy and sell options and there are various risks inherent in such trading. For example, the seller (writer) of a covered call option (e.g., the seller has a long position in the underlying security) assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the security, less the premium received on the call option. The writer of a covered call option also gives up the opportunity for gain on the underlying security above the exercise price of the call. The writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium invested in the option. The seller of a covered put option (e.g., the seller has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option less the premium received on the put option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing the



premium it paid to purchase the put option. The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted.

**Overall investment risk:** All securities investments risk the loss of capital. The nature of the securities to be purchased and traded by the Investment Manager and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. While the Investment Manager will devote its best efforts to the management of the Fund's portfolio, there can be no assurance that the Fund will not incur losses. Many unforeseeable events, including actions by various government agencies, and domestic and international political events, may cause sharp market fluctuations. Changes in the macroeconomic environment, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political events and trends, changes to tax laws, currency exchange rates, regulatory policy, employment and consumer demand and innumerable other factors, can substantially and adversely affect the performance of an Investment of the Fund. None of these conditions will be within the control of the Investment Manager.

**Prime Brokers:** Legal and beneficial title to assets of the Fund may be transferred to the Prime Brokers. In relation to the Fund's right to the return of assets equivalent to those of the Fund's investments which any Prime Broker borrows, lends, charges, takes legal and beneficial ownership of or otherwise uses for its own purposes, the Fund will rank as one of the Prime Broker's unsecured creditors. In the event of the insolvency of such Prime Broker the Fund might not be able to recover such equivalent assets in full.

An insolvency of a Prime Broker might also make it difficult for the Fund to transfer and utilise assets held with the relevant Prime Broker and thus cause severe disruption to the trading of the Fund. This may be the case even when assets are clearly identified as belonging to the Fund.

In addition, the Fund's cash held with a Prime Broker may not be treated as client money subject to the protections conferred by the rules of the Financial Services Authority of the United Kingdom and accordingly will not be segregated from the relevant Prime Broker's own cash and will be used by it in the course of its investment business. The Fund will rank as an unsecured creditor in relation to such cash.

The Fund's assets may be held in one or more accounts maintained for the Fund by its Prime Brokers, custodian(s) or at other brokers, which may be located in various jurisdictions. Such local brokers and the Prime Brokers, as brokerage firms or commercial banks, are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a Prime Broker, a custodian or any of its sub-custodians, agents or affiliates, or a local broker, it is impossible to generalise about the effect of their insolvency on the Fund and its assets. Investors should assume that the insolvency of any of the Prime Brokers or such other service providers would result in a loss to the Fund, which could be material.

**Repurchase and reverse-repurchase agreements:** The Fund may use repurchase and reverse-repurchase agreements, which involve certain risks. For example, if the seller of securities under a repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the Fund's ability to dispose of the underlying securities may be restricted. Finally, it is possible that the Fund may not be able to substantiate its interest in the underlying securities. If the seller fails to repurchase the securities, the Fund may suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

**Risks of executing investment strategies.** The Investment Manager will invest in a number of securities and obligations that entail substantial inherent risks. Although the Investment Manager will attempt to manage those risks through careful research, ongoing monitoring of investments and appropriate hedging techniques, there can be no assurance that the securities and other instruments purchased by the Investment Manager will in fact increase in value or that Fund will not incur significant losses.

**Short sales:** The short selling of securities creates opportunities to increase the Fund's return but, at the same time, involve special risk considerations and may be considered a speculative technique. Since the Fund, in effect, profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, the value of Shares will tend to increase more when the securities it has sold short decrease in value, and to decrease more when the securities it has sold short increase in value, than otherwise would be the case if it had not engaged in such short sales. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may increase continuously, although the Investment Manager may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions the Investment Manager might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale delivery obligations at a time when fundamental investment considerations would not favour such sales. Short sales may be used with the intent of hedging against the risk of declines in the market value of the Fund's long portfolio, but there can be no assurance that such hedging operations will be successful.

Financial regulators in a number of jurisdictions have recently promulgated rules restricting the short selling of certain securities. Although such restrictions are generally temporary and have expired in some jurisdictions, one or more regulatory authorities may extend, amend, or reinstate such restrictions. Various proposals for the regulation of short sales are emerging, including proposals that would provide transparency to industry competitors as to their positions. If enacted, one or more of such proposals may prevent the Investment Manager from successfully implementing its investment strategy or otherwise negatively impact the performance of the Fund.

