

THIRD ADDENDUM

CHINA UNIVERSAL INTERNATIONAL SERIES (the “Fund”)

This Third Addendum should be read in conjunction with, and forms part of, the Explanatory Memorandum for the Fund dated October 2015, the First Addendum dated 26 September 2016 and the Second Addendum dated 31 October 2016 (collectively, the “Explanatory Memorandum”). All capitalised terms herein contained shall have the same meaning in this Third Addendum as in the Explanatory Memorandum, unless otherwise indicated.

China Universal Asset Management (Hong Kong) Company Limited (the “**Manager**”) accepts full responsibility for the accuracy of the information contained in this document at the date of publication, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this document misleading.

Unless otherwise stated herein, the Explanatory Memorandum remains in full force and effect.

With effect from 9 February 2017 (the “**Effective Date**”), the following changes will be made to the Explanatory Memorandum:

I. Establishment of CUAM Select US Dollar Bond Fund (the “Sub-Fund”)

The Manager has decided to establish a further Sub-Fund named CUAM Select US Dollar Bond Fund with effect from the Effective Date. Accordingly, the Explanatory Memorandum is revised as follows with effect from the Effective Date:-

1. The first bullet point under the section headed “**Introduction**” on page 3 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:
 - “ • This Explanatory Memorandum and the Product Key Facts Statements together form part of the offering document of China Universal International Series (the “Fund”) and its Sub-Funds, CUAM RMB Bond*plus* Fund, CUAM China-Hong Kong Strategy Fund, CUAM Hong Kong Dollar Bond Fund and CUAM Select US Dollar Bond Fund.”
2. The following are inserted as the eighth and ninth bullet points under the section headed “**Introduction**” on page 3 of the Explanatory Memorandum:
 - “ • CUAM Select US Dollar Bond Fund seeks to provide investors with a stable and consistent investment return over medium to long term by investing primarily in USD denominated debt securities instruments.
 - CUAM Select US Dollar Bond Fund is denominated in USD”
3. The definition “**US\$**” under section headed “**Definitions**” on page 8 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

““**US\$**” or “**USD**” Means the lawful currency of the United States of America”
4. The second paragraph under section headed “**Introduction**” on page 9 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

“China Universal International Series is an umbrella unit trust currently offering 4 Sub-Funds. The Manager may create further Sub-Funds in the future. Investors should contact the Authorised Distributor or Manager to obtain the latest offering document relating to the available Sub-Funds.”

5. The sixth paragraph under the sub-section headed “(xxvi) Foreign Account Tax Compliance Act” under the section headed “Risk Factors” on page 39 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

Name of Fund and Sub-Funds	GIIN
China Universal International Series	74X8RR.99999.SL.344
CUAM RMB Bond <i>plus</i> Fund	E1VD5H.99999.SL.344
CUAM China-Hong Kong Strategy Fund	CJQ8W6.99999.SL.344
CUAM Hong Kong Dollar Bond Fund	G3YCY1.99999.SL.344
CUAM Select US Dollar Bond Fund	68I5Y3.99999.SL.344

6. The following is inserted as Appendix IV of the Explanatory Memorandum after “Appendix III – CUAM Hong Kong Dollar Bond Fund”:

“APPENDIX IV – CUAM Select US Dollar Bond Fund

This Appendix comprises information in relation to CUAM Select US Dollar Bond Fund, a Sub-Fund of the Fund.

Definition

For this Sub-Fund, “HK Business Day” shall mean a day (other than a Saturday) on which banks and stock exchanges in Hong Kong are open for normal business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a HK Business Day unless the Manager and the Trustee determine otherwise.

Initial Offer

Units of CUAM Select US Dollar Bond Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 9 February 2017 to 4 p.m. (Hong Kong time) on 27 March 2017 (or such other dates as the Manager and the Trustee may determine). It is expected that the first Dealing Day will be 28 March 2017. If any such day is not a HK Business Day, the following HK Business Day will become the first Dealing Day.