**Swap agreements:** The Fund may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Fund's exposure to long-term or short-term interest rates (in the United States or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Fund is not limited to any particular form of swap agreement if the Investment Manager determines it is consistent with the Fund's investment objective, approach and strategies.

Swap agreements tend to shift the Fund's investment exposure from one type of investment to another. For example, if the Fund agrees to exchange payments in US Dollars for payments in foreign currency, the swap agreement would tend to change the Fund's exposure to US interest rates and its exposure to foreign currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency or other factor that determine the amounts of payments due to and from the Fund. If a swap agreement calls for payments by the Fund, the Fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Fund.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

**Valuation of the investments:** Valuation of the assets of the Fund may involve uncertainties and if such valuations should prove to be incorrect, the net asset value of the Fund, and consequently Net Asset Value per Share, could be adversely affected. Valuation determinations will be made in good faith in accordance with the Articles and the provisions of this Memorandum.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective investors should read this entire Memorandum and consult with their own legal, tax and financial advisers before deciding to invest in the Fund.**



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## CONFLICTS

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### CONFLICTS OF INTEREST

The Directors, Manager, Investment Manager, Administrator, Transfer Agent, Prime Brokers (and their respective directors, officers and employees) and any broker appointed by or in respect of the Fund may, from time to time, act as distributor, promoter, manager, investment manager, investment adviser, registrar, administrator, transfer agent, trustee, custodian, broker, distributor, director or placing agent to, or be otherwise involved in, other collective investment schemes which have similar investment objectives to those of the Fund. Similarly, one or more of them may provide discretionary fund management or ancillary administration, custodian or brokerage services to investors with similar investment objectives to those of the Fund. Consequently, any of them may, in the course of their business, have potential conflicts of interests with the Fund. Each will at all times have regard to its obligations to the Fund and/or the Shareholders and will endeavour to resolve such conflicts fairly.

#### Manager and Investment Manager

The Manager and Investment Manager engage in the business of discretionary investment management and advising clients, including other investment vehicles, in the purchase and sale of securities and financial instruments. The Manager and Investment Manager may each be advising other clients during the same period that it is responsible for managing or advising in relation to the portfolio of the Fund, using the information and trading strategies which it obtains, produces or utilises in the performance of services for the Fund.

The Investment Manager may have conflicts of interest in rendering advice because its compensation for managing/advising on other accounts may exceed its compensation for managing the portfolio of the Fund, thus providing an incentive to prefer such other account. Moreover, if the Investment Manager makes trading decisions in respect of such accounts and in respect of the Fund at or about the same time, the Fund may be competing with such other accounts for the same or similar positions. The Investment Manager will endeavour to ensure that all investment opportunities are allocated on a fair and equitable basis between the Fund and such other accounts.

The Fund has been established and promoted at the request of the Manager. Accordingly the selection of the Manager and the terms of its appointment, including the fees payable to it, are not the result of arms-length negotiations. However, the Directors believe that the fees, commissions and compensation payable to the Manager are consistent with normal market rates for investment funds of a similar type to the Fund.

From time to time, the Investment Manager may come into possession of non-public information concerning specific companies although internal structures are in place to prevent the receipt of such information. Under applicable securities laws, this may limit the Investment Manager's flexibility to buy or sell portfolio securities issued by such companies which may have an impact on the investment strategy of the Fund.

#### Directors

Mr Tung and Mr Kam are both directors of the Manager which receives a Management Fee and may receive a Performance Fee in respect of its services as Manager of the Fund. The fiduciary duties of the Directors may compete with or be different from the interests of the Manager.

Mr Kam is also a director of the Investment Manager which will receive fees from the Manager in respect of its services as Investment Manager to the Fund. The fiduciary duties of the Directors may compete with or be different from the interests of the Investment Manager.

The Fund has entered into a director service agreement with HF Fund Services Ltd, pursuant to which HF Fund Services Ltd has agreed to provide the services of Patrick Harrigan to act as a Director. Mr Harrigan may serve as a director of other collective investment schemes and, subject to any applicable confidentiality requirements, may use information which it obtains, produces or utilises in the performance of services for the Fund in respect of such other collective investment schemes.

No agreement or transaction between the Fund and one or more of its Directors or any person in which any Director has a financial interest or to whom any Director is related, including as a director of that other person, is void or voidable for that reason only or by reason only that the Director is present at the meeting of Directors or at the meeting of the committee of Directors that approves the agreement or transaction, or that the vote or consent of that Director is counted for that purpose, provided that the material facts of the interest of each relevant Director in the agreement or transaction, and his interest in or relationship to any other party to the agreement or transaction, are disclosed in good faith to or known by the other Directors.

A Director who has an interest in any particular business to be considered at a meeting of the Directors or Shareholders may be counted for the purpose of determining whether the meeting is duly constituted and may vote at such meeting.

Save as disclosed in this Memorandum, no Director has any interest, direct or indirect, in the promotion of or in any assets which are proposed to be acquired, disposed of by or leased to the Fund and no Director has a material interest in any contract or arrangement entered into by the Fund which is unusual in nature or conditions or significant in relation to the business of the Fund, nor has any Director had such an interest since the Fund were incorporated.

## **SOFT DOLLAR ARRANGEMENTS**

The Investment Manager may receive goods or services from a broker or a dealer in consideration of directing transaction business for the account of the Fund to such broker or dealer provided that (i) the goods or services are of demonstrable benefit to the Fund, and (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary full service brokerage rates.

Goods and services may include: 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 goods and services, clearing and custodian services and investment-related publications. The goods and services which the Investment Manager is permitted to receive may not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employee salaries, direct money payments or any other goods and services as may be prescribed from time to time in any code or guidelines issued by the Securities and Futures Commission of Hong Kong.

The Fund may be deemed to be paying for these services with “soft” dollars. Although the Investment Manager believes that the Fund will demonstrably benefit from the services obtained with “soft” dollars generated by trades, the Fund does not benefit from all of these “soft” dollar services because the Investment Manager and other accounts managed by the Investment Manager or its affiliates also derive substantial direct or indirect benefits from these services, particularly to the extent that the Investment Manager uses “soft” dollars to pay for expenses the Investment Manager would otherwise be required to pay itself.

The Investment Manager intends generally to consider the amount and nature of research, execution and other services provided by brokers, as well as the extent to which such services are relied on, and attempt to allocate a portion of its brokerage business on the basis of that consideration. The investment information received from brokers, however, may be used by the Investment Manager and its affiliates in servicing other accounts and not all such information may be used by the Investment Manager in connection with the Fund. The Investment Manager believes that such an allocation of brokerage business may help to obtain research and execution capabilities and provides other benefits to the Fund.

The relationships with brokerage firms that provide “soft” dollar services to the Investment Manager may influence the Investment Manager’s judgement in allocating brokerage business and create a conflict of interest in using the services of those broker-dealers to execute brokerage transactions. The brokerage commissions paid to those firms, will not, however, differ materially from, nor will they be in excess of, customary full brokerage commissions payable to other firms for comparable services.

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## **FINANCIAL INFORMATION AND REPORTS**

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### **FINANCIAL YEAR**

The financial year of the Fund will end on 31 December in each year.

### **FINANCIAL STATEMENTS**

The books and records of the Fund will be audited as at the end of each financial year by the Auditor. The first audit will be for the period from the commencement of the Fund's operations until 31 December 2012. The financial statements of the Fund will be presented in US Dollars and prepared in accordance with IFRS, unless the Directors otherwise deem appropriate.

### **AUDITORS**

Ernst & Young, Hong Kong will be appointed as the auditors for the Fund and has consented in writing to their appointment. The Directors may replace the Auditors without prior notice to the Shareholders. It is expected that the engagement letter to be entered into between the Fund and Ernst & Young will contain provisions limiting the liability of Ernst & Young arising out of or in connection with the engagement to an amount equal to 3 times the fees paid except to the extent that such liability arises as a result of the wilful default or fraud on the part of Ernst & Young. Other release and indemnity provisions are also likely to be contained in the engagement letter relating to consequential loss, third party claims and fraudulent acts or omissions, misrepresentations or wilful default on the part of the Fund, its directors, employees or agents. The engagement letter is also expected to require that any claim arising in connection with the engagement be brought against Ernst & Young within three years of the act or omission alleged to have caused the loss in question.