The classes which will be offered in the initial offer period and their respective initial offer prices (exclusive of preliminary charge) are set out below:-

Class	Initial offer price per Unit (exclusive of preliminary charge)
Class A HKD Units	HKD10
Class A RMB Unit	RMB10
Class A USD Units	USD1
Class I HKD Units	HKD10
Class I RMB Units	RMB10
Class I USD Units	USD1

The Manager is entitled to charge a preliminary charge of up to 5.00% of the initial offer price.

Units will be issued after closing of the initial offer period in respect of applications (together with application moneys in cleared funds) received prior to 4 p.m. (Hong Kong time) on the last day of the initial offer period and accepted by the Manager (or such later time as the Manager may agree). If applications are received after that time, such applications shall be processed on the next Dealing Day.

The Manager has set a minimum total subscriptions amounting to HKD25,000,000 or equivalent to be received during the initial offer period failing which the Manager may at its discretion decide to launch the Sub-Fund or extend the initial offer period or decide that the Sub-Fund shall not launch. The Manager and the Trustee may determine in their discretion that the initial offer period be extended to such date and time as the Manager and the Trustee think fit. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest normally within 7 Business Days by cheque through the post, by telegraphic transfer to the bank account from which the moneys originated, at the risk and expense of the applicants or in such other manner determined by the Manager and the Trustee.

Application Moneys / Realisation Proceeds

Application moneys for this Sub-Fund should be made in the relevant class currency. Arrangements can also be made for applicants to pay for Units in most other major currencies and in such cases, the cost of currency conversion will be borne by the applicant. Please refer to the relevant sections of the Explanatory Memorandum, i.e. "Payment Procedures" of "Purchase of Units" and "Payment of Realisation Proceeds" of "Realisation of Units" for further details.

Base Currency

The base currency of the Sub-Fund is USD.

Investment Objective

The investment objective of the Sub-Fund is to seek to provide investors with a stable and consistent investment return over medium to long term by investing primarily in USD denominated debt securities instruments.

Investment Policy

CUAM Select US Dollar Bond Fund mainly invests in debt securities instruments including (but not limited to) long-term bonds, medium-term notes, bills, convertible bonds, contingent convertible bonds, subordinated debt, Dim Sum bonds, asset-backed debt securities, mortgage-backed securities, asset-backed commercial paper, certificate of deposits and commercial papers.

The Sub-Fund will primarily invest at least 70% of its Net Asset Value in USD denominated debt securities instruments. The Sub-Fund may invest less than 30% of its Net Asset Value in other debt securities instruments which are denominated in non-USD currencies.

The Sub-Fund may invest in debt securities instruments which are rated investment grade or below investment grade as well as unrated (which in the opinion of the Manager are suitable for achieving the investment objective of the Sub-Fund). The Sub-Fund may at times invest up to 100% of its Net Asset Value in below investment grade or unrated debt securities instruments. "Investment grade" means a rating of BBB- or above from Standard & Poor's and Fitch, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security. "Unrated debt securities" means a debt security which neither the security itself nor its issuer has a credit rating.

The Sub-Fund is not subject to any limitation on the portion of its Net Asset Value that may be invested in any one country or region, and the weight in one country may go up to 100% of the Sub-Fund's Net

Asset Value. The countries and regions in which the Sub-Fund may invest include, but are not limited to: US and European countries. The Sub-Fund may invest up to 20% of its Net Asset Value in onshore mainland China debt securities market (including urban investment bonds) (via the China Interbank Bond Market or using the RQFII quota of the Manager (as RQFII holder) or through investment in other collective investment schemes or such other means as may be permitted under applicable laws and regulations from time to time). The Sub-Fund will not focus its investment in any specific industries or sectors although the allocation in certain industry or sector may be relatively significant, depending on the Manager's assessment at different times.

The Sub-Fund may invest up to 100% of its Net Asset Value in asset-backed debt securities, mortgage-backed securities and asset-backed commercial papers.