### **REPORTS TO SHAREHOLDERS**

An annual report and audited financial statements for the Fund in respect of each financial year will be sent to each Shareholder as soon as practicable after, and in any event within six months of, the end of the relevant financial year.

Shareholder will also be provided with a monthly report on the portfolio of the Fund no later than 15 Business Days after the determination of the Net Asset Value. Such report shall typically include portfolio information on the Fund's assets, geographical breakdown, top positions and market exposures.

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## TAXATION

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### GENERAL

The following is based on the Fund's understanding of certain aspects of the law and practice currently in force in the Cayman Islands and Hong Kong. The discussion below is based on laws, regulations, guidelines, published administrative rulings and judicial decisions currently in effect, all of which may change or be subject to different interpretations, possibly with retroactive effect. Any such changes could adversely affect the comments made below. There can be no guarantee that the tax position or proposed tax position at the date of this Memorandum or at the time of an investment will endure indefinitely.

In view of the number of different jurisdictions where local laws may apply to Shareholders, the discussion below does not address the tax consequences to potential investors of the purchase, ownership, and disposition of Shares. Prospective investors are urged to consult their own tax advisors in determining the possible tax consequences to them under the laws of the jurisdictions of which they are citizens, residents or domiciliaries, jurisdictions in which they conduct business and jurisdictions in which they purchase, hold, redeem or dispose of Shares. The discussion below does not constitute tax advice.

### CAYMAN ISLANDS

The Fund is not subject to any income, withholding or capital gains taxes in the Cayman Islands.

The Fund has received an undertaking from the Governor-in-Cabinet of the Cayman Islands, which provides that, for a period of 20 years from the date of the undertaking, no law subsequently enacted in the Cayman Islands that imposes any tax or duty to be levied on profits, income, gains, or appreciation or any tax in the nature of estate duty or inheritance tax will apply to any property comprised in the Fund, or to any income arising under the Fund or to the Shareholder in respect of any such property or income.

No capital or stamp duties are levied in Cayman on the issue, transfer or redemption of Shares. The only taxes which will be chargeable on the Fund in Cayman are nominal amounts payable to the Registrar of Companies. There are no exchange controls in Cayman.

### HONG KONG

#### Fund Level Taxation

The Inland Revenue Ordinance (the "IRO") of Hong Kong imposes tax on property rental income, employment income and business profits. As the Fund does not intend to directly own any land or buildings situated in Hong Kong that derives rental income and will not be generating any employment income, its exposure to Hong Kong tax under the IRO would generally be in connection with business profits (i.e., Profits Tax).

Profits Tax is charged on profits from a trade, profession or business carried on in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business ("Hong Kong Source Profits"). Hong Kong does not levy tax on profits of a capital nature nor is there any general turnover, sales or value added tax.

If the Fund is regarded as carrying on a trade or business in Hong Kong, the Fund will be liable to Hong Kong Profits Tax at the current rate of 16.5% on its Hong Kong Source Profits. For the purposes of the Fund, the Hong Kong Source Profits (except those of a capital nature) may generally include:

- profits arising from the disposal of securities listed on the Hong Kong Stock Exchange;

- profits arising from the disposal of securities over-the-counter where the purchase and/or sale contracts are effected in Hong Kong. The term “effected” in this context does not just refer to the execution of the contracts but also includes the negotiation and all steps leading to the final conclusion of the contracts;
- interest income is generally sourced where the funds are first made available to the borrower. If monies lent are first made available to the borrower outside Hong Kong (e.g., the monies are directly remitted to the offshore bank accounts of the borrower), it should be arguable that the provision of credit was outside Hong Kong and hence the interest income arising there from is offshore sourced. Local bank deposit interest is statutorily tax exempt (note however that different rules apply for a person who is carrying on money lending or financing business).

Note that whilst profits in the nature of capital gains are excluded from taxation in Hong Kong, a tax exempt capital gain claim is generally quite contentious in Hong Kong so it will not necessarily be the case that the Fund can rely on a tax free capital gain claim.

There is no Hong Kong withholding tax imposed on dividends and interest. Hong Kong does not impose withholding tax on interest or dividend paid by a Hong Kong company.

The dividends or interest received from a company maybe subject to China withholding tax if the company is considered as a China tax resident enterprise (“TRE”). Disposal gain of shares or debt instruments of such TRE may also be subject to PRC withholding tax.

The Revenue (Profits Tax Exemption for Offshore Funds) Ordinance 2006 (the “Ordinance”) was enacted on 10 March 2006. Under the Ordinance, the Fund would be exempt from potential Hong Kong profits tax liability, provided that the specific conditions under the Ordinance are met (“Exempt Offshore Fund”).

It is the intention of the Directors to conduct the affairs of the Fund as far as possible in such a manner as to minimize the risk of the Fund being considered as carrying on a trade or business in Hong Kong and/or to comply with all the conditions for exemption from profits tax under the Ordinance but no assurance can be given that profits from the disposal and/or holding of certain investments will not give rise to a liability for profits tax in Hong Kong.

### **Shareholder Level Taxation**

Profits arising from the disposal or redemption of an investment in the Fund will be subject to Profits Tax if the relevant investors are considered as carrying on a trade, profession or business in Hong Kong and such profits are derived from Hong Kong from such trade, profession or business carried on in Hong Kong unless such profits are of capital nature. The nature of an asset as trading or capital will depend on the particular circumstances of each investor. Investors should seek their own independent Hong Kong tax advice on this issue.

Any dividend received by investors from their investment in the Fund will generally not be chargeable to tax in Hong Kong (whether by way of withholding or otherwise) under the current law.

Under the Ordinance, a Hong Kong resident who, inter alia, (i) alone or jointly with its/his associates, holds 30% or more of the beneficial interests in an Exempt Offshore Fund, or (ii) holds any percentage of the beneficial interest in an Exempt Offshore Fund which is an associate of the Hong Kong resident investor would be deemed to have derived otherwise taxable profits of the Exempt Offshore Fund but for the exemption. The deeming provision would not apply where the Fund is bona fide widely held. The disclosure requirements in the Hong Kong tax returns for incorporated and unincorporated entities and individuals specifically require the disclosure of any deemed assessable profits under the Ordinance.

The Fund is an exempted company incorporated with limited liability in the Cayman Islands. On the basis that the registers of Shareholders is not maintained in Hong Kong, the Shares should not constitute Hong Kong stock as defined under the Hong Kong Stamp Duty Ordinance. As

such, the sale and purchase of the Shares by investors should not be subject to Hong Kong Stamp Duty.

## **EUROPEAN UNION SAVINGS DIRECTIVE**

The EU member states have adopted a Savings Directive (2003/48/EC) (“Directive”), which came into effect on 1 July 2005. The Directive requires that “paying agents” in one member state provide to the tax authorities of another member state details of payments of interest or other similar income (including income, by way of distribution or redemption, made by or on behalf of certain investment funds) paid by them to or for the benefit of an individual resident in that other member state. (Instead of providing that information, certain states operate a withholding system in relation to payments of that kind.)

The implementation of the Directive affects certain dependencies and territories of EU member states, including the Cayman Islands, which have voluntarily agreed to apply the same or equivalent measures to those contained in the Directive. In the Cayman Islands, those measures came into effect on July 1, 2005. In common with the Directive, the Cayman Islands legislation applies to “interest payments” made by a “paying agent” to an individual resident in the EU. Under the Cayman Islands legislation, “interest payment” includes income paid (by way of distribution or redemption) by or on behalf of certain UCITS or “equivalent undertakings for collective investment established in the Cayman Islands” (called a “UCITS equivalent”).

The Fund is not a licensed fund under Section 5 of the Mutual Funds Law. As such, for the purpose of the Cayman Islands legislation, it is not a UCITS equivalent and, accordingly, is “out of scope.”

For the purpose of the Directive, the Transfer Agent will make the payments to Shareholders and will usually be the paying agent. The Transfer Agent is located outside the EU and is therefore outside the scope of the Directive.

However, a Shareholder may become a paying agent for purpose of the Directive if:

- (A) that Shareholder is based in the EU or certain states that have agreed to implement measures equivalent to those contained in the Directive (including Switzerland, the Channel Islands and Monaco); and
- (B) that Shareholder makes an investment in the Fund on behalf of other underlying investors who are individuals or certain unincorporated entities resident in the EU.