The Sub-Fund may invest less than 30% of its Net Asset Value in contingent convertible bonds. These bonds may have non-viability and/or loss absorption convertible features and may be subject to compulsory conversion by the issuer into ordinary shares upon the occurrence of a trigger event (which may be out of the issuer's control, for example when the tier 1 capital adequacy ratio of an issuer (which is a bank) falls below a certain level and the Sub-Fund may hold such ordinary shares as a result. The Sub-Fund will dispose of such ordinary shares as soon as possible taking into account the market conditions at that time.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by and/or guaranteed by any single sovereign issuer (including its government, a public or local authority of that country) with a credit rating below investment grade or unrated.

The Sub-Fund will not buy equity securities. However, depending on the market conditions, there may be a possibility that the Manager will convert the invested convertible bonds to equities to realize the profits. In this case, the equities will be sold as soon as possible taking into account the market conditions at that time. The Sub-Fund's aggregate exposure to such equities will be less than 30% of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest up to 30% of its Net Asset Value in other collective investment schemes which are authorized by the SFC or recognized jurisdiction schemes (except that not more than 10% of the Sub-Fund's Net Asset Value may be invested in other collective investment schemes which are non-recognized jurisdiction schemes and not authorized by the SFC). The Sub-Fund will not invest in exchange-traded funds ("ETFs") and/or real estate investment trusts ("REITS").

Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may invest temporarily up to 100% of its Net Asset Value in cash or cash equivalents for cash flow management.

The Sub-Fund may employ financial derivative instruments such as future and forwards for hedging purposes only and will not invest in financial derivative instruments for investment purposes. The Sub-Fund will not invest in any structured deposits or structured products.

The Sub-Fund will not engage in securities lending transactions or repurchase or reverse repurchase transactions or similar over-the-counter transactions in respect of the Sub-Fund. Prior approval will be sought from the SFC and at least one month's prior notice will be given to unitholders should there be a change in such intention.

The asset allocation of the Sub-Fund may change taking into account different factors including but not limited to the Manager's views of the fundamental economic and market conditions, investment trends across the globe, the duration and yield of the debt securities, the credit rating of the debt securities and their issuers.

Investment Restrictions

Investors should refer to the relevant investment restrictions under the section headed "**Investment and Borrowing Restrictions**" in the main part of the Explanatory Memorandum.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum, in particular, “Emerging market risk”, “Interest rates risk”, “Credit risk”, “Counterparty risk”, “Valuation risk”, “Settlement risk”, “China market risk”, “Over-the-counter markets risk”, “Hedging transactions risk”, “Restricted markets risk”, “RQFII risk”, “PRC tax considerations”, “Custodial risk”, “Risk of termination” and “Foreign Account Tax Compliance Act” and the following specific risk factors in respect of the Sub-Fund:-

Investment risk - The instruments invested by the Sub-Fund may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of dividend or distribution payments during the period an investor holds units in the Sub-Fund. There is no guarantee of the repayment of principal.

Concentration risk - The Sub-Fund may invest only in a specific country/region. Although the Sub-Fund’s portfolio will be well diversified in terms of the number of holdings, investors should be aware that the value of the Sub-Fund is likely to be more volatile than that of a broad-based fund, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the respective countries/regions.

Eurozone risk - In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Sub-Fund’s investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of EU members from the Eurozone, may have a negative impact on the value of the Sub-Fund.

Currency risk - The Sub-Fund may be invested in part in assets quoted in currencies other than its base currency. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. The performance and the Net Asset Value of the Sub-Fund will therefore be affected unfavourably by movements in the exchange rate between the currencies in which the assets are held and the base currency of the Sub-Fund and by changes in exchange rate controls. Since the Manager aims to maximise returns for the Sub-Fund in terms of its base currency, investors in the Sub-Fund may be exposed to additional currency risk.

Risk relating to credit rating - The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

Downgrading risk - Investment grade securities or the credit rating of the issuer may be subject to the risk of being downgraded to below investment grade or unrated. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Sub-Fund’s investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the Sub-Fund.

Liquidity and volatility risk - Some of the markets (e.g. emerging markets) in which a Sub-Fund invests may be less liquid and more volatile than the world’s leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may suffer significant trading costs. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund’s ability to acquire or dispose of such securities at their intrinsic value.

Risk relating to convertible bonds - This Sub-Fund may invest up to 100% in convertible bonds, which shares similar characteristics and nature of debt and equity, permitting holders to convert into shares in the company issuing the bond at a specific future date. Convertible bonds will be exposed to equity movement and greater volatility than straight bond investments. Investment in convertible bonds are subject to the same credit, interest rate, liquidity and prepayment risks associated with comparable straight bond investments and market risks with both debt securities and equity securities and any risk specific to convertible bonds. Convertible bonds may also be subject to lower liquidity than the underlying equities. Therefore, investors should be prepared for greater volatility than normal bond investments, with an increased risk of capital loss.

Risks associated with investment in instruments with non-viability / loss absorption convertible features - Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis. Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Contingent convertible bonds are also subject to additional risks specific to their structure including:

(i) Trigger level risk

Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager of the Sub-Fund invested in contingent convertible bonds to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible bonds into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

(ii) Coupon cancellation

Coupon payments on some contingent convertible bonds are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible bonds may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

(iii) Capital structure inversion risk

Contrary to the classic capital hierarchy, investors in contingent convertible bonds may suffer a loss of capital when equity holders do not, for example when the loss absorption mechanism of a high trigger/write down of a contingent convertible bond is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

(iv) Call extension risk

Some contingent convertible bonds are issued as perpetual instruments and only callable at pre-determined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible bonds will be called on a call date. Contingent convertible bonds are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

(v) Conversion risk

Trigger levels differ between specific contingent convertible bonds and determine exposure to conversion risk. It might be difficult at times for the Manager of the Sub-Fund to assess how the contingent convertible bonds will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. Given the trigger event is likely to be some event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some loss.

(vi) Valuation and write-down risk

Contingent convertible bonds often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible bonds may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

(vii) Market value fluctuations due to unpredictable factors

The value of contingent convertible bonds is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible bonds; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

(viii) Liquidity risk

In certain circumstances finding a buyer ready to invest in contingent convertible bonds may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of the bond in order to sell it.

(ix) Sector concentration risk

Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in contingent convertible bonds will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

(x) Subordinated instruments

Contingent convertible bonds will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible bonds, such as the Sub-Fund, against the issuer in respect of or arising under the terms of the contingent convertible bonds shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

(xi) Novelty and untested nature

The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

Risk relating to below investment grade and unrated securities - This Sub-Fund may invest up to 100% of its Net Asset Value in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher credit risk and volatility risk and a greater possibility of default and greater risk of loss of principal and interest than more highly rated securities. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. In addition, the market for securities which are unrated or rated below investment grade and/or have a lower credit rating generally is of lower liquidity and less active than that for higher rated securities and the Sub-Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

Credit rating agency risk - The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore not be directly comparable with those given by other international rating agencies.

Sovereign debt risk - Certain developing countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations ("**Sovereign Debt**") issued or guaranteed by developing countries governments or their agencies ("**governmental entities**") involves a high degree of risk such as political, social and economic risk. The governmental entity that controls the repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their Sovereign Debt. Holders of Sovereign Debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which Sovereign Debt on which a governmental entity has defaulted may be collected in whole or in part. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Risk relating to equities - The Sub-Fund may hold equities in the event that the Manager converts the invested convertible bonds to equities. The Sub-Fund's investment in equity securities is subject to general market risks. The value of such investments may be affected by uncertainties such as investment sentiment, international, political and economic developments issuer-specific factors or changes in

government policies. In falling equity markets there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons.

Risk of using financial derivative instruments - The use of financial derivatives instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, non-redeemable risk, valuation risk, over-the-counter transaction risk and issuer's defaults risk. In adverse situations, the use of financial derivative instruments for hedging purposes may become ineffective and the Sub-Fund may suffer significant losses.