In those circumstances, under implementing legislation in that Shareholder’s country of residence, the Shareholder may be required to do the following:

- (i) obtain all relevant information relating to its underlying investors and their indirect investment in the Fund; and
- (ii) make returns to the appropriate tax authorities, or withhold tax at applicable rates from any distribution made to underlying investors in respect of a payment received from the Fund.

## **OTHER JURISDICTIONS**

It is possible that certain dividends, interest and other income received by the Fund from sources within certain countries will be subject to withholding taxes imposed by such countries. In addition, the Fund may also be subject to capital gains taxes or other taxes in some of the countries where it purchases and sells securities or otherwise conducts business. It is impossible to predict the rate of tax that will be paid in advance since the amount of the assets of the Fund to be invested in various countries is not known.



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## GENERAL

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### THE FUND

The Fund is an exempted company incorporated with limited liability under the Companies Law. Its constitution is defined in its Memorandum and Articles of Association. The Fund's objects, as set out in Clause 3 of its Memorandum of Association, are unrestricted and so include the carrying on of the business of an investment company.

All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of, the Memorandum and Articles of Association of the Fund. The liability of a Shareholder is limited to the amount, if any, unpaid on their Shares. As Shares may only be issued if they are fully paid, a Shareholder will not be liable for any debt, obligation or default of the Fund beyond its interests in the Fund.

### SHARE CAPITAL

The Fund has an authorised share capital of US\$50,000 which is made up of 100 Management Shares of US\$1.00 par value each and 4,990,000 ordinary participating shares of US\$0.01 par value each which may be issued in different classes.

The authorised share capital of the Fund may be increased or reduced subject to the provisions of the Articles and the Companies Law. The Directors are authorised under the Articles to resolve from time to time the Class to which Shares are to be designated and/or redesignated.

The Articles provide that unissued ordinary shares of the Fund are at the disposal of the Directors who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Directors may determine. All ordinary shares will be issued in registered form only.

There are no provisions under the laws of the Cayman Islands or under the Articles conferring pre-emption rights on the holders of ordinary shares of the Fund or Management Shares.

No capital of the Fund is under option or agreed conditionally or unconditionally to be put under option.

### RIGHTS OF THE MANAGEMENT SHARES

The Management Shares are held by the Manager. The Management Shares do not participate in the profits and losses of the Fund, carry no right to dividends and on a winding up rank only for the return of the capital paid up thereon after the return of the capital paid up on the Shares. Management Shares are not redeemable.

Except as described under "Rights of the Shares" below, the holders of the Management Shares have the exclusive right to vote (to the exclusion of the holders of the Shares and the Voting Shares) in respect of all matters relating to the Fund.

### RIGHTS OF THE SHARES

Shares within each Class carry an equal right to such dividends and other distributions as the Directors may declare. Each holder of Shares will be entitled to one Voting Share. Except as described below, the holders of Shares have no right to vote. On a winding-up, the Shares are entitled, in priority to the Management Shares, to the return of the capital paid up thereon and the surplus assets of the Fund attributable to each Class will be distributed among the holders of Shares of that Class according to the number of such Shares held by each of them.

For so long as the authorised share capital is divided into different classes of shares, the rights attached to any class may only be modified with the consent in writing of holders of not less than two-thirds of the issued shares of that class or with the sanction of a special resolution (a two-thirds majority of votes cast) passed at a general meeting of the holders of the shares of that class. For such purposes the Directors may treat all classes of shares as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration but in any other case shall treat them as separate classes. On a show of hands at a general meeting of the holders of the shares of the relevant class, every such holder who is present in person or by proxy shall have one vote and on a poll every such holder present in person or by proxy shall be entitled to one vote in respect of each share held by him.

The holders of Voting Shares may, at any time, resolve to appoint and/or remove any one or more Directors. In relation to any such resolution, each holder of a Voting Share is entitled to one vote. A resolution to appoint or remove a Director shall be passed if approved by such number of holders of Voting Shares as represents a simple majority of all Shareholders.

### **CHANGE IN SHARE CAPITAL**

The Fund may increase or reduce its authorised share capital, divide all or any of its share capital into shares of smaller amount or combine all or any of its share capital into shares of larger amount.