Risk of investing in asset-backed securities, mortgage-backed securities and asset-backed commercial papers - The Sub-Fund may invest up to 100% in asset-backed securities, mortgage-backed securities and asset-backed commercial papers, which are a kind of structured debt instruments, provide exposure, synthetically or otherwise, to underlying assets and the risk/ return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. The underlying assets can take many forms including, but not limited to, credit card receivables, corporate loans, or any type of receivables from a company or structured vehicle that has regular cash flows from its customers.

These instruments may be highly illiquid and prone to substantial price volatility. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently the Sub-Fund investing in these instruments may be more susceptible to liquidity risk. The liquidity, credit and interest rate risks of these instruments can be higher than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

In addition, these instruments are subject to extension and prepayment risk and risks that the payment obligations relating to the underlying assets are not met. The assets underlying these instruments may generally be prepaid at any time by the related borrowers. The prepayments may be used to prepay all or partial of the principal balance. As a result, the yield to maturity and market value of some of these instruments may be adversely affected by the rate of prepayments of the underlying assets. Some of these instruments that the Sub-Fund invests in are particularly sensitive to prepayment rates and, as a result, their yields to maturity and market values are expected to be highly volatile. These instruments are also subject to credit risk and valuation risk. The Sub-Fund may therefore suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Risk of investing in other collective investment schemes - The Sub-Fund may invest in other collective investment schemes which may not be regulated by the SFC or are non-recognized jurisdiction schemes. In addition to the fees and expenses charged by the Sub-Fund, investors should note that there are additional fees involved when investing in these underlying collective investment schemes, including fees and expenses charged by the investment managers of these underlying collective investment schemes as well as fees payable by the Sub-Fund during its subscription to and redemption from these underlying collective investment schemes. Furthermore, there can be no assurance that the liquidity of these underlying collective investment schemes will always be sufficient to meet redemption request as and when made. Besides, investment decisions of these underlying collective investment schemes will be made independently of the Manager. There is no assurance that the investment objective and strategy of these underlying collective investment schemes will be achieved despite the selection and monitoring process undertaken by the Manager. If the Sub-Fund invests in other collective investment schemes

managed by the Manager or its connected persons, all initial charges on these underlying collective investment schemes must be waived, and the Manager must not obtain rebate of any fees or charges levied by these underlying collective investment schemes. In case any conflict of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly.

Risks associated with China interbank bond market - Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China interbank bond market may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that the Sub-Fund transacts in the China interbank bond market, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Since the relevant filings and account opening for investment in the China interbank bond market have to be carried out via an onshore settlement agent, the Sub-Fund is subject to the risks of default or errors on the part of the onshore settlement agent.

The China interbank bond market is also subject to regulatory risks. The relevant rules and regulations on investment in the China interbank bond market is subject to change which may have potential retrospective effect. In the event that the relevant Chinese authorities suspend account opening or trading on the China interbank bond market, the Sub-Fund's ability to invest in the China interbank bond market will be limited and, after exhausting other trading alternatives, the Sub-Fund may suffer substantial losses as a result.

Renminbi currency and conversion risk - RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. Such policies may change in future. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (e.g. HKD) will not depreciate. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Depending on the nature of the change and other factors such as the prevailing economic conditions, RMB may depreciate and the Sub-Fund's or the investors' position may be adversely affected. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

RMB classes related risk - The prices of Units in the RMB classes are denominated in RMB, but the Sub-Fund will have limited RMB-denominated underlying investments and its base currency is USD. As such, even if the prices of underlying investments and/or value of the base currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the underlying investments and/or the base currency more than the increase in the value of the underlying investments and/or the base currency. Furthermore, if RMB appreciates against the currencies of the underlying investments and/or the base currency, and the value of the underlying investments decreased, the value of investors' investments in RMB classes may suffer additional losses.

Investors investing in RMB classes must subscribe for Units and will normally receive redemption proceeds in RMB. Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of RMB classes and/or pay dividends (if any) if all or a substantial portion of its underlying investments are non-

RMB denominated. Therefore, even if the Sub-Fund aims to pay redemption proceeds and/or dividends to investors of RMB classes in RMB, investors may not receive RMB upon redemption of investments or receive dividend payments (if any) in RMB. There is also a risk that payment of investors' redemption proceeds in RMB may be delayed when there is not sufficient RMB for currency conversion for settlement of the redemption proceeds.

When calculating the value of the RMB classes, the offshore RMB in Hong Kong (the "CNH") will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB in China (the "CNY") and there may be significant bid and offer spreads. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

The value of the RMB classes thus calculated will be subject to fluctuation. The exchange rate of RMB may rise or fall. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of RMB could adversely affect the value of investors' investments in the RMB classes of the Sub-Fund. Non-RMB based (e.g. Hong Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB classes. Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the units) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds.

Risk of investing in urban investment bonds - In view of limitations on directly raising funds, local governments in the PRC have set up numerous entities known as "Local Government Financing Vehicles" (LGFVs) to borrow and fund local development, public welfare investment and infrastructure projects. Urban investment bonds are issued by LGFVs. Local governments may be seen to be closely connected to urban investment bonds, as they are shareholders of the LGFVs issuing such bonds. However, urban investment bonds are typically not guaranteed by the relevant local governments or the central government of the PRC.

As such, local governments or the central government of the PRC are not obligated to support any LGFVs in default. The LGFVs' ability to repay debts depends on various factors, including the nature of the business of such LGFVs, the financial strength of such LGFVs and the extent to which the relevant local governments are prepared to support such LGFVs. Slower revenue growth at some local governments may constrain their capacity to provide support, while regulatory constraints may also limit local governments' ability to inject land reserves into LGFVs. Further, local governments have taken on debt in various other forms, and recent analyses show that increased financing activities have posed a risk to local government finances. If a LGFV encounters financial difficulties, without the local government's support, there is a risk of possible defaults on payment of principal or interest of urban investment bonds issued by the LGFV. This could result in substantial losses in the Sub-Fund's investments in debts issued by such LGFV, and as a result, the Sub-Fund's Net Asset Value will be adversely affected.

"Dim Sum" bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market risks - The "Dim Sum" bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

Risks associated with distributions out of / effectively out of capital - The Manager may at its discretion make distributions from capital or gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the Sub-Fund's capital. Unitholders should note that the distributions paid out of capital or effectively out of capital amount to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of the Sub-Fund's capital or payment of distributions effectively out of the Sub-Fund's capital (as the case may be) will result in an immediate reduction of the Net Asset Value per Unit and will reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.

Available Classes

Class A HKD Units, Class A RMB Units and Class A USD Units are available for sale to the retail public in Hong Kong.

Class I HKD Units, Class I RMB Units and Class I USD Units are offered to institutional investors or other investors determined by the Manager.

Investment Minima

Minimum Subscription Amount	Class A HKD Units: HKD 8,000 Class A RMB Units: RMB 8,000 Class A USD Units: USD 1,000 Class I HKD Units: HKD 4,000,000 Class I RMB Units: RMB 4,000,000 Class I USD Units: USD 500,000
Minimum Subsequent Subscription Amount	Class A HKD Units: HKD 8,000 Class A RMB Units: RMB 8,000 Class A USD Units: USD 1,000 Class I HKD Units: HKD 4,000,000 Class I RMB Units: RMB 4,000,000 Class I USD Units: USD 500,000
Minimum Holding	Class A HKD Units: HKD 8,000 Class A RMB Units: RMB 8,000 Class A USD Units: USD 1,000 Class I HKD Units: HKD 4,000,000 Class I RMB Units: RMB 4,000,000 Class I USD Units: USD 500,000
Minimum Realisation Amount	Class A HKD Units: HKD 8,000 Class A RMB Units: RMB 8,000 Class A USD Units: USD 1,000 Class I HKD Units: HKD 4,000,000 Class I RMB Units: RMB 4,000,000 Class I USD Units: USD 500,000

Fees

Preliminary Charge (% of Issue Price)	Class A & Class I: Up to 5%
Realisation Charge (% of Realisation Price)	Class A & Class I: Nil
Conversion Charge (% of the Issue Price of the Units of the new Sub-Fund in relation to the conversion of Units)	Class A & Class I: Up to 1%
Management Fee (% Net Asset Value of the Sub-Fund)	Up to 3% p.a. Current rate*: Class A: 0.75% p.a. Class I: 0.5% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	Up to 0.5% p.a. Current rate*: Class A & Class I: Currently up to 0.15% p.a., subject to a minimum monthly fee of USD 5,000 which is waived for the first year of the initial launch of the Sub-Fund
Custody Fee (% Net Asset Value of the Sub-Fund)	Class A & Class I: up to 0.1% p.a.