### **VARIATION OF OFFERING TERMS**

Subject to applicable law, the Fund, may amend this Memorandum without the approval of Shareholders, to vary the offering terms applicable to any Shares (as distinct from the modification of the rights attaching to a Class, as discussed above) in any of the following ways:

- (i) by making any change that, in the opinion of the Directors, will not adversely affect the Shareholders in any material respect; or
- (ii) by making a change that is necessary or desirable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, statute, ruling or regulation of any relevant regulator, court of competent jurisdiction, government or government entity, including any tax authority; or
- (iii) by making any change that the Directors consider may or is likely to adversely affect the Shareholders in a material respect (including amendments to the trading program, fees charged to the Fund by Manager and the liquidity terms of the Shares), provided that any such amendment does not become effective until after the affected Shareholders have been given written notice of the change and have had the opportunity to redeem any Shares so affected.

The Fund may amend this Memorandum to vary the offering terms applicable to any Shares with the consent of the Shareholders owning a majority by value of all outstanding Shares of the relevant Class or Classes at the time of the amendment provided that such amendment does not discriminate amongst Shareholders. A meeting convened to consider such an amendment will generally follow the provisions of the Articles relating to general meetings. If the Fund seeks such approval from Shareholders, then following the giving of notice of the proposed amendment, the Fund shall request a response for or against the proposed amendment. The Fund shall deem a lack of response from a Shareholder to constitute the consent of such Shareholder to the amendment.

### **GENERAL MEETINGS**

The Directors may convene meetings of the Fund at such time and in such manner and place as the Directors consider necessary or desirable, and they shall convene such a meeting upon the written request of Shareholders holding 25 per cent or more of the issued Shares. At least 14 clear days' notice specifying the place, day and time of the meeting and the general nature of the business to be transacted shall be given.

No business shall be transacted at any meeting of Shareholders unless a quorum is present. A quorum shall (if the Fund has more than one Shareholder) consist of at least two Shareholders present in person or by proxy. If within 30 minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the request of the Shareholders, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week. If at such adjourned meeting a quorum of two Shareholders present in person or by proxy is not present within thirty minutes from the time appointed for the meeting, the Shareholder present shall be a quorum.

The vote of the person first named in the register of Shareholders shall be accepted as the vote of joint Shareholders, to the exclusion of the votes of the other joint holders. Votes may be cast in person or by proxy.

## **WINDING UP**

The Fund may voluntarily commence to wind up and dissolve by a special resolution of the holders of the Management Shares.

## **MATERIAL CONTRACTS**

The Fund has entered into the following contracts which are, or may be, material:

- (A) a management agreement between the Fund and the Manager pursuant to which the Manager was appointed to provide certain management services to the Fund;
- (B) an investment management agreement between the Fund, the Manager and the Investment Manager pursuant to which the Investment Manager was appointed to provide certain investment management services to the Fund;
- (C) an administration agreement between the Fund and the Administrator pursuant to which the Administrator was appointed administrator of the Fund;
- (C) an transfer agency agreement between the Fund and the Transfer Agent pursuant to which the Transfer Agent was appointed transfer agent of the Fund;
- (D) a prime brokerage agreement between the Fund and Credit Suisse Securities (Europe) Limited pursuant to which Credit Suisse Securities (Europe) Limited was appointed to provide prime brokerage and custodian services to the Fund; and
- (E) prime brokerage agreements between the Fund and Deutsche Bank AG pursuant to which Deutsche Bank AG was appointed to provide prime brokerage and custodian services to the Fund.

These contracts are summarised in the section headed “Management and Administration” above.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Subject to any applicable confidentiality provisions, the following documents are available for inspection during the normal business hours, on weekdays (except Saturdays, Sundays and public holidays) at the registered office of the Fund:

- (A) the Articles;
- (B) the Companies Law and the Mutual Funds Law;
- (C) the Material Contracts; and
- (D) the most recent audited financial statements of the Fund.

Copies of these documents may be obtained free of charge from the Investment Manager.

## **DIRECTORS' REPORT**

The Fund has not, since its incorporation, commenced operations, declared any dividends or made up any accounts. The Fund does not have, nor since its incorporation has it had, any employees, nor is it expected to have any in the future.

Since its incorporation, the Fund has not been, nor is it currently, engaged in any litigation or arbitration. So far as the Directors are aware, no litigation or claim is pending or threatened against the Fund.

## **INQUIRIES**

Inquiries concerning the Fund and this offering (including information concerning subscription procedures) should be directed to the Investment Manager.