* *The current annual rate may be increased up to the specified permitted maximum level as set out in the Explanatory Memorandum by giving not less than one month's prior notice to the investors.*

Certain Charges, Fees and Expenses to be borne by the Manager

In general, the Sub-Fund bears the charges, fees and expenses which are directly attributable to it in accordance with the Trust Deed (including but not limited to the Management Fee, Trustee Fee and Custody Fee). However, the Manager may at its discretion decide to bear certain charges, fees and expenses which are attributable to the Sub-Fund, starting from the launch date of the Sub-Fund until a future date as notified by the Manager. The portion of the charges, fees and expenses to be borne by the Manager may vary from year to year. The Sub-Fund will bear all other charges, fees and expenses in accordance with the Trust Deed (including but not limited to the Management Fee, Trust Fee and Custody Fee) which have not been borne by the Manager.

At least one month notice will be given to Unitholders before the Manager ceases to bear the aforementioned charges, fees and expenses attributable to the Sub-Fund and this Explanatory Memorandum will be updated accordingly.

Establishment Costs

The establishment costs of CUAM Select US Dollar Bond Fund amount to approximately USD75,000 and will be borne by the Manager.

Dealing Day

Dealings in Units of the Sub-Fund will be on a daily basis, with the Dealing Day being each HK Business Day.

Dealing Deadline

4:00 p.m. (Hong Kong time) on the relevant Dealing Day.

Subscription, Realisation and Conversion of Units

For details regarding the procedures for subscription, realisation and conversion, see the main part of the Explanatory Memorandum under “Purchase of Units”, “Realisation of Units” and “Conversion between Sub-Funds”.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. It is currently intended that distribution will be made on a quarterly basis (i.e. March, June, September and December each year) payable in the base currency or class currency of the relevant classes. There is no guarantee of regular distribution and if distribution is made the amount being distributed.

The Manager may at its discretion pay distributions out of the Sub-Fund’s net distributable income and/or capital if the net distributable income is insufficient to pay distributions as declared or pay distributions out of gross income while charging/paying all or part of the fees and expenses to/out of the Sub-Fund’s capital. Where distributions are paid out of gross income while charging/paying all or part of the fees and expenses to/out of the capital of the Sub-Fund, this will result in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund will effectively pay distributions out of capital. This will reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.

In the event the net distributable income and/or capital of the Sub-Fund are insufficient to pay distributions, the Manager may at its discretion not to make any distributions.

Compositions of the distributions (if any) (i.e. the relative amounts paid out of (i) net distributable income; and (ii) capital) for the last 12 months would be made available by the Manager on request and also on the Manager’s website (www.99fund.com.hk). Please note that this website has not been reviewed by the SFC.

Unitholders should be aware of the effects of making distributions out of capital and pay attention to the relevant risk disclosures as set out under the risk factor headed “**Risks associated with distributions out of / effectively out of capital**” under the section headed “**Specific Risk Factors**”.

The Manager may amend the distribution policy subject to SFC’s prior approval and by giving not less than one month’s prior notice to Unitholders.”

Valuation

The Valuation Point is the close of business in the last relevant market to close on each Dealing Day.

Termination

The Sub-Fund may be terminated by the Manager on notice in writing if on any date, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than RMB 50 million or equivalent.

Accounts

The first annual report and audited accounts for the Sub-Fund will cover the period up to 31 December 2017.”

China Universal Asset Management (Hong Kong) Company Limited

9 February 2017